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# **Investing in the environment is an investment in the future**

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**ABSTRACT:** This article discusses current issues of attracting investment in the field of ecology and environmental protection. Consideration is given to the widespread use of market-based environmental policy instruments; they should create incentives for private investment in environmental protection activities. In general, the mobilization of environmental financing should be based on the implementation of the «polluter pays» and «consumer pays» principles.

**KEY WORDS:** investments, market mechanism, innovations, clean development mechanism, ecosystems, green business. infrastructure investments.

## **I. INTRODUCTION**

Significant work is being carried out in the Republic to attract investment, including foreign investment, in the field of ecology and environmental protection, especially in the field of waste management, protection of water and land resources, large-scale work is carried out within the framework of the “Obod qishlok” and “Obod mahalla” programs, etc.

At the same time, as studies in many regions of the Republic show, the quality of the environment does not meet environmental standards, 60% of the territory of the republic is not covered by monitoring of environmental pollution. In the industrial cities of Andijan, Angren, Bukhara, Navoi, Fergana, Almalyk, Bekabad, Chirchik, Tashkent and Nukus, the level of dust content in the air exceeds sanitary standards by an average of 2.7 times.

International environmental governance is just one such setting where the demand for international governance as well as the number of involved actors seems to be growing exponentially. International environmental regimes remain little understood (e.g. Wettstad 2001; Young 2002), much less so than international economic regimes (e.g. Kindleberger 1988; Kerwer 2005). Standards are often turned to as effective soft law mechanisms in international governance (Abbott and Snidal 2001) and no other policy setting has witnessed an equal growth in international standards than the setting of global finance (Kerwer 2005). As such, there is growing interest in embedding international environmental regimes within the better understood, and arguably more stable, international economic regimes of global finance. In essence, such an environmental regime would involve financial market participants no longer treating environmental consequences of economic growth as externalities but rather internalizing them as financial risks within their decision-making processes. The internationalization of nation-states (Glassman 1999) and the turn to financial markets as a repository of national and personal savings have created a global financial market dominated by universal owner institutional investors. These investors own entire cross-sections of national economies and are less exposed to single corporate or market segment developments and more so to systemic national and international economic performance (Hawley and Williams 2000). Public pension funds represent the most important constituency of universal owners given the depth of their capital pools, their position as fiduciaries to broad ranging social cohorts, and their long-term investment horizon (Ryan and Schneider 2002; Clark and Hebb 2005). To place the market dominance of pension funds in perspective one should note that, as of December 31st, 2006, global pension fund assets under management totalled \$26.0 trillion USD (IFSL 2008), equivalent to approximately 39.4 percent of world GDP in 2006 (based on purchase price parity)(CIA 2009). A growing recognition of their market dominance and systemic exposure is leading certain institutional investors to incorporate traditionally non-financial metrics in their investment processes, such as the California Public Employees’ Retirement System’s (CalPERS) concern with corporate governance (Hebb 2006) or the incorporation of an ethical investment mandate within the Norwegian Government Pension Fund—Global (Gjessing and Syse 2007). This investment ideology, commonly referred to as responsible investment, encourages institutional investors to address corporate social and environmental performance not out of altruistic moral concern but more so out of concern



for long-term investment value. If successful, the responsible investment ideology would lead to long-term financial value predicated on economic growth with low environmental impact. Based on this, it is necessary to develop a comprehensive program to attract investments in the field of ecology and environmental protection;

## II. MAIN CONTENT

According to the rating agencies for environmental efficiency, Uzbekistan ranks 118 out of 180 countries of the world, Kazakhstan-69, Kyrgyzstan-71, Tajikistan-72. Calculations show that the need for the costs of restoring and protecting the components of the ecosystem of the territory is constantly growing, but the actual investments in the environmental sphere are still clearly insufficient. This is facilitated by insufficient state support for environmental entrepreneurship and the lack of attention of the media to problems and achievements in the field of ecology; lack of policy documents for the development of environmental entrepreneurship; ineffectiveness of investment policy in the field of environmental protection, which does not allow the necessary pace to introduce innovations in the production sphere; lack of cross-sectoral and cross-sectoral coordination of this area of activity.

According to Western economists, the total national costs that guarantee the preservation of the quality of the environment and the well-being of natural objects can be up to 8-10% of the GNP. And if society does not systematically implement these costs, then in the near future, due to the progressive deterioration of the ecosystem, they will amount to 40-50% of GNP.

Based on the experience of developed countries, consider the possibility of creating a “State Center for Environmental Investments” in the Republic; To support the creation of ecological and economic clusters, this will allow its participants to increase the efficiency of functioning and the efficiency of joint use of common resources, which will ensure the growth of their competitive advantages and the development of regions as a whole.

The United Nations Environment Program, the Frankfurt School – UNEP Collaborating Centre, and the Bloomberg New Energy Finance published the report entitled The Global Trends in Renewable Energy Investment 2018 (first published in 2005). According to it, global investment in renewable power and fuels totaled \$279.8 billion (excluding hydropower plants larger than 50 MW), which is by 2% more than in 2016 and by 13% less than the all-time high in 2015. The capacity of investment in new renewable power in 2017 was more than twice that in fossil fuels and nuclear energy combined. In 2017, the investment of China, Europe, and the United States accounted for nearly 75% of the global investment in renewable power and fuels. Investments made in developing country markets were also significant (REN 2018). This sector involves all companies that develop products necessary for the construction of plants producing renewable energy that will replace coal and oil. It also includes companies maintaining these plants and procuring renewable energy sources. Depending on the natural energy source used in the energy production process, several types of investment can be distinguished (Table 1).

We consider it expedient to widely use market-based environmental policy instruments; they should create incentives for private investment in environmental protection. In general, mobilization of environmental financing should be based on the implementation of the polluter pays and consumer pays principles.

**Table 1** Environmental Investments, Investments in renewable energy

The types of environmental investments	The types of renewable energy	The examples of investments
Renewable energy	Solar energy	Solar mirrors, solar panels, solar photovoltaic systems
	Wind energy	Wind parks
	Hydro energy	Hydraulic turbines
	Bioenergy	Biomass boilers
	Geothermal energy	Drills for drilling boreholes, geothermal power plants

**Table 2.** Environmental Investments, Investments in energy efficiency

The type of environmental investments	Areas	The examples of investments
Natural infrastructure	Water protection	Irrigation systems, water pumps
	Air protection	Pollutant capture and filtration systems, free public transport
	Land protection	Soil remediation, solid waste management
	Flora and fauna protection	Ecosystem restoration, soil erosion control by planting forests, ecological research, species recovery programs

**Table 3.** Environmental Investments, Investments in natural infrastructure

**Transport Sector.** The concept of energy efficiency is increasingly popular in traffic, precisely because of the high consumption of fossil fuels, the quantity of which is limited, but also because of the emission of carbon dioxide, which is the most important factor in global warming. It is possible to increase energy efficiency in transport through the optimization of the existing transport infrastructure or through the implementation of new technologies. The energy efficiency of the existing vehicles may be increased through technological improvements (installation of catalytic converters for exhaust gas purification), by optimizing the transport of passengers and goods, improving the operational activities of vehicles (using waste fuels for the production of electricity and heat), etc. Nevertheless, in 2016, only four countries had fuel economy standards for heavy-duty vehicles. On the other hand, the light-duty vehicle market with battery electric vehicles and more fuel-intensive light trucks (SUVs, vans, and pickup trucks) is experiencing a diverging trend (International Energy Agency 2017).

It is advisable to develop comprehensive measures for financing environmental activities, attracting all potential sources of financing and political instruments necessary to mobilize them (budget financing, incentives for private companies to invest in reducing pollution levels, payments from consumers of infrastructure services, investments in infrastructure from the private sector, mechanism clean development, donor assistance), as well as capacity building in relation to attracting funding from listed sources and managing the resulting financial resources.

It is necessary to improve the mechanisms of international cooperation - for this it is necessary to make efforts to increase the motivation of donors, better coordination of their activities and more effective use of funds provided by donors. Based on the UK experience, we recommend creating a Green Investment Bank in order to attract investment in green projects. The main objectives of this institution are to eliminate market failures and stimulate private sector investment in green infrastructure projects.

### III. CONCLUSION

The experience of green business abroad shows that many firms make substantial profits by reducing environmental pollution. Companies are developing various projects to reduce environmental pollution, waste disposal. Environmental protection is becoming a safe investment. The positive experience of eco-business is widely reported in the press. This ensures the firm's eco-image, as well as contributes to the dissemination of knowledge and the formation of environmental thinking.

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