25 June 2025

BY email to Ministry of Finance (MOF)

ASIFMA Submission to Draft Framework of India's Climate Finance Taxonomy

Dear Ms Pathak

The Asia Securities Industry and Financial Markets Association ("ASIFMA") [1], on behalf of its members appreciates the opportunity to provide feedback on the Draft Framework of India's Climate Finance Taxonomy and welcomes the opportunity for engagement with MOF. We acknowledge India's sustainable finance ambitions and continued efforts towards meeting India's 2070 net-zero targets.

In the past two years ASIFMA has been actively engaged in the development of several taxonomies in the APAC region including Hong Kong, Singapore, ASEAN, Thailand, Malaysia, Philippines, and Australia and the development and implementation of the Comon Ground Taxonomy between the European Union and Greater China. We remain at your disposal to share the experience and lessons learned in this process.

We would like to commend MOF for a comprehensive document and a robust summary of India's progress towards diversifying its energy mix including government schemes that push for achieving solar power capacity and promoting offshore wind though Visibility Gap Funding (VGF). We note the significant Policy and Investment Support to boost domestic battery production, manufacturing of high-efficiency solar PV modules, faster adoption and manufacturing of electric vehicles and expansion of charging infrastructure to encourage the adoption of electric vehicles. ASIFMA members also welcome the inclusion of separate provisions for SMEs, a sector in which India has a rich history of innovations, which has sometimes not been adequately addressed in other taxonomies. The significant initiatives from the government combined with India's progress on its 2030 Nationally Determined Contribution (NDC) commitments, like the 40 percent cumulative electrical power installed capacity from non-fossil fuel sources in 2021, well before its 2030 target, is a clear indication of India's holistic commitment towards climate and sustainability. We also welcome MOF's intent to align the India taxonomy (objectives, principles, sectors) with existing frameworks such as the ASEAN and EU Taxonomy.

Our members believe that a well-designed taxonomy is an important tool to promote cross-border sustainable finance flows and against that background, we would like to humbly put forward a few key points below for your consideration into two parts: a few high level principles-based points that we were unable to explicitly link against specific paragraph of the draft taxonomy framework and more detailed

[1]ASIFMA is an independent, regional trade association with over 160 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

[2]All feedback, comments, questions and the position set forth in this letter represent ASIFMA's members' collective position and cannot be attributed to any specific member either in part or in its entirety.

comments against the table as requested in the consultation guidelines.

Part one: High Level Principles

1. **Voluntary Application Regime:** We note that the draft framework refers to qualitative and quantitative aspects and that the implementation of a hybrid approach will be in a phased manner, starting with qualitative criteria, which is a very helpful and welcome way of gradually introducing taxonomies into the system. Alongside this we also suggest that it is explicitly stated that the taxonomy regime will be implemented on a voluntary basis. Keeping taxonomies voluntarily would help guide firms create market practice as rushing into mandatory taxonomy may lead to regulatory fragmentation and shift focus away from financing to compliance. Fiscal support through grant schemes/incentives/subsidies could also be considered where appropriate. In addition, international coordination amongst equivalent authorities in taxonomy development are key to ensuring cross border financial flows.

2. **Interoperability:** We would like to acknowledge the efforts made to compare global taxonomy baselines. Interoperability is a key principle to ensure that the taxonomy is developed under a methodological approach that can "communicate or align with other taxonomies". We understand the complexity involved in creating interoperability and welcome the attempt to align the Indian taxonomy with existing frameworks like the one in the EU and the ASEAN blocks. We would encourage you to continue this line of thinking and stand ready to help by bringing our experience in implementing different taxonomies in their native jurisdictions but also across borders.

3. **Environmental Objectives:** We note that India's current draft framework has taken a thematic approach focused on climate. We agree that starting with the most pressing and well understood environmental objective is sensible. For future iterations, when India expands its coverage, referencing existing APAC and global frameworks' environmental objectives as a potential blueprint maybe beneficial, especially with regards to waste management and pollution control.

4. **Implementing Body:** In our experience the success of a taxonomy depends very much on the governance structure created around it and the stakeholder engagement designed from the outset. In places like Hong Kong SAR, Singapore and ASEAN the taxonomy was developed by a broad partnership including representatives from the respective governmental institutions, financial industry, corporates from different, including hard to abate sectors, and even representative from civil society groups. This early involvement of a broad range of stakeholders allowed for a consensus building at design stage and secured an easier buy in during implementation. Alongside this, we have seen that in many instances the government will put together implementing cross governmental advisory boards that coordinate the implementation of the taxonomy within the respective government. We would highly recommend that a similar approach is considered.

5. **Data Availability and capacity building:** A significant hurdle to implementing taxonomies is often inaccessibility and reliability data. Without data availability and integrity the use of taxonomy will be impeded. This has been realised and addressed by jurisdictions in the process of developing and then encouraging the implementation of taxonomies, hence many coupled the process with creating data utilities, support schemes and capacity-building programs. It would be crucial that Indian policy makers develop shared data solutions and encourage private sector contributions to improve the quality and accessibility of data for taxonomy assessments.

<u>Part two: Detailed Comments</u>

N	Para/Sub Para No	Comments	Rationale
1	**4.1 d (Principles of the Climate Finance Taxonomy - Interoperability**)	**<u>Voluntary Adoption Regime</u>** We appreciate the Ministry's approach to ensure consistency and maintain interoperability with other key taxonomies. In addition, as mentioned in our general recommendations we recommend a voluntary adoption regime, which has been the approach followed in some other key markets in Asia such as Singapore, Hong Kong and Australia. In addition, disclosures should not be linked to taxonomy to reduce complexity and reduce administrative burdens and cost. It also helps companies focus on the most material issues to their business and stakeholders, rather than trying to fit their activities into predefined categories.	**A voluntary adoption regime** with a set of incentives would most likely ensure a rapid adoption rate if those incentives were adequate.
2	**4 (Principles of the Climate Finance Taxonomy)**	**<u>Do no significant harm to other objectives of the climate finance taxonomy:</u>** DNSH is a very important principle, however proven to be difficult to implement if it is too complex. Streamlined and quantitative criteria, or a principle-based approach would enhance the usability of the taxonomy.	ASIFMA would caution on the use of DNSH (Do No Significant Harm ["DNSH"]), as the DNSH principle may create difficulties from the perspectives of both interoperability and implementation. In the GFMA submission to the Common Ground Taxonomy ("CGT") , it was discussed that DNSH principle is challenging to fulfil in practice as it requires both the definition and measurement of a full set of supporting objectives. Further, some activities are difficult to compare and map across jurisdictions, such as the construction of buildings. Additional complexity lies in the situation where DNSH criteria may be tied to compliance with a local law – these criteria may not

			be applicable in different jurisdictions and could create an impact on cross-border capital flows in funding green transitions. Furthermore, the implementation of the DNSH principle could add additional complexity and cost to users, especially when taking into account the lack of consistency and data available. **Therefore, we would suggest MOF to carefully consider the use of the DNSH principle**.
3	**2 (Objective of the Climate Finance Taxonomy & 1.22 Policy & Investment Schemes**	**<u>Use Cases & Incentives</u>** We welcome the Ministry of Finance's initiative to develop India’s Climate Finance Taxonomy. As stated in Para 2, the primary objective of the taxonomy is to facilitate greater resource flow to climate-friendly technologies and activities, enabling achievement of the country’s vision to be Net Zero by 2070 while also ensuring long-term access to reliable and affordable energy. We see additional value in including the intended use cases of the taxonomy in addition to the taxonomy framework itself. A taxonomy framework is by itself only a classification tool, and how the relevant authorities intend for this classification tool to be used by the public and private sectors is critical to assess the effectiveness as well as the costs and benefits of taxonomy implementation. For instance, many market participants see extensive and comprehensive disclosures requirements based on a taxonomy as providing very limited benefits relative to the cost of compliance. The key is for policy makers and regulators to ensure that any additional sustainability related requirements is “net positive” for the market as a whole and rooted in practicality.	We believe that a taxonomy that also sets incentives for taxonomy-aligned sustainable finance while ensuring market integrity and protecting investors would be effective in achieving the policy objective of a transition to a low carbon economy. Financial Incentives provide assistance to investors by improving risk-return profile of certain economic activities while non-financial incentives could include expedited permitting processes, priority access to government programs, among others. In the current global context, financial institutions are increasingly concerned about labelling their financial products and services as “green” or “sustainable” given additional due diligence and legal risks associated with the labelling. This new

			environment makes the case for taxonomy to be associated with adequate incentives for financial institutions to be comfortable with alignment and labelling.
4	**1.5 (Introduction and Context Setting) & 2.1 (Objectives of the Climate Finance Taxonomy)**	We appreciate the Ministry's objective to mitigate greenwashing. However, due to lack of adequate climate awareness along with the large percentage of SMEs and non-listed companies, we request the Ministry to suggest appropriate controls while focusing on practical applicability. We request MOF to note that this is an evolving area and the control framework to mitigate greenwashing may also be reviewed and revised regularly depending on the maturity of the overall domestic climate landscape. We also recommend an inter-agency working group of all relevant regulators and standard setters in India to ensure consistency in the promotion of Green Fund flows and Anti-Greenwashing measures and enforcement. This approach has been successfully followed in other major Asian jurisdictions such as China, Hong Kong SAR, Singapore or Malaysia.	Greenwashing poses a significant reputational and liability risks, which results in some firms choosing simply not to act instead of exposing themselves to accusations of greenwashing. Hence any framework should be clear enough to minimize any unfunded speculation.
5	**5.2 & 5.3 (Approach to the classification of activities, projects and measures contributing towards India's climate commitments)**	**<u>Classification Approach</u>** We request further clarification and differentiation between Tier 2 Climate Supportive Activities and Transition Supportive Activities as the boundary appears blurred between the two. We are keen to understand if the 'Climate Supportive' and 'Climate Transition' classification is similar to the RAG/traffic light pathways in the ASEAN/Singapore taxonomies? Will the MOF assign thresholds for these categories as part of Phase 2?	The reference to adaptation and resilience measures for Tier 2 Climate Supportive Activities seems to be an implied differentiation factor but some further clarification and illustrative examples would be beneficial for the industry to understand the way forward.
6	**6 (Sectoral Coverage)**	**<u>Supply chain activities</u>** (such as manufacturing of renewable energy equipment or energy efficiency equipment to support the decarbonisation of hard-to-abate sector) are not covered explicitly. Further clarity is needed, and it is recommended that the taxonomy covers the full value chain of climate solutions.	To effectively support India's transition to a low-carbon economy, the taxonomy must encompass the entire value chain of climate solutions. This includes upstream and midstream activities that

			are essential for the deployment and scaling of clean technologies. Further, this will also help channel finance into foundational industries that are often overlooked but are vital for enabling downstream climate-positive outcomes. Finally, global taxonomies, such as the EU and ASEAN, increasingly recognize the importance of value chain integration in climate finance frameworks.

Conclusion

Overall, we believe that an interoperable voluntary taxonomy could help guide international capital flows to support the green transition and suggest that Indian authorities continue to consult with sufficient transparency and time provided for industry inputs.

We thank the MOF for considering our comments and would be happy to elaborate our response further to MOF and other relevant parties on any of the issues raised and clarify our response.

If you have any questions, please contact **Ms. Diana Parusheva-Lowery, Managing Director, Public Policy and Sustainable Finance** at dparusheva@asifma.org.

Sincerely

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