

Green loans and projects aimed at protecting the environment and increasing the sustainability of the economy

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Abstract. The study examines the transition to a sustainable global economy, which requires countries to encourage and stimulate investments that bring environmental benefits. Due to the growing pressure on governments to reduce greenhouse gas emissions and reduce all types of pollution, so-called green finance has assumed an important role by providing governments. The study noted that green finance uses the power of markets to allow investors and businesses to make money, as well as save the planet. Green loans are loans that are provided to finance environmental projects aimed at improving the environmental situation and reducing the negative impact on the environment. Such projects may include the installation of equipment for the use of renewable energy sources, improvement of waste management systems or the introduction of technologies aimed at reducing emissions of harmful substances. Green loans can be businesses and often have lower interest rates compared to conventional loans. Key words: job creation, global economy, environmental effectiveness of the project, green loans, renewable energy, "green" farms

1 Introduction

Qatar Bank QNB's Green Loan development program offers an eco-friendly life with eco-friendly real estate loans.

The benefits of an eco-friendly mortgage

- Low interest rate, starting from the equivalent of 6.00% (fixed interest rate of 3.67%)
- Cashback in the amount of 1% of the amount of a new loan in the amount of not more than 100,000 cuar
- Exemption from administrative fees
- Free real estate valuation
- Free property insurance for the first year

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Additional benefits

- A specialized mortgage lending center is at your service in the Laguna Shopping Center

- Financing of finished real estate in Qatar
- Simple and affordable procedures
- eco-friendly dream car with eco-friendly QNB car loans

Get a declining interest rate of 5.00%, equivalent to a fixed interest rate of 2.64% when buying a hybrid or electric car with green car loans. The interest rate may vary depending on the interest rate of the central bank of Qatar.

Requirements

- Salary certificate.
- The price offer for the car approved by the dealership.
- Original personal card.
- The original of a valid passport (for non-Qatari citizens) [1-8].

Advantages

- Interest rate of 5.00% in decreasing equivalent (fixed percentage 2.64%), including life insurance. The interest rate can be changed depending on the interest rate of the central bank of Qatar.

- Free comprehensive insurance for one year.
- No administrative fees.
- Quick approval.
- Financing for up to six years without a down payment and flexible payment options for clients from Qatar.
- The financing period is up to four years with an initial payment of 20% of the cost of the car for non-Qatari customers.
- There is no early repayment fee.
- Financing the purchase of new and used hybrid or electric vehicles.
- The possibility of deferral of monthly payments for customers from Qatar and other countries [9-12].

2 Materials and methods of research

In the study, the direction of "green loans" is determined by a number of factors.

Thirdly, green loans can contribute to economic development and job creation in the field of environmental technologies. Therefore, the topic of "green loans" is important for environmental sustainability and economic development.

Projects funded by green loans are usually related to renewable energy, energy conservation and environmentally friendly transport.

To obtain a green loan, the bank's client must provide a business plan and project documentation confirming the environmental effectiveness of the project, as well as prove their financial viability and creditworthiness [13-16].

3 Discussions

Green loans issued to companies in the Kingdom accounted for more than half of loans issued in the Middle East, after the value of loans issued to companies in the Kingdom amounted to more than \$4.3 billion from \$6.95 billion issued in 2021 by 62%.

Green loans provided to projects specializing in climate change and the environment are related to achieving sustainability in countries around the world where they work to finance certain projects in which investors monitor the environmental goals of the projects

receiving these loans, where Red Sea development projects received the largest of these loans in the amount of \$3.8 billion.

Loans exceed bonds.

A recent Bloomberg Capital Markets report indicated that, unlike in previous years, the volume of green loans exceeded the volume of green bonds issued in the MENA region, with the value of conventional green loans in the MENA region reaching about \$6.95 billion in 2021, while the value of green bonds reached \$1.6 billion, and these include the most notable green loans - loans for the development of the Red Sea in the amount of about \$3.8 billion, Saudi electricity loans in the amount of about \$500 million, in addition to loans from the Egyptian state government in the amount of \$1.5 billion and a loan from Masdar in the UAE for \$ 100 million, and the total volume of loans related to sustainable development reached \$5.08 billion in 2021.

A record year.

The overall market for green bonds and loans related to sustainable development in the Middle East and North Africa continued its expansion in 2021, with the total value of issues reaching \$18.64 billion, compared with \$4.5 billion in 2020 after issues achieved strong results in the first half of 2021 by about 6.9 billion dollars, and total output increased by almost 70% In the second half of the year by about 11.74 billion dollars, which was a record year, Both the Middle East and North Africa were able to exceed global growth rates in 2021, despite the fact that their market accounts for a small part of the global market. International market, as the total global issuance of bonds and loans related to environmental friendliness and sustainable development increased and reached \$1.62 trillion in 2021, compared with \$765 billion in 2020, the volume and number of MENA issues increased in 2021 due to the entry of more participants into the market and their commitment to sustainable financing.

Green loans are loans provided to projects specializing in climate change and the environment to achieve sustainable development in countries around the world where they work to finance certain projects in which investors monitor the environmental objectives of the projects receiving these loans.

The most famous green loans in the kingdom are loans for the development of the Red Sea,

\$ 3.8 billion, and loans for electricity in Saudi Arabia – \$ 500 million [17-20].

Some examples:

1. Energy efficient projects in industry. Thanks to the green loan, enterprises can receive funds to carry out work to reduce energy consumption, install modern energy saving systems and generate renewable energy.

2. "Green" farms. Loans can be given to farmers to develop agriculture using environmentally friendly methods, such as organic farming, which avoids soil contamination with chemical fertilizers and pesticides.

3. Ecosystems and biodiversity. Local initiatives for the conservation of natural ecosystems and biodiversity can receive funding through green loans.

4. Waste recycling. Projects related to recycling and recycling of waste, such as food waste, plastic and other types of garbage, can be financed with green loans.

Many companies in various industries use green loans to finance environmental projects and reduce the harmful effects on the environment. Some such companies are: Apple, Google, Amazon, Coca-Cola, General Motors, Nike, Unilever, Tesla, BP, Total, Siemens, E.ON, IKEA, Barclays, HSBC, Deutsche Bank, etc.

Like many other banks, Sberbank provides green loans that are designed to invest in projects aimed at protecting the environment and increasing the sustainability of the economy. These loans can be used to finance various projects such as the installation of

solar panels, the construction of green buildings, the modernization of existing production processes, etc [21-28].

Green loans in the UK.

The statistics show loans payable within one year under the Good Energy Limited program for the period from 2011 to 2018, in British pounds (Figure 1).

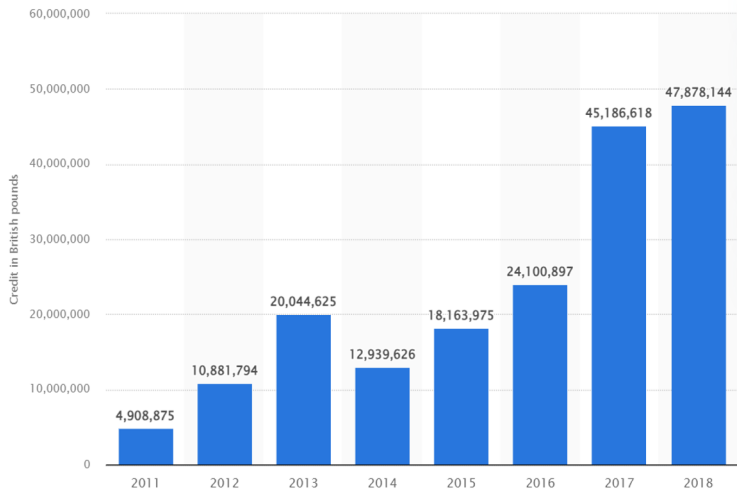


Fig. 1. Total amount of credits due within one year of Good Energy Limited in the United Kingdom (UK) from 2011 to 2018 (in British pounds). A source: <https://www.statista.com/statistics/694389/good-energy-credits-uk/> [48].

Figure 1 shows that Good Energy loans payable within one year in 2018 amounted to 47.9 million British pounds and were the highest amount for the time period presented.

Green loans in China is a fast-growing industry in China, reflecting the country's commitment to reducing carbon dioxide emissions and promoting sustainable development. After more than two decades of double-digit economic growth, Beijing has witnessed that the era of high growth is coming to an end. Moreover, as the world's largest carbon emitter and one of the main drivers of climate change, China has realized the need to transition to a low-carbon economy and has changed its policy goals [29-35].

Building a green finance system is in line with China's broader political strategy, as the leadership under Xi Jinping calls for quality growth. Thus, the central government has codified the importance of green and sustainable development in policy documents and five-year plans. As part of this top-down approach, green bond, green loan and green fund markets have been established in China, along with the development of uniform standards and disclosure systems.

To implement economic policy, Beijing relies on a proven method: using the public sector. Since state-owned enterprises are controlled by the government and do not obey market economic rules in the same way as ordinary companies, they are an ideal tool for implementing sustainable policies in the financial market. The data show that local and central state-owned enterprises are the main driving forces behind the issuance of new green bonds. After the green financial market reaches a certain maturity, private enterprises will follow the strategy [36-47].

Eco-friendly washing.

Despite the growth of the industry, there is still a big problem with monitoring and reporting. Especially state-owned enterprises exploit loopholes in the regulation of green bonds. According to the latest guidelines, state-owned companies are allowed to place up

to half of their green bond funds in non–environmental projects, which not only contradict the purpose of the bonds, but also create an unequal playing field between state–owned enterprises and ordinary companies. In addition, this makes the product less attractive to investors focused on sustainable development at home and abroad.

In addition to these disadvantages, with an inadequate regulatory framework, green bonds can potentially have a negative impact on the green transformation of the economy. For example, state–owned energy companies produce a lot of energy from coal, but they are also large issuers of green bonds. However, due to problems with transparency and lax revenue rules, there is a clear risk that the funds could be used to maintain the fossil energy infrastructure or, in the worst case, expand it. Ultimately, regardless of whether the shortcomings of the current system are growth problems or genuine weaknesses on the part of regulators, the management of green finance products will determine the future of the industry.

In 2021, China's large state–owned banks recorded an increase in the volume of green loans by almost 8.68 trillion yuan. Banking, which is under the direct control of the state, has been the main driver of the development of environmentally friendly financial products, which is in line with broader trends in the industry. For example, state–owned enterprises have also made a major contribution to the growth of green bond issuance.

Data on the share of green loans in China (Figure 2).

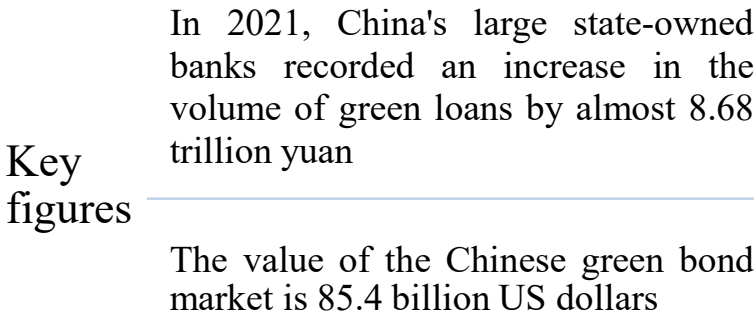


Fig. 2. Key figures for the development of green loans and projects aimed at protecting the environment and increasing the sustainability of the economy. Source: developed by the authors

Banks are taking responsibility and have set targets that contribute to achieving the SDGs set by the United Nations. Sustainable development and the UN targets relate to environmental, economic and social issues, and due to the current importance of the issue, various providers have developed standardized scores to evaluate and rank companies according to environmental, social and management Criteria (ESG). However, the scores may differ markedly for the same company depending on which provider's score is taken into account.

Projected impact of global temperature rises on the performance of gross domestic product (GDP) forecast 2050, by region (figure 3).

Characteristic	Less than 2°C increase	2°C increase	2.6°C increase	3.2°C increase
Worldwide	-4.2	-11	-13.9	-18.1
OECD	-3.1	-7.6	-8.1	-10.6
North America	-3.1	-6.9	-7.4	-9.5
South America	-4.1	-10.8	-13	-17
Europe	-2.8	-7.7	-8	-10.5
Middle East & Africa	-4.7	-14	-21.5	-27.6
Asia	-5.5	-14.9	-20.4	-26.5
Advanced Asia	-3.3	-9.5	-11.7	-15.4
ASEAN	-4.2	-17	-29	-37.4
Oceania	-4.3	-11.2	-12.3	-16.3

Fig. 3. Projected impact of global temperature rises on the performance of gross domestic product (GDP) forecast 2050, by region. Source: <https://www.statista.com/statistics/426682/impact-of-temperature-rises-world-wide-gdp/>[48]

The impact of climate change has been forecasted to affect the economies of South-East Asian Nations (ASEAN) the hardest. The maximum projected loss incurred by the ASEAN in the event of a 3.2°C temperature rise is 37.4 percent. This is more than double the forecast loss of the Advanced Asia economies and 10 percent higher than the next largest forecast loss of the Middle East & Africa.

While the purpose of traditional finance is to direct savings towards cost-effective projects, without necessarily considering the ecological aspects of investments, environmental degradation and climate change are now major challenges for the global economy. Finance has partly adapted to these issues with the development of green finance, which can be defined as all financial operations that support ecological objectives such as energy transition and fighting against global warming. The responsible investment market is growing. Among the means of action implemented as part of green finance are SRI, which combine the financial objectives of investors with their concerns regarding ESG issues. While the European market for responsible investment funds has experienced substantial growth in the past few years, France has one of the largest market shares, with more than 20 billion euros of assets invested in the responsible investment market in 2017.

However, awareness of responsible investment remains limited among the French. Outstanding volume of the French sovereign green bond (Green OAT) emitted from January 2017 to November 2021 (in billion euros) (figure 4)

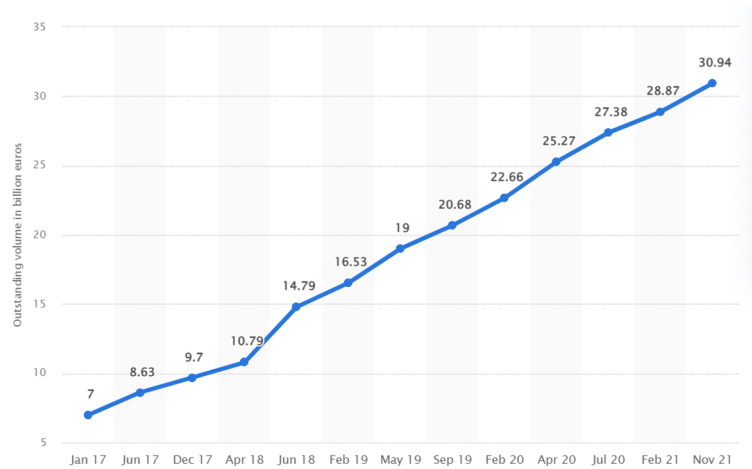


Fig. 4. Outstanding volume of the French sovereign green bond (Green OAT) emitted from January 2017 to November 2021(in billion euros). Source: <https://www.statista.com/statistics/1150542/outstanding-amount-french-green-oat/> (Date of application 01/10/2024) [48]

Nevertheless, many of them seem to want better information about, among other things, how this form of investment works, its advantages and disadvantages, and its real impact on the environment. Green OAT: the first sovereign green bond. Number of climate-aligned and green bonds worldwide in 2018, by region (figure 5).

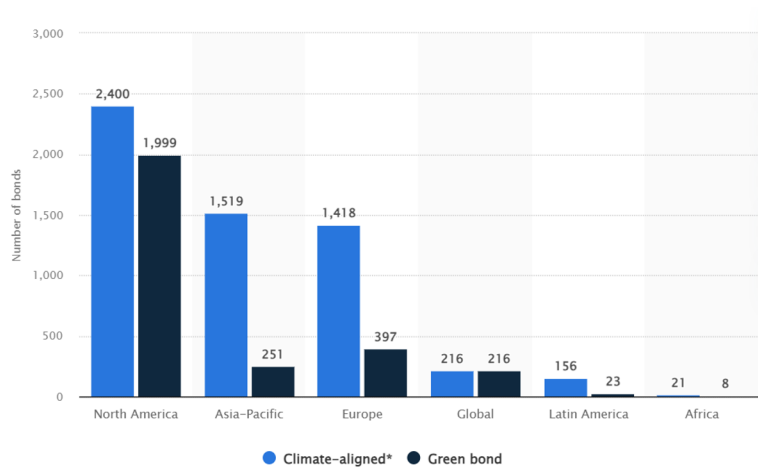


Fig. 5. Number of climate-aligned and green bonds worldwide in 2018, by region. Source: <https://www.statista.com/statistics/917916/climate-green-bond-number-globally-by-region/> (Date of application 01/10/2024)[48]

This statistic displays the number of climate-aligned and green bonds worldwide in 2018, broken down by sector. That year, there were almost 2,000 green bonds issued for the North America region.

The difference between a green bond and a conventional bond is that the issuer must present an investment report (certifying that these projects are related to the environment), and that they must also publish an annual report on the project progress for investors.

In 2019, Credit Agricole and BNP Paribas were among European bank leaders in green bond underwriting, at approximately 21 billion U.S. dollars.

In 2019, Société Générale was the world's second largest bank in terms of financing liquefied natural gas import and export companies [48-51].

4 Conclusion

Thus, green loans are an important tool in combating the environmental crisis and stimulate the development of environmental technologies. Russia and China are also actively developing this type of lending, which allows them not only to improve the environmental situation in the country, but also to create new jobs and develop the economy. The financial performance of green loans also suggests that they can be beneficial for borrowers, thanks to lower interest rates and additional benefits. In general, the topic of green loans is relevant and important for the sustainable development of society and the economy.

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