

# What a Biden-Modi Initiative To Spur India's Green Transition Should Look Like

By Kanika Chawla, Alan Yu, Rita Clifton February 18, 2021

President Joe Biden and Prime Minister Narendra Modi have identified tackling the threat of climate change as one of their top bilateral priorities. The United States and India have shared and respective interests in making climate change cooperation a central pillar of the strategic partnership. Such deepened cooperation would:

- **Advance global climate progress and Paris Agreement goals** through U.S.-India collaboration on policies and financing to support aggressive Indian economic and energy transformations.
- **Demonstrate climate collaboration** on sustainability-centered, climate-focused pathways for developed and developing economies through Indian and U.S. green economic recovery plans.
- **Affirm shared global climate leadership** as the United States works to restore international credibility on climate action through progressive collaborations with partner countries such as India.
- **Create economic opportunities** by broadening India's access to technological and financial resources, from the United States and elsewhere, to support its sustainable development goals.
- **Advance geopolitical interests**, including inclusive Asian community partnerships, industrial policy-based approaches to strengthen manufacturing job bases, and joint research agendas.

A major factor for realizing the above outcomes will be solving the deep shortfall in available private financing for India's sustainable development and clean energy transition. The Center for American Progress (CAP) and India's Council on Energy, Environment and Water (CEEW) partnered to co-author a new report<sup>1</sup> that recommends that President Biden and Prime Minister Modi launch a U.S.-India Green Transition Finance Initiative, a program to mobilize private finance for India's sustainable transition and make it the centerpiece of a new leaders-level climate change strategy.

The private financing that has boosted the pace of India's renewable energy capacity addition, which has jumped from 35 gigawatts (GW) in 2014 to more than 86 GW in 2020,<sup>2</sup> is indicative of private investor interest in the sector. There are also emerging investment opportunities in India's other latent sustainable transition markets, such as electric mobility, a market expected to reach \$48 billion annually by 2030.<sup>3</sup> But India requires \$2.5 trillion in investment by 2030 in order to achieve its Paris Agreement commitments, and yet a range of investor risks hinder sufficient financial flows, particularly from foreign institutional investors.

That is where India-U.S. climate leadership and collaboration could help reduce these market risks and catalyze investment.

CAP and CEEW recommend a leaders-level strategy that President Biden and Prime Minister Modi could launch early in the new U.S. administration in order to mobilize foreign institutional capital to opportunities identified as part of India's green transition strategy. This approach would center on a two-step plan of sector prioritization and holistic strategies and actions to de-risk the identified sectors.

Furthermore, CAP and CEEW recommend a range of joint activities such as green-tagging tools to increase visibility of assets for potential investors, enhanced U.S. International Development Finance Corp. catalytic finance activities in India, and new and transparent payment security mechanisms for power generators and distribution companies.

It is in the interest of India, the United States, and the world for India to move to an increasingly progressive decarbonization pathway. Foreign institutional investment can play a critical role. Realizing progress on India's green transition would also advance other important policy co-benefits, for India and the United States, such as economic growth through job creation, improved public health outcomes, reduced air pollution, and long-term positive returns on investment. The United States and India have a shared interest in mobilizing all resources to confront these challenges.

*Kanika Chawla is a nonresident fellow at the Council on Energy, Environment and Water. Alan Yu is a senior fellow and the director of International Climate Policy at the Center for American Progress. Rita Clifton is a policy analyst for Climate and Energy Policy at the Center.*

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## Endnotes

1 Kanika Chawla, Alan Yu, and Rita Clifton, "Renewed U.S.-India Climate Cooperation: Mobilizing Foreign Capital for a Green Transition in India" (Washington: Center for American Progress, 2021), available at <https://www.americanprogress.org/?p=495999>.

2 India Ministry of New and Renewable Energy, "Developmental Impacts and Sustainable Governance Aspects of Renewable Energy Projects" (New Delhi: 2013), available at <http://164.100.94.214/sites/default/files/uploads/report-on-developmental-impacts-of-RE.pdf>.

3 Vaibhav Pratap Singh, Kanika Chawla, and Saloni Jain, "Financing India's Transition to Electric Vehicles: A USD 206 Billion Market Opportunity (FY21 - FY30)" (New Delhi: Council on Energy, Environment and Water, 2020), available at <https://cef.ceew.in/solutions-factory/publications/financing-india-transition-to-electric-vehicles>.