



INDIA ADOPTS A DEVELOPMENT-CENTRED, WHOLE-OF-ECONOMY CLIMATE STRATEGY: INTEGRATES ADAPTATION, MITIGATION AND BEHAVIOURAL CHANGE WITHIN ITS DEVELOPMENT MODEL, SAYS ECONOMIC SURVEY 2025-26

**INDIA'S ADAPTATION AND RESILIENCE-RELATED
DOMESTIC SPENDING SURGED FROM 3.7 PER CENT OF
THE GDP IN FY16 TO 5.6 PER CENT OF THE GDP IN FY22**

**FY 26 SAW ACCELERATED CLEAN ENERGY AND
STRATEGIC TRANSITIONS THROUGH RAPID RENEWABLE
CAPACITY ADDITION, DIVERSIFICATION INTO GREEN
HYDROGEN AND NUCLEAR SECTORS**

**SHARE OF INSTALLED POWER CAPACITY FROM NON-
FOSSIL FUEL SOURCES STANDS AT 51.93% AS ON END OF
DECEMBER 2025**

**CRITICAL MINERALS ALONG WITH TECHNOLOGY ARE
DETERMINING FACTORS IN GLOBAL ENERGY TRANSITION:
ECONOMIC SURVEY 2025-26**

**INDIA'S STRATEGY FOR CRITICAL MINERALS REFLECTS A
BALANCED FOCUS ON DOMESTIC CAPABILITIES AND
INTERNATIONAL PARTNERSHIPS**

**STRONG GOVERNANCE FRAMEWORKS NECESSARY TO
ENSURE CLIMATE FINANCE SUPPORTS GROWTH
WITHOUT COMPROMISING MACROECONOMIC STABILITY**

The global climate change agenda has reached an inflexion point, what was once framed as a straightforward moral and technological transition toward a net-zero future is today marked by complex trade-offs, capacity constraints and a widening gap between ambition and operational reality stated the Economic Survey 2025-26 tabled in Parliament today by Union Minister for Finance and Corporate Affairs, Smt Nirmala Sitharaman.

The Economic Survey highlights that introduction of complex systems too quickly without buffers, redundancy and institutional capacity, the system is likely to become fragile instead of thriving. Stating that climate policy should prioritise human welfare, particularly for poorer and climate vulnerable societies, the Survey observes that development is, in itself, a form of adaptation. The Economic Survey therefore identifies adaptation central to India's climate strategy.

For India, achieving sustained growth and rising living standards will require a substantial expansion in the supply of affordable and reliable electricity. Renewable energy will play a major and growing role in this expansion; however, capacity additions alone do not automatically translate into a dependable supply – the Survey says. India must, therefore, approach the coming decade not as a climate policy problem in isolation, but as a broader energy system strategy.

Adaptation: Strengthening climate resilience

Integrating climate adaptation and resilience into development plans is essential for sustainable growth. India's climate adaptation strategy is predominantly advanced through a development-led approach, utilising domestic public investment in core development sectors, the Survey observes. India's adaptation and resilience-related domestic spending surged from 3.7 per cent of the GDP in FY16 to 5.6 per cent of the GDP in FY22.

The National Action Plan on Climate Change (NAPCC) spearheads climate action through nine missions. Many of these are focused on adaptation. While The National Mission on Sustainable Agriculture promotes climate resilient farming, the National Water Mission emphasises conservation and fair access through integrated resource management. The Survey also takes examples of other missions too, to highlight how they have been part of the adaptation efforts.

National frameworks and programmes provide policy coherence, financial support, and institutional mechanisms, while States contextualise and operationalise these interventions through sectoral policies, public programmes, and local institutions, the Survey says. The State Action Plans on Climate Change (SAPCCs) are crucial tools for translating NAPCC's broader objectives into actionable steps. The Survey highlights that as Indian cities continue to grow at a rapid pace, internalising climate risk into the fabric of urban planning, means considering how climate change affects land use, infrastructure, and the services provided to residents.



Mitigation: Transition to a low-carbon economy

India is adopting a multifaceted approach to mitigate global warming by diversifying its energy sources and enhancing access while also increasing the share of non-fossil fuels, improving energy efficiency, and promoting stability across its energy systems. The Economic Survey highlights some examples from European countries such as Netherlands, Germany, Spain etc to show the risks associated with transitions that outpace investments in baseload generation, transmission, and system flexibility. India's energy transition is being pursued through a combination of initiatives across various sectors, including nuclear, solar, and wind energy, green hydrogen, battery storage, and critical minerals, which help address both energy security and transition imperatives simultaneously. The Survey also provides some of the recent examples of such measures.

India has already surpassed the goal of 50 per cent installed power capacity from non-fossil fuel sources, which stood at 51.93% at the end of December 2025, supported by record annual additions of renewable energy capacity. The progress in expanding non-fossil fuel-based power capacity has been supported by a wide variety of initiatives to boost renewable energy systems. Additionally, new measures are being taken to support other clean sources of energy such as the National Nuclear Mission, the Green Hydrogen Mission, and the Bio Energy Programme. Despite the progress in expanding non-fossil fuel energy, challenges remain. The Survey identifies material and storage requirements as two roadblocks to greater utilisation of these energy sources.

Critical Minerals as a Determinant of Energy Transition

The Economic Survey says that the global energy transition is no longer solely determined by technology; it is increasingly constrained by who controls critical minerals. Metals like Lithium, cobalt, nickel, copper, and rare earth elements have become the new strategic chokepoints in shaping the contours of a low-carbon economy. As demand accelerates, advanced economies are responding by promoting standards-based critical mineral markets, emphasising sustainability, traceability, and governance.

India's strategy reflects the balance with a focus on domestic capabilities through the National Critical Mineral Mission along with suitable incentive mechanism, while engaging in international partnerships like the Minerals Security Partnership and the Indo-Pacific Economic Framework. The Government of India has launched the National Critical Mineral Mission as a strategic initiative to secure the supply chain of minerals essential for renewable energy and storage technologies. Meanwhile, the government's joint venture, Khanij Bidesh India Ltd. (KABIL), has acquired 15,703 hectares in Argentina for lithium mining, alongside partnerships in Australia and Chile.

India has adopted the landmark Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act in December 2025. The new framework enables private sector participation in key activities, including plant operations, power generation, equipment manufacturing and carrying out research and innovations in the field of peaceful uses of atomic energy.

Carbon Credit Trading Scheme: from framework to implementation

The government adopted the Carbon Credit Trading Scheme (CCTS) in June 2023, operating through a dual mechanism that incorporates mandatory compliance and voluntary offset approaches. This framework leverages the existing Perform, Achieve and Trade (PAT) scheme infrastructure, gradually transitioning it into a fully operational compliance carbon market. Under the Offset Mechanism, Non-Obligated Entities may voluntarily register projects that reduce, remove, or avoid greenhouse gas emissions to earn CCCs. This mechanism enables mitigation outcomes from entities outside the compliance framework and incentivises climate action in these areas.

Mission LiFE

The Mission LiFE - Lifestyle for Environment, an initiative introduced in 2021, at COP26 in Glasgow, connects individual and community behaviour change with efforts to deal with climate change. The Economic Survey terms Mission LiFE as an integral part of India's Nationally Determined Contributions. Majority of India's climate-oriented schemes are fundamentally aligned with the ethos of Mission LiFE, as they combine government interventions with behavioural and lifestyle shifts at the household, community and enterprise levels. India's climate strategy is not confined to emissions targets or technologies alone, but is deliberately designed to reshape consumption patterns, social norms and daily choices, making Mission LiFE not a parallel initiative but the behavioural foundation underlying most climate policies in the country, the Survey says.

Climate Finance

The current levels of climate finance fall short of the requirements of developing countries to meet their climate ambitions. The Economic Survey highlights that despite sustained global efforts, the gap between sustainable development ambitions and available financing has continued to widen—particularly for developing countries—reaching an estimated USD 4 trillion. International public finance to developing economies remains limited, and domestic actors continue to dominate global climate finance, accounting for nearly 80 per cent of total flows. These patterns embedded in the international financial architecture reflect a persistent and clear bias in favour of developed countries.

The Survey states that India faces global challenges in climate finance which remains skewed towards mature sectors such as solar, wind energy and energy efficiency. Critical areas, including adaptation, financing for MSMEs, urban infrastructure, and hard-to-abate industries, remain underfunded. Currently, around 83 per cent of India's finance for mitigation and 98 per cent of finance for adaptation is sourced domestically.

Bridging the Finance Gap in the Indian Context

India has adopted a two-pronged strategy for scaling up finance for climate action from both domestic and international sources.

Strengthening the Domestic Financial System

Specialised Institutions such as IREDA, NABARD, SIDBI, Power Finance Corporation Ltd., and Rural Electrification Corporation Ltd. are already working in the low-carbon/renewable energy space, promoting the adoption of sustainability practices and encouraging green investments through key initiatives and schemes. These institutions support climate project preparation and augment the bankability of projects through catalytic capital, which closely intersect with India's development priorities including climate action.

SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework, green bond guidelines and IFSCA's guidance on sustainability-linked lending have improved disclosure quality and investor confidence in climate-related investments.

Deep and Liquid Bond Markets

Bond markets are crucial for financing climate infrastructure, which requires substantial upfront capital and extended repayment horizons. Deeper, more liquid bond markets can provide long-term, stable, and scalable financing at predictable costs.

Sovereign green bonds (SGBs) have been issued to fund low-carbon public infrastructure, providing policy signalling and market benchmarks.

On one hand, mature markets are important for attracting investments from institutional investors, which have long-term capital at their disposal. On the other hand, bond markets provide an important platform for local administrative bodies to raise local-currency finance for climate-aligned functions, such as water supply, waste management, and green energy, tailored to area-specific adaptation and resilience needs. The Survey highlights that urban local bodies in Indore, Ghaziabad, Ahmedabad, and Vadodara have issued green bonds in line with SEBI's green bond framework. Municipal green bonds can unlock USD 2.5–6.9 billion for local bodies driven climate action over the next 5–10 years. Besides, government of India has now issued sovereign green bonds worth ₹15,000 crore in FY26, with the cumulative issuance reaching ₹72,697 crore since FY23.

The Survey also mentions Greenium—the yield advantage of green bonds over comparable conventional bonds—has been observed across several sovereign issuers, but its magnitude and persistence vary significantly by market. Cross-country experience shows that greenium outcomes depend less on investor intent alone and more on market design, liquidity, credibility, and reporting frameworks. India's Greenium is categorised as Intermittent (0-6 bps) on the basis of clear sovereign green bond framework; strong domestic institutional demand; policy signalling value.

International Climate Finance and the Role of Multilateral Development Banks

The Survey clearly mentions that Global capital markets are flush with funds, yet flows to sustainable development and climate projects in the Global South remain constrained by entrenched risk aversion embedded in the architecture of global finance. This is most evident in the operating models of Multilateral Development Banks (MDBs) and in the prudential regulations of developed countries. MDBs continue to prioritise low-risk, sovereign-backed lending and the preservation of AAA ratings, limiting balance-sheet recycling and private capital mobilisation. A shift toward balance-sheet optimisation—from “originate-to-hold” to “originate-to-share”—is essential to reposition MDBs as global risk managers, utilising guarantees, insurance, and blended finance to attract private investment.

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