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DEVELOPMENT OF GREEN BONDS IN THE REPUBLIC OF UZBEKISTAN AS A TOOL FOR IMPROVING FINANCIAL INSTRUMENTS

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The expansion of environmentally oriented financial instruments, including green bonds, specialized loans, and sustainability indices, is increasingly influencing the activities of companies across both the financial and non-financial sectors. Among these tools, green bonds are steadily becoming one of the most important long-term financing mechanisms for projects aimed at renewable energy development, water resource management, wastewater treatment infrastructure, and other initiatives focused on reducing ecological risks.

Green bonds are debt instruments created to raise capital for projects intended to improve environmental conditions. Such projects may include restoration efforts following ecological damage or preventive measures aimed at avoiding potential negative environmental impacts of economic activity.

The first green bond issuance took place in 2007, initiated by the European Investment Bank. The funds raised were directed toward renewable energy and energy-efficiency projects. It is noteworthy that the issuance was carried out at the request of Scandinavian pension funds, which viewed this instrument as an optimal option for sustainable investment [6].

The emergence and subsequent spread of green bonds are linked to the rising public interest in environmentally sustainable projects and to global trends of financial market securitization [7]. These developments enhanced the investment appeal of the instrument: unlike traditional bank loans, green bond issuances allow borrowers to raise capital at a lower cost due to smaller coupon payments and longer maturities.

A special role is played by the phenomenon known as the greenium, a pricing advantage resulting from the environmental status of the bond. This effect appears when investors are willing to purchase bonds at a higher price and accept lower yields in exchange for supporting sustainable projects [8]. In essence, the greenium represents the difference in yields between green and traditional bonds.

In 2020–2021, green bond issuance continued to grow, with the 2021 volume increasing by nearly 100% compared with 2020. This surge was driven by heightened global attention to environmental issues. By 2023, green bonds

accounted for 61.79% of total market issuance, demonstrating their dominant role in sustainable development financing. Even though the increase in 2023 relative to 2022 was modest (2.66%), the ongoing strengthening of the environmental agenda suggests further market expansion [10]

International practice shows that such innovations develop more rapidly in mature markets with advanced financial infrastructure [8]. Today, companies and banks across multiple countries issue green bonds, and all issuers are required to assess and monitor the environmental and social impact of the financed projects while providing transparent reporting. A professional market of analysts has also emerged, offering guidance to investors and issuers. After slow initial development, the market began growing rapidly starting from 2015: global issuance reached 104 billion USD in 2015, surpassed 100 billion USD in 2017, exceeded 1 trillion USD in 2020, and reached 1.5 trillion USD in 2021. A 60% rise compared with the previous year.

This trend is shown in Figure 1.

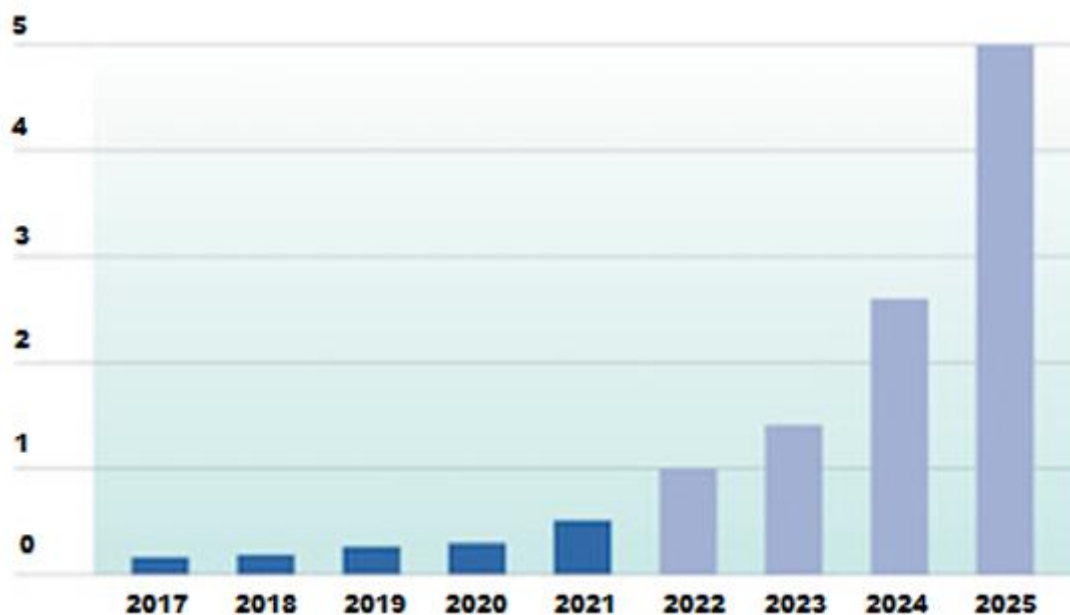


Fig. 1. Dynamics of green bond issuance (trillion USD) [8].

Uzbekistan is also actively participating in global efforts to combat climate change. On 11 November 2018, the country officially ratified the Paris Agreement, which aims to reduce greenhouse gas emissions. This decision was formalized by the Law of the Republic of Uzbekistan No. ZRU-491 dated 10 October 2018 “On the Ratification of the Paris Agreement” [2].

According to national objectives, Uzbekistan aims to generate more than 25% of its electricity from renewable sources by 2030. The Ministry of Energy

projects that by this time, the country's energy mix will consist of: 45% natural-gas thermal power plants, 17% solar power plants, 13% hydropower plants, 8% nuclear energy, and 6% coal-based thermal power plants.

To achieve these goals, Uzbekistan adopted key legislative acts, including the Law "On the Use of Renewable Energy Sources" [1] and the Law on Public-Private Partnership. These laws introduce incentives for entities transitioning to renewable energy: partial or full tax exemptions for manufacturers of renewable-energy equipment, as well as subsidies for households covering up to 30% of the cost of solar panels, solar water heaters, and other energy-efficient systems [1].

The country also plans to establish a specialized company, "Yashil Energiya" [3], responsible for installing small-scale renewable-energy units in public buildings and government facilities. Moreover, legislation requires that starting from 1 May 2023, solar panels must be installed on 50% of the free roof area of newly constructed apartment buildings. Additionally, the "Solar Home" program provides subsidies to households for each kilowatt-hour of surplus electricity generated through solar panels and supplied to regional power grids. Green bonds also perform both an incentive and governance function. They encourage companies to adopt more environmentally responsible technologies and, when environmental harm occurs, to address the consequences thoroughly. Since environmental restoration can require significant financial resources, many enterprises limit their response to superficial measures or attempt to conceal violations. However, greenium effects allow companies to raise capital at lower costs than with traditional financing, making ecological investments more accessible. This supports a more responsible corporate approach to environmental impacts and promotes comprehensive ecological restoration.

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