THE CONCEPT OF GREEN FINANCE AND ITS PLACE IN THE INTERNATIONAL FINANCIAL SYSTEM

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Abstract: *This article describes the need to transition to a green economy, which is an important condition for sustainable development in the world. Also, this article describes the general directions for the development of "green" growth and "green finance" and develops the necessary recommendations.*

Key words: *Ecological finance, green finance, sustainable finance, environmental finance, carbon finance and climate finance.*

A single agreed definition that provides a complete understanding of green finance and green financial instruments has not yet been formulated. Currently, the economic sectors to which the term "Green" is attached are spreading widely, and green financial instruments are among them. Green finance can be seen from two perspectives. First, green finance can play a role in mitigating environmental damage, especially the impact of climate change on the economic system and human society. Second, green finance can play a role as targeted finance to support green growth. Since green growth is a new paradigm of economic growth combining environmental sustainability and economic growth, the need for financing by economic sectors to promote this idea is born .

There are several concepts related to green finance: sustainable finance, environmental finance, carbon finance and climate finance. According to the University of California, Berkeley (2017), sustainable finance is the practice of creating economic and social value through financial models, products and[1] markets that are sustainable over time. It shows the need to use comprehensive investments,

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taking into account not only environmental aspects, but also social aspects and management issues.

Ecological finance means the formation of financial relations related to the ecological environment (air, water, soil, etc.). Environmental finance views environmental damage as a financial risk. Environmental finance is not intended to finance projects that cause or have the potential to cause damage to the environment. This concept is broader than green finance as it focuses on protecting the environment, which can have a negative impact on economic growth. Carbon finance provides resources for projects aimed at reducing emissions of carbon dioxide and other natural gases. In addition, investments in this direction can be made through the carbon fund.

Thus, limiting the right to emit greenhouse gases gives entities a financial incentive to invest in measures to reduce gas emissions. Carbon finance through the emissions trading market can be developed in various ways in the spot and derivative financial markets. Depending on various factors, some enterprises may decide to reduce their emissions now to reduce production costs or to gain financial benefit from the opportunity to sell excess permits; other companies may decide to buy emission permits now and invest in another sector later. Emissions trading therefore reduces emissions in the most cost-effective way.

Key elements of carbon finance include carbon trading, carbon finance, carbon funds and carbon-related financial derivatives. The market for carbon products and services was established in January 2005 with the introduction of the emissions trading system in Europe. Other trading markets include the Chicago Climate Exchange, Japan's Keidanren Voluntary Action Plan, Australia's New South Wales Greenhouse Gas Reduction Scheme, and New Zealand's Emissions Trading Scheme . Cooperation between multilateral development banks and private financial institutions has led to the emergence of various carbon funds to finance projects to reduce greenhouse gas emissions to limit climate change.

Climate finance supports climate change adaptation and mitigation efforts to achieve a low-carbon economy and climate-resilient development. Climate finance also supports adaptation projects that are not included in carbon finance.

Let's look at the classification of financial instruments that can be used with one or another "green" financing in modern conditions. The tools in the developed classification are divided into groups: financial solutions, financial products and structural market support .

The first group of instruments (financial solutions) includes guarantees and reserves for losses from the implementation of "green projects", as well as securitization, leasing and green insurance. Guarantee funds should be created to cover risks that may arise during the implementation of green projects. Instruments such as securitization and green insurance are used to insure operations carried out within the framework of environmentally friendly business.

The tools of the second group are financial products, and the main problem in the implementation of any investment projects, especially those related to environmental activities, is always the lack of necessary financing. Such products include traditional banking products, green securities, green funds, as well as co-investment vehicles by public and institutional investors and private funds. At the same time, green loans should be targeted, have favorable and attractive terms. Green securities are designed to attract additional funds and contribute to the development of the stock market. Public-private partnerships should also be considered when creating green infrastructure.

As for the tools of the third group, it should be noted that it is necessary to create not only an attractive green infrastructure, but also the conditions for its existence. Therefore, structural support of the green capital market and green financing are used as the third group of financial instruments to stimulate environmental activities. This is necessary to ensure transparency, comprehensibility and openness of information about the quality of environmental activities of companies for external users and potential investors.

Thus, green finance is a type of future-oriented financing that simultaneously promotes the development of the financial industry, environmental improvement and economic growth. Green finance should include new technologies, financial products, industries and services that take into account the environment, energy efficiency and pollution reduction.

Green finance is an investment that contributes to environmental benefits and, more broadly, to the development of environmental sustainability. Green finance aims to direct financial flows from banks, microcredit, insurance organizations and investment companies from the public, private and non-profit sectors to sustainable economic development.

Currently, "green" financing. the "green" segment of the world financial market and responsible investments become an integral component of achieving global and national goals of sustainable development and the formation of a "green" economy, defining new environmentally sustainable contours and prospects for the development of the international financial system. [2]There is a shift in the investment paradigm itself in favor of transformative investments or impact investments that not only meet a certain level of economic expectation, but also have the potential for social and environmental impact.

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