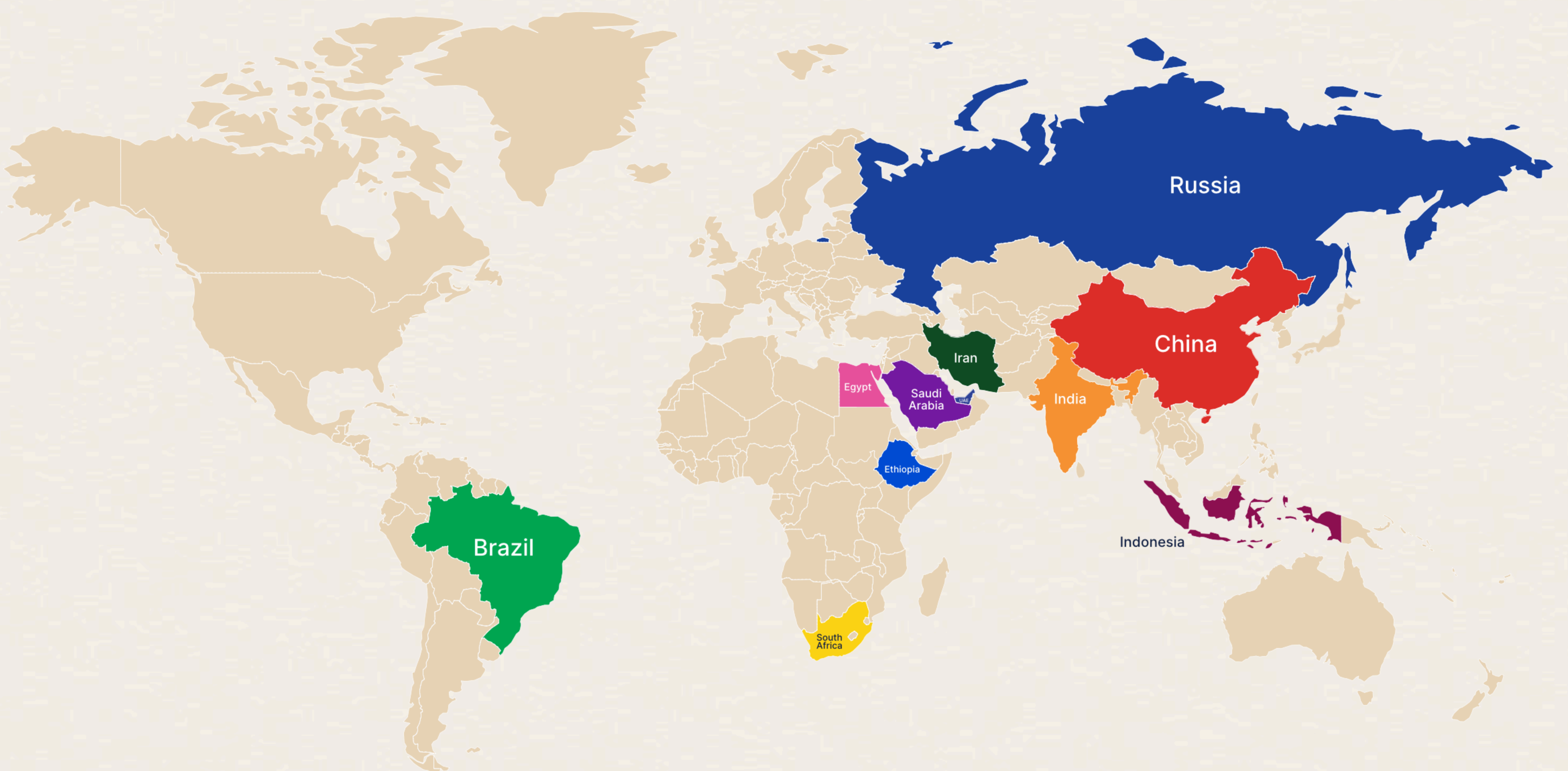


Beyond Greenwashing: Credibility, Scale and the Future of Sustainable Finance in BRICS

White Paper | September 2026



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> About the paper

This white paper examines greenwashing risks and the regulatory and market approaches being adopted to address these risks across BRICS economies. It analyses the role of taxonomies, disclosures, verification, regulation and market discipline, in strengthening the credibility of sustainable finance. The white paper also explores BRICS's potential to develop common principles and interoperable approaches that support cross-border investment while simultaneously acknowledging the different national development and transition pathways. Besides, the paper highlights the limits of treating greenwashing and regulations on greenwashing should not be so complex that they impede investment at scale.

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7. **Mr Sean Kidney**, Chief Executive Officer, Climate Bonds Initiative

8. **Dr Rajiv Lall**, Former Chief Executive Officer, IDFC Bank; Senior Advisor, CSI; and Professional Research Fellow, Singapore Management University

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➤ Executive summary

As climate finance grows in scale and influences investment and capital allocation decisions, the need for credibility in its use is becoming increasingly important. While greenwashing - false claims of environmental accomplishment - has made the form and use of climate finance more prominent. The white paper is based on the webinar organised by the Climate and Sustainability Initiative (CSI) in association with the Ministry of Finance, Government of India, during India's BRICS presidency.

The paper distinguishes deliberate misrepresentation from the more uncertain territory of contested green classifications, cautioning against treating all imperfect claims as greenwashing. It distinguishes the roles of taxonomies, disclosure and verification, arguing that no single 'stamp of approval' can take the place of a well-structured, multi-layered credibility system. For BRICS economies, diverse development priorities, energy systems and transition pathways make a one-size-fits-all approach neither straightforward nor desirable. The paper points out the risks of over-regulation, such as "green hushing" and "green stopping", while emphasizing the need for policy and regulatory incentives to accelerate climate finance. It also highlights guarantees, de-risking tools, and a broader approach to accelerate climate finance spanning mitigation, adaptation, and 'just transition'.

The paper's central proposition is "interoperability without uniformity." Instead of aiming for a single BRICS taxonomy or regulatory model, the member states could pursue common principles, minimum safeguards, and a greater degree of recognition of equivalence within their respective national frameworks, while maintaining their distinct development priorities and transition paths. Mapping national taxonomies can improve comparability by identifying areas of alignment.

As India's BRICS presidency concludes and the chairship passes to China in 2027, this provides a practical basis for continuity. The agenda is not to establish a single model of green-finance regulation, but to build a common foundation for credibility that future BRICS presidencies can then further develop, so that climate finance becomes not only more trusted but also more scalable. The overall objective is broader than preventing greenwashing: it is to create credible climate-finance systems that can support the mobilisation of capital at the scale required to meet climate and development priorities.

01

Introduction: Greenwashing as a Symptom of a Larger Challenge

Corporate environmental and climate-related claims have grown in significance, as corporate action is crucial to limiting global warming. However, the credibility of these claims is now a major concern, as they are being incorporated into lending, investment, policy and regulatory decisions regarding climate change. Global climate finance has increased significantly, surpassing USD 2 trillion in 2024 (OECD, 2025). Nevertheless, the definition, measurement and accounting of this finance remain unclear. The use of climate-friendly financial products, such as green bonds, sustainable bonds and sustainability-linked bonds, has increased enormously over the last 10 years. For example, global sustainable bond issuance¹ reached USD 1 trillion, and the total value of outstanding sustainable bonds had reached about USD 4.6 trillion by the end of 2024 (OECD, 2025)². Nevertheless, scrutiny of claims about financial products and investments has increased alongside this expansion.

BRICS Perspective

Drawing on discussions held during India's BRICS Presidency and informed by the discussions in the CSI webinar, the white paper outlines how shifting away from carbon-intensive systems, while simultaneously funding ongoing economic development, is a critical priority for BRICS nations. Common "one-size-fits-all" approaches are inadequate as BRICS economies have very different energy compositions and policy objectives. Therefore, these economies require credible systems that promote accountability and comparability, ensuring that markets do not suffer from excessive complexity while preserving adaptability to local circumstances.

Concerns about greenwashing—the use of false, misleading or unsubstantiated information regarding environmental or sustainability attributes—have become a central theme of the credibility debate. These concerns can erode investor trust and obscure the distinction between assets that are merely marketed as "green" and those that are genuinely sustainable. The real challenge lies in designing reliable systems that can improve transparency and implementing robust standards for tracking without creating an administrative burden. The objective is not only to police misleading financial claims but also to build sustainable-finance markets in which credible claims can be identified, tested and rewarded. This will establish the institutional trust necessary to mobilise meaningful, large-scale capital for shared climate and development goals.

02

The Greenwashing Challenge: Not every “shade of green” is fraud

A common topic is distinguishing deliberate greenwashing from the broader set of issues that are often grouped under the same term. On one end of the spectrum, there are clear instances of misrepresentation: false claims that capital is being directed towards green activities; the deliberate exaggeration of environmental benefits through the use of varied financial products and markets; the use of proceeds from labelled bonds and loans for other purposes; and sustainability claims made by companies and financial institutions that do not reflect ground realities. Such cases raise questions about accountability and enforcement.

Other situations are less straightforward. Real uncertainty can exist about whether an activity counts as “green”, particularly when definitions vary across jurisdictions or in contexts where taxonomies are still evolving. An investment might yield additional environmental benefits without meeting the threshold required to be classified as a green activity under a global standard. It might not be “fully green”, but it can still indicate real progress. Subsequently, the question arises regarding who can determine what constitutes “green enough”. This ambiguity is compounded by the fact that companies that make genuine green investments are also transitioning away from an otherwise carbon-intensive business model.

Climate-finance providers, such as multilateral development banks, also influence the classification, reporting and comprehension of capital. For developing economies in the BRICS consortium, externally defined standards may not always capture the different development priorities or transition pathways of individual nations, creating a risk that projects are assessed against criteria that do not reflect what they can realistically deliver.

These situations must not be treated the same way. Resolving classification disputes may require greater cross-framework clarity, whereas closing disclosure gaps may need better information and verification. A lower level of environmental ambition is not the same as making a false claim, and the existence of emissions-intensive activities does not automatically invalidate investments made as part of a credible transition.

These differences are crucial for policy, regulations and market practices. Treating all imperfect or disputed claims as greenwashing carries the direct risk of triggering excessive or overly broad responses and hiding real obstacles to creating change. Although credible standards are essential, they must also account for legitimate variations based on geographical and firm-level context. Additionally, there is a risk of failing to recognise the investments needed to support the transition; for example, the industrial sector will be more difficult to decarbonise if only activities that are entirely green are considered acceptable. Therefore, the issue transcends detecting misleading claims. It is crucial to improve the quality of available information, clarify definitions, and strengthen institutional arrangements to enable banks, financial institutions, development finance institutions and policymakers to assess both the type of financing and the rationale behind it.

These distinctions are significant to investors because uncertainty about definitions, disclosures and transition pathways makes it harder to assess and compare investments. Consequently, the effort needed to allocate capital with confidence increases. In this context, the broader issue is identifying ways to strengthen credibility without imposing due diligence and compliance costs that outweigh the benefits, as additional requirements may add complexity without materially improving the information available to investors.



03

Building Credibility: Taxonomies, Disclosure and Verification

A growing institutional framework has facilitated the expansion of sustainable finance by making environmental claims more credible (OECD, 2026)³. Nevertheless, the increasing emphasis on information and credibility should also acknowledge the different roles of taxonomies, disclosures and verification.

A **taxonomy** classifies activities by providing assessment criteria. It serves as a common basis for determining whether an investment falls within a specific sustainability, climate, green or transition framework. However, the taxonomy does not verify whether the user of capital (non-financial corporation) or the financial intermediary (financial corporation) has accurately represented its real economic activities or financial products, respectively.

Disclosures play a crucial role here. They address information asymmetry by clarifying what is being financed, how the issuer describes the activity and the basis on which sustainability claims are made. However, transparency should not be confused with climate alignment. An issuer might provide accurate disclosures while the underlying activity is still disputed as to whether it should be classified as green. A similar issue afflicts climate finance more broadly: The overall figures can show the scale of finance mobilised without necessarily disclosing its terms, form or eventual use.

Verification and **assurance** add another layer of scrutiny by examining whether the information, methods or stated use of the proceeds can be substantiated. External reviewers and second-party opinion providers can validate the claims presented to investors. Environmental, social and governance (ESG) ratings and other market-based assessments can also influence investor perceptions, although they do not replace underlying disclosure, classification or regulatory scrutiny. However, verifying a claim does not mean that the underlying activity is sufficiently green.

This distinction matters because sustainable finance cannot rely on a single “stamp of approval”. Classification, transparency and assurance each reduce different types of uncertainty. The conundrum is how to combine them coherently without turning the multilayered credibility system into a complicated network of overlapping requirements. The solution is to strengthen disclosures by making them more clearly defined, comparable and more useful for decision-making.

04

The regulatory paradox: safeguards, standards and market incentives

How much regulation is needed to support efficient capital allocation remains an open question across the climate finance ecosystem. Inadequate regulation may allow fraudulent practices to go undetected, while excessive regulation could drive good actors out of the market. The practical question is: What should be directly regulated, what can be supported through market standards and where can incentives complement both? Regulations span from top-down mandates to incentive-led approaches. The European paradigm advocates regulatory measures such as a binding taxonomy, mandatory reporting requirements and enforceable standards. The American approach leans more towards incentives and voluntary practices/standards. China, however, illustrates a balanced approach, combining the firm regulations of the People's Bank of China with targeted incentives, including green credit and disclosure requirements alongside preferential financing. This is particularly relevant for BRICS, as their diverse markets and development priorities may necessitate a calibrated approach, including regulations, standards and incentives, rather than relying on a single approach.

Nevertheless, the costs of overregulation need attention. Currently, the member states of the Association of Southeast Asian Nations (ASEAN) have 11 overlapping taxonomies, which create compliance requirements for corporates and financial institutions without necessarily providing greater clarity. Similarly, the European Union taxonomy has been characterised as complex and data-intensive and as still presenting implementation challenges even after five years of refinement. These examples indicate a broader risk. Overlapping disclosure rules and standards, jurisdictional fragmentation, data and verification burdens, and higher transaction costs collectively increase the compliance burden, particularly for companies in developing countries where governments are striving to improve “ease of doing business”. Overregulation also creates two significant behavioural risks. The first is “green hushing”, where companies refrain from discussing their sustainable practices for fear of scrutiny or accusations of greenwashing. The second is “green stopping”, where excessive compliance and verification requirements may lead to the abandonment of the green activity or investment.

Therefore, the solution does not lie in deregulation but in making regulations more balanced and better suited to the local context. India's and China's calibrated regulations offer an intriguing perspective. In January 2015, China introduced green bond regulations and created a domestic green taxonomy (ICMA,2023). However, these regulations were built on proven experience in voluntary markets and were adapted from established frameworks, including the Green Bond Principles and the Climate Bonds Initiative taxonomy, to suit local circumstances. The regulation did not replace market practices; it formalised and refined them. Similarly, in India, SEBI's Business Responsibility and Sustainability Disclosure (BRSR) framework transitioned from a voluntary code issued by the Ministry of Corporate Affairs in 2012 to mandatory disclosures for the top 1,000 listed companies in 2023 (SEBI,2021). Credible standards often work best when they initially emerge from the market and are subsequently codified, rather than being imposed top-down from the outset.

05

Incentivising credibility: Why good green finance needs more than rules

Greenwashing is a behavioural issue, and regulation alone may not be sufficient to address it. Incentives and preferential mechanisms can complement safeguards by making credible green activity commercially appealing. While it is crucial to enquire, “How do we stop misleading green finance?” it is equally important to ask, “How do we help good green finance grow faster?”

This is illustrated by the numerous preferential mechanisms that nations have adopted to attract capital to the green sector. In China, the People’s Bank of China allows developers of certified green projects to obtain refinancing directly from the central bank at a lower rate, which was reduced from 1.5% to 1.25%. Other BRICS central banks could emulate this approach, especially in the current precarious times, with inflation induced by the fossil fuel crisis and war. Another notable incentive-based initiative at the sub-national level is being implemented in Hyderabad, India, where developers receive additional building space if their buildings meet certain environmental requirements. It shows how cities can reward green efforts with limited direct cost to the municipal government.

Expedited permitting processes can reduce the administrative and time costs associated with bringing climate projects to market. At an institutional level, development banks have made climate-finance commitments; however, the scale of their deployment has not always aligned with their objectives. Therefore, explicit climate-lending mandates without stringent terms could help translate commitments into lending decisions and catalyse more private participation.

These incentive-based mechanisms offer low-cost, high-leverage alternatives to enhance the commercial appeal of credible green activities. They can also help transfer capital at scale without requiring new legislation. The fundamental lesson is that credibility is not merely a business expense but a means of generating economic gain, with green practices rewarded through access to abundant capital on more favourable terms. Credibility becomes more powerful when meeting credible standards is also linked to tangible benefits.

06

From preventing greenwashing to scaling climate finance

Beyond reducing deceptive claims, refining definitions and transparency protocols serves a larger goal: establishing the trust to unlock massive streams of capital. Greenwashing is not just a reputational issue; it also impacts the quantity and cost of climate capital. Each green dollar not used for climate purposes undermines investor confidence, thereby increasing the cost of capital for truly green investments. Given the trillions required annually for climate finance in developing countries, this problem is far from marginal. The issue also pertains to the supply side, which offers a mirror image of greenwashing. In this scenario, multilateral development banks, bilateral donors and private financiers could count the same dollar twice in their individual contributions, inflating climate-finance figures and their actual cost. Both issues highlight the need for clearly defined, verifiable and comparable climate-finance information.

Greater credibility reduces uncertainty and builds investor confidence, making climate finance more comparable and capital allocation more efficient. This, in turn, can help mobilise and scale climate finance.

Guarantees offer a key remedy, as they address both cost and capital constraints. Although markets do not operate on price alone, attractive green capital cannot become available at sufficient scale without structures to de-risk. Interestingly, fossil fuels have had access to ample sovereign guarantees, lowering their cost of capital relative to green investments that lack comparable guarantees. Closing this gap would have a greater impact on capital allocation than introducing additional disclosure rules.

Scaling climate finance also means rethinking which projects are worth investing in. Currently, the distinction between mitigation and adaptation projects is not very clear. Securing water resources, coastal management, and speeding up the transition from fossil fuels should all be part of the climate finance package, whether or not they fall under climate finance taxonomy. For BRICS countries, with different development priorities and transition pathways, this situation underscores the importance of a broader range of climate-related investments. A framework that focuses too closely on mitigation might ignore adaptation and transition investments, not because they are ineffective, but because they address different challenges. Moreover, moving away from fossil fuels will also have social implications; therefore, adaptation finance must explicitly account for this rather than treating the “just transition” as a separate issue from climate finance.

07

Interoperability without uniformity: a BRICS agenda for sustainable finance

With China set to assume the BRICS Presidency in 2027, there is an opportunity to advance the discussion on how greater cooperation can improve the interoperability of sustainable-finance frameworks without erasing national differences. Greater comparability and clarity are required for cross-border sustainable finance to function effectively; however, caution is warranted against equating this need with establishing a single global taxonomy. The BRICS member countries differ widely in their development priorities, energy systems, industrial structures and transition pathways, making uniform standards neither straightforward nor necessarily desirable. Diversity across national approaches need not be a weakness.

Therefore, the challenge, as well as the opportunity, is **interoperability without uniformity**. Potential areas for BRICS cooperation could include establishing common principles, minimum safeguards and greater compatibility among national frameworks, supported by greater clarity on areas of equivalence and building consensus on a limited set of comparable, decision-useful information⁴. This could include comparing and mapping national taxonomies to identify alignments, rather than seeking identical classifications, enabling countries to pursue transition pathways appropriate to their own circumstances. The aim should be to make existing national systems more understandable and practical across markets, reducing fragmentation for investors while preserving the policy room needed to advance national development and transition goals.

08

From credibility to scale

The discussion on greenwashing has been instrumental in highlighting the deficiencies in how environmental claims and financial flows are defined, communicated and evaluated. The greater concern is whether unclear definitions, limited information and fragmented frameworks affect the confidence with which capital is allocated to climate action. However, there are limits to treating greenwashing as the organising problem for sustainable finance. The larger call to action is to build systems that can provide sufficient credibility without becoming so complex that they impede investment at scale.

No single regulatory model can solve this problem, since different risks require different responses, and countries will continue combining regulation, market standards and incentives in ways appropriate to their institutional and developmental contexts. The way forward for BRICS could be to establish a common baseline of safeguards and principles while enabling national frameworks to remain distinct yet mutually recognisable. Credibility and scale should never be perceived as opposing goals. In sustainable finance, climate-related investments must be easier not only to identify but also to finance and scale.

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➤ Endnotes

^[1] Inclusive of global issuance of green, social, sustainability and sustainability-linked bonds.

^[2] This total comprises approximately USD 2.4 trillion outstanding in the corporate sector and USD 2.2 trillion in the official sector, which encompasses central governments, agencies, local governments, and multilateral institutions.

^[3] By 2025, around 50 national sustainable or green taxonomies had been adopted across roughly 40 countries, while policymakers in 110 countries and the European Union had introduced more than 670 climate-related transparency policies.

^[4] Here, possible areas for cooperation to mobilise credible transition finance, especially in hard-to-abate sectors, could encompass establishing common principles for external review, assurance and ESG ratings. This would require clarity on their limitations, preferences and incentives, while improving the description of climate-finance flows, including the instrument used and mobilisation pathways.

➤ About Climate and Sustainability Initiative (CSI)

Climate and Sustainability Initiative (CSI) is an international think tank, research and advisory institution, with an office in New Delhi, working at the intersection of climate policy and climate finance, with focus on implementable solutions for developing countries in the Global South. Through a whole-of-society approach, CSI combines actionable research, econometric modelling, economic and financial analysis and investment structuring to help translate net-zero ambitions into policy action and investable pathways. The organisation is guided by an advisory group drawn from diverse fields across policy, finance, and public administration, ensuring rigour and relevance. CSI works closely with national and sub-national governments, public financial institutions, academic partners, and investors, including supporting India's Net Zero 2070 agenda through engagements with NITI Aayog, multilaterals and development finance institutions institutional investors, and industry stakeholders across power, transport, industry, and emerging green technologies.

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