
CLIMATE FEDERALISM IN INDIA AFTER THE FOREST (CONSERVATION) AMENDMENT ACT, 2023: REALLOCATING AUTHORITY AND FISCAL BURDEN

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ABSTRACT

The intersection of climate governance and federalism in India presents a complex institutional challenge, particularly in the context of evolving environmental legislation. The Forest (Conservation) Amendment Act, 2023 (FCAA 2023) marks a significant shift in India's forest governance framework by redefining the scope of forest land, expanding exemptions, and strengthening central control over ecological decision-making. While the Act seeks to facilitate infrastructure development and align domestic policy with international commitments, it raises critical concerns regarding climate federalism, specifically, the distribution of authority, fiscal capacity, and ecological responsibility between the Union and the States. This paper argues that the FCAA 2023 exacerbates existing asymmetries in India's federal structure by centralizing regulatory authority while devolving the fiscal and environmental consequences to states. Through a doctrinal and policy analysis, the study examines how changes in forest classification impact intergovernmental fiscal transfers, particularly those linked to forest cover in Finance Commission formulas. It further highlights the mismatch between state-specific climate adaptation needs and the existing climate finance architecture, which remains fragmented, conditional, and insufficient. By integrating legal, fiscal, and institutional perspectives, the paper identifies a critical governance gap in India's climate federalism framework. It concludes by proposing reforms aimed at strengthening ecological fiscal transfers, enhancing transparency, and aligning climate finance mechanisms with state-level adaptation demands.

Keywords: Federalism, Climate, Forest governance, FCAA 2023, Adaptation needs, Finance Commission, Fiscal transfers.

INTRODUCTION

Climate change has transformed the traditional understanding of federal governance by introducing a complex layer of shared responsibilities, fiscal burdens, and ecological risks that transcend administrative boundaries. India, as a “Union of States,” operates within a constitutional framework that simultaneously enables centralized policy-making and decentralized implementation. However, this structure is increasingly strained under the pressures of climate change, which disproportionately affects states due to their geographical diversity and socio-economic disparities. Empirical assessments have consistently ranked India among the most climate-vulnerable countries, with significant regional variation in exposure to risks such as floods, droughts, glacial retreat, and cyclonic events.

India is among the countries most vulnerable to climate risks, as evidenced by global indices and national assessments that highlight increasing exposure to extreme weather events, ecological degradation, and socio-economic vulnerabilities.¹² Within this context, forest governance assumes critical importance, given the role of forests as carbon sinks, biodiversity reservoirs, and sources of livelihood for millions. The Forest (Conservation) Act, 1980 historically functioned as a central regulatory mechanism to control forest land diversion. However, the enactment of the Forest (Conservation) Amendment Act, 2023 introduces a significant transformation in this framework.³

Within this framework, forests play a critical role as ecological assets, carbon sinks, and sources of livelihood for millions. The Forest (Conservation) Act, 1980⁴ historically functioned as a central regulatory mechanism requiring prior approval for forest land diversion, thereby acting as a safeguard against indiscriminate exploitation.³ Judicial interventions, particularly the landmark decision in *T.N. Godavarman Thirumulpad v. Union of India*⁵, expanded the definition of forests to include all areas meeting the “dictionary meaning” of the term, thereby strengthening environmental protection.

The FCAA 2023 not only redefines the legal scope of forest land but also expands central

¹ David Eckstein et al., Germanwatch, Global Climate Risk Index 2020 (2019).

² Dep’t of Sci. & Tech., Ministry of Sci. & Tech., Gov’t of India, National Climate Vulnerability Assessment Report (2021).

³ The Forest (Conservation) Amendment Act, 2023, No. 15, Acts of Parliament, 2023 (India)

⁴ The Forest (Conservation) Act, 1980, No. 69, Acts of Parliament, 1980 (India).

⁵ *T.N. Godavarman Thirumulpad v. Union of India*, (1997) 2 S.C.C. 267 (India)

authority over exemptions and land-use decisions. While these changes are justified on grounds of national security and ease of doing business, they raise fundamental questions about the erosion of state autonomy and the redistribution of fiscal burdens. This paper seeks to analyse how the FCAA 2023 reshapes climate federalism in India by altering legal definitions, centralizing authority, and intensifying financial pressures on states.

METHODOLOGY

This study adopts a doctrinal and analytical approach to examine the implications of the Forest (Conservation) Amendment Act, 2023. The doctrinal component involves a detailed analysis of statutory provisions, constitutional articles, and judicial precedents, with particular emphasis on the evolution of forest governance in India. The study also engages with policy documents, Finance Commission reports, and institutional frameworks governing climate finance.

In addition, the research incorporates a qualitative review of academic literature on climate federalism and fiscal federalism, drawing insights from scholars who have examined the asymmetry between centralized authority and decentralized implementation.⁶

The study further employs a case study approach, focusing on ecologically sensitive regions such as the North-Eastern states, to illustrate the differential impact of the FCAA 2023. This approach enables a nuanced understanding of how legal and fiscal changes interact with regional ecological realities.

The methodology is subject to certain limitations, including the lack of disaggregated data on state-level climate finance and the evolving legal status of the FCAA 2023, which remains under judicial scrutiny. Nevertheless, the approach provides a comprehensive framework for analysing the intersection of law, finance, and governance in India's climate federal system.

LITERATURE REVIEW

The literature on climate federalism highlights the inherent tension between centralized authority and decentralized implementation in multi-level governance systems. Pillai and Dubash argue that India's climate governance is characterized by a "top-heavy" structure, where the Union retains fiscal and institutional dominance while States bear the primary

⁶ Aditya V. Pillai & Navroz K. Dubash, *Climate Governance and Federalism in India*, in *Mapping India's Climate Policy* (Navroz K. Dubash ed., 2023).

responsibility for implementation.⁷ This asymmetry is further reinforced by the broader literature on fiscal federalism, which emphasizes the dominance of conditional transfers and centrally sponsored schemes in shaping state-level policy choices.⁸

Tillin's analysis of Indian federalism underscores its hybrid nature, combining elements of centralization and decentralization, with significant constraints on state autonomy.⁹ The constitutional framework further strengthens central control through provisions such as Article 253, which empowers Parliament to legislate on matters related to international obligations, and the inclusion of forests in the Concurrent List through the Forty-Second Amendment.¹⁰

¹¹Environmental statutes such as the Environment (Protection) Act, 1986 further reinforce the Union's regulatory authority.¹²

The FCAA 2023 has been widely analysed for its environmental and legal implications. PRS Legislative Research notes that the amendment narrows the scope of forest protection while expanding the Union's power to issue directions and determine conditions for land diversion.¹³ Civil society critiques emphasize the potential adverse impact on indigenous rights and environmental safeguards, particularly in forest-dependent regions.

From a fiscal perspective, the literature identifies significant limitations in India's climate finance architecture. While Finance Commissions have incorporated forest cover into tax devolution formulas, this approach has been criticized for focusing on static indicators rather than dynamic adaptation needs.¹⁴ The Climate Policy Initiative estimates that India's adaptation requirements far exceed available resources, highlighting a substantial gap in climate finance.¹⁵

⁷ *Id*

⁸ Yamini Aiyar & Avani Kapur, *The Centralized State among Fragmented Politics: Explaining the Resilience of India's Fiscal Federalism*, 29 Reg'l & Fed. Stud. 187 (2019).

⁹ Louise Tillin, *Indian Federalism* (2019).

¹⁰ India Const. art. 253

¹¹ The Constitution (Forty-second Amendment) Act, 1976, No. 42, Acts of Parliament, 1976 (India).

¹² The Environment (Protection) Act, 1986, No. 29, Acts of Parliament, 1986 (India).

¹³ PRS Legislative Research, Bill Summary: The Forest (Conservation) Amendment Bill, 2023 (2023), <https://prsindia.org/billtrack/the-forest-conservation-amendment-bill-2023>.

¹⁴ Citizens for Justice and Peace, *Forest Conservation Amendment Act 2023: A Challenge to Adivasi Land Rights and Environmental Protections* (2023), <https://cjp.org.in/>

¹⁵ Malini Chakravarty et al., Climate Policy Initiative, *Landscape of Green Finance in India 2024* (2024), <https://www.climatepolicyinitiative.org/publication/landscape-of-green-finance-in-india-2024/>.

RESEARCH GAPS

Despite the breadth of current research, this paper addresses three primary voids:

1. **The Legal-Fiscal Synthesis Gap:** Most studies examine the FCAA 2023 through a purely environmental or rights-based lens. There is an absence of research linking the **legal de-classification of forest land** to the **loss of horizontal tax devolution** for forest-rich states.
2. **The Security-Ecology Paradox:** While national security is a paramount concern, the literature fails to account for the **long-term fiscal burden** placed on border-states. Exempting strategic projects from environmental impact assessments often leads to downstream disasters (landslides, floods) that the states must fund without additional federal support.
3. **Institutional Inflexibility:** There is a lack of empirical mapping regarding the **rigidity of climate financial instruments** like CAMPA. Current research identifies a funding gap but does not sufficiently explore why existing funds are diverted to non-adaptation activities like office décor and luxury purchases.

ANALYSIS AND DISCUSSION

I. Definitional Transformation and the Recalibration of Legal Protection

The Forest (Conservation) Amendment Act, 2023 introduces a fundamental shift in India's environmental legal regime by redefining the scope of forest land subject to regulatory protection. Prior to the amendment, the legal understanding of forests was significantly shaped by judicial interpretation, most notably the Supreme Court's decision in *T.N. Godavarman Thirumulpad v. Union of India*, wherein the Court adopted a broad, dictionary-based meaning of forests that extended beyond formally notified or recorded areas. This interpretation ensured that unclassified forests, community-managed lands, and ecologically significant areas lacking formal recognition were nonetheless brought within the protective ambit of the Forest (Conservation) Act, 1980.

The 2023 amendment departs from this jurisprudential expansion by introducing a more restrictive definition tied to formal legal classification and post-1980 government records. This

definitional narrowing has the immediate effect of excluding a substantial proportion of India's forest cover, particularly in regions such as the North-Eastern states from regulatory oversight. Empirical observations suggest that nearly 28% of India's forest cover lies outside recorded forest areas, making these "deemed" or "dictionary" forests especially vulnerable under the new regime.¹⁶

The implications of this shift are not merely technical but structural. By restricting the definition of forests to formally recorded categories, the amendment reintroduces a formalist approach that disregards ecological realities in favour of administrative convenience. This creates a regulatory gap where ecologically valuable lands are rendered legally invisible, thereby facilitating their diversion for non-forest purposes without the safeguards that previously applied. In effect, the amendment replaces an ecological definition with a bureaucratic one, thereby weakening the foundational premise of forest conservation law in India.

From a federal perspective, this definitional transformation has profound implications. States that historically protected large tracts of unrecorded forests- often through customary or community-based systems stand to lose both regulatory control and fiscal recognition. Since fiscal transfers under the Finance Commission partially depend on forest-related indicators, the legal declassification of such lands may lead to a reduction in financial allocations. Thus, a purely legal redefinition translates into a tangible fiscal loss, illustrating the deep interconnection between environmental law and fiscal federalism.

II. Expansion of Exemptions and the Security–Ecology Paradox

The FCAA 2023 significantly expands exemptions from forest clearance requirements, particularly for strategic infrastructure projects located within 100 kilometres of international borders.¹⁷ While these exemptions are justified on grounds of national security and developmental urgency, they give rise to a structural contradiction that may be termed the "security–ecology paradox."

¹⁶ Sairam Bhat et al., *Reimagining Forest Governance – Appraisal of the Forest (Conservation) Amendment Act 2023* (CEERA-NLSIU 2023).

¹⁷ The Forest (Conservation) Act, 1980, § 1A (India), *inserted by* The Forest (Conservation) Amendment Act, 2023, § 2, No. 15, Acts of Parliament, 2023 (India)

This paradox arises because the regions most affected by these exemptions, such as the Himalayan belt and the North-Eastern states are simultaneously among the most ecologically fragile and climate-vulnerable areas in India. These regions are characterized by high biodiversity, complex terrain, and a strong dependence on forest ecosystems for livelihood and environmental stability. By removing regulatory oversight in these areas, the amendment prioritizes short-term strategic considerations over long-term ecological sustainability.

The breadth of the exemption is particularly significant. In several North-Eastern states, the 100-kilometre buffer effectively encompasses the entire geographical area, thereby eliminating the need for forest clearance for a wide range of projects.¹⁸ This blanket approach bypasses critical safeguards such as environmental impact assessments, site-specific scrutiny, and local consultations. The absence of these mechanisms increases the likelihood of ecological degradation, including deforestation, habitat fragmentation, and heightened vulnerability to climate-induced disasters.

Moreover, the exemption regime undermines the participatory governance framework established under the Forest Rights Act, 2006, which requires the consent of Gram Sabhas for diversion of forest land.¹⁹ By allowing central authorities to bypass these requirements, the amendment marginalizes local communities and disrupts traditional systems of forest management that have historically contributed to conservation.

From a fiscal standpoint, the expansion of exemptions is far from neutral. While the benefits of infrastructure development accrue at the national level, the costs associated with ecological degradation, such as disaster management, loss of ecosystem services, and livelihood disruption are borne by the States. This creates an asymmetrical distribution of costs and benefits, reinforcing the argument that the amendment effectively transfers fiscal risk from the Centre to the States.

III. Centralization of Authority and the Transformation of Federal Balance

The Forest (Conservation) Amendment Act, 2023 strengthens the authority of the Union

¹⁸ Ambika Aiyadurai & Seema Mundoli, *What Does the Forest Conservation Amendment Act Mean for Northeast India?*, Mongabay-India (Aug. 18, 2023), <https://india.mongabay.com/2023/08/commentary-what-does-the-forest-conservation-amendment-act-mean-for-northeast-india/>

¹⁹ The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, No. 2, Acts of Parliament, 2007 (India).

Government by granting it expanded powers to issue binding directions to state governments and determine the conditions under which forest land may be diverted.²⁰ This represents a significant shift from a model of cooperative federalism to one characterized by centralized control.

While the constitutional framework permits such centralization through provisions such as Article 253 and the inclusion of forests in the Concurrent List, the practical implications must be assessed in the context of climate federalism. Environmental governance in India relies heavily on state-level implementation, as States are responsible for managing land use, enforcing regulations, and addressing local ecological challenges.

The centralization of decision-making authority creates a structural mismatch between authority and responsibility. States are expected to manage the consequences of environmental decisions without having meaningful control over the decisions themselves. This imbalance undermines the principles of federalism by reducing state autonomy and limiting the scope for context-specific policy interventions.

Scholarly analyses have described this phenomenon as a shift towards “coercive federalism,” where States are compelled to comply with centrally determined policies without adequate consultation or negotiation.²¹ This transformation has significant implications for climate governance, as it restricts the ability of States to design and implement adaptive strategies tailored to their specific ecological conditions.

Furthermore, the centralization of authority raises concerns regarding accountability. When decision-making is concentrated at the central level but the consequences are experienced at the state level, it becomes difficult to assign responsibility for environmental outcomes. This diffusion of accountability weakens governance structures and reduces the effectiveness of environmental regulation.

IV. Fiscal Federalism and the Deepening Adaptation Finance Gap

The most critical implication of the FCAA 2023 lies in its impact on fiscal federalism,

²⁰ The Forest (Conservation) Act, 1980, § 3C (India), *inserted by* The Forest (Conservation) Amendment Act, 2023, § 6, No. 15, Acts of Parliament, 2023 (India).

²¹ Sweety Sinha & Telani Meena Horo, *Competitive and Cooperative Federalism to Implement Sustainable Development Goals in Covid-19*, 11 Int'l J. Creative Rsch. Thoughts 585 (2023).

particularly in relation to climate adaptation. The amendment intensifies the existing mismatch between fiscal capacity and environmental responsibility by increasing the burden on States without enhancing their financial resources.

Climate adaptation is inherently a subnational function, requiring localized interventions such as flood control, drought mitigation, forest fire management, and ecosystem restoration. However, the financial resources available to States for these purposes are limited and often constrained by rigid institutional frameworks. Estimates suggest that India's climate adaptation requirements run into trillions of rupees, far exceeding the current levels of public and private investment.²²

The FCAA 2023 exacerbates this gap by increasing the likelihood of forest diversion and ecological degradation, thereby raising the demand for adaptation spending. States must invest in infrastructure resilience, disaster response, and community support, often without adequate financial assistance from the Centre.

The role of the Finance Commission in addressing this gap remains limited. While the inclusion of forest cover in the devolution formula represents a positive step, it fails to account for the dynamic nature of climate risks and the actual costs of adaptation.²³ The reliance on static indicators such as forest area does not capture variations in ecological vulnerability, disaster exposure, or adaptation requirements across states.

Additionally, the introduction of performance-based criteria such as contribution to GDP in the Sixteenth Finance Commission may disadvantage ecologically sensitive states that prioritize conservation over industrialization. This creates a perverse incentive structure, encouraging States to exploit natural resources for economic gain rather than preserve them for long-term sustainability.

V. Institutional Constraints of Climate Finance Mechanisms

India's climate finance architecture is characterized by fragmentation, centralization, and limited flexibility. Key instruments such as the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) are designed for specific purposes and do not provide the

²² Climate Policy Initiative, *supra* at note 15

²³ Fifteenth Finance Commission, Report for 2021–26 (India 2020).

adaptability required for comprehensive climate action.

CAMPA funds are primarily earmarked for compensatory afforestation and related activities, with strict guidelines governing their utilization.²⁴ While these funds are substantial, their restricted nature limits their effectiveness in addressing broader adaptation needs such as ecosystem restoration, water management, and disaster preparedness.

Similarly, centrally sponsored schemes operate within rigid frameworks that limit state autonomy. These schemes often prioritize uniformity over flexibility, requiring States to adhere to centrally determined guidelines that may not align with local ecological conditions. This top-down approach restricts innovation and reduces the effectiveness of climate interventions.

The transition of the National Adaptation Fund for Climate Change to a non-scheme status further illustrates the institutional neglect of adaptation finance.²⁵ By reducing the priority accorded to dedicated climate funding, this shift places additional pressure on state budgets and exacerbates existing fiscal constraints.

Moreover, States face significant barriers in accessing international climate finance, as such funding is largely mediated through central agencies. This centralized control over financial flows creates bureaucratic hurdles and delays, limiting the ability of States to respond effectively to climate challenges.

VI. REGIONAL CASE STUDY: THE NORTH-EASTERN REGION AND THE CRISIS OF CLIMATE FEDERALISM

A. Unique Institutional and Ecological Context of the North-East

The North-Eastern Region (NER) of India presents a distinctive constitutional, ecological, and governance framework that makes it particularly sensitive to changes introduced by the Forest (Conservation) Amendment Act, 2023. Unlike other parts of India where forest governance is largely state-administered, the NER is characterized by a strong tradition of community ownership and decentralized management of natural resources. Forests in this region are not

²⁴ The Compensatory Afforestation Fund Act, No. 38 of 2016, India Code (2016).

²⁵ Ministry of Environment, Forest and Climate Change, *National Adaptation Fund for Climate Change* (Feb. 5, 2018), <https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=176178>.

merely ecological assets but are deeply embedded within customary law, social organization, and livelihood systems.

A defining feature of forest governance in the NER is the prevalence of unclassified forests—lands that are not formally notified as Reserved or Protected Forests under statutory frameworks but are managed by local communities, clan institutions, and village councils. Empirical evidence suggests that in states such as Nagaland and Meghalaya, an overwhelming majority of forest land falls within this category.²⁶ These community-managed systems have historically ensured both conservation and sustainable use, reflecting a model of environmental governance that is inherently decentralized and participatory.

This context is crucial in understanding the disruptive impact of the FCAA 2023. The amendment, by privileging formal legal classification over ecological reality, fails to recognize the legitimacy and effectiveness of these customary governance structures. Consequently, the legal framework becomes misaligned with ground realities, creating a disconnect between law and lived ecological practice.

B. Definitional Exclusion and the Vulnerability of Unclassified Forests

The definitional shift introduced by the FCAA 2023 has particularly severe implications for the North-Eastern states. By restricting the applicability of forest conservation law to land recorded or notified under statutory frameworks, the amendment excludes vast tracts of unclassified forests from legal protection. This exclusion is not merely symbolic; it fundamentally alters the regulatory status of these lands.

In regions where forest cover is predominantly unrecorded, such as Nagaland, Meghalaya, and parts of Arunachal Pradesh, the amendment effectively removes the legal safeguards that previously governed forest diversion. Lands that were earlier protected under the expansive interpretation laid down in *T.N. Godavarman Thirumulpad v. Union of India* are now rendered legally vulnerable. This creates a situation where ecologically valuable areas may be diverted for non-forest purposes without triggering statutory scrutiny.

The implications of this shift extend beyond environmental concerns. Since fiscal transfers under the Finance Commission partially rely on forest-related indicators, the exclusion of

²⁶ *Supra* at note 18

unclassified forests may lead to a reduction in financial allocations to these states. Thus, the definitional narrowing simultaneously weakens ecological protection and fiscal capacity, reinforcing the argument that the amendment redistributes both environmental and financial risks.

C. Constitutional Autonomy and Federal Contestation

The application of the FCAA 2023 in the North-Eastern states raises significant constitutional questions, particularly in relation to provisions such as Articles 371A and 371G. These provisions grant special autonomy to states like Nagaland and Mizoram, particularly in matters relating to land ownership and resource governance.²⁷

In Nagaland, for instance, land and its resources are owned by the people, and any central legislation affecting these rights requires the consent of the State Legislature. The blanket exemptions introduced by the FCAA 2023 appear to conflict with this constitutional guarantee, leading to strong institutional resistance. The Nagaland Legislative Assembly has asserted that the Act will apply to the state only insofar as it is consistent with Article 371A, thereby challenging the extent of central authority.

Mizoram presents a more complex trajectory. While the state initially resisted the application of the amendment, citing concerns over ecological and community rights, it later adopted the Act to facilitate infrastructure development.²⁸ This shift reflects the difficult trade-offs faced by states in balancing development and conservation, as well as the pressures exerted by centralized policy frameworks.

In Meghalaya, the presence of Autonomous District Councils under the Sixth Schedule adds another layer of complexity. These councils have traditionally exercised authority over land and forest management, but the centralization of decision-making under the FCAA 2023 undermines their role. This creates jurisdictional conflicts and weakens the institutional framework of decentralized governance.

D. Emerging Governance Crisis and Long-Term Implications

The cumulative effect of these legal, constitutional, and fiscal changes is the emergence of a

²⁷ India Const. art. 371A. India Const. art. 371G.

²⁸ Mizoram Legislative Assembly Resolution (2025)

governance crisis in the North-Eastern region. The FCAA 2023 not only alters the regulatory framework of forest governance but also disrupts the institutional and fiscal systems that underpin climate resilience.

The shift towards a centralized, security-driven model of forest governance reflects a broader transformation in policy priorities. Forests are increasingly viewed as resources to be mobilized for development rather than ecosystems to be preserved. This reorientation has significant long-term implications for both environmental sustainability and federalism.

The North-Eastern case study thus highlights the limitations of a uniform legal framework in a diverse federal system. It underscores the need for a more nuanced approach to climate governance, one that recognizes regional diversity, respects constitutional autonomy, and aligns fiscal resources with ecological responsibilities.

CONCLUSION

The Forest (Conservation) Amendment Act, 2023 represents a watershed moment in the evolution of India's environmental governance and climate federalism. This paper has demonstrated that the amendment is not merely a technical reform of forest regulation but a structural reconfiguration of the relationship between the Union and the States. By redefining forest land, expanding exemptions, and **centralizing decision-making authority**, the Act fundamentally alters the distribution of ecological risks and fiscal responsibilities within India's federal framework.

At the constitutional level, the amendment underscores the incomplete nature of climate federalism in India. While the Constitution provides for shared competence in environmental matters, the practical reality is one of **asymmetry, where the Union retains significant control over policy and finance**, while States bear the primary burden of implementation. This asymmetry is further exacerbated by the FCAA 2023, which strengthens central authority without addressing the corresponding fiscal implications.

From a fiscal perspective, the amendment exposes the limitations of India's climate finance architecture. Existing mechanisms, including Finance Commission transfers, CAMPA funds, and centrally sponsored schemes, are **inadequate to address the diverse and dynamic adaptation needs of different states**. The reliance on static indicators such as forest cover

fails to capture the true costs of climate adaptation, particularly in ecologically vulnerable regions.

The regional analysis of **the North-Eastern states highlights the uneven impact of the amendment, demonstrating how uniform policies** can disproportionately affect regions with unique ecological and institutional characteristics. The tension between national priorities and regional autonomy is particularly evident in these states, where constitutional protections and traditional governance systems are at odds with centralized decision-making.

Ultimately, the FCAA 2023 reveals a deeper structural issue within India's climate governance framework: **the misalignment between authority, responsibility, and fiscal capacity.** Addressing this issue requires a fundamental rethinking of climate federalism, moving beyond a model of centralized control and fragmented implementation towards a more balanced and cooperative approach.

Such a reorientation would involve the development of performance-linked ecological fiscal transfers, greater transparency in forest classification, and the decentralization of climate finance mechanisms. It would also require a recognition of the heterogeneity of ecological risks across states and the need for flexible, context-specific policy responses.

In conclusion, the future of climate federalism in India depends on **the ability to reconcile national objectives with regional realities.** The Forest (Conservation) Amendment Act, 2023, while addressing certain developmental and strategic concerns, has exposed critical gaps in this framework. Bridging these gaps is essential not only for effective climate governance but also for preserving the integrity of India's federal system.

Suggestions and Policy Recommendations

In light of the structural gaps identified in India's climate federalism framework, particularly the imbalance between centralized authority and decentralized fiscal responsibility, there is a pressing need for reforms that reconcile ecological governance with fiscal justice and state-specific adaptation demands.

1. Recalibrating the Definition and Scope of "Forest" for Fiscal Equity

The definitional shift introduced by the Forest (Conservation) Amendment Act, 2023 has

significant downstream fiscal consequences for states. By narrowing the scope of legally recognized forest land, states risk losing access to fiscal transfers linked to forest cover under Finance Commission formulas.

To address this, it is recommended that:

- The Union government adopts a **hybrid classification model**, recognizing both statutory forests and ecologically functional forests (including “deemed forests”).
- Finance Commission formulas be recalibrated to include “**ecological service valuation**” rather than relying solely on recorded forest cover.

Such a reform would ensure that states preserving unrecorded or community-managed forests are not fiscally penalized for legal reclassification.

2. Establishing a Dedicated Climate Adaptation Transfer Mechanism

The current fiscal architecture inadequately addresses the adaptation burden borne by states, despite their central role in implementation. Existing instruments such as CAMPA and Centrally Sponsored Schemes are either tied or insufficiently flexible.

A dedicated **Climate Adaptation Equalization Fund** should be established with the following features:

- Allocation based on **climate vulnerability, exposure, and adaptive capacity**, not just forest cover.
- Provision of **untied, flexible grants** for state-specific adaptation priorities.
- Integration with State Action Plans on Climate Change (SAPCCs) to ensure contextual alignment.

This would directly bridge the “finance gap” identified in the dissertation, where adaptation responsibilities far exceed available funding.

3. Reforming CAMPA to Support Holistic Climate Resilience

The Compensatory Afforestation Fund (CAMPA) currently operates as a narrowly earmarked

mechanism, limiting its effectiveness in addressing broader ecological challenges. Its compensation-linked design also creates perverse incentives for forest diversion.

Reforms should include:

- Creation of a **multi-sectoral adaptation window** within CAMPA for activities such as watershed management, fire resilience, and ecosystem restoration.
- Allowing **programmatic, multi-year approvals** rather than project-based funding.
- Linking fund utilization to **ecological outcomes rather than procedural compliance**.

This would transform CAMPA from a reactive compensation tool into a proactive climate resilience instrument.

4. Decentralizing Climate Finance to Local Governments

A key governance gap lies in the disconnect between funding sources and the local bodies that actually implement adaptation measures.

It is recommended that:

- A portion of ecological fiscal transfers be **directly devolved to Panchayats and Urban Local Bodies (ULBs)**.
- Local institutions be empowered to design and execute adaptation projects based on **ground-level ecological realities**.
- Community-based governance models (such as those in North-East India) be formally integrated into the fiscal framework.

This aligns with global best practices and ensures that climate governance is both participatory and context-sensitive.

5. Revisiting the 100-Kilometer Security Exemption Framework

The blanket exemption for strategic projects within 100 km of international borders disproportionately affects ecologically sensitive regions, particularly in the North-East.

A more balanced approach would involve:

- Replacing blanket exemptions with a **case-by-case Environmental Stewardship Framework**.
- Mandating **Environmental Impact Assessments (EIA)** even for strategic projects, with expedited but not bypassed procedures.
- Ensuring **consultation with State governments and local communities**, especially where constitutional protections (e.g., Articles 371A and 371G) apply.

This would help reconcile national security objectives with ecological sustainability and federal principles.

6. Strengthening Data Transparency and Ecological Mapping

A major limitation identified in the study is the lack of reliable, disaggregated data on forest classification and climate finance flows.

To address this:

- A **national geospatial registry of forest lands** should be created, including recorded, unrecorded, and disputed categories.
- Real-time disclosure of **projects approved under exemption pathways** should be mandated.
- Integration of this data with state planning systems would improve **fiscal predictability and risk assessment**.

Transparency is critical to enabling evidence-based policymaking and reducing Centre-State asymmetry.

7. Enhancing State Capacity for Climate Finance Access

States face significant barriers in accessing international and domestic climate finance due to limited institutional capacity.

Reforms should include:

- Establishment of **State Climate Finance Units** within planning and forest departments.
- Development of **standardized project templates** for adaptation funding proposals.
- Capacity-building programs in collaboration with institutions such as NABARD and international agencies.

This would enable states to transition from passive recipients to active mobilizers of climate finance.

8. Integrating Legal, Fiscal, and Ecological Frameworks

A key research gap identified in the dissertation is the fragmentation between environmental law, fiscal federalism, and climate governance.

Future policy design must adopt an integrated approach by:

- Aligning legal reforms (such as FCAA 2023) with **corresponding fiscal safeguards**.
- Embedding **climate considerations into Finance Commission mandates** explicitly.
- Creating a unified framework that simultaneously addresses **authority, responsibility, and financial capacity**.