### POLITICAL PROPOSAL

(a memorandum for the Cabinet of Ministers of Ukraine on the implementation of public policy)

**The Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation**

### I. Recommended resolution

### 1. Matter under discussion

Ukraine lacks public policy on the introduction of the green bond market. The lack of a coordinated action plan in this area deters raising green funds for the country, which in turn undermines the effort to bolster Ukraine's energy independence and reduce the energy and carbon intensity of the national economy.

Creating conditions for trading green bonds in the stock market as a variety of securities and making them an appealing investment is relevant in the context of how important it is for the country to develop alternative energy, find approaches and reduce energy consumption by all consumer categories, introduce state-of-the-art energy efficient technologies and equipment at enterprises, improve thermal insulation of the housing stock etc. This financial instrument can be effectively used in Ukraine by devising and implementing an integrated and consistent policy that is harmonized with international law and takes into account global best practices and national idiosyncrasies, opportunities, needs, and priorities.

### 2. Optimal choice

To address this problem, the Cabinet of Ministers of Ukraine has to adopt the draft Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation approved by central government stakeholders.

### 2.1. Areas, ways, and methods of addressing the problem

Key areas for the implementation of the Concept include:

* creating legal and institutional prerequisites for the introduction of the green bond market;
* ensuring that investment is raised for the green bond market;
* facilitating the development of the green bond market.

The Concept lays down an action plan for the introduction of the green bond market in Ukraine, which creates grounds for drafting laws and regulations, action plans for their implementation for various components of the public policy on the introduction of the green bond market.

### 2.2. Financial feasibility study

Under the Concept, which defines main activities for the organization of the green bond market in Ukraine, a number of comprehensive legal and organizational activities need to be carried out, such as modifying the existing regulatory framework, drafting new regulations, and carrying out certain organizational activities.

The preparation for these activities involves evaluating and justifying the scope of required financial, logistical, and human resources based on the capacity of the state and local budgets and the existence of other statutory sources.

### 2.3. Risks

Risks, negative consequences, and potential difficulties that may arise when achieving objectives at hand may include:

- central and local government authorities and the business community showing little interest in planning and carrying out activities in different aspects of the introduction of the green bond market because the local stock market is poorly developed;

- a low institutional capacity of central and local government authorities to shape an effective regulatory environment for the development of the green bond market in accordance with international principles;

- the business community lacking ability to issue green bonds in accordance with international principles;

- insufficient resources to carry out effective outreach effort on the benefits of the state joining the global trend of raising investments into environmentally friendly projects through the issuance of green bonds.

They can be prevented by:

- holding consultations with representatives of central and local government authorities and the business community to clarify special features and potential benefits of raising investment into environmentally friendly projects through the issuance of green bonds;

- actively raising financial resources and engaging technical assistance under bilateral and multilateral projects and programs of international technical assistance.

**2.4. Outcomes of consultations**

### The approaches that shape the conceptual framework for the introduction of green bond market in Ukraine were first discussed with the public during a round table titled *Green Bonds in Ukraine as a Mechanism for Raising Investments into Renewable Energy and Energy Efficiency Projects* (held on 7/10/2018 by SAEEEC and supported by UNIDO).

The conceptual framework was next discussed publicly on 2/27/2019 within the Stakeholder Meeting organized by SAEEEC and supported byGIZ. This Meeting became a thematic platform for discussing controversial issues of the regulatory foundation of the introduction of the green bond market in Ukraine.

Following consultations with the public and professional discussions with the stakeholders, SAEEEC drafted a directive of the Cabinet of Ministers of Ukraine *On Approving the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation*. On June 6, 2019, the draft regulation above was discussed at a meeting of the Multi-Agency Working Group for the Introduction of the Green Bond Market in Ukraine (set up by SAEEEC under Order No. 23 on May 13, 2019). Its membership includes representatives of government authorities, banking institutions, enterprises, international organizations, international technical assistance projects, and the public.

Representatives of the following took part in the discussions:

government authorities (the National Securities and Stock Market Commission, the Ministry of Finance, the Ministry of Regional Development, Construction, Housing, and Utilities, the Ministry of Economic Development and Trade, the Ministry of Ecology and Natural Resources, the Ministry of Infrastructure, the Anti-Monopoly Committee, the Administration of the President of Ukraine, the National Bank Ukraine, the committee of the Verkhovna Rada of Ukraine on financial policy and banking, State Institution "Office for the Raising and Support of Investment, the CMU Reform Delivery Office, Zhytomyr City Council);

the business community (JSB Ukrgasbank, JSC Ukreximbank, JSC Oschadbank, JSC Ukrainian Stock Exchange, JSC CB DNSPROVSKE, JSC DTEK, BAKER TILLY Ukraine LLC, Deloitte (Ukraine) LLC, Investment Capital Ukraine LLC, Tokmak Solar Energy LLC, BFSE Group LLC);

international organizations (Climate Bonds Initiative (СBI), European Investment Bank (EIB), International Finance Corporation (IFC), Organization for Economic Co-operation and Development (OECD), United States Agency for International Development (USAID), United Nations Industrial Development Organization (UNIDO), United Nations Development Programme (UNDP) Ukraine, Gesellschaft für Internationale Zusammenarbeit (GIZ);

law firms (Sayenko Kharenko Legal Association, Dentons LLC);

non-governmental organizations (Better Regulation Delivery Office NGO (BRDO), Center for Blended Value Studies NGO).

### The analysis of public suggestions regarding the proposed draft Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation demonstrated the need for adopting this document. It has been noted that the draft proposes a clear structure and takes account of all crucial aspects of public policy in this area. Constructive criticism and suggestions were taken into account, and exhaustive explanations were offered regarding rejected suggestions, which have no material impact on the substance of the key provisions of the Concept and the Action Plan for its implementation.

**2.5. Stakeholders' position**

### Following the discussion of the draft regulation at its meeting, the Multi-Agency Working Group for the Introduction of the Green Bond Market in Ukraine took note of comments and suggestions of the National Securities and Stock Market Commission (regarding the use of terminology when introducing a new subtype of bonds and the need for comprehensive and unified legal regulation of bond securitization), the Ministry of Regional Development, Construction, Housing, and Utilities (regarding focus on disclosures about the use of funds for their intended purpose, transparent mechanisms of trading in green bonds, and rejection of state registration of projects), the Ministry of Finance (regarding preferential tax treatment of income generated by non-residents as interest on government securities or local government bonds), the Ministry of Infrastructure (regarding the integration of several draft directives of the Cabinet of Ministers of Ukraine into one, and the correct wording of some articles of the Concept).

**3. Rationale for the optimal choice**

By adopting a directive to approve the draft Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation, the Cabinet of Ministers of Ukraine will avoid unnecessary delays in the regulatory determination of key areas and elements of public policy on this matter.

The solutions defined in the Concept to the problem harmonize the policy of organizing the green bond market with international standards, initiate new areas of activity and increase the performance of existing activities in strict compliance with the provisions of the Association Agreement between the European Union and Ukraine, the European Atomic Energy Community, and their member-states.

The Concept will create i) an integrated vision of all areas of the policy on the introduction of the green bond market, and ii) grounds for the future drafting and adoption of laws and regulations for each individual area, the undertaking of certain organizational activities.

By continuing the implementation of the action plan proposed by the Concept, Ukraine will fulfill its obligations under energy efficiency and climate change treaties, start gradually reducing fossil fuel consumption while ensuring energy security and a faster development of new technologies in different sectors of the economy.

### II. Analytical section

### 1. Analysis of the problem

The energy intensity of the Ukrainian economy is three to four times the average figure in European countries. Over the past 20 years, European countries have drastically reduced energy consumption, while Ukraine wastes a significant percentage of energy due worn-down assets, outdated equipment, and an inefficient housing and utilities sector. High energy costs create an extra burden on enterprises and undermine their competitiveness, while energy-inefficient technologies produce significant CO2 emissions.

The national objective of ensuring 25% renewables in primary energy supply by 2035 and of reduction of emissions at final fuel consumption by 20% CO2 equivalent compared with 2010 level has been established in the Energy Strategy of Ukraine Until 2035 ‘Security, Energy Efficiency and Competitiveness approved by CMU Resolution No. 605-r, of 18 August 2017 (hereinafter, the ‘Energy Strategy’.) To achieve these objectives, Ukraine will have to attract considerable long-term financial resources that cannot be easily sourced from the Ukrainian banking system or local capital market. At the same time, fundraising through green bond issuance has acquired in recent years the status of an important segment of the world capital market that provides countries with access to a big and varied pool of investors and helps them to comply with their international commitments.

Pursuant to Par. 68 Action Plan to Implement the Phase of Power Sector Reform (Until 2020) within the Energy Strategy (approved by Cabinet of Ministers of Ukraine Resolution of 6 June 2018, No. 497-r), the State Agency for Energy Efficiency jointly with other government bodies has to set up conditions for implementation of a green bond market in Ukraine as an instrument for attracting investments into energy efficiency projects and submit respective legal regulation to the Government by 2019.

Green bonds are a relatively new financial instrument on the international financial market, but the green bond market shows fast-paced growth. The first green bonds floated in 2007 were for the total of $860 mio, and in 2018 their total value reached $167 billion. The spectacular growth has been due to high demand for green bonds among socially responsible investors turning down investments into fossil fuels-related projects in favour of environmentally clean ones.

After the signing of the Paris Agreement, this financial instrument gained no small popularity in many countries worldwide. Today, great attention to the making of the international and national green bond markets is paid by finance ministers and governors of G20’s central banks, the European Commission, the World Bank, the International Finance Corporation, the European Bank for Reconstruction and Development, the European Investment Bank, the Organisation for Economic Cooperation and Development etc.

In international practice, green bonds are issued by private companies and financial institutions, supranational entities (such as international development banks) and public authorities (municipalities, government authorities). At the same time, many countries are still working out the rules for the green bond market.

Today, we can conceptually identify 2 principal models of the organization of the market:

- one is typical of developed markets (USA, EU countries). They impose no additional regulation on green bonds: regulatory frameworks do not distinguish between green and ordinary bonds; the same registration and disclosure requirements apply to both types of debt securities. Instead, the procedure for disclosing the use of proceeds from green bond issues varies. Some jurisdictions draw up voluntary recommendations for their issuance.

- the other model is offered by emerging markets (China, India). These markets have introduced additional public regulation of green bonds, which are treated by regulatory frameworks differently than ordinary bonds, and government authorities produce guiding principles and recommendations for the issuance of green bonds that are in line with the Green Bond Principles (hereinafter, GBP).

GBPs are a set of voluntary recommendations drawn up by representatives of the international financial sector assisted by the International Capital Market Association (hereinafter, ICMA). GBPs define green bonds as any type of bond the proceeds of which will only be used to finance or refinance (in part or in full) new and/or existing eligible green projects. The terms of green bond issuance must be consistent with the four basic GBP principles:

1. the use of bond proceeds;

2. process for project evaluation and selection;

3. the management of bond proceeds;

4. reporting.

GBPs treat projects that address the following areas, among others, as green projects:

renewable energy;

the development of alternative energy;

efficient use of energy;

improved thermal insulation of housing;

waste utilization and processing;

environmentally friendly transport;

effective use of land resources;

conservation of flora, fauna, and water resources;

climate change adaptation.

As demonstrated by global experience, the organization of the green bond market involves a widespread practice of providing government incentives and enhancing investment appeal of green bonds that is typical of both market models. Incentives are offered to investors and issuers alike. For example:

- The USA most commonly practices tax incentives to municipalities and investors. The issuing municipalities are granted government subsidies to reduce the interest rate on green bond payments or are altogether granted tax exemptions, while investors are given tax credits, under the Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs) programs;

- India offers government programs for supporting brownfield projects. Preferences are given to organizations and municipalities that issue green bonds towards the implementation of such projects.

The most effective incentives for getting the investors interested in green projects include the practice of introducing preferential capital requirements for green bond operations. For example, the Central Bank of China offers preferential treatment for bank loans used to fund green bond purchases, when calculating the banks' liquidity and capital adequacy. Further, the European Commission has repeatedly announced plans to downgrade capital requirements for environmentally friendly banking investments to bolster up the green economy and fight climate change.

It has become a worldwide tradition for international organizations to provide technical assistance to governments in developing guiding principles and procedures for the green bond market, and facilitating the growth of green bond asset class in undeveloped markets. For example:

- The World Bank and the International Finance Corporation provided technical assistance to the Fiji and Nigerian governments in organizing the green bond market. As a result, these countries managed to issue green bonds in their national currencies worth US$50 million and US$30 million in the cash equivalent. International financial institutions are going to popularize this practice in other countries through the world's largest Green Bond Fund, set up by the International Finance Corporation together with AMUNDI (an asset management company). The Fund's principal mission is to assist countries in creating green bond markets where they have not been set up yet;

- The European Investment Bank, which is so far the largest green bond issuer in the world that has issued bonds totaling in excess of 21 billion Euros, helped China develop an overall framework for green bonds and assessment criteria for project "greenness". Besides, supported by the European Investment Bank, the Luxembourg Government created the Luxembourg-EIB Climate Finance Platform, which enabled the accumulation of about €50 billion in green funds on a Luxembourg site.

Countries also get support from the Green Climate Fund. For example, it has approved a $217 million funding program for Latin America and the Caribbean Basin based on green bonds and energy efficiency bonds worth 217 million US dollars.

However, it is increasingly necessary to prevent cases of the widespread international practice of greenwashing in the context of government/municipal and/or international support of green bonds, the grant of tax breaks and incentives, central bank's preferences, and other forms of incentives to the green bond market.

Greenwashing (also called the "green sheen") means willfully misleading investors and government authorities about how the proceeds of green bonds are used, the principles of environmental performance are observed. It is prevention of green sheen in the world that has caused the need to develop GBPs.

Presently, the bulk of issuances by corporations and financial institutions are based on ICMA's Green Bond Principles. As a rule, however, most supranational and governmental authorities have their own, more specific standards intended to address their own unique circumstances and needs within the overall structure of the GBP principles.

In an effort to prevent greenwashing, different countries have started designing their own national standards and guidelines for the green labeling of bonds, rules on the intended use of financial resources raised, and on performance assessment of green projects. Government rules, green bond standards, accounting and reporting (including non-financial reporting) standards have enabled countries to dramatically reduce transaction costs for government institutions and socially responsible investors by checking bond issues for greenwashing.

As such standards are designed, special focus is also placed on ensuring the transparency of green bond trading mechanisms and the maintenance of effective reporting requirements to green bond issuers, in particular regarding disclosures on the intended use of funds and the real environmental impact of a green bonds finance project.

There are several examples internationally of how the public sector promotes a transition to green funding and designs respective recommendations. For example, the French government has issued recommendations for green investment funds in accordance with the Climate Bonds Taxonomy and GBP principles. France also became the first country to introduce mandatory environmental reporting for institutional investors in Article 173 of the Energy Transition Law, which requires fund managers to disclose how environmental figures are taken into account when making investment decisions.

China has adopted national guiding principles for the creation of a green financial system, including 35 activities intended to enhance the development of the green financial system, including the green bond market. In early 2016, the Securities and Exchange Board of India issued the first draft book of rules for green bonds.

A lot of examples of the organization of green bond markets have emerged globally in the past decade. However, approaches vary even across European countries, which have stuck to the first model, and the market in question still operates in different ways. France issues sovereign green bonds for the implementation of special-purpose government projects, and Poland channels the proceeds of sovereign green bonds to the banking system for the extension of green loans. Great Britain encourages the green bond market through a specially created green investment bank, which conducts due diligence of projects for their conformity to green principles. In Germany, a bank with a government's stake that issues green bonds grants green loans at a low interest.

The countries following the other organizational model of the green bond market (China and India) also have some special features. For example, the Central Bank of China, one of the most dynamic markets with a continuously growing volume of green bond issuance, assesses the environmental friendliness of a project by comparing it with other projects in a particular territory rather than against a certain standard. China is now actively developing its own green exchange. India is also specially focused on non-financial reporting in the corporate sector and issues green loans to companies that submit quarterly reports on the use of borrowings.

The countries' experience of organizing the green bond market demonstrates that trust is a key factor for the development of the market in question. The regulatory framework should be transparent because investors want to be confident of fair play in the market. In most countries, this called for a reorganization of major components of the financial system, the determination and introduction of new international standards of investing.

It can be stated presently that Ukraine lacks an adequate institutional environment for the green bond market and for its development. The existing regulatory framework regulates only securities trading and the peculiarities of issuance by different issuers. There are no national rules or standards for the green bond market, including for the selection, evaluation, and implementation monitoring of environmentally friendly projects, no mechanisms of boosting investment appeal of green bonds, no incentives to develop this market.

The introduction of a green bond market is a cross-sectoral undertaking that covers the matters of finance and investment, stock market and securities, energy, industry, transport, water resources, housing, the agro-industrial complex and land use, the conservation and reproduction of ecosystems. Therefore, governments worldwide adopt and use road maps as benchmarks in designing their own strategies of organization of the market in question in order to raise green funds and boost its investment appeal.

### So, the problem to be addressed is the lack of an integrated public policy on the introduction of the green bond market, which inhibits the raising of green funds for the country. The solution to this problem becomes especially relevant as it becomes increasingly important to bolster up the country's energy independence, handle the global challenges of a faster reduction of greenhouse gas emissions, and to take effective measures to adapt to the new climatic conditions by using high-tech solutions and new economic instruments.

The problem results from:

a slow response to increasingly faster global processes that involve introducing state-of-the-art approaches and tools for raising investment in projects that reduce the negative impact on the climate;

government authorities not focused enough on existing threats and challenges to a sustainable development of Ukraine caused by the high energy and carbon intensity of its economy;

the lack of a legislative and regulatory foundation of public policy on raising green funds;

an underdeveloped local stock market and ineffective mechanisms of protection of investors' interests;

low institutional capacity and poor coordination of government authorities in planning and implementing activities in this area;

the lack of awareness of government authorities and stakeholders regarding all aspects of the introduction of the green bond market;

the permanent shortage of financial resources.

the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation, which determines ways of addressing the problem in the following three areas should be adopted as the first step to formulating a consistent public policy on the introduction of the green bond market, which policy would be harmonized with international law:

1. Creating legal prerequisites for the introduction of the green bond market. This involves amending laws defining green bonds as a variety of securities based on international best practices; introducing the international principles of green bonds to national laws; drafting and providing a regulatory foundation for guiding procedures for the green bond market, including for the selection of environmentally friendly projects to be funded by the state and local budgets, mechanisms for financing and refinancing them, monitoring the use and management of funds raised through the issuance of green bonds, control procedures and reporting standards; introducing incentives for the development of the green bond market in national laws and designing related special-purpose government programs; drafting laws on securitization and secured bonds that takes into account the special features of green bonds.

2. Ensuring that investment is raised for the green bond market. This involves supporting the preparation of pilot projects of green bond issuance by different issuers under assistance programs of the EU, foreign governments, international organizations and institutional donors; raising stakeholder awareness of the introduction of the green bond market in Ukraine; engaging international development banks in investing in green bonds in Ukraine; starting cooperation with international financial institutions, foreign investment companies and donor funds on raising green finance for Ukraine; promoting the creation of domestic investment demand for green bond investments on the part of various groups of potential investors, for example, by engaging the local public and local institutional investors; facilitating the promotion of national green bond issuers to foreign capital markets; holding issue road shows on international capital markets to support the engagement of international investors in investing in Ukrainian issues of sovereign and municipal green bonds.

3. Facilitating the development of the green bond market. This involves: eliminating barriers to the development and operation of the secondary bond market, in particular, to make green bonds more liquid in the stock market; engaging international development banks in cooperation to improve the credit quality of green bonds of Ukrainian issuers; engaging special institutions in independent external due diligence on the conformity of green bond issues to international standards; creating a register of environmentally friendly projects, including projects of national significance, under which sovereign green bonds may be issued; creating a technical office for due diligence on the conformity of green bond issues to international standards, and providing technical support of environmentally friendly projects funded by the state and local budgets; facilitating the creation of green platforms at Ukrainian stock exchanges for the listing of green bonds; improving the protection of rights of creditors that invest in green bonds on the Ukrainian stock market.

### The implementation of the provisions of the Concept will impact:

- all sectors of the economy, including the financial sector, energy, industries, transport, water resources, housing, the agro-industrial complex and land use, the conservation and reproduction of ecosystems;

- the development of the stock market and the securities market based on international experience and practice.

### The adoption of the Concept is expected to produce the following positive results:

- a higher role of energy efficiency and technological modernization of the economy (virtually any new technology drives the reduction of greenhouse gas emissions) while observing the principles of sustainable development;

- the consumption of fuels and energy reduced in the national energy balance of the country and greenhouse gas emissions reduced;

- an improved investment appeal, business climate, and competitiveness of the country and a better image and role of Ukraine in the international effort to fight climate change;

- grounds emerge for raising green/climate investments (including private) into the Ukrainian economy and international technical assistance.

### The rejection of this political proposal by the Cabinet of Ministers of Ukraine may have the following consequences:

- a delay with the adoption of public policy on the introduction of the green bond market, limiting potential for raising green/climate investments;

- no opportunity to prevent greenwashing, which is widely practiced internationally;

- delays in achieving national strategic goals and fulfilling international commitments assumed by Ukraine;

- lagging behind the developed countries in formulating an integrated policy on the introduction of the green bond market and, accordingly, on raising green funds.

### 2. Possible solutions to the problem

There are three potential solutions to this problem:

Option 1. Maintaining the status quo (ineffective).

Option 2. Modifying the existing regulatory framework, having competent authorities draft individual regulations (ineffective).

Option 3. Adopting the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation under a respective directive of the Cabinet of Ministers of Ukraine (optimal).

**Option 1. Maintaining the status quo (ineffective)**

*Ways and methods of addressing the problem*

The overall development of the stock market, low credit ratings of Ukrainian issuers, the lack of well-drafted investment projects will all continue to be a deterrent for most issuers in raising green funds through bond issuance under existing laws. Bonds may be issued in isolated cases only by individual issuers with an awareness of and the experience in applying GBPs that will be implementing environmentally friendly projects and labeling them as green. The green bond market will be developing slowly and erratically and will rely on the development of the stock market in general.

*Financial feasibility study*

The realization of Option 1 requires no additional budget spending.

*Regulatory impact*

This solution to the problem requires no regulatory provisions.

*Risks*

Possible risks, negative consequences, and potential difficulties that may arise during the realization of Option 1 are:

- the lack of a legally defined concept of a "green bond" will provoke "greenwashing", which is widely practiced internationally and poses a threat by causing irreversible negative tendencies for the raising of green funds for Ukraine;

- the lack of guiding principles formulated by the government for the issuance of green bonds by the public sector will limit their issuance to cases of the implementation of environmentally friendly projects by municipalities, the Government, and an institution respectively authorized by the Government;

- the issuers' lack of knowledge of GBPs, lack of experience, including in applying the Green Bond Principles, their procedure for their certification/labeling, third-party evaluation will all hinder the development of the market in question;

- the inability to grant tax breaks and incentives, central bank's preferences and other forms of incentives for the development of the green bond market will widen the gap between Ukraine and developed countries in terms of the introduction of an integrated policy on the green bond market;

- high costs (including for the certification/labeling of green bonds, third-party assessment of the issuer) can put an undue burden on corporate sector issuers that are going to implement environmentally friendly projects, which will hinder the raising of green/climate investment.

**Option 2.** **Modifying the existing regulatory framework, having competent authorities draft new regulations, carrying out certain organizational activities (ineffective)**

*Ways and methods of addressing the problem*

The realization of this option involves modifying the existing regulatory framework, having competent government authorities draft new regulations (and ensuring they are passed by the Verkhovna Rada of Ukraine), and carrying out certain organizational activities.

Since the issue of the introduction of green bond market is cross-disciplinary, regulations need to address the following matters:

- introducing traded green bonds as a variety of securities and laying down the legal regime of their issuance in the breakdown of issuers;

- implementing international principles of green bonds in national laws;

- regulating the guiding procedures for the green bond market, including as regards the selection of environmentally friendly projects, mechanisms of their financing and refinancing, the mechanism for monitoring the use and management of funds generated by green bond issuance, control procedures and reporting standards;

- introducing incentives for the development of the green bond market in national laws.

On the side, organizational activities may be carried out in succession to promote the green bond market and to raise green funds.

This option is expected to be realized in 2020 to 2022.

*Financial feasibility study*

The realization of Option 2 will require modifying the existing regulatory framework, having competent government authorities draft new regulations, and carrying out certain organizational activities. The drafting of every regulation and the planning of certain organizational activities will include an assessment and justification of the scope of financial, logistical, and human resources necessary for their performance subject to the capacity of the state and local budgets and the existence of other statutory sources.

*Regulatory impact*

This solution to the problem requires no regulatory provisions.

*Risks*

Possible risks, negative consequences, and potential difficulties that may arise during the realization of Option 2 are:

- a poor multi-agency coordination and allocation of responsibility among public authorities on all components of the problem of the introduction of the green bond market;

- significantly protracted processes of having regulations drafted by competent authorities, coordinating their positions on provisions thereof with all stakeholders in the government, academia, and civil society, and securing adoption thereof by the Verkhovna Rada of Ukraine;

- the loss of i) integrity and consistency of the policy on the introduction of the green bond market, and ii) a systematic approach to its implementation;

- lagging behind the developed countries in formulating an integrated policy on the introduction of the green bond market and on raising green funds.

### Option 3. Adopting the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation (optimal)

*Ways and methods of addressing the problem*

The Cabinet of Ministers of Ukraine has to issue a respective directive to adopt the draft Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation approved by central government stakeholders.

The draft Concept that is consistent with the Rules of the Cabinet of Ministers of Ukraine regarding the discussion and adoption of the concept of implementation of public policy in the relevant area will enable:

- public policy on the introduction of the green bond market to be systematized, and the institutional capacity for its implementation to be strengthened most optimally;

- a certain lag behind the developed countries in formulating an integrated policy on the introduction of the green bond market to be eliminated;

- grounds to be created for a more active engagement of green/climate investments and international technical assistance.

This option is expected to be realized in 2020 to 2022.

*Financial feasibility study*

The realization of Option 3 involves modifying the existing regulatory framework, drafting new regulations, and carrying out certain organizational activities. The drafting of every regulation and the planning of individual organizational activities will include an assessment and justification of the scope of financial, logistical, and human resources necessary for their performance subject to the capacity of the state and local budgets and the existence of other statutory sources.

*Regulatory impact*

This solution to the problem requires no regulatory provisions.

*Risks*

Possible risks and potential difficulties that may arise during the realization of Option 3 are associated with the lack of awareness of central and local governments and local self-government regarding the international practice of the organization of the green bond market, especially in the context of gaining access to green funding.

A risk is posed by a possible difficulty in gaining an effective multi-agency coordination and allocating responsibility among public authorities on all components of the problem of the introduction of the green bond market.

*Risk prevention methods*

Possible risks may be overcome through consultations with highly qualified civil servants, experts, scientists, and massive public awareness-raising, including by organizing and holding workshops, round tables, conferences (mainly within international technical assistance programs) covering all components of public policy on the introduction of the green bond market and the raising of green funds.

**Minister of Energy and Environmental Protection O. Orzhel**

**\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ 2019**

**PERFORMANCE CRITERIA AND MONITORING**

**of the implementation of the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation**

**Performance criteria**

Performance assessment of the implementation of the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation will be based on the following criteria:

1. Legal and institutional prerequisites available for the introduction of the green bond market;
2. Investment raised for the green bond market;
3. The development of the green bond market.

**Monitoring**

An implementation monitoring plan needs to be drawn up and adopted in order to effectively monitor the implementation of the Concept of the Introduction of the Green Bond Market in Ukraine, an action plan to which creates grounds for drafting laws and other legislative acts, plans of organizational activities for various components of public policy on the introduction of the green bond market.

The implementation monitoring plan for the Concept will be drawn up by SAEEEC in cooperation with other stakeholder central government authorities.

Analytics of implementation monitoring of the Concept of Introduction of the Green Bond Market in Ukraine and the Action Plan for its Implementation should be submitted to the Cabinet of Ministers of Ukraine annually by December 30 until 2030.

**Minister of Energy and Environmental Protection O. Orzhel**

**\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ 2019**