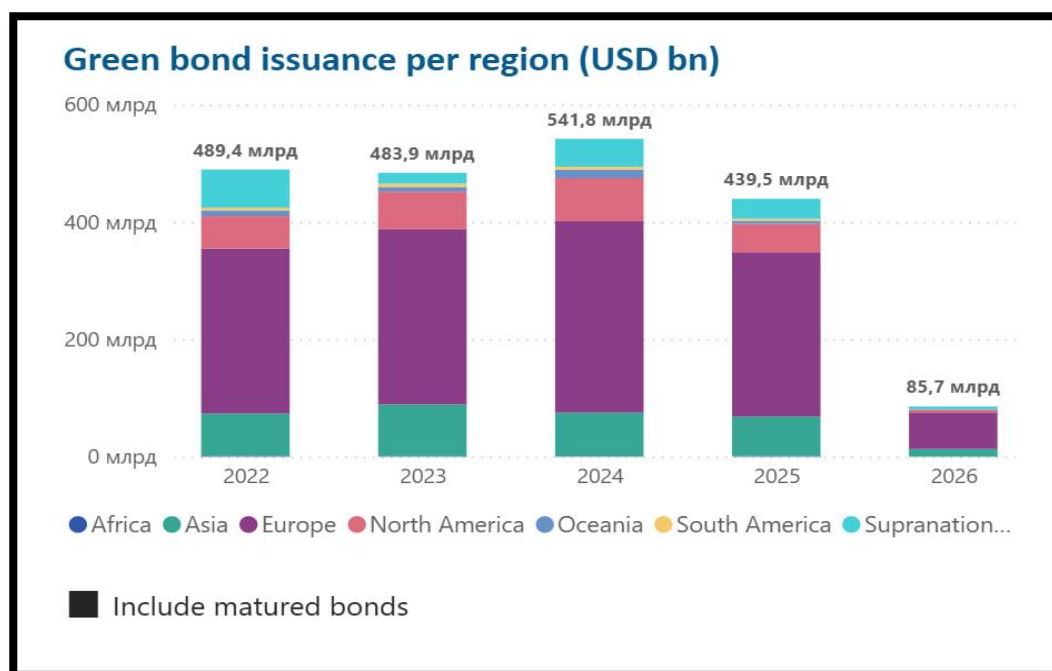


WHY ISSUE GREEN BONDS? EXAMINING THEIR DUAL IMPACT ON ENVIRONMENTAL PROTECTION AND ECONOMIC BENEFITS

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Green has become the colour of our time. There is a widespread consensus on the need to promote environmental sustainability in politics, economy, and culture to essentially ensure the future of humanity. In the financial sector, green finance has gained wide acceptance and continues to develop. If the market mechanisms behind green finance are rational, green finance encourages effective environmental risk management and supports optimal utilization of environmental resources by guiding the flow of funds. As an essential component of the economic society, the importance of enterprises in environmental protection and pollution control is undeniable. According to the International Capital Markets Association, green bonds are defined as any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new or existing eligible green projects. As a representative example of green finance, green bonds have experienced rapid growth in recent years due to their unique green attributes. Green bonds are labelled as such because they are specifically designed for financing or refinancing green projects. As it is pointed out, the most important difference between green bonds and conventional bonds is the “green label.” While green bonds bear the green label, conventional bonds are associated with the “brown” label. The distinction between these colour labels has attracted research interest, including comparisons between green bonds and conventional bonds, analysing the advantages and disadvantages of green bonds relative to traditional bonds, examining the cost of financing green bonds, exploring motivations behind investing in green bonds, and studying the environmental impact of green bond financing. Why do we care about environmental finance? Because it is an important part of sustainability, and sustainable financing is a key component of sustainable development. Without sustainable financing, little happens. The process of economic development has promoted economic growth while also driving improvements in social, political, and population quality. While we celebrate the achievements brought about by economic development, we must also recognize its negative impact on the environment, such as greenhouse gas emissions, soil, air, and water pollution, overexploitation of land, disorderly and excessive urban growth, depletion of natural resources, and many others. All these issues have caused various problems for global society, which manifest as different risk factors. To seek ways for coordinated economic and environmental development, the concept of sustainable development has been proposed. However, economic organizations that seek sustainable development are often constrained by funding issues. The insufficient allocation of financial resources to green projects has hindered the progress of sustainable economic development. In order to address the financing issues of green projects, green finance has emerged.



Picture-1. Evolution of green bond issuance

Green bonds, which often have a long-term focus on funding green projects, particularly green infrastructure, are one of the most suitable sustainable investment tools for combating climate change while supporting the stability of the financial system. Moreover, issuers are increasingly interested in the impact of the “green label” of green bonds on financing. Issuers of green bonds often expect to issue at lower capital costs due to the positive impact of green projects on sustainability, low-carbon development, and environmental risk management. They also anticipate obtaining long-term financing and securing extended timeframes for financing. Therefore, the issuance of green bonds should be effective for both, the environment and the economy. Issuing green bonds can reduce the cost of capital for issuing companies, leading to economic benefits. At the same time, there is considerable market demand for green bonds, and from a self-benefit perspective, the issuing entities would opt for green bond issuance. Concerning the environmental benefits of green bonds, some scholars suggest that there is suspicion of greenwashing in green bond issuances, suggesting that companies issue green bonds to enhance their “green sustainable” image. When green bonds are used as a greenwashing tool, the credibility of green bonds will be undermined, and investors may overlook the green label. One of the two major challenges for the green bond market is to ensure its environmental integrity to mitigate the greenwashing criticism that could threaten its survival. While attention has been focused on how to avoid or reduce the adverse effects of greenwashing and condemn companies for misrepresenting themselves as green, Fatica and Panzica have conducted research on the environmental benefits of green bonds with optimistic results, showing reductions in carbon emissions by green issuers, indicating that the issuance of green bonds signifies a credible commitment to climate-friendly corporate behavior. Nevertheless, there is still limited research

on the environmental effects of green bonds, and further exploration is needed on whether green bonds are simply tools for businesses to engage in greenwashing practices.

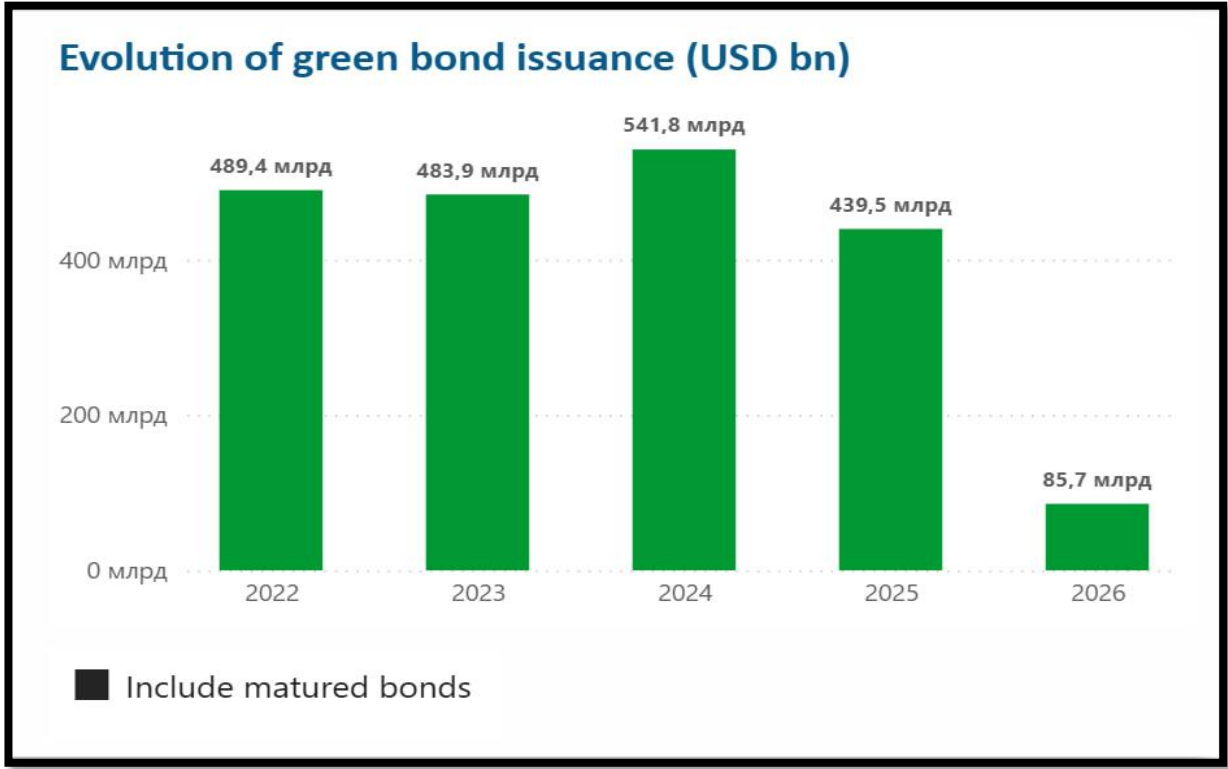
In this figure, we can see that the market capitalization of green bonds issued during 2022-2026 is growing year by year, which in turn further increases the interest of corporate structures in this financial instrument.

Picture-1. Green bond issuance per region

Green bond issuance by region has shown distinct trends in recent years, with Europe leading the market while North America experience notable shifts. From 2022 to 2024, the global volume grew consistently, starting at \$489.4 billion, slightly decreasing in 2023, and peaking at \$541.8 billion in 2024. This peak reflects strong multi-regional participation.

However, a projected contraction to \$439.5 billion in 2025 points to changing market dynamics. In this landscape, Asia, North America, and Supranationals remain significant contributors, while other regions have a minimal impact. The substantial drop to just \$85.7 billion by 2026 underscores that the market is in a period of consolidation.

In conclusion Green Bonds have emerged as a transformative financial instrument in the global capital markets, bridging the gap between environmental sustainability and corporate profitability. Unlike traditional debt instruments, green bonds offer a strategic advantage to Joint-Stock Companies (JSCs) by attracting a diverse pool of ESG-conscious (Environmental, Social, and Governance) investors and potentially reducing the cost of capital through a mechanism known as the issuance of green bonds signals a company’s long-term commitment to sustainability, which often leads to a positive market reaction and an increase in stock price performance. By earmarking funds for renewable energy, energy efficiency, and waste management, companies can effectively mitigate climate-related regulatory risks and operational costs. The integration of green bonds into the Uzbekistan securities market can accelerate the



transition to a "Green Economy," providing local JSCs with an alternative, lower-cost funding

source for large-scale modernization projects. Establishing a robust national green taxonomy in Uzbekistan is essential to prevent “greenwashing” and ensure investor confidence.

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