

Optimising India's Role in Global Climate-Finance Governance

Karthik Nachiappan

Summary

India must move from voice to leadership on global climate finance by shaping rules, expanding domestic capacity, and aligning finance with its net-zero and adaptation needs.

India's climate-finance diplomacy sits at a crossroads. Internationally, India is a vocal advocate for equity, climate justice and the priorities of the Global South. Domestically, however, gaps in strategic clarity, institutional coordination and finance architecture continue to constrain its bargaining power and access to resources.

India's experience at the United Nations Framework Convention on Climate Change, the Green Climate Fund and newer frameworks like the Network for Greening the Financial System (NGFS) demonstrates both the value of global engagement and the limits of relying on mechanisms that remain underfunded and unable to deliver.

The rise of new climate-finance governance arenas, such as the NGFS and the Green Swan Conference, signals a shift in where key climate decisions are made. Here, climate risk is increasingly viewed as a financial-stability concern, not just a development issue. India's recent strides through the Reserve Bank of India (RBI) reveal a growing recognition of this transition, but participation remains partial and largely reactive. Closing the gap between India's rhetorical leadership and its domestic governance capabilities will determine whether it can successfully mobilise the scale and quality of climate finance required.

The RBI's engagement with the NGFS represents a significant evolution in India's financial-stability and climate-governance approach. Through initiatives such as the Vulnerability Assessment and Stress Test pilot and the RBI-Climate Risk Information System, India has begun to integrate and institutionalise climate-risk analytics within its supervisory framework. These developments mark a shift from framing climate action solely as a development imperative toward recognising that climate change is a macro-financial risk that must be managed.

However, India's engagement also reveals notable limitations. Its late entry into the NGFS means that global scenario-modelling frameworks – now used worldwide for climate stress testing – were largely shaped without Indian input. Meanwhile, the absence of other key financial regulators, including the Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority, fragments national representation that does not reflect the complexity of India's financial system or the diversity of climate-finance channels. India's limited presence at the Green Swan Conferences further results in missed opportunities to

shape the normative direction of emerging climate-finance governance, particularly around adaptation finance, where India's priorities differ most sharply from advanced economies.

These gaps matter for India's climate diplomacy. As climate-finance norms shift from voluntary principles to supervisory expectations – and potentially toward binding prudential requirements – countries that shape these rules will be better positioned to align them with their economic structures and developmental objectives. Without deeper participation, India risks becoming a *rule-taker* rather than a *rule-shaper* in a domain that could be central to its net-zero transition.

Looking ahead, strengthening India's influence in global climate finance governance will require a comprehensive strategy.

First, it needs to expand regulator participation in the NGFS workstreams to include representatives from SEBI and IRDAI; nominate Indian officials to attend and participate at forums such as the Green Swan Conference; and develop a coordinated domestic climate-finance architecture that articulates sectoral needs – especially for adaptation. Closer alignment between foreign economic diplomacy and domestic financial-system reform will be vital.

Second, it needs to hasten the development of a domestic climate finance architecture that includes a national climate finance strategy with estimates for both mitigation and adaptation; clear guidelines that distinguish between climate and development finance internally; and finally bolster the links between domestic finance institutions like the Ministry of Finance, the RBI and the Ministry of Environment, Forests and Climate Change to coordinate climate finance views and positions.

Third, it should mobilise diverse sources of finance for climate purposes. New Delhi can create and advance blended-finance platforms to attract institutional and foreign capital from investors abroad. Another option would be to establish and expand sovereign green bonds, including adaptation-focused issuances linked to resilience outcomes.

Finally, the government could increase domestic support for green financing for climate adaptation projects in states and cities.

Undertaking these efforts could enhance India's credibility at the international level, including at the Conference of the Parties, and also unlock more predictable and scalable capital at home to achieve climate objectives. In short, deeper and more proactive engagement with emerging financial-governance frameworks offers India an avenue to translate its rhetorical leadership on behalf of the Global South into tangible gains for its own climate-centric development. India would be better positioned to translate the Global South's leadership claims into concrete domestic gains to support India's net zero and climate adaptation agendas.

.....

Dr Karthik Nachiappan is a Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at isaskn@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.