Asia Investor Group on Climate Change (AIGCC)

Submission to the Department of Economic Affairs – Climate Change Finance Unit (DEA CCFU), Ministry of Finance, on the Framework of India's Climate Finance Taxonomy

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BACKGROUND

The Department of Economic Affairs Climate Change Finance Unit (DEA CCFU), Ministry of Finance, Government of India, released the draft Climate Finance Taxonomy for India in May 2025 as a critical step toward aligning capital flows with the country's climate and sustainable development goals.

The DEA launched a public consultation process to solicit stakeholder input on the taxonomy framework, which outlines in Phase I framework on objectives, designs, principles, and activities classification contributing to climate mitigation and adaptation. The taxonomy aims to enable better classification, measurement, and tracking of climate finance, while providing clarity to investors, financial institutions, and regulators.

The Asia Investor Group on Climate Change (AIGCC) welcomes the Government of India's initiative to develop a robust climate finance taxonomy, recognizing it as a foundational step toward a transparent, science-aligned investment environment. AIGCC submitted a pre-consultation draft with both high-level and specific recommendations on 26 March. We commend the Government of India's initiative to develop a robust climate finance taxonomy and offer the following comments, focusing on sector prioritization, the hybrid design approach, investor usability, governance mechanism and social dimensions, in the context of enabling climate finance flows to India and practical investment decision-making.

As part of the ongoing public consultation, we look forward to continued engagement with Indian policymakers and stakeholders to support the taxonomy's implementation and advance India's sustainable finance ecosystem.

To the Ministry of Finance,

On behalf of AIGCC, we would like to submit our response to the consultation on Framework of India's Climate Finance Taxonomy (the "framework").

AIGCC members mainly consist of global asset owners and asset managers. We have collected feedback from our members, comprising both domestic and international asset owners and asset managers following the publication of the Framework and provided it in the format recommended by the Ministry.

As India advances toward its 2030 and 2070 climate targets, the taxonomy serves as a critical enabler, bridging the gap between policy ambition and actionable, measurable climate outcomes.

Name of organization/person:	AIGCC on Behalf of AIGCC members
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Category/Description of person giving comments: The Asia Investor Group on Climate Change (AIGCC) is a leading network of institutional investors in Asia committed to addressing climate change risks and seizing the opportunities presented by the transition to a net-zero economy. As a not-for-profit organization, AIGCC engages with asset owners and managers across 11 Asian markets, representing over 80 members with a combined global assets under management (AUM) of approximately US$40 trillion. AIGCC's mission is to create awareness and encourage action among Asia's asset owners and asset managers regarding the risks and opportunities associated with climate change and low-carbon investing. The organization supports its members through three strategic pillars: 1. **Investor Practice & Capacity Building:** Providing tools, training, and resources to enhance investors' ability to manage climate-related risks and opportunities. 2. **Stewardship & Corporate Engagement:** Facilitating engagement with high-emission companies to promote alignment with the goals of the Paris Agreement. 3. **Policy & Advocacy:** Advocating for policies that enable investors to allocate capital effectively in the transition to a net-zero economy. AIGCC also collaborates with global initiatives such as the Net Zero Asset Managers initiative (NZAM), Climate Action 100+ (CA100+), and the Investor Agenda, ensuring that Asian investors are represented in international climate discussions.	

S. No.	Para / Sub Para no	Comments	Rationale
1	3.5, 3.6 & 4. h	**Support for MSMEs/ Proportionality** The taxonomy's phased, proportional approach towards MSME's to reduce barriers to climate finance is well received. In addition to capacity building, specific thresholds and simplified reporting, there is an opportunity to connect sustainability efforts with digital tools and platforms. This can be achieved by offering digital access to green finance and a "green tag" certification system for MSMEs to ensure small businesses are not left out of the transition and can benefit from climate-aligned investments. India could introduce a taxonomy-aligned MSME "green tag" or similar certification to help banks and investors easily identify qualifying firms. Another consideration that can be drawn from Brazil's taxonomy relates to proportionality, where there is no differentiated threshold framework exists to exempt or relax obligations. All firms, regardless of size, are subject to the same scrutiny and technical baseline, but only the reporting element could be relaxed for MSMEs.	A one-size-fits-all taxonomy risks excluding MSMEs from transition finance due to overly complex or high-cost requirements. By defining MSME-specific transition pathways, India's taxonomy can ensure that climate finance is inclusive, proportional, and reflective of national development priorities, especially for small enterprises that are critical to job creation, local supply chains, and regional resilience.

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2	4.1.a, 4.1. e & h	**Principle of 'support to transition activities' need to include social dimensions** Integrate social dimensions (social safeguards, just transition) across all taxonomy criteria. We recommend that the climate finance taxonomy explicitly incorporate Minimum Social Safeguards – i.e., require that any activity qualifying under the taxonomy also adheres to basic social and governance standards such as no violations of labor rights, protections of human rights, and environmental justice for affected communities. This could be framed as a prerequisite like that of other taxonomies that activities must meet climate criteria and not contravene social safeguards. Additionally, we urge the adoption of just transition principles: for activities in high-emitting sectors (e.g., coal power phase-out or other transitioning industries), the taxonomy criteria should encourage or require the presence of just transition plans (addressing workforce reskilling, job creation, economic diversification and community impacts) as part of the qualification. It is well known that a climate transition will have negative effects on the lives of workers in high-emission sectors and their associated communities. As the transition could entail land being required to be used for new energy projects, such as wind and solar power plants, this could pose negative impacts regarding land rights. The decline of quality jobs, wage suppression, displacement, forgone land rights are all probable social outfall from climate transition investments.	Emphasizing just transition is particularly important in India's context: achieving climate goals in sectors like coal power, mining, or heavy industry must go hand-in-hand with protecting workers and communities affected by the low-carbon transition. We note that India's sustainable finance roadmap and Niti Ayog' inter-ministerial committee have signaled the importance of social and just transition elements from the outset, which could become a distinguishing strength of India's taxonomy.

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3	4.1/4.1 b	**Consider laying the groundwork for social considerations linked to India's Just Transition and India's developmental advanced economy status 2047 goals** Leverage best practices that support a stakeholder-based structure focusing on: 1) decent work (including value-chain workers), 2) adequate living standards and wellbeing and 3) inclusive and sustainable communities and societies. This structure can help to protect the three stakeholder groups of workers, consumers and communities. Considerations of India's large informal workforce and gender responsive approaches must be considered in the taxonomy. Social outcomes like livelihoods, inclusion, and access to climate solutions are essential for a just transition. The DNSH (Do No Significant Harm) principle, as established in the EU Taxonomy and others, requires that sustainable activities do not compromise other environmental or social objectives. We recommend that the taxonomy clearly define the specific environmental and social criteria that constitute DNSH. For example, if an activity claims climate mitigation benefits, it should still be required to meet DNSH thresholds for pollution or biodiversity impacts.	Introducing a parallel "social" layer that is not just mitigation-focused as above could allow the taxonomy to address adaptation justice, rural resilience, and livelihood transitions. Given India's emphasis on inclusive growth, integrating this early ensures interoperability and encourages international capital flows aligned with both environmental and social goals. Gender-responsive and inclusive approaches are key for equitable climate finance and the delivery of net zero goals. Establishing clear DNSH rules can help avoid unintended trade-offs such as reducing CO_2 emissions while simultaneously degrading ecosystems and ensure environmental integrity across all eligible activities.

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4	5.1/5.4	**An adaptation and resilience approach to the classification of activities, projects, and measures helps contribute to India's climate commitments** A clear and direct link between an investment-eligible measure or activity and the climate change vulnerability identified should be articulated. The taxonomy can emphasize clarity, credibility, and avoidance of greenwashing, particularly in the classification of adaptation and resilience-enhancing activities. While mitigation criteria tend to be quantifiable, adaptation benefits are more diffuse. Therefore, the taxonomy would benefit from clearer definitions or parameters around what constitutes a climate resilience-enhancing activity, drawing on examples such as Climate Bond Initiative's inclusion of systemic enablers like healthcare, early warning systems, and education. To enhance usability and investor confidence, the taxonomy should consider providing a non-exhaustive list or menu of qualifying adaptation/resilience activities and outcomes, along with illustrative metrics (e.g., risk reduction levels, coverage of vulnerable populations, climate-proofing indices) to evaluate effectiveness. This can also supplement the hybrid approach on building qualitative and quantitative criteria set to be developed in the second phase of the taxonomy development. Including references to alignment with national/state adaptation plans or requiring risk assessments could strengthen these sections.	Fully integrating adaptation criteria into the taxonomy will enhance the taxonomy's effectiveness, reduce ambiguity for investors, and improve alignment with international standards while addressing India-specific adaptation priorities. The taxonomy's adaptation section should explicitly include ecosystem-based coastal measures (e.g., mangrove restoration, dune reinforcement, coral reef protection), as well as engineered coastal defenses aligned with sustainability efforts. Recognizing these activities would help finance projects that protect coastal communities and biodiversity. Given India's investments in integrated coastal management, adding coastal resilience activities will enhance the taxonomy's relevance for vulnerable regions.

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		As the taxonomy integrates mitigation, adaptation, and transition activities, it would be valuable to provide guidance on overlaps or interface areas, particularly where activities may contribute to both adaptation and mitigation (e.g., nature-based solutions, resilient energy systems). Recognizing the cross-sectoral interdependencies the taxonomy should encourage and classifying projects that promote systemic or multi-sector resilience and avoid maladaptation risks. For example, hardscaping a building without flood management may reduce energy use but worsen local vulnerability. While a more comprehensive provision of adaptation measures would be beneficial, it is critical to ensure coastal zone protections and ecosystem conservation are included under adaptation measures.	
5	5.2 & 5.3	**Define a robust 'transition' category with criteria and defined timelines** Introduce a clearly delineated intermediate classification for activities that are not yet fully green but are on a credible, time-bound pathway to net-zero. Such classification should be based on specific qualifying criteria – for example, whether emissions are projected to peak and decline within a defined timeframe, the activity enables significant near-term emission reductions, the project is aligned with sectoral decarbonization roadmaps and supported by entity-level transition plans, and the activity avoids carbon lock-in and is compatible with India's net-zero target by 2070. Activities labeled as "transition-supportive" should be required to submit improvement plans with interim milestones to remain eligible. To maintain integrity and	Introducing a clear "transition" category with defined timelines and criteria will enable India's taxonomy to unlock credible, investor-grade finance for sectors on a decarbonization path. By specifying what hard-to-abate sector activities must achieve (and by when) to count as climate-aligned, the Indian taxonomy will help give investors clarity that when a transition activity investment is on a Paris-aligned

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		avoid prolonged misclassification, the framework can consider the introduction of a sunset clause wherein eligibility under this category expires unless demonstrable progress is made within a set pre-defined review period (e.g., 3-5 years). A case can be made for forward-looking metrics or milestones in this category. Forward-looking disclosures including Capex plans, entity-level targets, and decarbonization pathways for transition-eligible activities can also be considered. For example, a taxonomy that enables credible, investor-grade transition finance, particularly for hard-to-abate sectors, would significantly enhance market trust and capital mobilization, while supporting India's development and climate goals. To enable this, the government could consider issuing guidance for corporate transition plans, aligned with national targets and sectoral roadmaps to help standardize disclosures and improve investor confidence in transition-aligned activities. At a minimum, we recommend that the framework prescribe disclosure of transition-related capital expenditure, asset phasing or retirement obligations, and R&D investments. In addition, entities should be mandated to set interim milestones aligned with Science Based Targets initiative (SBTi) pathways.	pathway.
6	5.2	**Ambiguity on the Tier 1 and Tier 2 labels as part of the climate supportive nomenclature** We understand the differentiation between the tiers in the framework are based on	Without clearly defined thresholds or a reference framework, the labels risk being seen as subjective or insufficiently robust. A

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		strong and moderate impact in terms of emissions avoidance/reduction and improving intensities. The terms "Tier 1" and "Tier 2" are not widely used in taxonomies, making them non-standard and potentially confusing for global investors. The labels risk being perceived as subjective or insufficiently rigorous in the absence of a reference document that has thresholds. Investors use taxonomy tiers to direct capital toward best-in-class or credible transition assets. The Tier 1/2 labels lack strong signaling power in their current form. We recommend adopting quantifiable thresholds to strengthen credibility such as drawing from the Bureau of Energy Efficiency's draft GHG intensity targets for high-emission sectors or science-based targets guidance as these can directly inform the technical screening criteria and provide clear, measurable guidance for classification.	lack of signaling clarity could limit their effectiveness in guiding capital towards credible, high-impact transition investments.
7	5.4 Figure 6	**Taxonomy governance mechanism** We acknowledge the constitution of sectoral technical committees to inform sector-specific decarbonization pathways, as referenced in the consultation document. However, the broader governance mechanism for the taxonomy has not yet been outlined. We recommend designating an anchor institution along with partner bodies such as the Ministry of Finance or the Reserve Bank of India (RBI) to provide regulatory oversight, with active involvement from SEBI, MNRE, NITI Aayog, and MoEFCC. Drawing	A strong governance mechanism is critical to ensure the credibility, usability, and investor confidence in India's climate finance taxonomy. Anchoring it within a central institution will provide regulatory clarity and policy alignment. Global investors highlight the importance of clear oversight and stakeholder engagement. Establishing a regular review cycle and a

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		from global best practices, the EU's Taxonomy Regulation offers a strong precedent: it provides legal enforceability and is supported by an independent Platform on Sustainable Finance that advises the European Commission. Similarly, Singapore's Green Finance Industry Taskforce (GFIT) exemplifies a robust public-private governance model convened under the Monetary Authority of Singapore (MAS), combining regulatory authority with market expertise. Consider establishing a permanent multi-stakeholder advisory body that includes representation from Foreign Portfolio Investors (FPIs), alongside other key domestic and international stakeholders, to ensure inclusive and well-informed policy and financing decisions.	dedicated unit for international alignment could help keep the taxonomy relevant, science-based, and interoperable with global standards to attract green capital and support India's positioning in global sustainable finance markets.
8	6.2-6.3/6.12	**Prioritize key sectors and define sub-sectors in line with India's climate goals and investor interest** The draft's initial focus on power, mobility, buildings, agriculture, food and water security (for adaptation and resilience), and hard-to-abate industries like iron & steel and cement is appropriate. We recommend clearly defining their relevant sub-sectors/economic activities (preferably tagged to their ISIC, NIC, NACE, ISIN codes) in the taxonomy, as well as outlining a roadmap to expand coverage to other climate-critical sectors over time. This prioritization will ensure the taxonomy directs capital to the areas of greatest climate impact and aligns with institutional investors' areas of interest. For example, India's renewables rollout depends on modernized grids,	The sectors and their sub-sectors represent primary investment opportunities for institutional investors looking to deploy transition finance. Prevents regulatory arbitrage and promotes higher ambition among diversified companies. The current draft taxonomy does not

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		storage, and ancillary services. These often fall outside green definitions and are also not included in the power sector section of the framework. There is scope to define "enabling activities" beyond traditional mitigation/adaptation (e.g., solar glass/component manufacturers). Many supply chain activities are critical to climate action, but do not directly fit mitigation/adaptation categorization. A broader interpretation under mitigation could help to capture the full value chain and unlock finance for supporting industries. When business activities span multiple segments, it is suggested to apply the most stringent taxonomy criteria among those segments. It would be beneficial to introduce water management as a distinct objective within the taxonomy, rather than subsuming it under adaptation or mitigation.	adequately reflect the urgency or centrality of water security to India's climate and development challenges. Given the country's vulnerability to both drought and flooding, water management—including efficient irrigation, rainwater harvesting, watershed development, and sustainable groundwater use—deserves to be treated as a standalone taxonomy objective. Integrating it as such could unlock finance for critical interventions that have both climate and livelihood co-benefits.
9	General	**Provide more details on the implementation framework (reporting, verification, governance)** The final taxonomy should detail how it will be implemented – including standardized reporting requirements for companies/investors to declare taxonomy-aligned activities, a verification process (such as independent review for labeled green bonds or loans), and clear governance arrangements (who will maintain/update the taxonomy and ensure compliance).	A robust implementation framework should ensure consistent application and integrity of the taxonomy. Clear reporting templates and verification standards help avoid inconsistent interpretations and reduce the risk of greenwashing. International experience shows that lack of defined roles and processes can hinder adoption
10	General	**Enhance investor usability and international interoperability**	Enhancing investor usability and aligning

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		To make the taxonomy investor-friendly, ensure its criteria and structure are easy to navigate and align well with other major taxonomies in the build up to Phase 2 development. This could involve mapping the taxonomy sectors and metrics to international standards and using common terminology. Consider publishing user guidance or examples demonstrating how institutional investors can apply taxonomy in portfolio allocation or risk management. Digital tools, like an online taxonomy database or decision tool could also improve accessibility.	with international taxonomies should help to support cross-border capital flows and simplify adoption by global and domestic investors. Clear guidance, standardized terminology, and digital tools could enable effective integration into portfolio and risk management systems. Alignment with the Common Ground Taxonomy (CGT) can further improve global interoperability and credibility in sustainable finance markets.
11	General	**Pilot testing and use case prior to Phase 2 of the taxonomy roll out** In the build up to Phase 2 or introduction of the complete taxonomy with sectoral annexures duly available, we recommend a pilot testing phase. To support effective implementation, we recommend pilot testing the taxonomy with select financial institutions and real investment use cases. AIGCC, through its India-engaged investor network, can facilitate this by convening pilot participants, coordinating sector-specific case studies, and capturing feedback on usability, thresholds, and data gaps. Drawing on experience from ASEAN and other regional taxonomies, AIGCC can also support alignment and peer learning. This pilot phase would help refine the taxonomy ahead of wider adoption and ensure it meets investor needs while remaining	Implementation of taxonomies remains uneven globally, and the ASEAN Taxonomy illustrates some of these challenges, particularly its high-level, voluntary nature, limited clarity on thresholds, and lack of investor testing, which have hindered widespread adoption. To avoid similar hurdles and build local expertise, pilot testing India's taxonomy with financial institutions will be essential. This will support

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		interoperable with global frameworks. As part of this effort, we also suggest promoting GIFT City as a sustainable finance hub and piloting blended finance models in partnership with development finance institutions (DFIs) to mobilize private capital and demonstrate scalable pathways for climate and just transition investments.	refinement, improve investor usability, and ensure the framework is practical and aligned with real-world financing needs.
12	General	By positioning the taxonomy as a valuable tool for risk assessment and sustainable financing, the regulatory body of the taxonomy can incentivize investors to integrate it into their investment process. For example, MAS provided comprehensive guidance to encourage Singapore-Asia Taxonomy (SAT) adoption. This included detailed documentation on how banks can apply the taxonomy to evaluate corporate loans, fund infrastructure projects, and structure green and transition finance products. Clarification on how institutional investors can use the taxonomy for: 1) portfolio alignment, 2) transition plan credibility, and 3) supporting disclosures would greatly help uptake. It can be beneficial to include provisions for frequent reviews, clear metric milestones, and grandfathering clauses for existing investments.	
13	General	**Ensure interoperability with the BRSR (Business Responsibility and Sustainability Reporting) framework** The BRSR is a key regulatory tool in India for ESG disclosures. Aligning the taxonomy	Aligning taxonomy criteria (e.g., emissions metrics, energy use) and data requirements with BRSR disclosures should help to

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		with the BRSR could improve adoption by corporates and enable better integration of sustainability disclosures with financing frameworks. This interoperability could serve to reduce reporting duplication and help investors and companies use common metrics across the BRSR and the taxonomy. Similarly, we recommend utilising the BRSR Lite framework for MSMEs to streamline reporting obligations and suggest that the taxonomy provide easy to implement disclosure templates to guide MSMEs in articulating climate risk, opportunity, and capital needs.	streamline compliance and data sharing. By mapping taxonomy fields to BRSR indicators, the framework should be easier to implement and verify.

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AIGCC appreciates the Government of India's initiative in launching a Climate Finance Taxonomy aligned with national and international climate goals. We believe the above recommendations can help ensure the taxonomy is practical, inclusive, and finance-enabling, particularly for institutional investors committed to India's net-zero target and sustainable development priorities.

We remain available for further consultation and technical dialogue.

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ABOUT AIGCC

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity and a trusted forum for investors active in Asia to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy related to climate change.

With a strong international profile, the AIGCC network also engages with government pension and sovereign wealth funds, family offices, and endowments, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a net zero emissions economy.