



## Letter to the Prime Ministers from the India - U.K. Track II Dialogue on Climate Change and Energy

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Dear Prime Minister Modi and Prime Minister Sunak,

We write to you as co-chairs of the India-UK Track II Dialogue on Climate Change and Energy. This Dialogue brings together distinguished members from the UK and India, with support from both High Commissions. We discuss bilateral priorities for climate change action and energy transition pathways that will help the creation of a new sustainable, inclusive and resilient growth story for the 21st century, for our two countries and for the world.

We held our fourth meeting virtually on the 30th of October 2023. The meeting covered the key achievements of India's outstanding G20 Presidency and the momentum its legacy creates as we head towards COP 28. Our discussion focused on climate finance, for necessary investments, as well as on adaptation and resilience, including in relation to the extreme heat and extreme weather events likely to result from climate change. We would like to offer some suggestions on these areas, and on how to accelerate India and UK's net zero trajectory and strengthen their leadership in global climate diplomacy.

### Accelerating Collective Climate Action

1. The results of the Global Stocktake will reveal that current global efforts are insufficient, by a big margin, to limit global warming to 1.5 Celsius Degrees. All countries must accelerate their efforts to reduce emissions. We recommend that developed nations' net zero targets should be advanced from 2050 to 2040, and that developing nations should similarly move forward their net zero targets by a corresponding amount.
2. We believe that India and the UK can help facilitate discussion about how to accelerate collective climate action, taking account of, as the UNFCCC puts it, common but differentiated responsibilities and respective capabilities, in the light of different national

circumstances. This recognises the responsibilities of wealthy nations and historic emitters to support sustainable development and green growth of developing countries and their efforts to raise living standards and tackle poverty. India and the UK can demonstrate, in their own ways, that tackling climate change is an investment and growth opportunity that promotes prosperity, collaboration, and peace.

3. To accelerate global climate change action, we encourage the creation of specific climate action plans that connect India and the UK's national priorities. This includes: reforms of international financial institutions to rapidly increase their financing (as recommended in the Singh-Summers report prepared for India's G20 Presidency); regulatory adaptation to reduce international and national barriers; and measures to foster private sector investment and finance, including institutional investor alignment with NDCs.
4. We advocate exploring the Commonwealth platform to provide institutional support for, and add strength, to the climate partnership between India and the UK.

#### Investing in Green Energy

5. We note and support the call for global renewable capacity to be tripled by 2030, we believe that a further tripling of renewable capacity will be required by 2040. These triplings should be paired with strategic initiatives, such as substantial investments in grid infrastructure, which translates capacity into delivered power.
6. We must embrace international cooperation and innovation; the UK and India should lead by example. Green hydrogen can be one such technology for collaboration. It will be key to decarbonizing hard-to-abate sectors.
7. It is crucial to secure a commitment and time table at COP 28 to phase down and phase out unabated fossil fuels.
8. The finance of the transitions of the power sector, of industry and of mobility require the right financial architecture. That should contain a combination of equity (sources can include sovereign wealth funds, pension funds, private and public equity and venture capital), debt through project debt (banks & NBFCs), bonds, consumer loans (banks/NBFCs), infrastructure debt funds (IDF), hybrid platforms (InvIT), and, importantly, guarantees.

#### Strengthening International Climate Finance

9. Under the India G20 Presidency, the Independent Expert Group on Strengthening Multilateral Development Banks concluded, that MDBs should: (i) include in their objectives the support of global public goods, including climate and biodiversity; (ii) triple their financing within five years; (iii) explore new forms of hybrid capital and financing

arrangements. To do this they should be ready to take more risk and make greater use of guarantees. This will require strong shareholder support, including through capital increases. We recommend strong support from India and UK for these proposals. Further, as the report recommends, they should work much more closely with the private sector including through the sharing and reducing of risk, and thereby the cost of capital. They should work with governments and the private sector to create country and sector platforms which can foster investment and enable a programmatic rather than simply a project approach to supporting investment.

10. As the G20 meeting of Finance Ministers recommended in the Marrakech Annual Meetings of the IMF and World Bank, the G20 should look to the Brazil G20 Presidency to pursue the implementation of these proposals.
11. To boost corporate green investment, there is a need to set clear regulations, overall strategies, simplify green finance definitions, and introduce supportive tax structures. Clarity, consistency and credibility of policies is vital to investment.
12. India and the UK should enable financing to reach small entrepreneurs, especially women-owned and led businesses. This requires a robust investment mechanism that combines philanthropic, public, and private capital.
13. A collaborative 2+2 dialogue between Indian and UK regulators and institutional investors can both promote mutual learning and help align investment goals.
14. If the world is to deliver on the Paris Agreement, there needs to be a very strong increase in investment, with much bigger flows of external finance (private and public) to emerging markets and developing countries. Failure on the Paris goals will put all countries at grave risk, with the poorest people and countries being the most vulnerable. There is a great injustice here as they have contributed the least to the emissions.

### Boosting Adaptation and Resilience

15. With strongly rising temperatures, adaptation becomes ever more important, yet it is not easy to finance, as it is not generally straightforward to capture associated revenue flows. We recommend providing clear signals to the market regarding government goals and roadmaps for strong climate change adaptation and resilience on the necessary scale. Expanding insurance will be important; so too disaster clauses in international debt.
16. We identify extreme heat stress as a common and serious risk for both India and the UK. This will heighten demands for cooling, including air conditioning. This could result in significant increase in demand for electricity that could put strain on the power grid. Therefore, investing in innovative non-polluting, energy-efficient, and cost-effective solutions will be essential. India and the UK can collaborate in the co-development of such technologies, improving their accessibility, and scaling their uptake. Building design will be

a central issue. In addition, we recognise the role of nature-based solutions for urban cooling.

17. We recommend that heat adaptation should also focus on key areas like agriculture. Bilateral investment opportunities exist for the two countries across early warning systems, water recycling initiatives, and improved crop insurance projects, preventing crop loss, safe-guarding livestock health, and rejuvenating water bodies. Timely and accessible data and connectivity are crucial.
18. To foster productive collaboration, we recommend building a robust bilateral research ecosystem that explores heat impact. We also advocate the promotion of a narrative that highlights heat-related risks, integrates heat adaptation and mitigation into mainstream practices, and promotes investments in nature-based solutions. This will also promote adaptation as a market-based model, making it possible to apply market approaches to adaptation strategies.
19. India-UK collaboration can also play a significant role in supporting capacity building at the sub-national level, including the localisation of heat action plans.

We believe that India and the UK can together help build shared understanding of key challenges and how to respond in an effective way which recognises the urgency and scale required. They will be critical players for a successful COP 28. They can offer vital support to Brazil's G20 Presidency and their Presidency of COP 30. On behalf of our India-UK Track II Dialogue members, we express our gratitude for the leadership and vision to expedite collective climate action, reflected in both countries' key role in Paris COP21, in 2015, India's G20 Presidency in 2023, and the UK Presidency of COP26 in Glasgow in 2021. Our members would be honoured to offer their support in further strengthening India-UK relations and their green transition trajectory. We look forward to discussing these ideas with you.