

INSIGHT DAILY CURRENT AFFAIRS



APRIL 11, 2022

73, Old Rajinder Nagar, New Delhi-110060
Ph: 011-45090051, 9818333201, 9871216382

GREEN FUTURE INDEX 2022

Why Green Future Index 2022 is in the news?

- Iceland, Denmark and the Netherlands are the countries most prepared for a low-carbon future, according to a new report.



About Green Future Index 2022

- The index is a ranking of 76 economies published by MIT Technology Review Insights, the custom publishing division of the bimonthly magazine at Massachusetts Institute of Technology.
- It measures how countries are reducing their carbon emissions, developing clean energy and innovating in green sectors. The research also looks at environmental protection and government climate policies.
- Iceland, Denmark and the Netherlands are the countries most prepared for a low-carbon future, according to a new report.
- Other countries making up the top 10 of the Green Future Index 2022 are the United Kingdom, Norway, Finland, France, Germany, Sweden and South Korea.

Structure of Green Future Index 2022

- The structure of the index included specific pillars with indicators:
 - **Pillar 1: Carbon emissions**
 - This pillar measures how effectively countries are curbing carbon dioxide emissions overall, as well as in key sectors.
 - **Pillar 2: Energy transition**
 - This pillar assesses the contribution and growth rate of renewable energy sources, and now includes nuclear power.
 - **Pillar 3: Green society**
 - This pillar measures the efforts made by government, industry, and society to promote green practices

73, Old Rajinder Nagar, New Delhi-110060

Ph: 011-45090051, 9818333201, 9871216382

INSIGHT DAILY CURRENT AFFAIRS

○ Pillar 4: Clean innovation

- This pillar measures the innovation environment for building a low-carbon future, such as the relative penetration of green patents, investment in cross-border clean energy, and investment in food technology.

○ Pillar 5: Climate policy

- This pillar measures the ambition and effectiveness of climate policy, including carbon financing initiatives, sustainable agriculture policy, and the use of pandemic recovery spending to achieve a green economic recovery.



Green leaders

- Europe leads the table, with 16 countries in the top 20.
- Iceland, in the number one spot, is one of two European countries which generated more electricity from renewable sources than it consumed. Of this, 80% went to heating and cooling, more than three times the European Union's average of 23%.
- Improved climate policies have pushed some countries ahead, the Green Future Index 2022 finds. For example, the UK, which has moved from 17th to fourth place since last year's ranking, has been "aggressive" in clean energy investing.
- South Korea, Japan and the United States are all new entrants to the top 20. The index attributes this, in part, to their green intellectual property. South Korea, for example, is a world-leader in green patents, the authors say. Progress has also been made in redirecting infrastructure spending to clean energy projects.

Policies for a Green Future

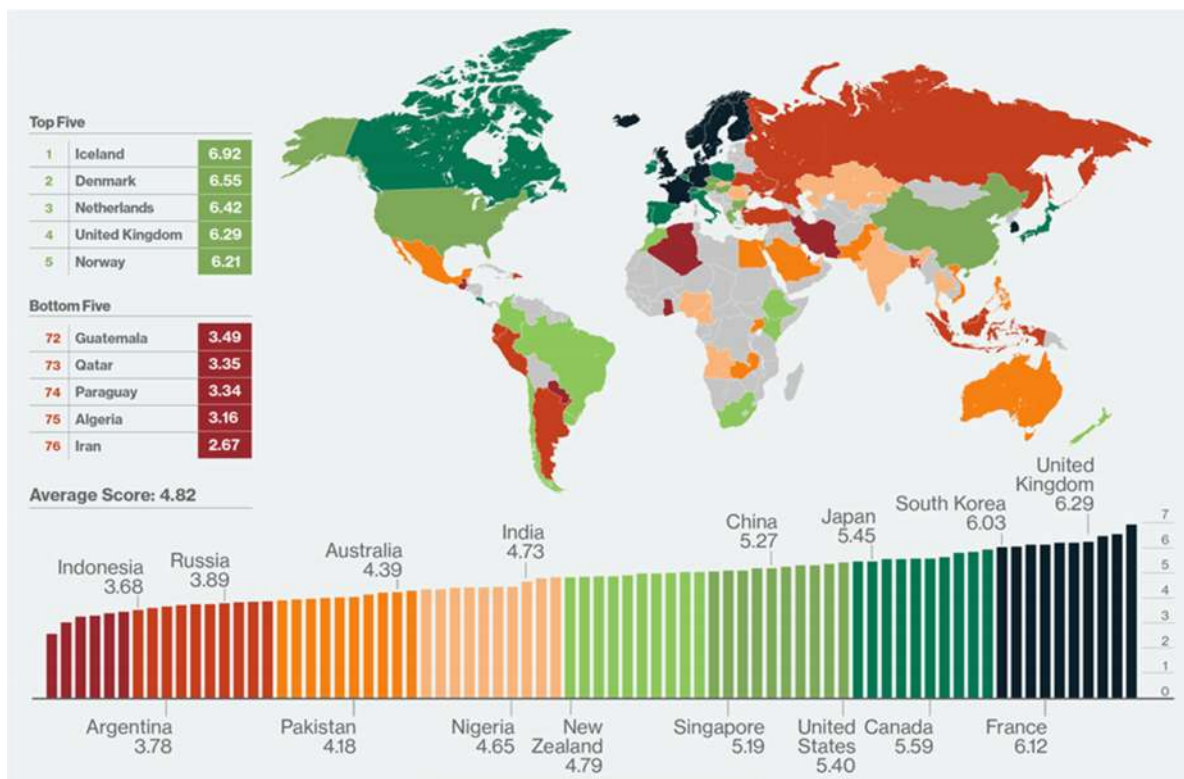
- In the middle of the table, countries are also making progress on green policy and infrastructure. Greece is among these. It has committed to spending 30% of funding from the European Union's post-pandemic recovery fund on moving to clean energy.

73, Old Rajinder Nagar, New Delhi-110060

Ph: 011-45090051, 9818333201, 9871216382

INSIGHT DAILY CURRENT AFFAIRS

- China, which has moved into 26th place from 45th position in 2021, has made significant gains in greening its society, the authors say. This includes buying more than half the world's electric vehicles in 2021.
- Costa Rica, Singapore and New Zealand are among countries that have fallen down the rankings. In Costa Rica's case, this may be related to "significant challenges" in implementing climate policy, the report suggests.



Climate and COVID-19

- India is among a contingent the Green Future Index 2022 labels as "climate laggards". The country's COVID-19 recovery plan favours traditional industries, the authors say, and this is hampering the move to greener policies.
- The pandemic has also pushed back green agendas in countries like Argentina and Indonesia. These countries are ranked 68th and 70th respectively in the table and are part of a group the authors label "climate abstainers".
- These are economies that either lack "the political will to pursue green agendas" the authors say, giving Russia as an example, or their economies are too resource-heavy for them to make any real progress.
- While the Green Future Index 2022 was completed before Russia's invasion of Ukraine, the authors warn that this conflict "is likely to have far-reaching and ongoing implications for the sustainability efforts of countries all around the world".

73, Old Rajinder Nagar, New Delhi-110060

Ph: 011-45090051, 9818333201, 9871216382

INSIGHT DAILY CURRENT AFFAIRS

- **Uncertainty as the COVID-19 pandemic continues has also meant many countries have “reverted to old carbon-intensive habits to recharge their economies”.**

For Green Finance, Climate Policy is the New Monetary Policy

- **Climate policy that reflects and acts upon the public’s commitment to combat climate change can promote SRI investments in four ways.**
- **First, effective climate policy imposes and regulates information disclosure on carbon emissions, enabling SRI investors to better identify green assets and track their impact on climate change mitigation.**
- **Second, it mandates that national agencies and capital such as pension funds and sovereign wealth funds support the pursuit of climate goals, directly boosting SRI investments.**
- **Third, it provides policy support and financial rewards for green technology and production, which attracts SRI investors seeking to optimize their social impact.**
- **Finally, good climate policy grows the demand, and therefore the price, of green assets, which improves the profitability of SRI investments and enhances their sustainability in turn.**
- **Rising concern about climate change has accelerated the adoption of climate policy globally.** By April 2021, 45 nations had already implemented or were scheduled to implement a nationwide carbon tax or Emission Trading System (ETS). But it is clear that these efforts do not go far enough to reach net-zero emissions by 2050, a key tenet of the Paris Agreement.
- **When firms issue corporate green bonds in their local currency, they essentially offload the currency mismatch risk to SRI investors’ — a relief for firms that rely heavily on international financing, exposing them to exchange rate volatility.**
- **So, climate policy is to green bonds as credible monetary policy is to regular bonds. Credible monetary policy reduces the chances of money being printed to inflate debt denominated in local currency, which improves firms’ capacity to issue local currency bonds and mitigate currency mismatch risk.**

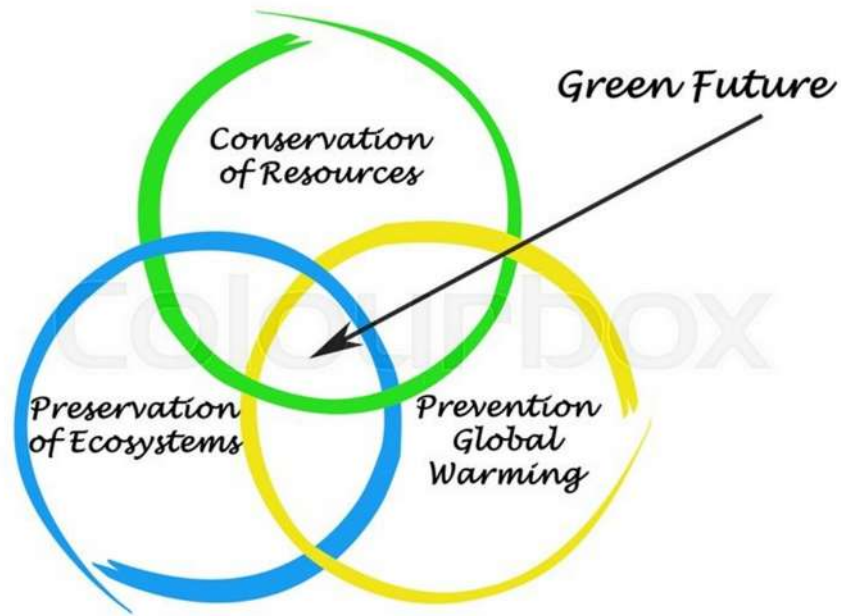
Conclusion

- **Climate policy achieves that same goal by reducing the probability of greenwashing, thereby directing SRI investment toward green bonds that enable firms to borrow in their local currency. Climate policy is, thus, the new monetary policy for green financing.**

73, Old Rajinder Nagar, New Delhi-110060

Ph: 011-45090051, 9818333201, 9871216382

INSIGHT DAILY CURRENT AFFAIRS



Source: World Economic Forum



73, Old Rajinder Nagar, New Delhi-110060
Ph: 011-45090051, 9818333201, 9871216382