

## **1. Green Bonds to have Long Tenure, says Centre**

**Prelims Syllabus:** Investments, Investment Models

**Mains Syllabus:** GS-III Investment Models.

### **Why in News?**

- Asserting that the issuance of sovereign green bonds is part of the government's overall borrowing programme, Economic Affairs Secretary Ajay Seth has said these rupee-denominated papers will have long tenure to suit the Requirement of Green Infrastructure Projects.

### **About the News:**

- Finance Minister Nirmala Sitharaman in her Budget speech announced that the government proposes to issue sovereign green bonds to mobilise resources for green infrastructure.
- The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy which is a part of the overall borrowing for the Next Financial Year.

### **What is a Green Bond?**

- A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
- These bonds are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers' other debt obligations.
- Green bonds may come with tax incentives to enhance their attractiveness to investors.
- The World Bank is a major issuer of green bonds. It has issued 164 such bonds since 2008, worth a combined \$14.4 billion. In 2020, the total issuance of green bonds was worth almost \$270 billion, according to the Climate Bond Initiative.

### **How Does a Green Bond Work?**

- Green bonds work just like any other corporate or Government Bond.
- Borrowers issue these securities in order to secure financing for projects that will have a positive environmental impact, such as ecosystem restoration or reducing pollution.
- Investors who purchase these bonds can expect to make as the bond matures.
- In addition, there are often Tax Benefits for Investing in Green Bonds.

### **Green Bonds Vs Blue Bonds:**

- Blue bonds are sustainability bonds to finance projects that protect the ocean and related ecosystems.
- This can include projects to support sustainable Fisheries, protection of coral reefs and other Fragile Ecosystems, or reducing Pollution and Acidification.
- All blue bonds are green bonds, but not all Green Bonds are blue bonds.

### **Green Bonds Vs Climate Bonds:**

- “Green bonds” and “climate bonds” are sometimes used interchangeably, but some authorities use the latter term specifically for projects focusing on reducing carbon Emissions or Alleviating the Effects of Climate Change.

