

# Pakistan's Green Shift: ESG and Climate Action

With the lack of significance being given to climate and the overall environment in Pakistan, it has led the government to focus on the environmental sector by applying Environmental, Social, and Governance (ESG) reforms. ESG has been introduced by the Securities and Exchange Commission of Pakistan (SECP). ESG provides guidelines for listed companies to report on their environmental, social, and governance performance. These guidelines help companies disclose climate risks, social outcomes, and governance practices in a structured format. The SECP released revised ESG disclosure guidelines aligned with Pakistan's green taxonomy in December 2025. This marks the beginning of Pakistan's "Green" economic activities, with the goal of improving sustainability and meeting national climate commitments. Currently, the ESG reforms are voluntary and will become mandatory by mid-2029, allowing listed companies time to act on the reforms and make necessary changes.

## Forests and Climate Challenges

There are many plans for the future of Pakistan's climate endeavors. Currently, only 4.7% to 5% of Pakistan is covered by forests, and coverage has declined over the past few decades due to illegal logging for fuel and furniture, despite afforestation efforts like the Billion Tree Tsunami. The country is forest-poor, losing thousands of hectares annually, with major losses concentrated in areas like Khyber Pakhtunkhwa and the Federally Administered Tribal Areas, worsening floods and water scarcity. With the current state of Pakistan's environmental management, it is encouraging to see the government's efforts for the betterment of the environment. Pakistan's updated NDC (3.0) has set a target to reduce projected greenhouse gases by up to 50% of the "Business-as-usual" scenario by 2030. Of this 50% reduction target, 15% is planned to be achieved unconditionally using domestic resources and policies, while the remaining 35% depends on securing international climate finance, technology transfer, and capacity-building support from global partners.

## Adaptation and Energy Goals

Other plans in the NDC include Enhanced Adaptation Goals, integrating Pakistan's National Adaptation Plan (NAP) with priorities in water security, agriculture, disaster risk reduction, and urban resilience. This strategy emphasizes addressing climate vulnerability and

mainstreams social inclusion and gender responsiveness.

Pakistan also has energy and sectoral goals related to 2030. These include increasing the share of renewable energy in the energy mix, scaling up clean energy technologies, expanding renewable and clean energy capacity, promoting energy efficiency, and encouraging electric vehicle adoption

along with other low-carbon transport solutions. The main challenge in achieving these goals before 2030 is the finance required. Achieving these mitigation and adaptation goals will require significant investment, particularly for conditional targets that depend on international financial support. Pakistan's NDC estimates the need for hundreds of billions of dollars in climate finance by 2035, with a large portion of this funding gap applicable to the 2030 action plan.

## Mobilizing International Climate Finance

Pakistan can address these financial challenges through mobilizing international climate finance, accessing global climate funds such as the Green Climate Fund (GCF), Adaptation Fund, and Global Environment Facility (GEF). Pakistan could also leverage its high climate vulnerability (floods, heatwaves) to secure grants and concessional finance, not only loans. Other ways to overcome the finance gap include expanding green finance and green sukuk by issuing more green bonds and green sukuk to fund renewable energy, water management, and climate-resilient infrastructure. ESG reforms can leverage Pakistan's strong Islamic finance sector to attract capital from Gulf countries and ESG-focused investors, while aligning green sukuk with Pakistan's green taxonomy to ensure credibility and investor confidence.



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## Role of SBP and ESG in Green Finance

The State Bank of Pakistan (SBP) plays a significant role in green finance. SBP has issued guidelines encouraging banks to integrate environmental and social risk management into lending decisions. They have also integrated Climate Risk Management, requiring banks to identify and manage climate-related financial risks, such as exposure to floods, droughts, or carbon-intensive sectors. SBP supports green projects through concessional refinancing facilities, such as renewable energy and energy efficiency schemes. ESG reforms also hold a major role in green finance by requiring or encouraging listed companies to disclose environmental, social, and governance performance. This helps define what qualifies as "green" economic activities, prevents greenwashing, guides investors, and regulates the issuance of green bonds and green sukuk to finance climate-friendly projects. Together, SBP and SECP help mobilize climate finance, reduce financial risk, and green Pakistan's economy.

## Renewable Energy and Clean Technology

Pakistan has excelled in renewable energy technologies, with solar panels, windmills, dams, and biomass energy widely in use. This creates potential for a future where Pakistan relies on cleaner energy, reducing carbon emissions from major industries. Pakistan should reduce dependence on fossil fuels and shift towards clean transport, including electrification of public transport and implementation of EV charging infrastructure. This will benefit both the environment and the economy by reducing fuel imports. Current energy-efficient and smart technologies are outdated, and Pakistan should transition to modern, energy-efficient architecture, such as buildings with integrated solar panels, and adopt industrial equipment that is fully electric or fuel-efficient to reduce carbon emissions and energy costs.

## Climate-Smart Agriculture and Green Infrastructure

Considering agriculture is a main part of Pakistan's economy, there should be a step to make it more efficient rather than relying on decades-old methods. Pakistan could implement precision farming, using AI and sensors to monitor plant growth and health to maximize output. High-yield variety (HYV) seeds exist, but Pakistan should also develop climate-resistant seeds to withstand floods and heatwaves. Most importantly, Pakistan should move towards green architecture, integrating nature into urban

planning through green buildings, urban green spaces like parks, afforestation projects like Changa Manga in Kasur, Punjab, and flood-resistant roads and housing for rural areas prone to flooding.

## Climate Monitoring and Research

Climate monitoring is a critical part of the future, and improving it can greatly impact Pakistan. It would allow proactive disaster management before events occur. Although challenging, this can be implemented using Pakistan's current resources, with satellite monitoring and AI to predict weather accurately. Pakistan should



establish research labs and agencies with proper funding to develop expertise in climate equipment, allowing it to match knowledge levels of first-world countries.

## Conclusion

"Greening" Pakistan should be the first priority of the government. By working with industries that currently harm the climate, Pakistan can achieve economic growth while improving the environment. This approach could boost tourism, increase GDP, and improve the country's overall image. With support from SECP and ESG reforms, industries are expected to adopt cleaner fuel sources and become more environmentally responsible by 2030. If these plans succeed, Pakistan could be comparable to first-world countries, providing a sustainable and greener future for all.

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