

**19– 05 – 2023**

**News: Green Deposits**

## **Green Deposits**

- Green Deposits are **not very different from the regular deposits that banks accept from their customers.**
- The only major difference is that banks promise to earmark the money that they receive as green deposits towards environment friendly projects.
- For example, a **bank may promise that green deposits will be used towards financing renewable energy projects that fight climate change.**
- A bank **may also avoid using green deposits to invest in fossil fuel projects that are considered harmful to the climate.**
- A green deposit is **just one product in a wide array of other financial products such as green bonds, green shares, etc.,** that help investors put money into environmentally sustainable projects.

### **RBI regulatory frameworks on Green Deposits**

- The **RBI's framework for the acceptance of green deposits lays down certain conditions that banks must fulfil** to accept green deposits from customers.

- Firstly, banks will have to come up with a set of rules or policies approved by their respective Boards that need to be followed while investing green deposits from customers.
- These rules need to be made public on the banks' websites and banks will also have to disclose regular information about the amount of green deposits received, how these deposits were allocated towards various green projects, and the impact of such investments on the environment.
- A third party will have to verify the claims made by banks regarding the projects in which the banks invest their green deposits as well as the sustainability credentials of these business projects.
- The RBI has come up with a list of sectors that can be classified as sustainable and thus eligible to receive green deposits.
- These include renewable energy, waste management, clean transportation, energy efficiency, and afforestation.
- Banks will be barred from investing green deposits in business projects involving fossil fuels, nuclear power, tobacco, gambling, palm oil, and hydropower generation.
- The new rules are aimed at preventing greenwashing, which refers to making misleading claims about the positive environmental impact of an activity.

- For example, a bank may advertise that their green deposits will have a huge positive impact on the environment, while the actual impact may be minimal. A bank could also invest in projects that are not environment friendly, perhaps because such projects offer higher returns, under the guise of green investing.

## Green Bonds

- A green bond is a debt instrument with which capital is being raised to fund 'green' projects, which typically include those relating to renewable energy, clean transportation, sustainable water management etc.
- A green bond can be issued by companies, sovereign nations or multilateral organisations.
- They typically come with tax incentives such as tax exemptions and tax credits to attract investors.
- First official Green Bond was released by the World Bank in 2009. The World Bank is a major issuer of Green Bonds.
- A bond is a fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). Bonds traditionally paid a fixed interest rate (coupon) to investors.

- The **Securities and Exchange Board of India (SEBI)** has put in place disclosure norms for issuance and listing of green bonds.
- The **Green Bonds** have higher coupon rates than the corporate government bonds with similar tenure.
- They typically have a lower interest rate than the loans offered by the commercial banks.
- In the first half of 2019, **India became the second-largest Green Bond market globally after China** with \$10.3 billion worth of transactions, as per the Economic Survey 2019-20.
- In October 2019, **India joined the International Platform on Sustainable Finance (IPSF)** to scale up the environment-friendly investments.
- By the end of 2020, **24 national governments had issued Sovereign Green, Social and Sustainability bonds totalling cumulative USD 111 billion dollars**, according to the London-based Climate Bonds Initiative.

### **Challenges associated with Green Bonds:**

- The **projects targeted by green bond issuers are debatable**. It has been noted that many times that the proceeds of green bonds are being used to fund projects that harm the environment.

- There's a **lack of credit ratings or rating guidelines** for Green Bonds or Green Projects.
- Green Bonds in India have tenure **of 10 years while a typical loan is of minimum 13 years**. Furthermore, green projects require more time to drive returns.
- Thus, to sum up, there is a **need for standard guidelines for a robust Green Bond market**. Strategic public-sector investments may attract private investors and build their confidence in the Green Bond market.

**News:** Centre pushes vaccination as lumpy skin ravages cattle

- With Maharashtra, Uttarakhand, Karnataka and Sikkim reporting fresh cases of lumpy skin disease in May, the Union Ministry of Animal Husbandry on Thursday reviewed the situation and concluded that it was under control despite 10,000 cases being reported in the past two weeks. Noting that there was no need to panic, it suggested that vaccination be increased.

## **Lumpy Skin Disease (LSD)**

- Lumpy Skin Disease (LSD) is **caused by infection with the Lumpy Skin Disease Virus (LSDV) in cattle or water buffalo**.

- The Food and Agriculture Organization (FAO) estimates that its mortality rate is less than 10%.
- The first reported outbreak of LSD occurred in Zambia in 1929, and it was initially believed to be caused by poisoning or an allergic reaction to insect bites.

### **Transmission**

- LSD is primarily spread between animals through the bite of vectors, such as mosquitoes and flies.

### **Symptoms**

- The primary symptoms of LSD include fever, discharge from the eyes and nose, drooling, and blisters on the skin.
- Also, affected animals may also lose their appetite and have difficulty in eating, leading to reduced milk production.

### **Prevention and Treatment**

- Currently, India is administering the goat pox vaccine and sheep pox virus vaccines for LSD.

- It's a heterologous vaccine that offers cross-protection for cattle against the disease.
- Goat pox, sheep pox and LSD belong to the same capripoxvirus genus.
- Lumpi-ProVacInd is a live attenuated vaccine developed jointly by ICAR's National Research Centre on Equines and the Indian Veterinary Research Institute, which is targeted to protect cattle against the LSD virus, and provides 100% protection.
- It is expected to be commercially launched in a few months.
- There are no specific antiviral drugs for treating LSD, and treatment primarily involves supportive care for the affected animals.
- This may include treating skin lesions with wound care sprays, using antibiotics to prevent secondary infections, administering anti-inflammatory painkillers to increase appetite.