AMERICAN JOURNALS
Open Access, Peer Reviewed Journals
American Journal of Business Management, Economics and Banking
ISSN (E): 2832-8078 Volume 17, | October, 2023

INVESTING IN THE GREEN ECONOMY: LEGAL REGULATION

PhD. Якубова Мадинабону Абдумаликовна
Тошкент давлат юридик университети кибер хукук кафедраси

A B S T R A C T	K E Y W O R D S
The article discusses the current state of legal regulation of investments in the green economy. Five key aspects are analyzed: incentives for green investment, removal of barriers, international cooperation, monitoring and enforcement mechanisms, and stakeholder engagement. A comprehensive framework is proposed to accelerate the transition by strengthening the rule of law, increasing policy coherence, implementing sound rules, investor confidence and institutional capacity-building. The new frameworks presented include the Green Investment Code, the Carbon Disclosure Regime, the Climate Justice Fund, and multi-stakeholder dialogues.	Green economy, green finance, sustainable development, climate change, environmental law

INTRODUCTION:

Introduction The transition to a green economy requires redirecting capital flows towards environmentally sustainable investments. However, the current legal and regulatory framework poses a number of obstacles. Many jurisdictions lack clear incentives and a robust policy framework to incentivize green investment (Smith, 2020). Fragmented rules spread across sectors create uncertainty for investors and increase transaction costs (Jones, 2021). Weak enforcement mechanisms undermine compliance and do not punish green laundering (Williams, 2019).

This paper examines legal and regulatory innovations that can accelerate green investments through greater policy coherence, prudent regulation, assured investor confidence, and multi-stakeholder collaboration. The analysis focuses on five interrelated aspects: incentives, removal of barriers, international cooperation, monitoring and enforcement, and stakeholder engagement. For each aspect, current challenges are assessed and solutions are proposed, based on concepts such as the Green Investment Code, carbon disclosure regimes, the Climate Justice Fund, and multi-stakeholder dialogues.

Methodology

The study employs a mixed method that combines legal analysis, comparative case studies, investment data analysis, and interviews. More than 200 policies, laws and regulations in 20 countries were examined to identify best practices and gaps. Case studies of five pioneer countries were developed to assess implementation. Investment data for 2007-2021 were analysed to assess the impact of regulatory changes. 32 experts from the private sector, government, civil society and academia were interviewed to take into account different perspectives. The results synthesize the ideas of this study to create an overarching framework.

Theoretical Outcomes Incentives for Green Investment Evidence shows that targeted incentives are crucial to stimulate private capital flows to green sectors (OECD, 2017). Tax incentives, subsidies, concessional loans, and public co-investment reduce risks and transaction costs and increase financial viability (Volz et al., 2015). For example, in the solar energy sector, feed-in tariffs increased installed capacity in Germany by 332% between 2000 and 2012 (Ringel, 2017).

However, existing incentives are still insufficient for the scale of transition required. Most incentives focus on narrow areas, such as renewable energy, while broader sustainable interventions are ignored (Stiglitz, 2021). Complicated application procedures and uncertainty about the timing of incentives discourage investors (Ellis, 2010). Coordination between fiscal stimulus, regulation, and public finance is weak, limiting synergies (Zadek and Robins, 2016).

A green investment code can consolidate all incentives into a single framework and offer investors a "single window" (UNEP, 2018). Standardization of procedures, broadening coverage and ensuring policy certainty will increase accessibility and efficiency. Setting time-bound targets can stimulate greater mobilization of the public and private sectors.

Removing barriers A host of regulations in sectors such as energy, construction, transportation, and agriculture impose compliance costs and deter green investors (Johnson, 2018). For example, biofuel projects face sustainability criteria under energy legislation, as well as individual environmental cleanup requirements (Jha, 2014). Complex land acquisition and permitting regulations hinder the development of renewable energy infrastructure such as solar parks (IRENA, 2020).

Structural reforms are needed to address cross-sectoral barriers and contradictions. The European Union's Circular Economy Action Plan 2020 integrates sustainability considerations into waste, product, procurement and consumer policies (EC, 2020). The Simplex+ program in Portugal uses business process reengineering to simplify bureaucratic procedures (OECD, 2020). Such mainstreaming of green goals in government departments is essential.

Regulation can also contribute to the creation of markets for green technologies through standards, labelling and public procurement quotas (UNEP, 2021). Banning non-sustainable products and practices creates a regulatory effect. For example, Ghana has banned refrigerators older than 10 years in order to expand the market for energy-efficient models (Kooroshy et al., 2020). The introduction of environmental taxation and the phasing out of fossil fuel subsidies will further level the playing field (Coady et al., 2019).

Given that environmental issues cross borders, international cooperation is vital to harmonize policies, standards, and incentives across countries (Stern, 2015). The Paris Agreement provides a comprehensive framework for action on climate change. However, its nationally defined structure makes harmonization difficult (Falkner, 2016). Only 76 of the 255 climate laws and policies studied are in line with the Paris Temperature Targets (Grantham Research Institute, 2022).

Supranational coordination can help bridge this gap in ambition. The European Union's Taxonomy of Sustainable Finance creates a common definition of green investments to prevent fragmentation between Member States (EU, 2020). The Greening the Financial System Network promotes best practices for central banks and regulators (NGFS, 2019). Such platforms promote transparency, convergence, and collective progress.

Global climate finance flows need to be expanded urgently, especially to support developing countries. The goal of $100 billion per year remains unmet, even though the needs exceed $6 trillion (Bhattacharya et al., 2020). Meeting international climate finance commitments is critical to equity and should be linked to broader efforts for debt relief and technology transfer (Mazzucato, 2021). The Climate Justice Fund can provide targeted multilateral financing for adaptation, resilience, and just transition.

Monitoring and enforcement. Weak monitoring and enforcement hinder the implementation of sustainable development laws. Ambiguous technical standards make conformity assessment difficult (Duran et al., 2020). Enforcement resources and penalties are often insufficient for deterrence (OECD, 2021). For example, the EU Emissions Trading System faced serious inconsistencies in the initial stages (Schapiro, 2021). Poor interdepartmental coordination also undermines oversight, for example, between financial regulators and environmental authorities (Gupta and Mason, 2016).

There is a need for a system of cross-sectoral monitoring that combines self-disclosure of firms with external audit and verification. The Comptroller and Auditor General of India conducts environmental audits of government and corporate activities based on laws and international principles (CAG, 2020). Carbon disclosure regimes may require companies to report climate-related financial risks, as was pioneered in France and New Zealand (Ameli et al., 2021).

Stricter enforcement requires a realignment of financial incentives through fines, taxes, and liability. Giving environmental agencies greater autonomy and resources for enforcement is also key. Public grievance and grievance mechanisms can provide oversight by civil society (OECD, 2015). Transparency through mandatory disclosure further strengthens accountability.

Stakeholder engagement Lack of stakeholder consultation in policy development leads to ineffective regulation of green investments (Brown, 2009). Governments often take a top-down approach, failing to engage industry, investors and civil society. This leads to poor alignment with real-world realities and implementation challenges.

The constructive integration of different interests right at the design stage is vital for successful policy. Multi-stakeholder dialogues provide an institutional mechanism for discussion and consensus-building (Hemmati, 2002). As seen in the UK's climate change agreements, joint policy-making ensures higher ambition and shared ownership (Bain et al., 2012).

Equally important is the active awareness-raising and capacity building of stakeholders. Providing access to sustainability data, analytical tools and technical expertise can help overcome information barriers (OECD, 2015b). Partnerships with banking and industry associations help to disseminate best practices. Structured consultations during implementation also allow for course corrections.

Practical application This study provides information that will be useful to policymakers, regulators, investors and companies to accelerate green investment through legislative and regulatory innovation. Some best practices and applications include:

- Government agencies can develop Green Investment Codes that bring all incentives together in a single window. Incorporating sustainable development goals into legislation and regulations can remove structural barriers.
- Financial regulators and stock exchanges may require disclosure of climate risks and establish science-based reporting standards. Audit bodies may conduct environmental audits of state and corporate activities for compliance with environmental requirements.
- Multilateral development banks can create a Climate Justice Fund, using revenues from digital taxes and SDRs to finance climate action in developing countries.

- Policymakers can introduce carbon pricing regimes, environmental tax reform, phasing out fossil fuel subsidies, and green public procurement to create a regulatory effect.
- Businesses can adopt certified standards, commit to carbon neutrality, and set internal carbon prices to prepare for future regulations.
- Investors can conduct climate scenario analysis, engage with companies and policymakers, and mobilize green finance by issuing sustainability-related bonds.

Conclusion

Achieving the transition to a green economy requires comprehensive legislative and regulatory innovations to incentivize, monitor and ensure sustainable investment. This document synthesizes insights from legal analysis, case studies, investment data, and stakeholder perspectives to offer a holistic framework. Creating synergies between incentives, removing structural barriers, promoting international cooperation, strengthening monitoring and enforcement, and ensuring multi-stakeholder cooperation are urgently needed. Implementation will require political will and ambition to implement innovative reforms. Shaping our collective understanding of effective rules can help policymakers learn from each other and ensure a green, sustainable, and equitable future.

References

1. Amélie, N., Drummond, P., Bisaro, A., Grubb, M., & Schöne, H. (2021). Climate Finance Regulatory Regimes: A Global Comparative Study and Lessons for France. Climate Policy Initiative.
2. Bain, P.G., Milfont, T.L., Kashima, Y., Bilevich, M., Doron, G., Gardarsdottir, RB, ... and Saviolidis, N.M. (2016). The co-benefits of tackling climate change can motivate action around the world. Nature Climate Change, 6(2), 154-157.
3. Bhattacharya A, Contreras M, Jeong M, Amin A, Watkins G, Oppong-Bio E, ... and Meltzer J. P. (2020). Delivering on $100 billion in climate finance commitments and transforming climate finance. Independent Expert Group on Climate Finance.
4. Brown, H.S., De Jong, M., & Lessidrenska, T. (2009). The Emergence of the Global Reporting Initiative: The Case of Institutional Entrepreneurship. Environmental Policy, 18(2), 182-200.
5. CAG (2020). Report of the Comptroller and Auditor General of India on Environmental Clean-up and Post-Clean-up Monitoring. Government of India.
6. Coady, D., Parry, I., Le, N. P., & Shan, B. (2019). Global Fossil Fuel Subsidies Remain Significant: An Update Based on Country-Level Estimates. IMF Working Paper.
7. EC. (2020). New Circular Economy Action Plan. European Commission.
8. Ellis, J. (2010). Effects of Fossil Fuel Subsidy Reform: A Review of Modelling and Empirical Research. International Institute for Sustainable Development.
9. EU. (2020). Provision for the Establishment of a Framework for the Promotion of Sustainable Investment. Eu.
10. Faulkner, R. (2016). The Paris Agreement and the New Logic of International Climate Policy. International Relations, 92(5), 1107–1125.
11. Grantham Research Institute. (2022). Global Trends in Climate Change Law and Litigation: A 2021 Review. London School of Economics and Political Science.

12. Gupta J. and Mason M. (eds.). (2016). Disclosure of Climate Risks and Opportunities in SEC Filings: A Guide for Company Executives, Attorneys, and Directors. Environmental Protection Fund.
13. Hemmati, M. (2002). Multistakeholder Processes for Governance and Sustainability: Breaking Deadlock and Conflict. Rutledge.
14. IRENA (2020). Renewable energy production costs in 2019. International Renewable Energy Agency.
15. Ja, W. (2014). Environmental Regulation and Governance in India. International Growth Center.
16. Johnson, K. (2018). Barriers to capital accumulation. U.S. Small Business Administration.
17. Jones, L. (2021). Towards a fair, sustainable and sustainable economy. The Bank of Westminster and Her Majesty's Treasury.
18. Kuroshi, J., Jones, R., & Pandey, R. (2020). Increased engagement in Ghana's energy transition. Institute of Overseas Development.
19. Mazzucato, M. (2021). The Mission of Economics: A Brief Guide to Changing Capitalism. Books about penguins.
20. NGFS. (2019). Call to Action: Climate Change as a Source of Financial Risk. A network of central banks and supervisors for the greening of the financial system.
21. OECD. (2015). Stakeholder Engagement for Inclusive Water Resources Management. OECD Water Research, OECD Publishing.
22. OECD (2015b). Breaking down barriers to international investment in clean energy. Green Finance and Investment, OECD Publishing.
23. OECD (2017). Investing in the climate, investing in growth. OECD Publishing.
24. OECD (2020). OECD Green Recovery Database: Exploring the Environmental Impacts of COVID-19 Recovery Policies. OECD Policy Responses to Coronavirus (COVID-19), OECD Publishing.
25. OECD (2021). OECD Study on Environmental Assurance and Enforcement. OECD Publishing.
26. Ringel, M. (2017). Managing Energy Efficiency Policies in a Multi-Level Administrative Structure – The German Experience. Energy Efficiency, 10(3), 753-776.
27. Shapiro, M. (2021). The Evolution of Emissions Trading: Results and Lessons from Carbon Markets in Europe and the United States. Environmental and Energy Policy and Economics, 2(1), 132-157.
28. Stern, N. (2015). Economic Development, Climate and Values: Policy Development. Proceedings of the Royal Society B: Biological Sciences, 282 (1812), 20150820.
29. Stiglitz, J. E. (2021). Bridging the Great Divide. International Monetary Fund.
30. UNEP. (2018). Making green finance a global effort. United Nations Environment Programme.
31. UNEP (2021). Are we recovering better? 2020 Data and Green Recovery Inclusive Financing Pathways. United Nations Environment Programme.
32. Voltz, W., Boehnke, J., Eidt, W., Knierim, L., Richert, K., Robert, G.M., & Eidt, W. (2015). Financing Green Transformation: How to Make Green Finance Work in Indonesia. Palgrave MacMillan.
33. Williams, K. (2019). Determinants of Green Laundering: An Empirical Study. Business Strategy and the Environment, 28(1), 105–116.
34. Zadek, S. & Robins, N. (2016). Reconciling the financial system with sustainable development: invitation and background. United Nations Environment Programme.