

policy makers, businesses, researchers, think tanks, financial institutions and Civil Society Organisations (CSOs). While continuing and further deepening this policy dialogue, with a particular focus on energy efficiency, renewable energy, integration of renewable energy through smart grids, electricity market regulations and biofuels, climate mitigation and adaptation, it is also increasingly important to support concrete projects in early-stage markets by focussing on the identification and facilitation of bankable and investment ready projects. Given Europe's leading role in the clean energy sector and given the fact that both the EU and India have put in place ambitious strategies to develop in particular offshore wind and sustainable renewable hydrogen supply chain, both sectors should be viable candidates for concrete EU-India flagship projects. The **CECP I (ended 2022) and CECP II (ongoing until September 2024)**, have been instrumental in establishing and maintaining close cooperation with India in the clean energy domain, implementing the activities agreed in a detailed work programme under the 2021 Energy Panel. They have facilitated the **sharing** of EU policies, guidelines, frameworks and best practices in solar, off shore wind, energy efficiency, smart grids, and financing of climate action. The Financing Investment in Clean Energy Platform (FICEP) created under CECP, provides a good overview of all EU and potentially also EU Member States' projects in the clean energy and climate domain in India. Events have showcased EU technologies and enabled **collaborative opportunities** between EU and Indian business to support green transformation. Resources will be required to **sustain the momentum** of CECP II, ending in September 2024, including policy dialogues and outputs through investment projects in sectors like offshore wind and renewable hydrogen, both sectors in which potential future **Global Gateway flagships** could materialise.

Moreover, despite increasing global momentum, the funding gap for SDGs has increased during the last few years to almost EUR 3.78 trillion (USD 4 trillion) every year in developing countries alone. In India, the tracked green finance is only 25 per cent of required funding to fulfil its NDCs under Paris agreement. Given India's 2070 net-zero targets, green climate financing will be a key block for enabling the transition. In Union budget 2023-24, the government announced INR 547 billion (EUR 6.22 billion) for the National Green Hydrogen Mission and energy transition, which can be complemented further through private finance. With India holding the Presidency of the G20 this year, there is greater emphasis on leveraging innovative financial instruments to scale capital for sustainable activities to achieve the Sustainable Development Goals and Net Zero priorities. As per estimates, the total blended finance market in India stood at EUR 1.22 billion (\$1.30 billion) in 2022 and is projected to scale to EUR 2.48 billion (\$2.64 billion) by 2027¹². The blended finance market is growing at a fast pace; however India's average ticket sizes are far lower than the global average. Despite the several advantages of these instruments, the scale up has been muted due to the high cost of structuring, market fragmentation and lack of ease in merging different types of commercial and philanthropic capital.

According to the IPCC Assessment Report 6¹³, launched in March 2023, current global financial flows for climate mitigation and adaptation, including from public and private finance sources, are insufficient and constrain implementation of climate actions in developing countries. There is a clear need to push for sustainable finance instruments for **improved availability of and access to finance** to enable accelerated climate action. There is EUR 436 trillion (\$463 trillion) of global wealth¹⁴ and attracting even 1 per cent would help address the financial gaps for SDGs. To this end, blended finance mechanisms have demonstrated their ability to efficiently attract commercial capital for sustainable development by using scarce public or philanthropic capital. Therefore, **innovative and blended finance instruments have a key role to unlock private capital for sustainable activities**. According to OECD and IPBES¹⁵, global biodiversity expenditure (public and private, domestic and international) totals about EUR 75.4 billion/y (USD 80 billion/y) whereas governments spend approximately USD 500 billion (6X more) supporting developments potentially harmful to biodiversity: use and production of fossil fuels, farm- support based on prices and output levels encouraging unsustainable intensification through crop-specialisation, fertiliser and pesticide use, mining and fragmentation of ecosystems.

More support is needed for innovative financial instruments in order to facilitate the flow of capital towards **sustainable finance**. Grant funding for technical assistance has proven to have the highest leverage ratio in the last 13 years at 23.6X. While a great deal of focus is given to financial instruments once they are launched, designing an investible instrument requires considerable work in its early days around ideation, building an

¹² The India Blended Finance Report, 2023 <https://ashaventures.in/wp-content/uploads/2023/05/The-India-Blended-Finance-Narrative-Report-1.pdf>

¹³ The IPCC Sixth Assessment Report (AR6) https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

¹⁴ Global Wealth Report 2022

¹⁵ <https://www.oecd.org/environment/resources/biodiversity/report-a-comprehensive-overview-of-global-biodiversity-finance.pdf>