GREEN INVESTMENTS AS FORMS OF INTERNATIONAL FINANCING FOR SUSTAINABLE DEVELOPMENT PROJECTS

Vasylyk V.S.
National Aviation University, Kyiv
Scientific supervisor – Rychka M. A., PhD in Economics, Associate Professor

A new paradigm for the development of modern society is sustainability, which combines economic, social and environmental determinants. The concept of sustainable development was adopted in September 2015 at the 70th session of the UN General Assembly, which approved 17 sustainable development goals [3]. It can be argued that the idea of sustainable development is an attempt to combine the need to meet the growing needs of mankind not by increasing the amount of resources used, but by the rationality of their use.

Today, the concept of green investment is one of the most effective components of the country's functioning on the principles of sustainable development. At present, it is not just about attracting investment as a component of total costs, but about attracting "green" investment as a driver of sustainable development. Green investing is a comprehensive definition that includes environmental and economic aspects. The term "green investment" consists of two relevant definitions. It should be noted that "green" is a general and broad category, which scientists interpret from different points of view (philosophical, social, technical, economic). On the other hand, in a broad sense, the term "investment" is traditionally interpreted by scientists as resources (time, energy, assets) that have been spent in order to obtain benefits in the future.

From a financial point of view, "investments" are monetary assets acquired with the idea that the asset will provide a profit in the future or will later be sold at a higher price. Traditionally green investments are associated and take the form of socially responsible, environmental and social investments. Green investment can already be considered a key element of many programs that operate today to stimulate the growth of national economies. The largest amount of green investment is in the leading economic development countries such as Europe, the United States, Japan, Canada, Australia and New Zealand.

Due to the increase in the number of companies involved in environmental projects, the need for such a financing instrument as shares is increasing. The efficiency of investing in "green" shares is best reflected in "green" stock indices. These indices are created to facilitate the allocation of resources to a company that aims to protect the environment and climate issues. Indices typically cover a significant proportion of green enterprises or track the growth rates of listed companies.

For example, the S&P Global Clean Energy Index covers 30 companies operating in the renewable energy sector. However, there are indices that cover companies operating in different sectors. One of such indices is NASDAQ OMX Index Green Economy, which covers 13 sectors of the "green" economy (energy efficiency, renewable energy generation, solid waste disposal, etc.) [2, p. 90]. In recent years, there has been an increase in the market capitalization of companies belonging to the "green" indices, which indicates the growing attractiveness of investment in "green" projects.

The instrument used by financial institutions in most countries to finance environmentally friendly projects in the sectors of clean energy, energy efficiency, water management is "green" loans. Both private and state-owned banks resort to such a financing instrument in order to mobilize private capital, ie to provide a loan that has to be repaid (with interest). In most cases, these loans are soft or "flexible" and can thus be repaid at a lower than market interest rate, or have an extended repayment schedule (long-term). In addition, they play a significant role in the distribution of long-term "green" finances.

Today, the global market for "green" loans occupies a small niche in the debt capital market, although growing rapidly: the total volume of loans reached almost $ 60 billion in 2018, which is 30% more than in 2017 [2, p.92]. Among the markets where this instrument is most developed are the United States, Great Britain, Spain, and India, which account for more than 40% of the global green loan market. Today, more than 75% of outstanding green loans go to the renewable energy and electricity sectors.

Green bonds are an alternative to bank loans and one of the most effective financial instruments in the capital market used for climate change projects. They are a debt pledge, which differs from ordinary bonds in its purpose, which is to finance "green" investment projects. Since the European Investment Bank issued its Climate Awareness Bond in 2007 and the World Bank issued its first green bond in 2008, the green bond market has grown very fast, reaching a value of US $ 258,9 billion in 2019 [1].

Thus, in modern realities, green investments and financing of environmental projects are a necessary condition for modernization and ensuring the competitiveness of the national economy. The most popular use of green investments is in highly developed countries, such as the United States, Japan and European countries. Among the tools for implementing green investment are green stocks, green loans and green bonds, the main feature of which is to focus on environmental or climate projects in the areas of renewable energy, energy efficiency, pollution prevention and water management.

References:

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