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LEGAL TRANSITION TO THE LEGISLATIVE FRAMEWORK FOR INVESTMENTS IN THE GREEN ECONOMY

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A B S T R A C T

This article examines the potential of legal transfer of innovation policies and regulations to facilitate investments in the green economy. Five keywords: legal transfer, green investments, legislative framework, comparative law, transition to sustainable development. The introduction provides general information on the concept of a green economy and the need for large-scale green investments. The methodological section describes a doctrinal approach to legal research using a comparative analysis of the regulatory framework in different jurisdictions. The theoretical result is a comparative analysis of the legislative methods used to stimulate green investments and the identification of best practices for their legal transfer. The practical result is proposed legal reforms to ensure sustainable investment, including tax breaks, subsidies, public procurement standards, and mandatory green investment regulations for institutional investors. It concludes by summarizing the main findings and arguing for multi-level policy coordination and adaptive legal frameworks to stimulate the transition to sustainable development.

K E Y W O R D S

Legal transfer, green investments, legislative framework, comparative law, transition to sustainable development.

INTRODUCTION:

The concept of the "green economy" has gained traction in recent years as a strategic response to converging environmental crises and growing environmental pressures. At its core, the green economy aims to promote economic growth and development while ensuring environmental sustainability (UNEP, 2011). This requires separating resource use and pollution from economic activity. The transition to a green economy will require massive changes in all sectors, including energy, transport, housing, agriculture, and manufacturing. The International Energy Agency estimates that $3.5 trillion per year of investment in the energy sector will be required in the coming decades to achieve net-zero emissions globally by 2050 (IEA, 2021). Such huge capital needs make it critical to have legislative and regulatory systems in place that encourage green investment by both public and private actors. This article discusses the possibilities of "legal translation" of innovation policy approaches into a legal framework for accelerating investments in the green economy.

Methodology

This article uses a doctrinal legal methodology using a comparative analysis of regulatory frameworks in different jurisdictions to identify effective legislative methods to stimulate green investment that could potentially be transferred or adapted to provide a "leap" in sustainable development policies (Rose, 2016). The analysis is based on key examples from Europe, the United States, Canada and Australia. These jurisdictions were selected based on their existing commitments and policy approaches to the transition to a green economy. In the article, legislative measures are divided into four broad mechanisms used by governments to stimulate green investments: 1) Tax incentives 2) Subsidies 3) Public procurement standards 4) Mandatory investment ratios/portfolio requirements.

Theoretical result

Tax Incentives

Tax incentives are a widely used policy tool to encourage private investment in green sectors and sustainable technologies. Key examples include investment tax credits, production tax credits, accelerated depreciation rates, and preferential tax rates. For example, the United States provides the Investment Tax Credit (ITC), which allows businesses to deduct 30% of the cost of solar energy systems from federal taxes, which has proven to be highly effective as a catalyst for solar energy investment (Schmalensee, 2015). Accelerated depreciation allows investors to quickly write off capital equipment costs, improving ROI. In 2009, South Korea introduced a 100% first-year depreciation charge for investments in renewable energy facilities (Chang, 2014). Tax incentives directly shorten payback periods and increase profitability. Reducing risk and uncertainty for green investors. Structuring tax benefits in the form of loans rather than deductions also makes them more accessible to smaller firms.

Subsidies

Direct subsidies, such as rebates, grants, and guaranteed feed-in tariffs (FiT), are commonly used to support the adoption of renewable energy and other green investments. FiTs require electric utilities to buy electricity from renewables at above-market prices, securing lucrative long-term contracts to increase investment security. In the early 2000s, the German FiT scheme caused a dramatic increase in the capacity of solar PV systems, accelerating cost reductions through economies of scale (Proedrou, 2016). Subsidies can be beneficial policy tools, given their flexibility with respect to specific sectors, technologies or project phases. However, cost-effectiveness depends on careful policy design. Australia has shifted from FiT to competitive auctions for the distribution of renewable energy subsidies, achieving lower costs but also slowing market growth.

Public Procurement

Governments have enormous purchasing power that can be strategically harnessed through green public procurement (GPP) policies to spur green investment and technological innovation beyond what firms risk through private investment alone (Brammer & Walker, 2011). The EU has established voluntary GPP criteria and targets for Member States. South Korea requires central government agencies to comply with minimum quotas for the purchase of environmentally friendly products and services. In India, public procurement regulations require solar panels to be installed on the roofs of government buildings, opening up a major new market. The introduction of sustainability standards into public tenders provides ongoing incentives for companies to develop environmentally friendly solutions and

opportunities for competitiveness. GPP simultaneously stimulates initial market demand and reduces the environmental impact of governments at the same time.

Mandatory Investment Ratios

Governments may also require some institutional investors, such as pension funds or insurance companies, to allocate a minimum share of assets to green investments. France has recently mandated institutional investors to report an ESG-compliant stake, while the UK and Canada have also signaled plans to introduce mandatory climate risk disclosure rules (Campiglio et al., 2018). Moreover, India requires life insurers to hold at least 15% of investments in government-approved green sectors. Such portfolio requirements provide certain revenue streams and mitigate perceived risks for green projects and assets, stimulating the growth of robust green finance markets. Mandatory investment ratios counteract short-term sentiment and increase the scale of institutional capital. However

Bottom Line

Based on this comparative analysis, the following legislative measures are recommended to legally transfer the world's best practices into the context of green investment policies:

Tax incentives structured as investment credits for the costs of approved technology, equipment and construction/renovation of sustainable facilities. Loans should account for 20-30% of the documented investment costs in order to significantly increase the profitability of the project.

Competitive reverse auctions to distribute production subsidies to renewable energy producers, with periodic review of incentive levels to balance cost control and market growth.

Public environmental procurement requires all government agencies and state-owned enterprises to receive a minimum of 50% of new fleets, building renovations, lighting, and other related costs from approved environmental suppliers or technologies.

Mandatory portfolio allocation requirements for institutional investors, such as public pension funds and insurance companies, must own a minimum of 20% of assets in approved green sectors, assets or projects by 2025, and by 2030 this figure will increase to 40%. This allows for large pools of capital while providing flexibility to portfolio managers. .

Annual sustainability reporting requirements for publicly listed companies and institutional investors to disclose levels of green investments and assets, ensuring monitoring and transparency.

- Tax incentives and subsidies should be designed as time-limited measures, providing clear signals and sunset provisions as sectors evolve, while monitoring systems should be robust to prevent abuse. Policy stability is also key: frequent retrospective changes undermine effectiveness.

Conclusion

Achieving the transition to a green economy will require mobilizing huge flows of public and private investment in all sectors of the economy. Governments play a key role, through the legal and regulatory framework, in providing incentives and removing barriers to incentivize green investment. Based on global best practices, this article proposes priority measures for the legal transition to the legislative framework, including: tax incentives, public procurement mandates, competitive auctions for subsidies, mandatory portfolio allocation rules, and sustainability disclosure requirements. Adaptive policy packages will be needed, combining mechanisms to provide multi-layered reinforcement while balancing cost controls. Further research should examine the interaction between specific provisions

and broader policy parameters. The transition to sustainable development ultimately depends on political will to ensure multi-level coordination of policies and binding goals through adaptive legal frameworks. The recommendations presented here aim to expand the toolset to attract the transformative investments needed to transition to an environmentally regenerative, socially just, and economically prosperous green economy.

Recommendations

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