

GLOBAL REGULATION OF GREEN BOND ISSUANCE

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ABSTRACT	KEY WORDS
<p>This article explores the international regulatory framework for green bond issuance—financial instruments designed to finance environmentally sustainable projects. The analysis focuses on key standards, including the Green Bond Principles, ICMA guidelines, and the taxonomies of the EU and other jurisdictions. Special attention is given to core requirements related to the use of proceeds, financial management, issuers’ internal procedures, and disclosure obligations. The paper examines current trends in legal development, the challenges of standardizing regulatory approaches, and issues concerning investor confidence. The study highlights the critical importance of harmonizing international standards as a foundation for the sustainable growth of the green finance market.</p>	<p>Green bonds, sustainable finance, environmental investments, international standards, EU taxonomy, disclosure, market regulation, green projects, sustainable development, climate finance.</p>

Introduction

Green bonds are debt financial instruments whose proceeds are used to finance or refinance (in whole or in part) new and/or existing environmentally sustainable projects. These bonds comply with recognized international green finance standards, including the Green Bond Principles (GBP) developed by the International Capital Market Association (ICMA), and/or the Climate Bonds Standard (CBS) established by the Climate Bonds Initiative (CBI).

All green bond standards incorporate the following core requirements in accordance with internationally recognized frameworks such as the Green Bond Principles (ICMA)¹and the Climate Bonds Standard (CBI)²:

- **Use of Proceeds:** The funds raised through bond issuance must be exclusively allocated to projects that deliver clear environmental benefits and fall within the eligible green project categories or established taxonomies.
- **Management of Proceeds:** A formal process should be in place to track the allocation of proceeds, ensuring they are directed only to qualified green projects. Unallocated proceeds may be

¹ International Capital Market Association (ICMA). Green Bond Principles – Voluntary Process Guidelines for Issuing Green Bonds, latest edition. <https://www.icmagroup.org/sustainable-finance/>

² Climate Bonds Initiative (CBI). Climate Bonds Standard and Certification Scheme. <https://www.climatebonds.net/standards>

temporarily invested in liquid instruments, provided they do not finance activities inconsistent with the environmental objectives of the bond.

- **Process for Project Evaluation and Selection:** Issuers are expected to implement internal processes for project evaluation, selection, and verification, ensuring alignment with the green bond criteria and intended environmental outcomes.

- **Reporting:** Issuers must periodically disclose information on the use of proceeds, the status of funded projects, the management of unallocated funds, and the environmental impact achieved through the financed activities.

Green bonds offer a range of advantages for both issuers and investors. For issuers, they serve as a tool for enhancing the organization's reputation as an environmentally responsible business, demonstrating a strong commitment to sustainable development principles. They also enable the diversification of the investor base by attracting a new category of responsible investors with green investment mandates and a focus on sustainable and responsible investing. Additionally, issuers may benefit from a potentially lower cost of capital in international markets due to the so-called «greenium» — a premium investors are willing to pay for environmentally oriented instruments.

For investors, green bonds provide an opportunity to finance environmentally focused projects with transparent and traceable use of proceeds while advancing their ESG-related objectives. Investing in such instruments strengthens the investor's reputation as an environmentally conscious organization committed to sustainable development. Moreover, integrating sustainability factors into investment decision-making offers an additional means of identifying long-term risks in a timely manner, thereby contributing to more resilient portfolio management.

Table 1. General Overview of «Green» Economy Presence Across Selected Countries³

Country	Share of «green» economy in GDP (%)	Volume of products and services (\$ billion)	Employment (million people)	Additional information
USA	4,2	>600	3	-
Japan	3,4	-	~1,5	-
EU	2,5	-	>3,4	-
Germany	4,8	-	-	Leader in the export of eco-products (12% of the world trade in climate protection equipment)
UK	8,8	240	-	Share in exports - 5%, in total employment - 3%

The UK and Germany are the top performers in developing a green economy. Their success is due to government support measures, exports of environmentally friendly technologies and the widespread introduction of renewable energy sources. The US, Japan and the EU continue to actively develop the green sector, providing significant employment and implementing measures to reduce the carbon footprint.

³ The table was compiled by the author using economic statistical data

Thus, the global trend confirms that the development of a «green» economy is becoming a key factor in sustainable economic growth, reducing environmental impact and creating new jobs. Uzbekistan has significant potential in this area, especially in the field of solar and wind energy, resource conservation and eco-technologies.

Issues related to climate change exert a substantial adverse effect on the provision of environmental and food security, as well as on efforts to alleviate poverty within the population. Consequently, Uzbekistan prioritizes the mitigation of anthropogenic impacts on the climate system, the adaptation to evolving climatic conditions, the expedited implementation of measures facilitating the transition to a green economy, and the adoption of an environmentally sustainable and inclusive model of economic growth.

The national standard for green financing comprises the following documents:

✓ The Order of the Director of the National Agency for Advanced Projects of the Republic of Uzbekistan, No. 2000-10, “On Amendments and Additions to the Rules for the Issuance of Securities and the State Registration of Securities Issues,” dated June 10, 2024.

Additionally, mandatory documents include the framework program for bond issuance and a copy of the certificate issuance conclusion, confirming compliance with green standards.

The specialized organization issuing the certificate must possess:

- Authorization from the International Capital Market Association (ICMA);
- Approval from the Climate Bonds Initiative (CBI);
- Registration with the European Securities and Markets Authority (ESMA).

The primary participants in the issuance process of green bonds include the issuer, external consultant, arranger, legal advisor, verifier, the Republican Stock Exchange «Tashkent», the central depository, as well as the rating agency. Each of these entities is responsible for performing specific functions that are mandatory in the issuance of international bonds.

In partnership with the United Nations Development Programme (UNDP), the Ministry of Economy and Finance of the Republic of Uzbekistan conducts a rigorous selection of projects that meet the required criteria to ensure their compliance with globally recognized green standards. This initiative builds upon long-standing cooperation that began in March 2021 and was expanded in 2022 with the signing of a Memorandum of Understanding between the parties. The memorandum focuses primarily on aligning eurobond issuance with the Sustainable Development Goals (SDGs) and enhancing transparency and accountability for both the public and investors.

These joint efforts have resulted in the development of a Framework Document for SDG Bond Issuance, which serves as a comprehensive tool to ensure the consistency of criteria and monitoring indicators of effectiveness for methods employed across various areas of public financial management. It also integrates sustainability parameters into the sovereign borrowing process and provides technical support for the issuance of SDG sovereign bonds and green bonds.

Moreover, UNDP has supported the government in developing impact assessment methodologies, conducting impact monitoring, strengthening institutional capacity, and organizing training programs for sectoral ministries.

References:

1. Mirziyoyev, Sh. M. Strategy for the Development of the New Uzbekistan for 2022–2026. Tashkent: UzInform, 2022.

2. National Strategy of the Republic of Uzbekistan for the Transition to a Green Economy for 2019–2030. Presidential Decree of the Republic of Uzbekistan No. PP-4477 dated October 4, 2019.
3. International Energy Agency (IEA). World Energy Outlook 2023. Paris: IEA, 2023. [Electronic resource]. Available at: <https://www.iea.org/reports/world-energy-outlook-2023>.
4. United Nations Environment Programme (UNEP). Report on the Development of the Green Economy in Central Asian Countries. Geneva: UNEP, 2022.