

PROGRESS

Promoting Green Deal Readiness in
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Promoting Green Deal Readiness in the
Eastern Partnership Countries
(PROGRESS)

State Organization “Institute for Economics
and Forecasting of the National Academy
of Sciences of Ukraine”

REPORT ON UKRAINE for Result IV

DEVELOPMENT OF INSTITUTIONAL SUPPORT FOR THE GREEN FINANCE MARKET

(the study was conducted from January 2025 to December 2025)

Kyiv, 2026

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TITLE: Report on Ukraine for Result IV: Development of Institutional Support for the Green Finance Market

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Abstract. The report provides a comprehensive analysis of the development of the institutional environment and green finance instruments in Ukraine during 2024–2025. It identifies key areas for institutional change in the financial sector aimed at advancing green finance, strengthening the capacity of public financial institutions, and enhancing the role of international financial organizations. The report presents a stocktaking analysis of regulatory developments, banking practices, the carbon credit market and policy measures undertaken by regulators to promote the adoption of sustainable finance instruments, in particular green bonds. It concludes with policy recommendations on improving public governance, strengthening inter-agency coordination, advancing the implementation of the green taxonomy, and expanding financial instruments to support sustainable development.

KEYWORDS: green finance; sustainable finance; ESG; financial sector; agriculture; financial instruments; green bonds; climate change; adaptation.

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LIST OF ABBREVIATIONS IN ALPHABETICAL ORDER

BDF	Business Development Fund
CMU	Cabinet of Ministers of Ukraine
DAR	State Agricultural Register
DFU	Decarbonisation Fund of Ukraine
EBRD	European Bank for Reconstruction and Development
ECA	Export Credit Agency
EEF	Energy Efficiency Fund of Ukraine
EIB	European Investment Bank
ESG	Environmental, social and governance issues
ETS	Emissions trading system
EU GBS	EU Green Bond Standard
FSC	Financial Stability Council
GDP	Gross domestic product
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IFI	International financial institutions
IMF	International Monetary Fund
KfW	Credit Institution for Reconstruction (Kreditanstalt für Wiederaufbau)
MSME	Micro, small and medium-sized enterprises
NBU	National Bank of Ukraine
NDI	National Development Institution
NGFS	Network for Greening the Financial System
NSSMC	National Securities and Stock Market Commission
PCGF	Partial Credit Guarantee Fund in Agriculture
SESU	Social-Ecological System

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SUMMARY

This report contains a comprehensive analysis of the evolution of the green finance market in Ukraine for the period 2024–2025, an assessment of institutional changes in the financial sector and the ability of key stakeholders to ensure post-war recovery based on the principles of sustainability. The report analyses a range of financial instruments that have appeared on the market, including grant, loan and hybrid mechanisms that support energy independence for businesses and adaptation in the agricultural sector. The study examines the formation of a national green finance ecosystem, with a particular focus on adaptation to climate change and the requirements of the European Green Deal, as well as the use of the Ukraine Facility instrument. It analyses the activities of state funds and institutions, as well as the influence of international financial organisations on the implementation of green finance in banking practice. In addition, the report provides an overview of the development of digital infrastructure that promotes green investment. The report concludes with policy recommendations for the creation of a consolidated body to coordinate the development of green finance, the introduction of a national Green Taxonomy, and the expansion of targeted lending programmes.

This report examines the broader development of green finance in Ukraine. At the same time, due to the thematic focus of the project framework under which the report was prepared, particular attention is paid to agriculture and agribusiness, which are therefore referenced across several sections as illustrative sectoral cases. Ukraine's agricultural sector is both one of the most sensitive to climate change and one of the most significant attractors of external financing. International donors and international financial institutions view the agricultural sector as an important component of Ukraine's energy transition, decarbonisation and climate resilience.

The development of green finance in Ukraine in 2024–2025 was influenced by dual pressures: the security challenges of war and adaptation to the requirements of European integration. Despite difficult macroeconomic conditions, Ukraine's financial sector made a significant institutional leap forward. The introduction of a number of regulatory innovations, environmental and social criteria into the largest state credit support programme, the activation of international financial institutions, the strengthening of the institutional capacity of a number of development institutions and the formation of digital ecosystems created conditions for accelerating the development of the green finance market.

The report states that the Business Development Fund has become the de facto largest national verifier and conduit of green finance for MSMEs, implementing the Environmental and Social Management System in the "Affordable Loans 5-7-9%" programme in 2024. This has set a precedent for large-scale government incentives for green finance. At the same time, the launch of the Decarbonisation Fund of Ukraine and the recapitalisation of the Energy Efficiency Fund have expanded the range of grant and loan support instruments for green projects.

In 2024–2025, the banking sector demonstrated significant progress in implementing green lending programmes. In 2025, the National Bank of Ukraine presented a White Paper on ESG risk management and began preparations for climate stress testing. Financial institutions began to systematically integrate environmental and social criteria into their operating models, and state-owned banks formed the core of the domestic green credit market. However, there is a certain imbalance in the market: the majority of green banking products are focused on financing energy equipment and decentralised generation, which is a direct response to energy terrorism, while products for other sectors, in particular agribusiness, are still in their infancy.

International financial institutions (EBRD, EIB, IFC) and donor programmes play an exceptionally important role in promoting green finance by providing liquidity and risk-sharing mechanisms. The Ukraine Investment Framework (Pillar II) instrument, with its requirement to allocate 20% of funds for

green purposes, has become a powerful driver for the promotion of the “do no significant harm” principle as part of the EU Green Taxonomy.

The carbon credit market in Ukraine is developing asymmetrically: in the absence of full-fledged state regulation and a national registry, the voluntary market has taken the initiative. In 2025, the first successful cases of carbon certificate monetisation in the agricultural sector through international standards (Verra) appeared, but the prospects for the spread of this instrument remain limited and depend significantly on the further development of the institutional capacity of Ukraine's financial market.

In general, despite significant progress, the development of green finance in Ukraine requires overcoming a number of significant obstacles, one of the most important of which is the absence of an approved national Green Taxonomy and a system of green criteria, which complicates the formation of domestic financial instruments and the attraction of external finance. Overcoming this obstacle requires strengthening the state's institutional capacity to develop and promptly implement relevant regulatory innovations, taking into account the broad cross-sectoral interest. The creation of an intergovernmental coordination commission on green finance could help resolve this issue. In the future, this will create the conditions for expanding the range of targeted sectoral programmes to support green finance.

1 DEVELOPMENT OF THE INSTITUTIONAL ENVIRONMENT FOR GREEN FINANCE IN 2024-2025

The most significant achievement of the Ukrainian financial sector in 2024-2025 will be substantial positive changes in the institutional framework for green finance. This applies to the development of regulatory frameworks, the emergence or change in the functionality of important market institutions that are leaders in green finance, and the emergence of interesting digital services to facilitate access to green finance. These areas of development have become powerful pillars in the formation of the green finance ecosystem.

1.1. Changes in the regulatory framework for green finance

The formation of an effective green finance ecosystem is impossible without a solid strategic and regulatory foundation. In 2024-2025, Ukraine took important steps to formalise this direction, synchronising its domestic policy with the requirements of European integration and the needs of sustainable recovery. The National Bank of Ukraine, the National Securities and Stock Market Commission, and other regulatory institutions are gradually building a comprehensive system for implementing ESG principles, managing environmental risks, and supporting sustainable investment instruments. They are creating standards for green bonds, introducing requirements for ESG disclosure, adapting banking supervision to climate risks, and coordinating work with international partners.

National Bank of Ukraine. Back in 2021, the NBU adopted the document "Policy on Sustainable Finance Development," defining the framework principles for integrating ESG guidelines into the financial sector, forming basic requirements for environmental and social risk management, developing green financial products, and bringing regulatory practices closer to European standards. This document laid the foundation for further steps by the NBU in the field of sustainable finance, but its implementation was complicated by the full-scale war, changes in government policy priorities, and updated European integration requirements.

In October 2024, the NBU presented the updated version of this document¹, expanding its content to take into account the realities of wartime and new regulatory obligations. The updated version includes:

- a stronger focus on ESG risk management and harmonisation with European regulations (in particular EBA and CSRD/ESRS practices);
- the introduction of a phased transition to systematic data collection and disclosure;
- an updated role for the financial sector in post-war reconstruction and the green transformation of the economy;
- a focus on developing technical standards, methodologies and indicators necessary for assessing risks and sustainable projects.

These refinements bring a more practical aspect into the policy focus. As a practical tool for policy implementation, on 23 April 2025, the NBU presented **a White Paper** on Environmental, Social and Governance (ESG) Risk Management in the Financial Sector.² The document was approved by the NBU Board on 30 June 2025 and became a roadmap for the transition to the full integration of ESG risks into supervision, disclosure, risk management and corporate governance. The White Paper is intended to serve as the basis for future regulatory acts and a regulatory roadmap detailing ESG risk assessment mechanisms, disclosure requirements, taxonomy and supervisory approaches. In the second half of 2025, the NBU has already begun developing draft subordinate legislation based on

¹ Policy on sustainable finance development. NBU. URL: https://bank.gov.ua/admin_uploads/article/ESG%20strategy_public.pdf

² Policy on sustainable finance development. NBU. URL: https://bank.gov.ua/admin_uploads/article/Bila_knyga_2025_fin.pdf

this White Paper, in particular regarding the standardisation of ESG reporting and requirements for climate risk management in banks.

In 2025, ***the NBU included a section on the analysis of physical and transitional climate risks in its Financial Stability Report (dated 18 June 2025) for the first time.*** In its report, the NBU made the following conclusions regarding the implementation of environmental and social management systems by banks:

- ✓ Financial institutions have a significant impact on the speed of transition to a sustainable economy.
- ✓ Most banks expect ESG risks to affect the solvency of corporate clients and demand for financial services.
- ✓ Transition climate risks and social risks will affect the reputation of financial institutions, primarily due to the need to meet increasingly stringent requirements.
- ✓ Banks' participation in national and international support programmes encourages them to incorporate climate risks into their risk management systems.
- ✓ Almost all financial institutions have implemented ethical conduct standards, but many environmental components remain unimplemented.
- ✓ ESG risk management is not yet fully integrated into the risk management system.
- ✓ The assessment of clients' ESG profiles is hampered by borrowers' lack of awareness, insufficient expertise on the part of banks, and a lack of understanding of how to use the information collected to assess risks.

In May 2025, the NBU updated its methodology for stress testing banks, expanding the set of macroeconomic variables for stress testing. It also began the process of preparing to introduce stress tests that would take into account the impact of climate factors. The full launch of these tests is planned for 2026-2027. In particular, banks are recommended to start collecting internal data to identify environmentally sensitive industries.

As ***a prerequisite for changing the regulatory approach to lending to green projects***, it is worth noting that within the framework of the Lending Development Strategy initiated by the NBU and developed in conjunction with the Ministry of Economy and the Ministry of Finance, the energy sector has been recognised as one of the priorities. As part of this Strategy, the NBU weighs regulatory decisions in terms of their impact on the lending capacity of the banking system and has introduced a number of measures to stimulate lending to priority sectors. In particular, to stimulate financing of the energy sector, the requirements for banks to assess credit risks have been revised and the coefficients for taking into account the cost of energy equipment when banks accept it as collateral for relevant loans have been increased. It is necessary to ensure that such differentiated requirements are applied in the future to projects that comply with the National Green Taxonomy.

To develop green finance, ***the NBU is expanding its cooperation with international institutions.*** In 2021-2022, the NBU signed an agreement with the IFC on the implementation of the Sustainable Finance Development Project³ and a Memorandum with the UNDP⁴ aimed at jointly developing standards for sustainable finance and ESG approaches in the financial sector, as well as supporting inclusive, green and sustainable economic development. In 2024–2025, the NBU began working with

³ NBU presents sustainable finance development policy 2025. URL: <https://bank.gov.ua/en/news/all/natsionalnyi-bank-prezentuvav-politiku-schodo-rozvitku-stalogo-finansuvannya-na-period-do-2025-roku>

⁴ UNDP – partner of the National Bank in the development of sustainable finance in Ukraine. URL: <https://bank.gov.ua/ua/news/all/proon-partner-natsionalnogo-banku-u-rozvitku-stalogo-finansuvannya-v-ukrayini>

the World Bank, EBRD and European Investment Bank to harmonise Ukrainian regulations with EU standards (EBA, ESMA, ECB), particularly in terms of data disclosure under CSRD/ESRS standards.

Back in 2021, the NBU joined the *Network for Greening the Financial System* (NGFS), and in 2023–2025, this track became one of the key ones. The NBU joined the NGFS working groups on climate risk management, stress testing scenario development, and building pathways for aligning Ukrainian regulation with the European green taxonomy. In 2025, the NBU presented the results of the first pilot climate stress testing of Ukrainian banks based on NGFS recommendations.

In 2026–2027, the NBU plans the following steps to implement green finance practices:

- Development and implementation of a national taxonomy (in coordination with the Ministry of Finance and the National Securities and Stock Market Commission).
- ESG reporting standards for banks (following the White Paper).
- Pilot climate scenario stress tests for 5–7 largest banks.
- The introduction of requirements for the verification of green products is expected in the form of mandatory or recommended standards.

Looking ahead, the NBU is exploring opportunities to “green” monetary policy instruments, as some other central banks are doing (e.g., by adjusting collateral requirements or green open market operations), but such steps take time. In terms of prudential policy development, the NBU requires banks to implement environmental, social and governance (ESG) management systems. It is planned to include climate scenarios in regular stress testing of banks to assess their resilience to physical (e.g. floods, droughts) and transitional (e.g. regulatory changes, transition to a low-carbon economy) climate risks. The NBU encourages banks and financial institutions to be more transparent in reporting their climate risks and green financing.

In addition, the implementation of ESG practices in Ukrainian banks is supported by technical and financial assistance from international financial organizations. For example, in 2025, the EIB is helping Ukrgasbank through the ESG Alignment initiative to bring the bank's ESG standards into line with EU requirements, in particular the Corporate Sustainability Reporting Directive (CSRD).⁵ Oschadbank is strengthening its ESG practices with the help of experts (a consulting project with PwC Ukraine) to adapt to international standards and create a foundation for sustainable financial products.⁶

Beyond banking regulations, the development of capital market instruments represents another critical pillar of the national green finance strategy.

National Securities and Stock Market Commission. For the NSSMC, the key task remains the development of green financial instruments in the capital market. Back in 2021, the definition of green bonds as a subtype of securities was implemented in Ukrainian legislation (the Law on Capital Markets).⁷ Subsequently, the NSSMC developed standards for green financial instruments and created a regulatory framework for the issuance and circulation of green, social and sustainable bonds. The regulator detailed the requirements for:

- the intended use of funds;

⁵ Ukrgasbank. (2025, October 22). The European Investment Bank helps bring Ukrgasbank's environmental and social standards into line with EU standards. URL: https://www.ukrgasbank.com/press_center/news/14162-

⁶ Oschadbank. (2025, November 4). Oschadbank strengthens its ESG practices with technical assistance from the GGF. URL: <https://www.oschadbank.ua/news/osadbank-posilue-vlasnu-esg-praktiku-zavdaki-tehnicnij-dopomozi-vid-fondu-ggf>

⁷ On 1 July 2021, the Law of Ukraine "On Capital Markets and Organised Commodity Markets" came into force, as amended by the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Regarding the Simplification of Investment Attraction and the Introduction of New Financial Instruments" No. 738-IX of 19 June 2020.

- project greenness criteria;
- monitoring of implementation;
- external independent assessment.

These approaches have been harmonised with ICMA international standards and are gradually being adapted to the requirements of the European Green Bond Standard (EU GBS).

To increase investor confidence, the NSSMC has provided for the possibility of introducing an institution of independent assessors of green bonds' compliance with specific criteria (verifiers). In its 2021 Recommendations, the Commission defined a verifier as an "officially accredited person" and called for the maintenance of a register of verifiers. However, as of the end of 2025, the accreditation procedure and detailed qualification requirements of the NSSMC have not yet been published. Therefore, instead of creating a national certification body, the regulator has opted to recognise those who already have international accreditation (e.g., verifiers from the ICMA or CBI lists or those working under ISO 14030). For a purely Ukrainian consulting company that wants to become a verifier without having the relevant experience, this significantly limits access to the market. There are no standardised regulations governing how a company can be included in the register of verifiers. Therefore, due to the lack of a mechanism for accrediting local verifiers, issuers will be forced to turn to international firms (Sustainalytics, CICERO, etc.) or the Big Four companies, whose services are expensive for small issuers (e.g., municipalities or medium-sized agribusinesses), creating additional barriers to the spread of green bonds.

In 2024, the NSSMC published its Roadmap for Sustainable Finance Development⁸ and supplemented two key documents in this area:

- **NSSMC Decision No. 433 of 10 April 2024** – Recommendations on the selection of environmental projects for full or partial financing and/or refinancing with proceeds from the placement of green bonds.⁹

- **NSSMC Decision No. 157 dated 7 February 2024** – Recommendations on the preparation of environmental impact reports for environmental projects that are fully or partially financed and/or refinanced with proceeds from the placement of green bonds.¹⁰

At the same time, it should be noted that at this stage, the NSSMC's Roadmap for Sustainable Finance Development is conceptualised only at a fairly general level and does not contain a publicly available list of specific tasks with deadlines for their completion.

Nevertheless, the NSSMC is preparing draft amendments to the Law of Ukraine "On Capital Markets," which will integrate sustainable finance standards in line with European legislation. The draft law is expected to be submitted in the first quarter of 2026.

The measures introduced bring the Ukrainian market closer to EU practices, where external assessment is a critical element of sustainable financial transactions. The Commission is working on:

- unifying "green" criteria;
- implementing requirements for the disclosure of ESG indicators;
- the gradual introduction of SFDR and CSRD requirements for Ukrainian issuers as part of the future integration of the capital market.

⁸ Roadmap for sustainable financing 2025-2030. NSSMC. URL: <https://www.nssmc.gov.ua/wp-content/uploads/2025/03/dorozhnia-karta-staloho-finansuvannia.pdf>

⁹ International cooperation. NSSMC. URL: <https://www.nssmc.gov.ua/en/activity/insha-diialnist/mizhnarodne-spivrobitnytstvo>

¹⁰ International cooperation. NSSMC. URL: <https://www.nssmc.gov.ua/en/activity/insha-diialnist/mizhnarodne-spivrobitnytstvo>

Such convergence with European approaches ensures mutual recognition of instruments and potential access for Ukrainian issuers to European investors. The Commission is expanding the requirements for ESG disclosure by issuers, especially those issuing green bonds. The regulator focuses on the transparency of environmental project goals; reporting on the use of funds; the impact of financed projects on the environment; and the assessment of climate and environmental risks. It should be noted that transparency is a key condition for investor confidence and the sustainability of investment flows.

The NSSMC develops and implements methodological recommendations to help issuers correctly apply green financial standards. In particular: methodologies for assessing projects applying for green status; tools for managing environmental and climate risks; requirements for non-financial reporting. This forms a unified methodological basis necessary for a market that is only just stabilising in the context of war.

The Commission regularly interacts with issuers, banks, municipalities and international partners, disseminating best European practices. This includes: training on preparing green bond issues; advice on applying EU GBS standards; clarification of new regulatory requirements.

Such measures increase market participants' readiness to work according to European standards. It should be noted, however, that, seemingly aware of the weakness of the domestic capital market and the almost complete absence of both demand and supply for a new class of instruments on the domestic free market, regulators are increasingly focusing on attracting foreign capital. Consequently, they are also focusing on developing compliance, primarily with international requirements. Like the NBU, the Commission cooperates extensively with international financial organisations, which allows it to implement modern approaches to sustainable financing, take into account the best international market models, and provide technical support for reconstruction.

International investors and IFIs are likely to increasingly focus on the European Green Bond Standard (EU GBS). Therefore, instead of creating a unique Ukrainian standard, the NSSMC and international partners, in particular the United Nations Development Programme (UNDP), have opted for direct adaptation of the EU GBS.

The UNDP recommendations, published in October 2022 but actively implemented in 2024, clearly indicate the need to create specialised regulation of green bonds, covering not only disclosure of information but also verification and monitoring mechanisms and tax incentives for issuers.¹⁹ Thus, the strategy for 2024-2025 was to make Ukrainian green bonds understandable, transparent and attractive to the European capital market, which is the only realistic source of financing for this instrument.

1.2. Development of green finance mechanisms and institutions

In 2024–2025, Ukraine's green finance policy increasingly shifted from short-term liquidity support toward longer-term development and transition financing instruments aimed at industrial modernisation, energy transition and post-war recovery. Meantime, the success of green finance is not possible with regulatory rules alone; it critically depends on the existence of capable institutions that can effectively accumulate, structure and redistribute capital. In 2024–2025, the architecture of such institutions in Ukraine underwent significant changes, moving from scattered pilot projects to systemic state decisions. Recognising the limited capabilities of the commercial banking sector in the context of military risks, the state took on the role of the main driver and guarantor. This was reflected in the transformation of existing institutions and the creation of new specialised institutions, which became the conduits of state policy on decarbonisation and energy efficiency, acting as intermediaries between donor resources and end borrowers.

Greening of the "Affordable Loans 5-7-9%" programme from the Business Development Fund

The "Affordable Loans 5-7-9%" programme remains a key instrument of credit support for businesses. Thanks to the interest rate compensation provided under the programme, bank lending remained afloat in 2022-2023 and showed growth in 2023-2024. The share of the "Affordable Loans 5-7-9%" programme in new bank loans during 2022-2025 is shown in Fig. 1.1.

In total, since the programme was launched in February 2020, more than 134,510 loan agreements have been signed for EUR 10.7 billion. During the period of martial law in Ukraine (2022-2025), 98,688 loans worth EUR 8.8 billion were issued, including 72,267 loans worth EUR 4.6 billion by state-owned banks. These volumes demonstrate strong institutional capacity, distribution infrastructure, and market demand for the programme.

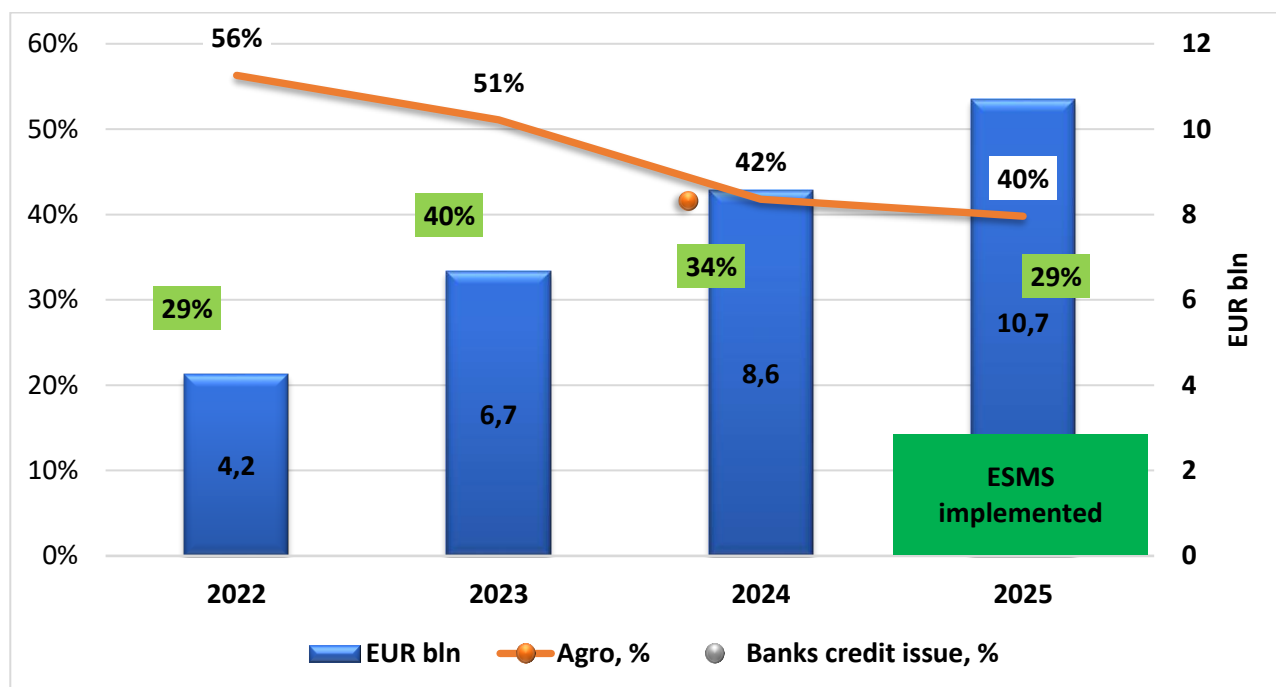


Figure 1.1 – Volume of loans under the "5-7-9%" programme (EUR billion), their share in the annual volume of new bank loans (%) and the share of loans to agricultural enterprises (%)

Source: Financial Stability Reports 2022-2024 and Banking Sector Review (2025)

An analysis of the BDF's activities as of 2025 demonstrates its high effectiveness as a distribution mechanism for supporting micro, small and medium-sized enterprises (MSMEs), particularly in the critical segment of energy sustainability. At the same time, within the framework of administering the well-known "Affordable Loans 5-7-9%" programme, the BDF has quite unexpectedly taken on the role of a leader in green finance in Ukraine. To further strengthen the programme's focus and investment component, an Environmental and Social Management System (ESMS) was introduced into the "Affordable Loans 5-7-9" programme.

In January 2024, the BDF approved the "Basic ESMS" developed in accordance with the World Bank's Environmental and Social Standards (ESS), and since December 2024, these criteria have become mandatory within the programme. The implementation of the ESMS was a direct requirement of international financial partners, in particular the World Bank and the German development bank KfW, for further cooperation, including financing most of the programme budget.

There were serious concerns that the introduction of ESMS criteria would complicate the application process and that lending under the Programme might even stop. However, as the statistics show: –

from January to December 2024, businesses attracted 23,556 loans totalling EUR 2.0 billion. Meanwhile, from January to December 2025, 30,000 preferential loans were issued for a total amount of over EUR 2.1 billion.¹¹ As can be seen, in terms of the number of transactions, last year's figure before the introduction of ESMS has already been exceeded, which refutes fears of excessive complications and the cessation of applications.

Thus, by implementing the ESMS, the BDF has de facto become a verifier of green projects in 2024 and is successfully closing the niche of bottom-up financing for MSMEs. This institutional capacity will enable the BDF to attract and administer funds from international donors. However, it should be noted that in its current form, the BDF has neither the mandate, nor the capital, nor the necessary financial instruments to finance top-down strategic green mega-projects. Therefore, a number of important segments remain overlooked:

- financing large projects for the transition to new technologies for the production of steel or chemical products (production transformation).
- financing large industrial wind and solar power plants, which requires complex project financing rather than standardised loans.
- financing the deep modernisation of exporters to comply with the European Carbon Border Adjustment Mechanism (CBAM).

These gaps necessitate the expansion of the BDF's scope of activity, which is fully in line with the initiative to establish a National Development Institution (NDI) on the basis of the BDF. The NDI should become the central institution for state development policy, with the ability not only to administer programmes, but also to design them, attract resources from international partners, and coordinate between ministries, regions and financial institutions.

Since 2024, there has been a significant shift in the focus of the 5-7-9% programme. Whereas previously the programme was largely used to replenish working capital, it now focuses specifically on supporting investment projects. About 14.7% of the volume of 5-7-9% loans was issued for investment purposes. This share cannot be described as large, but it should be noted that the 5-7-9% programme was initially focused on small businesses and supporting their solvency in shock conditions. Nevertheless, the share of investment loans and loans to manufacturing enterprises is gradually increasing (Table 1.1).

Table 1.1 – Change in the target structure of the loan portfolio of the "Affordable Loans 5-7-9" programme, %.

	2022	2023	2024	2025
Agriculture	56.3	51.1	41.8	39.8
Other wholesale trade	17	17	17.9	15.0
Food industry	7.2	8	9	10
Metallurgy	1.6	1.7	2	3
Machine building	1.4	1.4	2.3	3
Chemical industry	2.6	2.6	3.5	4
Other manufacturing industries	-	-	3.3	4
Transport	1.7	2.7	3.6	3.7
Construction	1.5	1.2	1.9	2

Source: NBU Financial Stability Reports for 2022-2025.

¹¹ Number of loans under 5-7-9% program in 2025 up by 20%, total volume of loans issued only by 1%. Interfax. URL: <https://ua.interfax.com.ua/news/economic/1133887-amp.html>

A key change also lies in the diversification of instruments: the NDI should not only work with partial guarantees and rate compensation, but also ensure participation in capital, financing infrastructure projects, supporting innovation, industrial projects, green transitions and post-war recovery. The reform provides for more strategic long-term planning, risk-oriented asset management, a transparent accountability model, and integration into the European system of similar institutions.

At the same time, it is important that the transformation does not destroy the successful and effective model of the BDF. The BDF has proven its institutional capacity as an administrator of mass programmes for MSMEs, responding quickly to challenges. A network of partner banks and new digital tools enable it to process thousands of applications efficiently. It is therefore important that the institutional independence and capacity of the BDF are not lost during the transformation of the NDI.

Strengthening the functional capacity of Ukrainian green finance funds, including sectoral applications

During 2024–2025, Ukraine advanced a more differentiated policy framework for state-supported green finance by separating instruments targeted at residential energy efficiency, municipal infrastructure and industrial decarbonisation. Thus, this period was a decisive stage in the evolution of state mechanisms for the redistribution of budget funds for energy efficiency purposes. During this period, a differentiated institutional structure was formed. The key agents of change are two specialised institutions: **the State Institution "Energy Efficiency Fund" (EEF)**, which focuses on the residential sector (housing cooperatives), and **JSC "Decarbonisation Fund of Ukraine" (FDU)**, which focuses on industry, the public sector and municipal infrastructure. The latter is financed from a special fund of the State Budget of Ukraine created in May 2023 – the State Fund for Decarbonisation and Energy Efficiency Transformation.

In 2024–2025, Ukraine expanded support for residential energy resilience through the EEF. And it demonstrated high adaptability, shifting its focus from classic thermal modernisation to ensuring the physical reconstruction and energy autonomy of the residential sector. In 2025, legislative work was aimed at legalising the EEF's activities in the field of energy generation. In May 2025, Draft Law No. 13258 "On Amendments to the Law of Ukraine "On Energy Efficiency" was registered in the Verkhovna Rada.¹²

The key change envisaged by the draft law is the expansion of the concept of energy efficiency measures to include "alternative energy projects and energy storage facilities." This change legally enshrines the right of the EEF to finance not only insulation, but also the installation of solar power stations and batteries (generation and storage), which is the foundation of the GreenDIM programme. Also important is Draft Law No. 13219, which improves the conditions for the production of electricity from alternative sources and the rules for conducting green auctions, which indirectly affects the economic feasibility of solar power plant projects for condominiums.¹³

Overall, the EEF has retained its status as a key partner for condominiums, operating with funds from the state budget and a multi-donor trust fund. At the end of 2024, the total amount of grant payments amounted to EUR 66.0 million, which indicates the Fund's relatively high financial potential in the context of martial law. The Fund's institutional capacity is based on close cooperation with international partners. The International Finance Corporation (IFC) continues to administer the Multi-Donor Trust Fund (MTDF), through which grant funds from the European Union and the German

¹² On amendments to the Law of Ukraine "On Energy Efficiency" dated 05.05.2025. URL: https://ips.ligazakon.net/12792_A

¹³ Energy News Digest | June 2025 - golaw, accessed 20 November 2025, <https://golaw.ua//energy-alert/dajdzhest-energetichnih-novin-cherven-2025/>

government are accumulated.¹⁴ This ensures a high level of confidence in the Fund's financial operations and guarantees transparency in the distribution of resources.

In November 2025, the Cabinet of Ministers of Ukraine made a strategic decision to increase the EEF's authorised capital by UAH 240 million (equivalent to EUR 5 million). These funds were provided for in the new budget programme as part of the amendments to the State Budget for 2025. Although the amount of UAH 240 million may seem insignificant on a national scale, its strategic importance lies in the fact that it automatically unlocked an additional EUR 20 million in donor funds from the EU and the German government. This was the first state contribution to the Fund's capital since 2021, restoring the institution's financial capacity.

The Fund's strategy for 2025-2029 envisages further integration with European institutions within the framework of the Ukraine Facility programme. The priorities remain:

- complete decarbonisation of the residential sector
- scaling up the GreenDIM programme through leasing and ESCO mechanisms
- Ensuring community sustainability through decentralised generation.

The Decarbonisation Fund of Ukraine (FDU), which began active work in January 2024, became the first example in Ukraine of the targeted use of environmental taxes. The source of funding for the FDU is the carbon dioxide (CO₂) emissions tax. The FDU's lending performance is shown in Fig. 1.2.

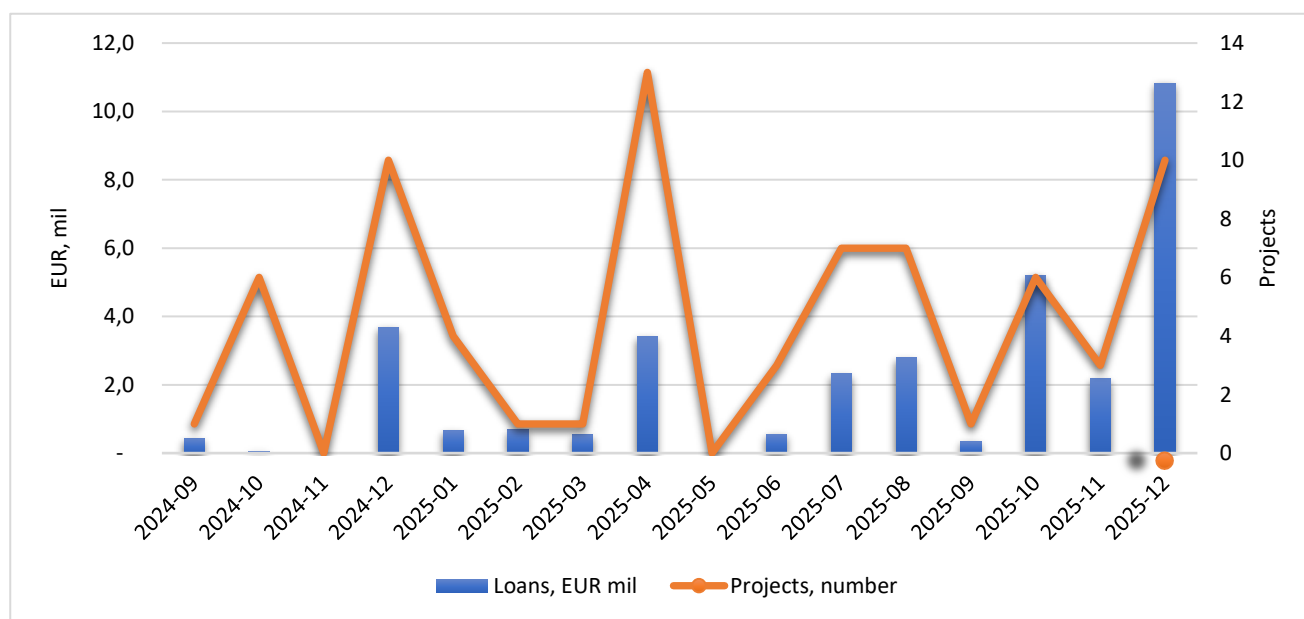


Figure 1.2 – Dynamics of FDU lending to decarbonisation projects in 2024-2025.

Source: FDF activity reports for 2024 and 2025

The total planned volume of FDU financing for 2025 is approximately EUR 38.2 million. It is clear that the FDU's work is not yet proceeding at a steady pace, as evidenced by the occasional spikes in the number of approved projects shown in the graph. In principle, the FDU is a revolving fund. Funds returned from borrowers (the principal amount of the loan) are used to finance new projects.

During 2025, the regulatory framework of the FDU (CMU Resolution No. 761) was significantly improved to develop financing instruments. The FDU does not provide loans directly, but compensates part of the interest rate on loans in authorised banks. As a result, the borrower receives compensation,

¹⁴ Management report - Energy Efficiency Fund. URL: https://eefund.org.ua/-content/uploads/2025/04/2024_zvit_210_h148_3_compressed-1.pdf

which reduces the rate to 12% per annum. The FDU also provides even higher compensation under the Made in Ukraine programme. For projects that use energy-efficient equipment manufactured in Ukraine, the compensation rate can be as high as 14%.¹⁵

At the same time, local authorities are exempt from paying commissions for issuing loans under FDU programmes, which stimulates municipal energy independence projects (water utilities, heating utilities) and makes loans for them even cheaper. The mechanism for financing energy audits and installing hybrid power supply systems for state institutions has been extended until 2026.

The FDU reports do not mention projects in the agricultural sector, but legal entities that can obtain loans or leases from the FDU include private enterprises. And if a farmer or agricultural enterprise submits a project that meets the FDU criteria (e.g., installation of a solar power station, replacement of energy-intensive equipment, implementation of energy-efficient systems, thermal modernisation, other ESG measures), it can, in theory, be supported.

Thus, in 2024–2025, a complementary system of state mechanisms for the use of green finance in the energy sector was formed in Ukraine. The EEF fills the niche of the socially sensitive housing sector through grant mechanisms, which are critically needed in wartime conditions. In turn, the FDU has taken on the role of driving economic modernisation, using market credit levers and tax incentives to support businesses and communities, with a clear focus on localising production and energy sustainability.

With regard to sectoral financing practices in agriculture and agribusiness, it should also be noted that a significant amount of funding for Ukraine's agricultural sector comes in the form of grants, which is typical for most countries. And every year, the amount of grant support is growing. In particular, more than EUR 286.0 million is planned for next year (Fig. 1.3). Gradually, grant programmes are becoming more and more relevant to climate adaptation (in particular, grants for the installation of irrigation systems, transition to organic production, installation of greenhouses, etc.).

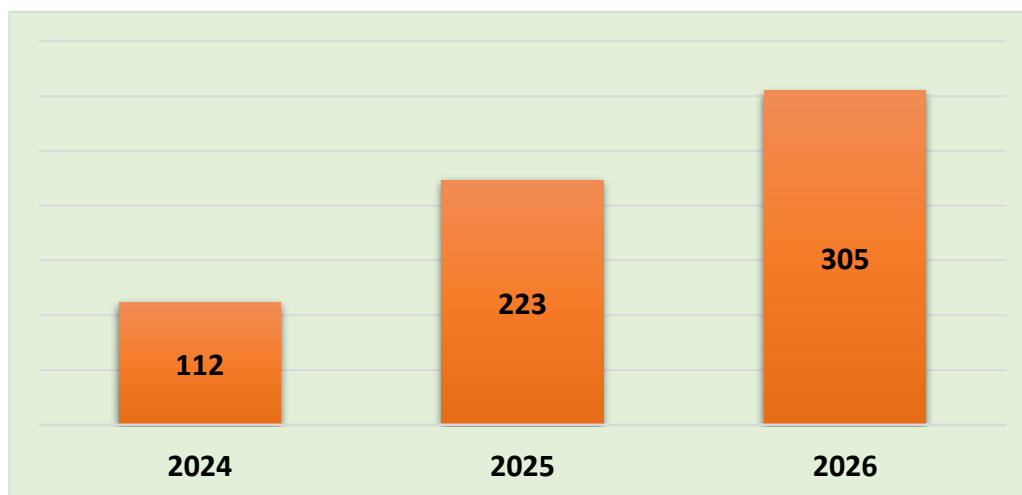


Figure 1.3 – Dynamics of support for the agricultural sector through government grant programmes (2026 - planned), EUR million

Source: Official website of the Ministry of Economic Development and Trade. <https://me.gov.ua>

At the same time, ESG criteria for assessing the business activities of grant applicants are not yet applied. It is feasible to gradually implement such a condition and to include in grant programmes, in addition to the aforementioned climate adaptation practices, others such as sorting, protection from sun and hail, energy efficiency, etc.

¹⁵ The government has approved changes to the State Decarbonisation Fund. Ecopolitics. URL: <https://ecopolitic.com.ua/ua/news/uryad-zatverdiv-zmini-shhodo-derzhavnogo-fondu-dekarbonizacii/>

1.3. Digital drivers of the transition to green finance

Scaling up green finance inevitably faces the problem of high transaction costs associated with data collection, environmental verification and reporting monitoring. The response to this challenge in 2024–2025 was the rapid digitalisation of processes, which turned IT solutions into a catalyst for market development. The introduction of state-run reconstruction management ecosystems and the emergence of private aggregation platforms made it possible to overcome information asymmetry and simplify access to resources.

Public and private sector platforms – such as DREAM, Green Platform, and industry-specific fintech solutions – are radically changing the way financial intermediaries and businesses operate, facilitating access to finance. In addition, they also ensure the transparency, traceability and quality of information needed to assess the environmental impact of investments. Transparency increases trust by allowing international donors and investors, among others, to monitor the effectiveness and targeted use of funds in real time.

The DREAM ecosystem: integrating the principles of the EU Taxonomy and the public investment monitoring system

One of the major policy shifts in 2024–2025 was the step to integration of sustainability and EU Taxonomy principles into Ukraine's public investment management system. An important step in institutionalising this issue was the reform of public investment management, based on the DREAM (Digital Restoration Ecosystem for Accountable Management) ecosystem, developed to manage restoration projects. Its main goal is to ensure accountability, transparency, control and monitoring of public investments. It is being implemented by the Ministry of Community and Territorial Development and the Restoration Agency with the support of international partners, including UK Dev.

In this context, the DREAM ecosystem increasingly functions not only as a digital recovery platform, but also as a governance and investment prioritisation tool for public investment management. The green component is integrated into the DREAM ecosystem architecture to ensure the principles of sustainable restoration. The system provides functionality for monitoring the compliance of projects with environmental standards, based on the EU Taxonomy methodology. In particular, for projects applying for funding under the Ukraine Facility programme, screening mechanisms are in place to ensure compliance with the DNSH (do no significant harm) principle and climate goals.

Each public investment project entered into the system undergoes mandatory screening in this regard, and the results of the analysis are taken into account when prioritising and making financing decisions. By providing international partners with digital proof that a project (e.g., the reconstruction of the Chernihiv Drama Theatre¹⁶) complies with green standards, DREAM acts as an institutional element for obtaining financial tranches from the private sector and international partners.

The total identified need for financing projects under the MTP is EUR 47.3 billion. The current volume of confirmed financing is EUR 12.7 billion.¹⁷ At the same time, the pace of the process is quite good, as more than 60% of the MTP had been approved as of December 2025. In particular, as of 3 December 2025, according to the Ministry of Economy, 903 MTPs had been approved at the local level and 21 MTPs at the regional level. Another 162 communities are developing MTPs and are close to completion. In addition, 188 UPPs have already been approved and 808 communities are working on their development.

¹⁶ DREAM. URL: <https://dream.gov.ua/ua/casestudies/chernigiv-drama>

¹⁷ Medium-term plan of priority public ... – DREAM. URL: [https:// dream.gov.ua/ ua/](https://dream.gov.ua/ua/)

The practical significance of this platform solution is also due to the enormous financial needs of the economy for large investment projects. The reform of the public investment system, one of the solutions of which is the creation of DREAM, is based on **the Medium-Term Plan for Priority Public Investments (MTP) and Unified Project Portfolios (UPP)**. It is formalised by Resolution of the Cabinet of Ministers No. 294 of 28 February 2025, which defines the procedure for developing and monitoring the MTP. The first such plan covers the period from 1 January 2026 to 31 December 2028.

Further development of the DREAM ecosystem may strengthen not only transparency and digital coordination, but also the strategic prioritisation of green and recovery-related investments.

Green Platform – consolidation of information flow

Another important policy direction was reducing informational and transaction barriers in access to green finance, particularly for SMEs and local communities. The Green Platform project from the Green Transition Office (GTO) is a tool designed to simplify access to resources for businesses and communities, as well as to overcome the information chaos and fragmentation of the green finance market. The platform was officially presented by the Ministry of Economy of Ukraine, the Green Transition Office and the DiXi Group think tank at the International Conference on Ukraine's Recovery (URC 2025) on 11 July 2025.

The platform, deployed on the Made in Ukraine portal, functions as a digital catalogue and aggregates current green finance programmes in one place. At the time of launch, it contained more than 60 programmes, and by the end of August, there were already more than 90, indicating the rapid expansion of tools available in Ukraine. In addition to the list of programmes, the Platform's functionality offers:

- a catalogue of grant, loan and investment opportunities.
- personalised search by needs (for SMEs, large businesses, communities, condominiums).
- an information hub with examples of implemented projects and analytics.

Overall, the launch of the Green Platform is a promising technical solution for user convenience, as well as an important element of the institutional infrastructure for green recovery. The consolidation of diverse financial instruments into a single digital window significantly reduces the transaction costs of capital search for recipients and eliminates the problem of information asymmetry, which has long hampered market efficiency. In the long term, this mechanism can provide the necessary synergy between international donors, the state and the real sector, transforming fragmented aid into a systematic flow of investment for the decarbonisation of the economy.

Agricultural applications of digital green finance solutions

In parallel with broader green finance reforms, digitalization has increasingly been used to simplify access to financing for SMEs. As part of the project's sectoral focus, the agricultural sector is used below to illustrate the practical application of digital green finance solutions. In recent years, a number of specialised AgTech platforms have emerged in Ukraine, radically changing the financing landscape for small and medium-sized agricultural enterprises. They act as digital intermediaries, bringing together farmers, financial institutions and suppliers, making the process of raising funds faster, simpler and more transparent.

• Specialised AgriTech financing platforms.

AgriAnalytica is a communication AgTech platform for all participants in the agricultural market, including financial institutions, suppliers, buyers, consultants, and international donor projects. The main goal of the platform is to simplify access to financing for agricultural producers. Farmers can

apply for loans, state support, or grants.

The platform offers a range of tools to improve financial management, such as Agri:Accounting for simplified accounting and Agri:Business Plan for developing production programmes and calculations, which are important when applying for financing. A key technological advantage is the express analysis system: farmers simply enter their code from the Unified State Register of Enterprises and Organizations of Ukraine (EDRPOU), and within a minute, the system independently verifies the farm, pulling the necessary information from open registries and sending it to the bank along with the application. The platform already has over 18,000 users from all regions of Ukraine.

AgroApp is a free tool that brings together farmers, banks, and suppliers to optimise the process of obtaining loans for the purchase of seeds, fertilisers, and plant protection products.

The uniqueness of the platform lies in the maximum simplification of the application process: the client only needs to enter their EDRPOU code on the website or via the Telegram bot. After that, AgroApp automatically collects data about the farm from more than 70 open state registers and generates a loan application, which is sent to partner banks in a matter of seconds. Its partners include leading banks that provide about 80% of the agricultural lending market, in particular Ukrgasbank, Oschadbank, Raiffeisen Bank Aval, Credit Agricole, and OTP Bank. This approach not only saves farmers time but also changes the very paradigm of interaction: farmers are given the opportunity to choose the bank with the best terms, rather than the other way around.

Uteka.Agribusiness is a comprehensive platform solution that allows users to analyse financial statements, draw up business plans, submit applications for financing through automated services, and receive advice for agribusinesses, all on a single platform. This platform was implemented with the support of the USAID Agricultural and Rural Development Programme (AGRO). As part of this project, compensation of up to 80% of the cost of services was provided for enterprises applying to the platform's Outsourcing Centre. This makes advanced digital services accessible to a wide range of agricultural producers.

In parallel with the development of private fintech start-ups, the state and leading banks are also actively developing their own digital platforms that simplify access to financing for businesses.

• **State Agricultural Register (DAR).** Currently, it is a powerful state information and communication system created for effective interaction between the state and farmers. The DAR is integrated with other state registers (the Unified State Register of Legal Entities and Individual Entrepreneurs, the State Land Cadastre, the State Register of Real Rights to Immovable Property, and the Unified State Register of Animals), which allows data to be automatically uploaded to a farmer's personal electronic account after registration via Qualified Electronic Signature or BankID. Through their accounts, farmers have access to up-to-date information on all available support programmes – budget allocations, preferential loans, international grants and technical assistance – and can apply to participate in them online.

As of April 2025, more than 200,000 agricultural producers were registered in the DAR, and in 2024, 31,600 agricultural producers received state aid through the platform in the amount of EUR 90.5 million.¹⁸ For 2025, the state budget allocates over EUR 131 million for key agricultural support programmes.

¹⁸ More than 200,000 users have already registered in the State Agrarian Register (DAR), according to the Committee on Agrarian and Land Policy. URL: https://komagropolit.rada.gov.ua/news/main_news/75948.html

• **Digital lending platforms of banks:** some of Ukraine's leading banks have developed their own digital platforms for business lending, which significantly simplify and speed up the process of obtaining financing.

Oschadbank (OschadBusiness): This digital ecosystem, developed by Fintech Pro, allows SME customers to apply for loans online and receive a preliminary decision within 24 hours. The platform automates document flow, allows documents to be signed with any digital signature, automatically fills in data from open registries, and allows the status of the application to be tracked online.

PrivatBank: The bank offers a range of loan programmes for agribusiness, including the Agrosezon credit line as part of the government's Affordable Loans 5-7-9% programme. The bank is also actively developing partnership programmes with leading suppliers of seeds, fertilisers and plant protection products, offering financing at reduced rates of up to 0.01%.

Raiffeisen Bank: The bank provides customers with access to the Raiffeisen Business Online internet banking system for financial management and offers a wide range of loan products for farmers, including partnership programmes and a state programme to compensate 25% of the cost of Ukrainian agricultural machinery.

The presence of a developed digital infrastructure, especially in the agricultural sector, demonstrates the high potential for adapting these platforms to the needs of green financing. The key task is not to create technologies from scratch, but to integrate sustainability criteria, environmental standards and verification mechanisms into existing, effective and market-proven digital financial solutions.

In addition to banks, digital leasing companies and **other non-bank financial institutions** that offer flexible and fast solutions play an important role in financing SMEs.

• **The ESKA Capital digital leasing platform** is focused on providing leasing services to micro, small and medium-sized businesses, as well as farms. The procedure for obtaining financing is as simple and automated as possible: applications can be submitted via the website, social networks or by phone, and decisions are made within two hours with a minimum set of documents. The company finances both new and used equipment up to 15-20 years old for a term of 1 to 5 years. The company pays particular attention to supporting agricultural and SMEs from regions bordering the combat zone, providing them with the opportunity to obtain funds or equipment on lease.

This model is promising for "green" financing, as it can be easily adapted for leasing energy-efficient equipment, solar power plants, electric vehicles and other equipment that promotes sustainable development.

Another successful example of a digital mechanism involving non-bank financial institutions is the innovative agricultural instalment service **WEAGRO** (from the financial company **Activitis**). In 2025, the service increased its financing limits to 109 170 EUR and its installment terms to 9 months, and in October, the creation of a joint digital product, WEAGROBANK, was announced in partnership with Piraeus Bank.¹⁹ Non-bank financial institutions, which include leasing companies, credit unions, factoring companies and others, play an important role in the financial system by offering alternative and often more flexible financing terms than banks.

¹⁹ The First Digital Service for Farmers. WEAGRO. URL: <https://weagro.ua/weagrobank/>

2 CURRENT TRENDS IN GREEN FINANCE IN THE EU

The evolution of EU green finance regulation and supervisory practices is highly relevant for Ukraine due to the country's EU accession process, the growing role of EU-linked financing instruments, and the gradual alignment of Ukrainian financial regulation with European standards. Therefore, the EU experience discussed below is considered not as a separate background review, but as a practical reference framework for the future development of Ukraine's green finance architecture.

Between 2022 and 2025, EU green finance policy entered a new implementation phase characterised by the transition from voluntary frameworks to mandatory supervisory and reporting requirements. Events in this period have seriously tested the EU's commitment to developing green finance. While previous years were mainly devoted to developing a regulatory framework (European Green Deal, Taxonomy Regulation, SFDR) and its voluntary application, 2022 marked the beginning of a transition to enforcement. Regulators, in particular the European Central Bank (ECB), moved from publishing supervisory expectations to imposing real sanctions. The transition periods have expired. For example, the deadline for banks to integrate climate risks expired in 2024. The first precedents of financial penalties for non-compliance have been set.²⁰

In the process of transitioning to mandatory regulations, the market and regulators recognised the excessive complexity of some key elements, primarily the Corporate Sustainability Reporting Directive (CSRD). Against this backdrop, in 2025, there was a partial simplification and postponement of deadlines for certain categories of companies to avoid regulatory sanctions.

On the other hand, the debate on the role of central banks in greening the economy has moved from theoretical discussions to practical tools. At the same time, a clear choice was made: EU regulators rejected controversial promotional instruments (such as the Green Supporting Factor) but instead began to implement innovative measures in the area of their own risk management, in particular through the "greening" of collateral policies.

For Ukraine, which is in the process of developing its own green finance architecture and harmonising it with EU standards, there is increasing scope for empirical analysis of the EU's successes and mistakes. A qualitative analysis of the consequences of the decisions implemented will make it possible to avoid unsuccessful stages and choose the most effective and pragmatic tools to stimulate green transformation and recovery.

2.1. Trends towards simplification of regulatory standards in the EU

The EU Taxonomy remains the single code for defining green activities and the foundation for the green finance system. It forms the basis for calculating bank ratios (GAR/BTAR²¹), green bond standards (EuGBS) and disclosure policies.

Over the past three years, the list of activities in the Taxonomy has been expanded. A key development was the adoption in 2023 of the so-called Environmental Delegated Act. This act supplemented the Taxonomy, which previously covered only two climate objectives (mitigation and adaptation), with four new environmental objectives:

- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;

²⁰ ECB begins applying capital charges to climate laggards. Green Central Banking. URL: <https://greencentralbanking.com/2022/11/08/ecb-capital-requirements-climate-thematic-review/>

²¹ Green Asset Ratio (GAR) – the share of green assets (compliant with the EU Taxonomy) in the bank's total assets. Banking Book Taxonomy Alignment Ratio (BTAR) – an indicator of the extent to which the assets in the bank's portfolio comply with the EU Taxonomy criteria. These two indicators are mandatory under the EBA Pillar 3 standards.

- Prevention and control of pollution;
- Protection and restoration of biodiversity and ecosystems.

However, with implementation beginning in 2024, the market faced enormous difficulties in applying the extremely detailed Technical Selection Criteria (TSC) and "Do No Significant Harm" (DNSH) criteria, especially for supply chains at the MSME level.²²

In response to market complaints, in February 2025, the Platform on Sustainable Finance (PSF), which advises the European Commission, published a key report entitled "Simplifying the EU Taxonomy".²³ This document formally acknowledges the excessive complexity of the system and proposes the following from 1 January 2026:

- **The introduction of the materiality principle**, which allows companies not to report on indicators that are not material²⁴ to their activities, which should reduce the reporting burden by more than a third.
- **Simplification of environmental impact assessment procedures** for MSMEs, submitting it in the form of a self-declaration of DNSH compliance without individual assessments;
- **Simplification of the approach to calculating the Green Asset Ratio (GAR)** for banks, in particular for their retail portfolios (mortgages).
- **Development of simplified and voluntary approaches** to reporting for listed and unlisted MSMEs.

It is important for Ukraine to pay attention to this change in the EU's approach. It shows the complexity of implementing a binary system and the advantage of a more differentiated gradation, which, in addition to green/non-green, should also include certain transitional positions. Implementing the PSF report's recommendations when developing the National Taxonomy will increase Ukraine's chances of its successful application. For Ukraine, this also demonstrates the importance of balancing regulatory credibility with market accessibility when designing national green bond approaches.

In 2025, there was a lot of buzz around the discussion on the regulatory acts for launching the CSRD and EBA standards. This year, for the first time, a large number of companies (those that previously reported under the NFRD) are publishing sustainability reports under the new, extremely detailed European Sustainability Reporting Standards (ESRS) (for the 2024 financial year).²⁵ At the same time, recognising that most companies are not ready for this, in 2025 the EU adopted the so-called "**Stop-the-Clock**" Directive (Directive (EU) 2025/794 entered into force on 17 April 2025).²⁶ This directive postponed the reporting deadlines for "wave 2" (other large companies – to 2028) and "wave 3" (listed SMEs – to 2029) by two years. A number of rules were also adopted to simplify the ESRS standards themselves.²⁷

²² EU Platform on Sustainable Finance report: Simplifying the EU ... URL: <https://www.regulationtomorrow.com/france/eu-platform-on-sustainable-finance-report-simplifying-the-eu-taxonomy-to-foster-sustainable-finance/>

²³ EU Platform on Sustainable Finance report: Simplifying the EU ... URL: <https://www.regulationtomorrow.com/france/eu-platform-on-sustainable-finance-report-simplifying-the-eu-taxonomy-to-foster-sustainable-finance/>

²⁴ If a company has many different types of activities, but the activities covered by the Taxonomy do not account for a significant share of its turnover (< 10%), it may use a simplified approach to the Turnover KPI and not perform a full assessment, but indicate that this share has been recognised as "immaterial".

²⁵ All 2025 ESG and non-financial reporting regulations in the EU. PlanA.Earth. URL: <https://plana.earth/academy/eu-esg-regulations>

²⁶ European Sustainability Reporting – Omnibus Update and ... URL: <https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2025/european-sustainability-omnibus-reporting-standards>

²⁷ European Sustainability Reporting – Omnibus Update and ... URL: <https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2025/european-sustainability-omnibus-reporting-standards>

At the same time, from 2024, large EU banks will be required to disclose the European Banking Authority's (EBA) Implementing Technical Standards (ITS) on ESG risks under Pillar 3. According to these standards, banks must publish 10 standardised templates detailing their transitional and physical risks, as well as calculate key indicators of alignment with the Taxonomy – Green Asset Ratio (GAR) and Banking Book Taxonomy Alignment Ratio (BTAR).

There is a certain regulatory conflict: the simultaneous launch of reporting for banks and its postponement for companies. In view of this, it can be assumed that the introduction of similar reporting requirements for Ukrainian banks will depend on the Taxonomy and corporate data, which are currently unavailable. The EU's experience in 2025 shows that the requirement for Ukrainian banks to report on ESG indicators before the National Taxonomy and corresponding corporate reporting are introduced will most likely be difficult to fulfil, especially in terms of implementing GAR indicators. GAR is mainly calculated based on data from companies that already report under the Taxonomy. BTAR, on the other hand, is designed to assess the assets of companies that do not report under the Taxonomy (e.g. MSMEs).

For the Ukrainian economy, the date of approval of the Taxonomy is uncertain, and the GAR indicator, prior to its approval, will be close to zero and meaningless. Instead, the BTAR methodology is the most relevant for Ukraine at the initial stage. The implementation of BTAR requires banks not to passively collect data (which does not exist), but to actively assess clients and use proxy models and simplified criteria. This approach also makes it feasible to have a differentiated gradation with an additional transitional position in the Taxonomy.

2.2. Promising green finance practices in EU countries

In 2024-2025, there was an important change in the standards for issuing green bonds in the EU. The EuGBS Regulation, which came into force on 21 December 2024, provides for the possibility for issuers to issue bonds that comply as closely as possible with the EU Taxonomy (although some flexibility is provided). This is to be confirmed by mandatory external verification by a verifier registered with ESMA. High transparency requirements are also envisaged.²⁸ This experience is particularly relevant for Ukraine, where the future development of the national Taxonomy and ESG disclosure requirements will likely face similar implementation and proportionality challenges.

However, market participants' interest in such "golden" green bonds has been very limited. As of mid-2025, there had only been a few issues. The standard proved to be too strict and expensive. It requires high costs for legal support and verification. Meanwhile, there are few companies that have sufficient assets to confidently meet such high requirements (mostly owned by public utilities). And most importantly, such an instrument does not yet have a price advantage.

The experience of EuGBS 47 shows that an overly strict "gold standard" does not work even in the developed EU market. For Ukraine, the EuGBS experience shows, on the one hand, the feasibility of developing its own, more flexible national standards for green bonds and, on the other hand, a promising instrument for mobilising financing by public utilities, provided that additional state or international support is provided to make them more attractive in terms of price.

It is important to note that green financing for MSMEs in the EU has recently been actively promoted through programme financing from international financial organisations (IFOs) that use local banks and financial companies as agents. For example, in December 2024, the EIB Group announced a €3

²⁸ The European green bond standard – Supporting the transition. Finance. URL: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/european-green-bond-standard-supporting-transition_en

billion package for 2025–2028 for the agricultural sector and bioeconomy in cooperation with local banks and financial companies. It is expected that this combination will unlock up to €8.4 billion.²⁹

The EBRD has also launched the SME Go Green programme for the Western Balkans, worth up to €120 million, with plans to expand it to €400 million to bring products into line with EU standards. The instrument envisages blended finance combining: targeted credit lines through local banks; investment grants and technical assistance.³⁰

An interesting programme is InvestEU, developed to support local specialised financial companies (e.g. HeavyFinance in Lithuania³¹) through the IFC to provide loans to SMEs in the agricultural sector for specific green practices (e.g. no-till farming).³² Interestingly, IFC practice does not require verification of a green project if the loan is for pre-certified projects or equipment from an approved list.

These examples confirm the relevance of the approach to promoting green financing for SMEs in the agricultural sector, not from the bottom up (through the demand of MSMEs and the policies of financial intermediaries themselves), but rather a top-down approach through targeted credit lines from IFIs (EIB, EBRD, IFC) distributed through banks, credit unions and financial companies. This highlights the need for the NBU and the Government to work proactively with IFIs to create programmes similar to "SME Go Green". It also highlights the need to promote the approach to verifying green loans for MSMEs by confirming the targeted use of funds for certified technology. These approaches are especially relevant for Ukraine, where IFI-supported blended finance mechanisms are likely to become one of the main channels for scaling green investments among SMEs and agribusinesses.

²⁹ €3 billion of EIB Group financing announced for farmers and URL: <https://www.eib.org/en/press/all/2024-497-eur3-billion-of-eib-group-financing-announced-for-farmers-and-bioeconomy>

³⁰ EBRD and EU support green and sustainable transition in Bosnia URL: <https://www.ebrd.com/home/news-and-events/news/2024/ebrd-and-eu-support-green-and-sustainable-transition-in-bosnia-and-herzegovina.html>

³¹ A Lithuanian fintech company that operates as an investment and lending platform focused exclusively on the agricultural sector. In essence, it is a marketplace that connects farmers who need money for green modernisation with investors who want to invest in sustainable agriculture.

³² Agricultural SMEs get €50 million to support decarbonisation. European Commission. URL: https://ec.europa.eu/commission/presscorner/detail/pt/ip_24_1435

3 INVOLVEMENT OF INTERNATIONAL FINANCIAL INSTITUTIONS

The analysis of the European Union's regulatory framework, presented in the preceding section, outlines the strategic benchmarks for the development of Ukraine's green finance market. On a practical level, international financial institutions (IFIs) – such as the EBRD, EIB, and IFC – act as key conduits for these standards within the country. IFIs serve as a 'transmission mechanism,' adapting EU approaches (specifically regarding the EU Taxonomy and ESG disclosure requirements) to the specificities of the domestic market through targeted credit lines and technical assistance programs. Thus, IFI activities provide not only the capital necessary for green transformation but also facilitate the gradual alignment of national financial practices with European requirements. This section details the specific IFI instruments and their role in implementing sustainable finance standards in Ukraine.

In 2024–2025, international support for Ukraine increasingly evolved from emergency assistance toward structured green recovery and transition financing mechanisms. The role of IFIs in the development of green finance in Ukraine remains crucial. Given the limited risk appetite of private capital, IFIs became the main drivers of green investment in 2024–2025. The architecture of international assistance to Ukraine has also undergone changes, evolving from emergency humanitarian response to a structured, long-term recovery strategy. A key feature of this period is the integration of sustainable development and decarbonisation principles into financial reconstruction mechanisms. The green recovery approach has been formally formalised in the form of a draft law and has moved from a political slogan to a real hard condition for access to capital, dictated by Ukraine's status as a candidate for accession to the European Union and the requirements of the EEA.

An analysis of IFI activities in 2025 shows the formation of a complex, multi-component ecosystem where technical assistance (development of operating rules) works in close symbiosis with large-scale investment instruments (provision of liquidity). While in the early years of the full-scale invasion the focus was on the physical survival of the energy system, in 2025 international partners such as the German government (through GIZ and KfW), the European Union and international financial organisations (EBRD, EIB, IFC) will implement comprehensive programmes aimed at creating a green finance market, including reforms of public investment, the development of green finance, carbon certificates and municipal borrowing.

3.1. Ukraine Investment Framework

The EU's Ukraine Facility is currently playing a leading role in shaping demand for green finance in Ukraine. At the heart of its interaction with the private sector and financial markets is Pillar II – **the Ukraine Investment Framework (UIF)**. This instrument is designed to reduce the risks of investing in Ukraine and attract private capital. Its total budget is €9.5 billion, of which €7.8 billion is EU budget guarantees and €1.5 billion is blended finance and technical assistance. At the same time, it contains a strict quantitative requirement: at least 20% of all investments must be directed towards green transition and environmental protection.³³ Thus, the provisions of the Ukraine Facility have transformed abstract calls for greening into a concrete financial imperative.

The UIF is managed by a Steering Board, which sets strategic guidelines and approves investment programmes. In 2025, the Board approved a series of guarantee agreements worth over €5.7 billion, which is expected to mobilise over €18 billion in investments.³⁴ This structure ensures coordination

³³ Ukraine Investment Framework - Enlargement and Eastern Neighbourhood - European Union. URL: https://enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine/ukraine-investment-framework_en

³⁴ New agreements worth EUR 2.3 billion under the Ukraine Facility investment instrument signed at URC 2025 in Rome. URL: <https://www.kmu.gov.ua/en/news/novi-uhody-na-23-mlrd-u-mezhakh-investytsiinoho-instrumentu-ukraine-facility-pidpysaly-na-urc-2025-urym>

between donors and the Ukrainian government, ensuring that investments are in line with the priorities of Ukraine's Plan.

International financial institutions (IFIs) such as the EBRD, EIB and IFC, which are implementing partners of the UIF, have created special "green windows" in their credit lines. Projects that meet the Green Taxonomy criteria will receive priority access to guarantees, which will significantly reduce interest rates and collateral requirements.

As Ukraine does not yet have a National Taxonomy, an important preliminary step in 2025 was the mandatory application of the DNSH principle to all projects financed through the Ukraine Facility. This is enshrined in the EU Regulation on the Ukraine Facility – Ukraine Investment Framework.³⁵ This regulatory requirement, imported directly from EU practice, currently contains a proviso that this principle should be applied "as far as possible in the context of war or post-war reconstruction." However, it requires environmental screening of all projects (e.g., road or hospital construction).

The introduction of DNSH has become a powerful driver of demand for ecosystem services. Ukrainian developers, banks and municipalities are forced to turn to consultants for compliance assessments, which stimulates the market for environmental consulting and verification.³⁶

Another important innovation during this period was that in 2025, large IFIs moved from direct lending to creating complex financial products that use donor guarantees to multiply capital. At the heart of this system are risk-sharing mechanisms and technical programmes that prepare the regulatory framework for their implementation. At the same time, each institution has tried to carve out its own niche.

3.2. EBRD: Energy Security Support Facility

The European Bank for Reconstruction and Development (EBRD) remains the largest institutional investor in Ukraine. In 2024 alone, the bank invested €2.4 billion in Ukraine.³⁷

Its key instrument in the field of green finance in 2025 is **the Energy Security Support Facility (ESSF)**.³⁸ A defining feature of the ESSF is the requirement that at least 70% of sub-loans must be directed towards investments in the green economy. This includes decentralised generation, battery energy storage systems (BESS) and energy efficiency. Such a high green quota demonstrates the priority of climate goals even in wartime.

The ESSF operates by providing unfunded risk-sharing instruments to Ukrainian partner banks. In 2025, **Oschadbank**, **UkrGasbank** and **PrivatBank** are active participants in the programme. The EBRD covers up to 50% of the credit risk on new loans issued by these banks to private SMEs, municipalities and households.

EU4Business-EBRD credit line. The ESSF is complemented by a credit line with investment incentives for SMEs. In 2025, around 70% of this line will also be reserved for green technologies. Borrowers receive grant cashbacks after successful project verification, which creates an additional

³⁵ Strategic Orientations of the Ukraine Investment Framework 2024-2027 Contents - Enlargement and Eastern Neighbourhood. URL: https://enlargement.ec.europa.eu/document/download/6fce1115-0598-41a7-b696-9ef3cc79ca15_en?filename=Strategic%20Orientations%20UIF%20Steering%20Board.pdf

³⁶ Green Finance for Ukraine's Recovery: Challenges and Prospects - DiXi Group. URL: <https://gto.dixigroup.org/en/news/zelene-finance-dlia-vidnovlennia-ukrainy-vyklyky-ta-perspektyvy>

³⁷ European Bank for Reconstruction and Development. (2025). *Annual Review 2024*. URL: https://www.ebrd.com/content/dam/ebird_xp/assets/pdfs/communications-department/annual-review/annual-review-2024/ebird-annual-review-2024-english.pdf

³⁸ Ukraine's Oschadbank joins EBRD's Energy Security Support Facility. URL: <https://www.ebrd.com/home/news-and-events/news/2025/ukraine-s-oschadbank-joins-ebird-s-energy-security-support-facili.html>

financial incentive for modernisation.³⁹ The programme is comprehensive: in addition to the loan, SMEs receive technical assistance (for auditing) and an investment incentive (a grant of up to 15% of the loan amount) after successful completion of the project. This mechanism is aimed at the private sector (SMEs) and is implemented through partner banks (e.g. Oschadbank, Bank Lviv).

3.3. EIB and UNDP: partnership for renewable energy

The Renewable Energy Solutions (RES) project is an example of successful synergy between a development bank (EIB) and an implementing agency (UNDP), with financial support from the German government.⁴⁰ The programme focuses on integrating renewable energy sources into public infrastructure (hospitals, schools). The financial instrument combines EIB loans with a grant component from the German Ministry for Economic Affairs and Climate Action (BMWK) through the IKI fund.⁴¹ The grant covers part of the capital costs, making the projects affordable for municipal budgets. The United Nations Development Programme acts as a technical partner and procurement agent. This addresses the issue of low institutional capacity of municipalities and corruption risks. UNDP provides full cycle support for over 500 projects in 150 communities.⁴²

In 2025, the EIB also focused its activities on financing state and municipal infrastructure facilities. One of the key instruments was the Ukraine Recovery Programme III⁴³, the implementation mechanism for which was defined by Resolution of the Cabinet of Ministers No. 162 of 14 February 2025. The resolution approves the "Procedure and conditions for granting subsidies from the state budget to local budgets..." and establishes mandatory criteria for the admission of projects to financing. In particular, the infrastructure facility must be municipally owned, the local government must provide co-financing (at least 23% to cover taxes and fees), and the project itself must meet the requirements for energy efficiency, inclusiveness and accessibility.

3.4. NEFCO: Green Recovery Programme

In 2025, the **Green Recovery Programme for Ukraine**, under the auspices of NEFCO, entered its second phase, changing its approach from pure grant funding to blended financing.⁴⁴ The programme targets medium-sized projects (from €1 to €10 million) in the sectors of district heating (biomass), water supply and waste management. The programme actively uses donor contributions, in particular from Denmark and the EU, to provide investment grants that are combined with loans. This approach allows donor funds to be spread across a larger number of projects by involving municipalities in co-financing. Applications are accepted on an ongoing basis, allowing communities to apply for funding as project documentation is ready, which NEFCO consultants also help to develop.

3.5. Eastern Europe Energy Efficiency and Environment Partnership

Another interesting initiative is the **E5P** fund. E5P is a multi-donor fund, with contributions from the EU and around 24 countries. Donors include the Eastern Partnership countries, including Ukraine. It is

³⁹ RLF-RLG-UkrGasbank 2025 | We invest in changing lives – EBRD. URL: <https://www.ebrd.com/home/work-with-us/projects/psd/56346.html>

⁴⁰ EIB and UNDP forge new partnership to accelerate Ukraine's green energy transition. URL: <https://ukraine.un.org/en/297863-eib-and-undp-forge-new-partnership-accelerate-ukraine%E2%80%99s-green-energy-transition>

⁴¹ Ukraine takes a step forward in decentralised green energy development under the RES Programme. URL: <https://iki-ukraine.org/ukraine-takes-a-step-forward-in-decentralised-green-energy-development-under-the-res-programme/>

⁴² EIB and UNDP strengthen cooperation to accelerate Ukraine's recovery. URL: <https://www.eib.org/en/press/all/2025-392-eib-and-undp-strengthen-cooperation-to-accelerate-ukraine-s-recovery>

⁴³ The programme was ratified by the Law of Ukraine "On Ratification of the Financial Agreement "Ukraine Recovery Programme III" (No. 3905-IX).

⁴⁴ Nefco Green Recovery Programme for Ukraine – Danish Contribution. URL: <https://www.nefco.int/procurements/nefco-green-recovery-program-for-ukraine-danish-contribution/>

managed by the Donors' Assembly, which approves grants and the fund's strategy. The EBRD acts as the fund manager, administering its activities.

In Ukraine, the fund provides grants to reduce the cost and de-risk large municipal projects in the field of energy efficiency, heat and water supply on a mixed financing basis. These grants make projects economically viable and enable municipalities to attract loans from IFIs (such as the EBRD, EIB, NEFCO). Throughout 2025, E5P actively supported a number of projects, including: restoration of water supply in Mykolaiv, modernisation of heat supply systems in Chernivtsi, Lutsk and Zhytomyr, and construction of energy-efficient housing for IDPs in Kropyvnytskyi.

4 DEVELOPMENT OF THE DOMESTIC MARKET FOR GREEN BANKING PRODUCTS AND PRACTICES

The saturation of the market with financial resources from IFIs and donors stimulated the development and diversification of the range of green products, as well as the emergence of proprietary banking instruments. With the help of the Green Platform, the types of green products (loans) for the population, businesses and communities presented in the domestic banking sector can be systematised into three main groups: products in partnership with IFIs; proprietary products for energy solutions; proprietary products outside the energy sector.

The predominance of financial products related to the energy sector is due to the high demand for energy-independent solutions in wartime and the significant amount of international financial assistance for this purpose. Considering that almost all energy equipment can be classified as green technology — even a petrol generator, if it replaces an old one — banks actively include loans under energy equipment supply programmes (especially RES) in their green loan portfolios. By the end of 2025, this type of product will account for over 90% of the bank's green loan portfolio. Accordingly, any green loan product not linked to energy equipment is a unique innovation in Ukraine. It should be noted that such products are becoming more common.

An important nuance: products offered by banks in partnership with IFIs are often not highlighted in their product lines, but are offered as an add-on. This means that the customer takes out a standard investment loan, to which the bank manager adds an EBRD guarantee agreement or grant application. Therefore, in the banks' marketing materials, they are often found in the "Partnership Programmes" section rather than in "Loans".

4.1. Products in partnership with IFIs

This group of products includes programmes with a grant component (cashback) or guarantees (risk-sharing) financed by IFIs (EBRD, IFC, etc.). Among them are:

a) Programmes with a grant component (cashback/grant). Purpose: equipment modernisation and energy efficiency. For example, products in this category **are offered by:**

- **Bank Lviv.** Programme/product name: "EU4Business-EBRD Grant Loans" (or "Investment Loan with Grant Component").

- **Oschadbank.** Programme/product name: "Loans under the EBRD (EU4Business) programme". Often offered as part of the "Affordable loans 5-7-9%" product as an additional option (a combination of state interest compensation and a European grant for the loan principal).

- **ProCredit Bank.** Name of the programme/product: "InnovFin" (for innovation) or "Loans under the EU4Business-EBRD programme".

b) Risk sharing programmes. Purpose: to obtain financing without full collateral (collateral covers only part of the loan, the rest is guaranteed by an IFI). Quite often, this product is used to finance working capital needs. **For example, the following are offered:**

- **PrivatBank.** Name of the programme/product: "Loans under EBRD guarantees" (portfolio guarantees). In the Privat24 interface for business, this product is often marked as an option when applying for a credit limit.

- **Ukrgasbank.** Name of the programme/product: "Blanket financing under IFC guarantee" (or Global Trade Finance Programme for importers of energy equipment).

- **Raiffeisen Bank.** Name of the programme/product: "Loans under DFC guarantees" (US International Development Finance Corporation). Specifics: Focused on SMEs and agribusiness.

c) Specialised "green" lines (GEFF and similar). Purpose: financing the purchase of specific approved technologies from the Technology Selector list. **For example:**

- **OTP Bank.** Name of the programme/product: "Green Loans" (in cooperation with the EBRD/GEFF) or "Loans for Energy-Efficient Technologies". As a rule, this product is targeted at agricultural producers and SMEs.

- **Ukreximbank.** Name of the programme/product: "Joint programme with the EIB "Basic loan for the agricultural sector of Ukraine" (includes a "green" component) or "Green Growth Fund (GGF) programme".

4.2. Banks' own products (energy sector)

This segment of green banking products is the most widespread. It is aimed at energy independence for businesses and households.

a) Loans for decentralised generation ("Energy Independence"): financing of gas piston, gas turbine and cogeneration machines. Offered for a term of up to 5–7 years. No collateral required (or collateral in the form of the equipment itself), preferential rate under the "5-7-9%" programme. **For example:**

- **PrivatBank.** Programme/product name: "Energy Independence" / "Loan against collateral"),
- **Oschadbank.** Programme/product name: "Business Energy Efficiency"),
- **FUIB.** Programme/product name: "Financing the restoration of energy infrastructure"), etc.

b) SES for own consumption: loans for the construction of solar power plants to replace consumption from the grid. The credit limit is calculated based on savings in electricity costs. Own contribution from 10-20%. **For example:**

- **Ukrgasbank.** Programme/product name: "ECO ENERGY" for business.
- **Bank Credit Dnipro.** Name of the programme/product: "Targeted loans for energy efficiency".

c) Energy Storage and reduction of energy dependence: loans for energy storage systems, inverters, heat pumps for sole proprietors and individuals. Simplified issuance procedure (often as an instalment or consumer loan), term up to 3-5 years. **For example:**

- **Sense Bank.** Name of programme/product: "Energy Source".
- **Oschadbank.** Programme/product name: My New Energy for individuals.

4.3. Banks' own products (non-energy sectors)

By the end of 2025, these primarily include products related to the greening of transport, the agricultural sector and construction.

a) Eco-logistics (electromobility): loans for upgrading company fleets (logistics, delivery) to electric vehicles. Reduced interest rates or special partnership programmes with car dealers. **For example:**

- **Credit Agricole.** Programme/product name: Green Credit car loan programme (partnership programmes with Nissan, Renault).

- **Ukrgasbank.** Name of the programme/product: ECO-Drive.

b) Green agricultural leasing: loans for the purchase of low-emission agricultural equipment or precision farming technologies. **Conditions:** leasing without additional collateral (the equipment itself is the collateral), quick decision-making. **For example:**

- **Ukrgasbank.** Name of programme/product: "ECO-Leasing" leasing product.
- **OTP Leasing.** Products with special terms for energy-efficient equipment.

c) Green mortgages and construction: loans to finance energy efficiency class "A" or "B" housing. As a rule, such offers are integrated with the state programme "yeOselia" (where energy efficiency class is one of the requirements for housing older than 10 years) or with the international SMARTER4EU initiative, which is linked to "green mortgages".

For example:

- **Globus Bank.** Partnership programmes with "green" developers.
- **Oschadbank** signed a memorandum with SMARTER4EU to launch the Green Housing and Green Mortgage program for Ukraine. This includes developing the country's first green mortgage products focused on low-energy housing (30–50% less energy) and compliance with European taxonomy criteria.⁴⁵

Thus, as can be seen, there was a significant expansion of the range of green financial products in 2025. The range of financial instruments that form the basis of these products within the financial market has now become broader and includes:

- ✓ **Grants** – mainly from international institutions.
- ✓ **Loans** – mainly within the framework of risk-sharing programmes and/or with an interest compensation mechanism.
- ✓ **Credit lines** – largely proprietary banking products with climate or environmental requirements, provided in tranches.
- ✓ **Leasing** – mainly financial leasing (instalment plans) for the purchase of equipment from the list of acceptable technologies within the framework of international partnership programmes.
- ✓ **Equity investments** – investments in the authorised capital of companies implementing green innovations. Currently, there is only a limited range of such instruments available.
- ✓ **Start-up programmes** – specialised grants and investments for emerging environmental projects.
- ✓ **ESCO financing** – energy service contracts where the investor implements energy efficiency measures at their own expense, and the return on investment comes from the energy savings achieved.

This diversification indicates the development of a market that is moving from simple grant programmes and restrictions imposed by the banking sector to complex market instruments (leasing, ESCO) that require more in-depth financial expertise. At the same time, it should be noted that the availability of instruments such as capital investments, start-up programmes and ESCO financing is still quite limited.

⁴⁵ Oschadbank and the international initiative SMARTER4EU signed a memorandum on the launch of the Green Housing and Green Mortgage program. Oschadbank. URL: <https://www.oschadbank.ua/en/news/osadbank-ta-miznarodna-iniciativa-smarter4eu-pidpisali-memorandum-pro-zapusk-programi-zelene-zitlo-ta-zelena-ipoteka>

5 THE CARBON CREDITS MARKET IN UKRAINE

During 2024-2025, two directions of carbon markets were formed in parallel in Ukraine: the participation of individual projects in the global voluntary carbon market and the formation of state policy in the field of future regulated carbon pricing.

The circulation of carbon credits in Ukraine currently takes place mainly within the voluntary segment, while the national carbon market infrastructure is still in the process of being developed (Table 5.1). In 2021, Ukraine introduced legislation on the monitoring, reporting and verification of greenhouse gas emissions⁴⁶, which forms the regulatory basis for the MRV system. During the period of martial law, these regulatory requirements were transferred to a voluntary regime, but in January 2025, the Verkhovna Rada adopted a law,⁴⁷, which restores the mandatory nature of MRV for operators. The law now requires the registration of installations, the submission of monitoring plans, follow-up reports, verifications, and the creation/maintenance of a Unified Register for Monitoring, Reporting and Verification of Greenhouse Gas Emissions.

Table 5.1 – Status of institutional development of the carbon credit market in Ukraine

What has been done in the EU	What is missing in Ukraine
The EU has an EU ETS system in place, where cap-and-trade is the main principle.	In Ukraine, the ETS system is not yet fully operational, only in the preparatory stage.
The EU has a Union Registry – a centralised database for recording permits.	Ukraine does not have a national registry/accounting system for carbon units.
The EU has established MRV (monitoring, reporting, verification) standards in the ETS system.	In Ukraine, MRV legislation exists ⁴⁸ , but its implementation is still incomplete.
The EU has mechanisms such as the Market Stability Reserve to control excess quotas.	Ukraine does not have a market stabilisation mechanism (excess permits).
The EU has Regulation (EU) 2023/956 (CBAM) and other elements of market integration in place.	Ukraine is not yet fully integrated with international markets, and the mechanisms of Article 6 are still in the implementation preparation stage.

Source: compiled by the authors

There are also public analytical documents that outline the requirements for additionality, uniqueness, compliance with international standards and MRV procedures in the voluntary carbon market. The government of Ukraine has approved a roadmap for the implementation of a national emissions trading system (ETS), which indicates a strategic intention to gradually move from fragmented initiatives to a more standardised market model.

At the same time, the lack of full standardisation of the carbon market remains one of the key barriers to the development of carbon credits in Ukraine. Despite the existence of basic legislation and individual practices, a comprehensive regulatory framework governing standardised procedures for the issuance, accounting, registration and trading of carbon units at the national level has not yet been

⁴⁶ Law of Ukraine No. 377-IX "On the Basic Principles (Principles) of Monitoring, Reporting and Verification of Greenhouse Gases." URL: <https://zakon.rada.gov.ua/laws/show/377-20#Text>

⁴⁷ Law of Ukraine No. 4187 IX "On Amendments... Regarding the Resumption of Monitoring, Reporting and Verification of Greenhouse Gas Emissions". URL: <https://zakon.rada.gov.ua/laws/show/4187-20>

⁴⁸ Law of Ukraine "On the Basic Principles of State Climate Policy" (No. 3991-20). URL: <https://zakon.rada.gov.ua/laws/show/3991-20#Text>

established. The MRV system is in the process of gradual implementation: not all facility operators submit reports on a regular and mandatory basis, and some of the subordinate legislation and verification procedures are still being developed. A national carbon unit registry and a fully operational ETS, which are important elements of standardisation, are not yet in place. The institutional infrastructure – verification bodies, mechanisms to ensure the uniqueness of credits, transparent rules for their accounting and circulation – is either in the process of being established or is only applied within the framework of individual voluntary projects.

A key constraint for farmers and project developers is the high cost of MRV (monitoring, reporting and verification). In the EU, the response to this problem is the development of low-cost MRV based on satellite data (in particular, ESA programmes and projects such as CAFAMORE) and the permission to use soil organic carbon (SOC) modelling instead of mass laboratory analysis, which is enshrined in the CRCF. For Ukraine, it would be feasible to create a national MRV platform based on satellite and geospatial data, as well as to officially publish a SOC modelling methodology adapted to Ukrainian soil and climate conditions in order to make MRV financially accessible to agricultural producers.

The lack of uniform, universally recognised standards for soil carbon accounting limits the scalability and credibility of domestic carbon projects. In the EU, this function is gradually being taken over by the CRCF Regulation (2024) as a pan-European framework for carbon sequestration certification, supplemented by the JRC methodological framework. Ukraine can benefit from this experience by adapting the CRCF principles to national legislation and developing national methodologies for agricultural projects (soils, drained peatlands, perennial grasslands) that would meet both domestic and potential external market requirements.

Another challenge is the risk of losing accumulated carbon due to changes in practices or extreme weather events. European schemes reduce this risk by creating buffer reserves and entering into long-term contracts (20–30 years). Therefore, it would be important for Ukraine to introduce a mandatory "risk buffer" and standardised minimum commitment periods for supporting sustainable practices into the national carbon credit standard.

In addition, there is the important issue of additionality, without which carbon credits lose their environmental significance. In the EU, this problem is solved through results-oriented methodologies and clearly defined baseline scenarios, in particular using historical benchmarks. Ukraine needs to develop and approve national baselines for major crops and agroclimatic zones, as well as adopt clear additionality rules that will determine which practices and under what conditions can be considered additional.

Low confidence in the voluntary carbon market is a systemic barrier in both the EU and Ukraine. The European response is to create an official certification system for removals (CRCF) and gradually shift from private standards to EU-recognised schemes. For Ukraine, it is important to adopt a law on carbon units and create a state register of carbon units, which will ensure the traceability of credits.

A structural problem for the agricultural sector is the small scale of a significant proportion of farms, which makes participation in carbon programmes economically unviable for individual entrants. In the EU, this problem is solved through aggregation platforms (Agreena) and cooperative models, which reduce the average MRV costs per unit of area. Ukraine can develop agricultural cooperatives and platforms for collective participation in investment projects, as well as introduce targeted grant programmes to cover the costs of small farmers for MRV and initial integration into carbon schemes.

Box 1. Example of a voluntary market instrument: The Carbon Credit Ukraine programme mechanism and expected payments in 2025.

The programme mechanism consists of incentivising farmers to transition to regenerative farming methods. This transition allows carbon to be stored in the soil, which is verified using the internationally recognised **Verra VM0042** methodology.

Key features of the programme that determined its success in 2025:

- **Retroactivity:** The programme allowed farmers to obtain certificates for practices already implemented in 2022, 2023 and 2024.

- **Volume:** Participants can receive 2-4 carbon certificates per hectare for each year.

- **Financial flows in 2025:** The programme announced the first payments to farmers for certificates in **the second quarter of 2025**, and the first issuance of certificates in **the third quarter of 2025**.

Thus, in 2025, a real, market-based, non-governmental mechanism for monetising carbon units emerged in Ukraine. It was ahead of government initiatives because it found a sector (agriculture) and an international methodology (Verra) where verification is technically feasible and commercially viable.

Source: compiled by the authors

The voluntary market demonstrated significantly faster development, generating its first financial flows in 2025. The Carbon Credit Ukraine programme, focused on the agricultural sector, became a key player.⁴⁹

The insufficient integration of carbon farming principles into overall climate and agricultural policy limits the strategic sustainability of such initiatives. In the EU, carbon farming is embedded in the CAP through eco-schemes and is also linked to CBAM and sustainable supply chain policies. For Ukraine, the priority should be to integrate carbon farming into the State Agricultural Policy and decarbonisation strategy, including preparation for the possible extension of the CBAM logic to agricultural products, as well as establishing requirements for exporters and importers regarding carbon footprint transparency.

The underdevelopment of financial instruments to support carbon farming limits the pace of transition to sustainable practices. In the EU, Horizon Europe programmes and other financial instruments that support MRV infrastructure, pilot projects and models play a significant role. For Ukraine, it would be feasible to create a "Green Agricultural Fund" or a similar financial instrument aimed at supporting investments in climate-neutral agriculture.

At the same time, despite the institutional barriers to the development of carbon credits, there are already examples of Ukrainian companies issuing and certifying carbon credits through international registries: for example, DTEK Renewables has issued carbon units certified through the International Carbon Registry (Table 5.2).

⁴⁹ Nikopolska Solar Farm. URL: <https://carbonregistry.com/projects/nikopolska-solar--181>

Table 5.2 – Carbon credit initiatives in Ukraine

No	Company	Initiative
Carbon credits issued		
1	DTEK Renewables (energy company)	Certification through the International Carbon Registry (Iceland) – "1 unit = 1 tonne of CO ₂ through 1.56 MWh of renewable energy." The "clean" electricity generated by the company during 2019-2023 prevented CO ₂ emissions of 880,000 tonnes ⁵⁰ .
Issuance of carbon credits in preparation		
2	Kernel Holding S.A. (agricultural producer)	Seeds of Recovery pilot project together with Sentinel Earth – 15,000 hectares in Chernihiv region; Verra VCS standard.
3	Carbon Credit Ukraine (intermediary platform)	Helps farmers obtain carbon credits: field audits, potential assessment, documentation preparation. The company declares that it is preparing projects in the areas of regenerative agriculture, methane emissions reduction, forest resource management, renewable energy, and biochar.
4	Agreena (intermediary platform)	The AgreenaCarbon programme covers Ukraine; Verra-VCS certification.
5	Credit Agricole Ukraine & eAgronom (intermediary platform) & Agrosem (agricultural goods distribution company)	The Agriculture Climate Adaptation Program (ACA), which includes the possibility of generating carbon credits for farmers.

Source: compiled by the authors

In April 2024, Agreena, a Danish intermediary, entered into a partnership agreement with Raiffeisen Bank Ukraine. Agreena offers a technology platform and MRV (monitoring, reporting, verification) solutions for farmers implementing regenerative agriculture. The programme is aimed at the bank's farmer clients in Ukraine, supporting sustainable practices and generating carbon credits through the AgreenaCarbon programme, certified under the Verra standard.⁵¹

In 2025, Crédit Agricole Ukraine, eAgronom platform, and Agrosem, an agrotechnology distributor, announced the launch of a joint agricultural climate adaptation programme. The bank finances the modernisation of technologies. eAgronom provides support to farmers and carbon methodology (MRV, i.e. monitoring data throughout the season; reporting on technology maps; third-party data verification; satellite verification; selection and laboratory analysis of soil samples). Agrosem provides farmers with access to the agricultural technologies necessary to implement the methodology, including: equipment for minimum or zero tillage (no-till, strip-till); solutions for the introduction of cover crops; precision farming systems; agronomic consulting. The cycle of this programme includes:

- a) investment preparation and selection of practices,
- b) implementation of sustainable technologies during the season,
- c) satellite monitoring and soil analysis,
- d) submission of documentation to Verra,
- e) eAgronom sells credits (through brokers or individual buyers on the voluntary market),
- f) payment of funds to farmers (funds are received by eAgronom, the company distributes the income, and the farmer receives their share).

⁵⁰ Nikopolska Solar Farm. URL: <https://carbonregistry.com/projects/nikopolska-solar--181>

⁵¹ Raiffeisen Bank has signed agreements with Agreena in the field of carbon programs. April 30, 2024. URL: <https://raiffeisen.ua/news/raiffeisen-bank-uklav-ugodi-z-agreena-u-sferi-vuglecevo-programi-2034>

This programme covers technological practices such as reduced tillage, strip-till or full no-till; cover crops; mulching, crop rotation optimisation, and precision fertilisation⁵².

Thus, these sudden programmes of cooperation between banks and intermediaries form a segment of the voluntary carbon credit market in Ukraine, integrating financial support for farmers, the introduction of sustainable agricultural technologies and the generation of certified carbon credits. At the same time, analysis of the EU experience shows that the formation of the agricultural carbon credit market should be accompanied by:

- a) the development of a national standardisation and MRV system,
- b) support for aggregation models for small and medium-sized farmers,
- c) alignment of carbon pricing policy with the overall agricultural and climate strategy.

For Ukraine, direct contract models between agricultural producers and food or processing companies can be particularly effective for small and medium-sized farms. This is because the creation of individual projects for the generation and sale of carbon credits on international markets is accompanied by significant transaction costs, requirements for land scale, and high costs for MRV procedures, which makes such models financially unviable for small producers.

For such an alternative model to function – in particular, contracts within the national system – it is necessary to establish a national standard similar to the French Label Bas-Carbone. However, the introduction of a national standard will only make economic sense if there is sufficient institutional trust: transparency of methodologies, independence and quality of verification, reliability of reporting mechanisms and the possibility of external audit.

Thus, the carbon credit market in Ukraine is at an early stage of development: some large companies are already integrated into the global voluntary market, there are legislative prerequisites (primarily in the field of MRV) and strategic documents for the introduction of ETS, however, the lack of a national registry, uniform issuance and trading procedures, and insufficient institutional capacity in the field of verification limit the scale of carbon credit development in Ukraine.

Ukraine can accelerate the development of a voluntary carbon credit market by combining standardization of methodologies, digitization of monitoring, reporting, and verification (MRV) systems, increased institutional transparency, targeted support for farmers, and integration of carbon farming practices into public policy, similar to the approaches taken by the EU. This will ensure the proper quality of carbon units, their international compatibility, and the economic feasibility of participation for domestic farmers.

⁵² Credit Agricole joins forces with eAgronom and Agrosem LLC to develop sustainable agriculture through the ACA (Agriculture Climate Adaptation) programme. 23 January 2025. URL: <https://credit-agricole.ua/o-banke/pres-centr/novini/kredi-agrikol-obyednuye-zusillya-z-eagronom-ta-tov-agrosem-d-1753>

6 INTERAGENCY BODY RESPONSIBLE FOR THE DEVELOPMENT OF GREEN FINANCE

This one and the following sections move from analytical assessment toward a discussion of potential policy and institutional directions for the further development of the green finance ecosystem in Ukraine. The proposed approaches and recommendations should be considered as indicative policy options intended to stimulate further discussion among public authorities, financial institutions and development partners. Given the cross-sectoral nature of green finance, implementation of such initiatives would likely require coordination between economic, environmental and financial regulators, as well as cooperation with private sector stakeholders.

The findings detailed in the previous sections indicate a certain degree of fragmentation in the development of Ukraine's green finance ecosystem. The presence of disjointed initiatives across various government bodies and financial regulators, lacking a unified strategic center, hampers large-scale market scaling. The identified institutional silos create a clear need for an effective Interagency coordination mechanism. Such a mechanism would allow for the synchronization of efforts among key stakeholders, the harmonization of regulatory requirements, and the assurance of a cohesive state approach to financing Ukraine's green recovery.

6.1. Justification

The development of green finance is a complex task that goes beyond the competence of a single ministry or regulator, beyond any single sector. An effective green finance system must have a nationwide and cross-sectoral regulatory framework, as the need to attract green investments covers a range of economic sectors: agriculture, energy, industry, transport and infrastructure, construction and municipal services, as well as virtually all areas of finance: public, local, private, banking and non-banking. Accordingly, the development of green finance requires coordinated action by the Ministry of Finance, the Ministry of Economy, the Ministries of Energy, Infrastructure and Regional Development, financial regulators – the National Bank, the National Securities and Stock Market Commission, as well as local authorities and other stakeholders.

In the absence of an institutional body where information flows on needs and initiatives intersect, bureaucratic conflicts, functional gaps, complexity of access, duplication of functions and the development of conflicting policies arise. Typical consequences of such inconsistency may include market participants being unaware of existing instruments and available resources, a lack of sound investment projects, and a lack of systematic statistical data for market analysis and reporting.

It is precisely the lack of a so-called "single window" for accessing such information that is a significant constraint on attracting private capital and international investors to the green transition process. Equally important is the demand for centralised collection of statistical data, for example on green investment flows. Their centralisation is critical for monitoring national progress, reducing risks for investors and building trust in the market. The availability of such verified and systematised data is of exceptional importance in justifying the need for financing under the Article 6 mechanism of the Paris Agreement.

Another example is the development of the National Green Taxonomy. This cannot be done within a single ministry, as it requires in-depth sectoral expertise to define scientifically sound criteria for the agricultural sector, energy, industry, transport, etc. The coordinating body serves as a platform for bringing together experts from different fields. The experience of other countries shows the effectiveness of creating targeted working groups specifically for the development of such sectoral guidelines and overcoming barriers to the implementation of the EU Taxonomy.

All this necessitates the existence of a special institution to coordinate initiatives and information flows regarding the attraction and development of green financing in Ukraine. The main task of such a body

is to ensure simplified access to information and the coordination of regulatory initiatives and the interests of a wide range of stakeholders as a basis for a unified national strategy. In addition, it is an important tool for harmonising the government's strategic efforts to transform the economy (the mandate of the Ministry of Economy) with operational measures to restore financial stability (the mandate of the NBU).

6.2. International experience: comparative analysis of coordination models in the EU

An analysis of international experience, both at the EU level and in individual member states, confirms the need to create such coordination platforms. In particular, the following operate at the EU level:

- **The International Platform on Sustainable Finance (IPSF)** – a forum created on the initiative of the EU, bringing together representatives of finance ministries and central banks from key economies around the world to exchange best practices and enhance the comparability of approaches, particularly in the area of taxonomy development.

- **The European Commission's expert groups** – the EU bases its work on the advice of the IPSF, which includes representatives from the private sector, academia and civil society, as well as the "Member States Expert Group", which provides coordination at the level of national governments.

It is important to emphasise the consensus at EU level on the need to establish multilateral coordination mechanisms with a distinct advisory and expert service function.

An analysis of EU member states shows that there are quite different practices, the choice of institutional design of which depends on national administrative traditions and political priorities. By summarising these practices, we can identify the key conditions for building an optimal model. Below is an analysis of key models that offer valuable lessons for Ukraine.

Germany: two-tier model (Government and Advisory Council)

Germany uses a complex but effective two-tier system that clearly separates government decisions from consultations with stakeholders.

- **Interministerial Working Group (IMWG) on Sustainable Finance:** This is an intergovernmental body that coordinates the actions of ministries. It is headed by the Federal Ministry of Finance.⁵³ This group is responsible for specific government actions, such as the development and issuance of federal "green" bonds (Green Bunds).¹²

- **Sustainable Finance Advisory Council (Sustainable-Finance-Beirat, SFC)** – A high-level advisory body established by the government in 2022.⁵⁴ Its members are not government officials, but representatives of the financial sector, the real economy, academia and civil society. The main function of the SFC is to advise the government on the development and implementation of the National Strategy for Sustainable Finance.⁵⁵

The advantage of the German model is that it helps the government to make quick and coordinated decisions within a narrow circle (through the IMWG), while ensuring the legitimacy and market adequacy of these decisions through ongoing consultations with a broad expert council (SFC).

⁵³ Stocktaking sustainable finance products in Germany. 2024 URL: <https://climatecooperation.cn/wp-content/uploads/2024/05/Stocktaking-Sustainable-Finance-Products-in-Germany.pdf>

⁵⁴ Due to the change of government in Germany in 2025, the activities of this body were suspended, but there are official reports of intentions to resume its work.

⁵⁵ The Sustainable Finance Advisory Committee of the Federal Government. URL: <https://sustainable-finance-beirat.de/en/home/>

Italy: centralized government model

Italy has chosen a model that gives the highest political priority to the green transition, integrating it into the centre of the government structure. It is based on **the Interministerial Committee for Ecological Transition (Comitato Interministeriale per la Transizione Ecologica, CITE)**, a body at the highest political level, headed directly by the Prime Minister (or a minister delegated by him).⁵⁶

CITE includes key economic ministries: economy and finance, economic development, infrastructure and sustainable mobility, and agriculture. Importantly, its mandate is extremely broad and goes far beyond finance. The committee approves the National Ecological Transition Plan (PTE), which covers climate policy, mobility, the circular economy, water management, and sustainable financing.

Overall, the Italian model is an example of an approach to addressing the green transition at the level of the central executive authority. Such a model reduces the risk of inter-agency resistance when financial policy (Ministry of Finance, NBU) is called upon to meet the needs of the real sector (Ministry of Economy, Ministry of Energy, Ministry of Infrastructure) in implementing green projects.

Poland: a meso-level model based on the Ministry of Finance

The example of Poland demonstrates an original approach in terms of functionality, focused on quick results and reducing bureaucratic barriers. The central body of this model is **the Sustainable Finance Platform**, which was launched and is coordinated by the Polish Ministry of Finance.⁵⁷ It serves as a platform for cooperation between the government administration (including the financial supervisory authority KNF) and participants in the financial sector. Its key feature is its operational structure, which consists of **four thematic working groups**:

- WG on the development of the green bond market (including municipal bonds);
- Working group on the application of the EU Taxonomy (identifying barriers, developing sectoral guidelines);
- Working group on the implementation of ESG reporting;
- WG on research, education and capacity building.

Overall, the Polish model is a successful example of a simple, pragmatic approach, where an expert group is created to address pressing issues and decisions are approved at the level of the leading government ministry – the Ministry of Finance. The creation of targeted expert working groups is a necessary prerequisite for making the best decision.

Spain: an inclusive model of public-private partnership

Spain has opted for a broad consensus model, seeking to bring together all stakeholders in a single body – **the Sustainable Finance Council (Consejo de Finanzas Sostenibles)**. The Council was established as part of the national Roadmap and includes more than 30 members representing both public authorities (ministries, regulators) and the private sector (banking associations, business associations).⁵⁸ Other bodies, such as Spainsif (Sustainable Investment Forum) and OFISO (Finance Observatory), play a predominantly advisory and expert role.

⁵⁶ Italy Governance Scan for Policy Coherence for Sustainable Development / Reform Support. URL: <https://reform-support.ec.europa.eu/system/files/2022-10/Italy%20Governance%20Scan%20for%20Policy%20Coherence%20for%20Sustainable%20Development.pdf>

⁵⁷ Poland initiates work on a roadmap for the development of sustainable finance in the country - Gov.pl. URL: <https://www.gov.pl/web/finance/poland-initiates-work-on-a-roadmap-for-the-development-of-sustainable-finance-in-the-country>

⁵⁸ The Sustainable Finance Council will promote new financial instruments and initiatives to facilitate the climate transition of companies. URL: <https://portal.mineco.gob.es/es-es/comunicacion/Paginas/consejo-finanzas-sostenibles.aspx>

Overall, the Spanish model can be seen as an alternative to the German two-tier system. Instead of separating the government and stakeholders, it brings them together. This may facilitate faster consensus building, but also carries the risk of blurring responsibilities and prolonging discussions.

France: private sector reporting model

The French approach is unique in that the emphasis on monitoring and verifying commitments has been taken on by the financial sector itself. As a result of a combination of government initiative and an independent think tank, France has created **the Observatory of Sustainable Finance (Observatoire de la finance durable)**, which is tasked with monitoring and evaluating the French financial sector's fulfilment of its climate commitments (e.g. Net-Zero).⁵⁹ It does not belong to any government agency and does not so much develop policy as verify its implementation and provide independent data. In other words, this model directly relates to the function of maintaining a national register of green projects and a database of verified green transition results.

An important conclusion from the French experience is that the monitoring and verification function is important enough to become the central task of a separate institution or, at the very least, a powerful, independent secretariat within a larger structure.

Thus, international experience points to the need **for multilateral coordination mechanisms**. The most effective models combine high-level political coordination (Italy, Spain), a clear separation of governmental and advisory functions (Germany, Poland), practice-oriented working groups (Poland) and a strong monitoring function (France).

6.3. Options for organizing an Interagency coordination body for the development of green finance in Ukraine

Option A – a coordination council model based on the Financial Stability Council (FSC)

Critically assessing the institutional capacity of various Ukrainian government bodies to perform the function of a centralised coordinator for green finance development, as well as the reluctance to create additional parallel structures, it seems appropriate to use the existing coordination body, the FSC, as the central coordinating hub for developing government decisions in the field of green finance development. This approach can be considered the most pragmatic and minimally sufficient. The FSC already brings together key financial regulators, the Ministry of Finance, the NBU, the NSSMC and the Deposit Guarantee Fund, which is the basis for any sustainable financing strategy. The global consensus, particularly within the Network for Greening the Financial System (NGFS), recognises climate risks as a systemic threat to financial stability, which directly fits the issue of sustainable finance into the current mandate of the FSC.

It should be noted that it is critical for the effective functioning of the coordinating body to include at least the Ministry of Economy, Environment and Agriculture of Ukraine (Ministry of Economy). Following institutional reforms and the merger of ministries, the Ministry of Economy combined the capacities of three ministries and became responsible for a number of Ukraine's Green Deal commitments. It deals with climate policy issues, the implementation of the Ukraine Facility and the economic aspects of European integration. The functioning of a coordinating body for green finance development without the leading participation of the Ministry of Economy is not viable. It is important to note here that the Minister of Economy is already participating in the meetings of the FSC de facto.

⁵⁹ The European Taxonomy – Sustainable Finance Observatory. URL: https://sustainablefinanceobservatory.org/wp-content/uploads/2025/03/Taxonomy_Note.pdf

In general, this approach makes it possible not to create a new council, but to institutionalise green finance within the existing structure of the FSC by **creating a permanent Committee on Sustainable Finance under the umbrella of the FSC**.

In the event of such a decision, it will be necessary to expand the FSC's mandate to the field of green finance, with the following priority coordination tasks:

- developing and subsequently updating Ukraine's National Green Taxonomy, ensuring its maximum harmonisation with the EU Taxonomy;
- developing and monitoring the implementation of a unified National Green Finance Development Strategy that would integrate and expand the existing policies of the NBU and the NSSMC in this area;
- ensuring policy coherence between key ministries and agencies;
- communicating and organising cooperation with IFIs and international partners on the financing of green projects and the development of green finance;
- forming a national ESG data infrastructure and programmes to enhance institutional capacity.

The advantages of the approach to creating a coordinating body based on the FSC, include simplicity of implementation (in fact, the platform is already operational and has an appropriate level of representation – the heads of the NBU and key ministries), established in the relevant sector (finance).

At the same time, there are a number of *drawbacks*, including:

- **Potential conflict of interest** of the FSC. The primary task of the FSC is to respond to sudden challenges to financial stability. Meanwhile, the Green Deal and sustainable development are long-term structural policies for economic transition. There is a risk that long-term sustainable development issues will always lose out to urgent issues of bank stability;

- **Limited representation.** Even with the involvement of the Ministry of Economy, key ministries of the real sector of the economy (Ministry of Energy, Ministry of Infrastructure and Recovery, Ministry of Regional Development) are absent from the FSC. They are the main customers and objects of green financing, and without their direct participation, the development of, for example, the National Taxonomy will be incomplete.

- **Narrow mandate.** According to its regulations, the decisions of the FSC have the status of non-binding recommendations. This may not be sufficient for the implementation of complex, Interagency policies that will require real action from ministries (e.g., regulatory changes, implementation of standards).

Option B – Creation of a new Interagency Council on Green Course (ICGC)

This model is more ambitious and strategically sound, as it recognises the Green Course as a comprehensive economic strategy for the entire government, rather than just a matter of financial regulation. Such a strategy requires the coordination of investment, industrial, energy, transport and financial policies. Accordingly, it is appropriate to establish the ICGC as a new, permanent body under the Cabinet of Ministers of Ukraine. This model is similar to the Italian CITE⁶⁰ or the German IMWG.

Such an Interagency Council should include a representative at the highest political level to overcome institutional resistance (the Prime Minister of Ukraine or the First Deputy Prime Minister – Minister of

⁶⁰ Italy Governance Scan for Policy Coherence for Sustainable Development. Reform Support. URL: <https://reform-support.ec.europa.eu/system/files/2022-10/Italy%20Governance%20Scan%20for%20Policy%20Coherence%20%20for%20Sustainable%20Development.pdf>

Economy), specialised deputies of the Ministry of Economy for the environment and agriculture, as well as representatives of the Ministry of Economy, Ministry of Finance, NBU, NSSMC, Ministry of Energy, Ministry of Community, Territory and Infrastructure Development.

The key functions of the ICGC should include: approval of strategic documents (National Green Taxonomy, National Priorities and Sustainable Finance Strategy); resolution of Interagency conflicts; interaction with international financial organisations, in particular within the framework of Article 6 of the Paris Agreement; and others.

The advantages of this approach, compared to Option A, are **its comprehensiveness and strategic focus, high political weight and binding nature of decisions, and balanced representation**: From the outset, the model includes both *the financial sector* (NBU, Ministry of Finance, NSSMC) and *the real sector* (Ministries of Economy, Energy, Infrastructure, etc.). This is critical for the development of a practical and scientifically sound National Taxonomy.

At the same time, it is worth paying attention to *the shortcomings*:

- **Bureaucracy and time**: Creating a new institution from scratch requires considerable political will, time to develop regulations, coordination between agencies, and the adoption of a corresponding resolution by the Cabinet of Ministers.

- **Risk of a "paper" body**: Without a strong, professional and permanent Secretariat and expert and analytical support, such a Council may become another "paper" body that meets formally once a year without having a basis for responsible decisions.

6.4. Synthesis of analysis and roadmap

The choice between the two options described makes it feasible to compromise in order to optimise the advantages and minimise the disadvantages. Accordingly, instead of choosing one of the options, **a hybrid approach** is proposed, which combines the advantages of both and involves a series of phased decisions:

Stage 1: Promptly establish a Sustainable Finance Committee under the umbrella of the FSC to address the most pressing issues (in particular, the development of a taxonomy, sectoral requirements, and the systematisation of information resources).

Stage 2: In parallel, begin the process of creating Option B (ICGC) as a permanent and strategic institution.

Stage 3: After the full launch of the ICGC, the FSC Committee transfers its developments and strategic functions to it, leaving the FSC with the function of monitoring issues specific to the financial sector (e.g. climate risks to financial stability, use of monetary instruments, etc.).

Regardless of which of the higher governing bodies is chosen (the FSC or the new ICGC), its effective work will require high-quality technical support. Based on a synthesis of foreign experience, it can be concluded that, in addition to the purely bureaucratic secretariat of the Commission, it is clearly necessary to provide it with qualified experts and analytical material through thematic working groups (WGs) with integrated stakeholders.

Unlike the two-tier German model, it is proposed not to create a separate Advisory Council, but **to integrate stakeholders directly into the relevant WGs**. Each WG should be headed by a representative of the relevant department, with the inclusion of representatives of the ICGC Secretariat, as well as key **market representatives** (enterprises, business associations, banks, etc.), **scientists**, representatives of local authorities and **civil society**.

These working groups should be responsible for developing sectoral requirements, sections of the Green Taxonomy, proposals for pilot programmes, financial instruments, reporting standards, etc.

The creation of an intergovernmental body to coordinate efforts to develop green finance responds to both current challenges and best international practices. The operational model of such a platform could potentially be organised through a coordinated public-private approach involving economic, environmental and financial sector stakeholders. The most optimal option for implementing an intergovernmental body to coordinate efforts to develop green finance in Ukraine is a compromise between a pragmatic and quick solution to organise such a body on the basis of the existing FSC with a limited mandate, and a strategically correct, but bureaucratically complex solution of creating an Interagency Council on Green Course issues.

Consequently, the implementation of the proposed hybrid approach, which is geared towards strategic prospects, will require a series of sequential steps:

➤ **Step 1 (within 3-6 months):**

- Adopt a political decision on a hybrid approach.
- Amend the Regulations on the FSC, formally including the Minister of Economy in the Council (or granting him/her permanent member status) and establishing a permanent Committee on Sustainable Finance under the auspices of the FSC.
- Identify the responsible unit (in the NBU or the Ministry of Economy) to perform the functions of the temporary secretariat of this Committee.
- Launch the most urgent working groups on the basis of this Committee, involving key stakeholders (e.g. Working Group No. 1 – National Green Taxonomy, WG No. 2a – Sustainable Agrosector, etc., to implement urgent priority tasks).

➤ **Step 2 (within 6-12 months):**

- Develop and submit for consideration by the CMU a draft resolution on the establishment of a fully-fledged, permanent Interagency Council on Green Course (ICGC).
- Develop and approve the Regulations on the ICGC, defining its sources of funding and staffing structure with a secretariat, as well as mechanisms for engaging experts and consultants in working groups.
- Approve other thematic working groups (e.g. green bonds, ETS, carbon certificates, etc.).

➤ **Step 3 (over 12+ months):**

- Launch the ICGC with a secretariat and working groups.
- Transfer the functions of the Sustainable Finance Committee, which operated under the FSC, to the new ICGC.
- The FSC will return to its core mandate, retaining functions specific to the financial sector.

Regular annual reporting on the work carried out should also become a mandatory element of the ICGC's activities.

7 PRINCIPLES FOR DEVELOPING A NATIONAL GREEN FINANCE TAXONOMY IN THE AGRICULTURAL SECTOR

7.1. General guideline

Currently, the lack of agreed-upon criteria for identifying green projects creates barriers for private capital. Taxonomy solves this problem by functioning as a "single window" for investors, banks and IFIs: it provides a clear, scientifically based classifier of what constitutes a green project. Taxonomy is a necessary basis for developing sectoral criteria in complex areas such as agriculture, and is a direct requirement for harmonisation with the EU and unlocking full access to European markets and financing (in the context of CBAM, Ukraine Facility, Article 6 of the Paris Agreement international mechanism). Ultimately, taxonomy is the only reliable tool for centralising the collection of verified statistical data on green financial flows and their real environmental impact.

Ukraine's National Taxonomy should be viewed as a single integrated platform, with sectoral criteria (for energy, transport, industry, construction and agriculture) as interconnected "modules" connected to it. Attempting to create a taxonomy for a single sector, isolated from other sectors, is unreasonable and may result in duplication of work. This is because the effectiveness of investments in the agricultural sector directly depends on related industries. For example, a grain cultivation project (agro-module) cannot be truly "green" if it relies on brown technologies in transport, energy, etc. Investors, especially international ones, evaluate the entire value chain.

7.2. Organizational mechanism for development and implementation

An analysis of international experience in developing taxonomies shows that it is important to combine high-level political coordination with practical expert groups. Within the framework of the ICGC (see point 6.3.), the Ministry of Economy, with its unique mandate to ensure the structural transformation of the economy and coordinate Green Course policy, can act as an integrator for the development of all sectoral modules, ensuring their full methodological consistency. The Green Transformation Office, which already acts as an independent advisory body to the Ministry of Economy, could serve as the analytical body for coordinating the process of creating the National Taxonomy.

To develop sectoral criteria for the Taxonomy in the agricultural sector, it is feasible to organise a special working group that will include:

- **State bodies:** Ministry of Economy, Ministry of Finance, Ministry of Energy, Ministry of Development, NBU, NSSMC.
- **Methodological support:** representatives of the National Academy of Sciences (economic analysis), the National Academy of Agrarian Sciences (soil science, climatology), the State Agency for Water Resources (for water criteria), etc.
- **Financial sector:** representatives of key banks (state and private), IFIs (EBRD, EIB, IFC, etc.).
- **Real sector:** key industry associations (grain, livestock, organic, fertiliser producers).

The sequence of steps in developing the National Taxonomy can be defined as follows:

1. Approve a two-level taxonomy architecture (see point 7.3).
2. Develop a draft of technical selection criteria (TSC) for the "green" level (full harmonisation with EU TSC⁶¹).

⁶¹ Sustainable Development of Agriculture of Ukraine in the Context of Climate Change. MDPI. URL: <https://www.mdpi.com/2071-1050/15/13/10517>

3. Commission a scientific justification (at the National Academy of Agrarian Sciences, etc.) for the zonal differentiation of the "transitional" level criteria (taking into account climatic zones).

4. Develop technical specifications for inclusion in the criteria system of the national MRV digital platform for assessing CO2 dynamics.⁶²

7.3. Key principles for building the National Green Taxonomy

Harmonisation of Ukraine's National Taxonomy with the EU Taxonomy is the basis for international investor confidence and access to capital markets. Accordingly, the Taxonomy for the agricultural sector should be based on a logic and structure similar to that of the EU.

According to EU Regulation 2020/852, any economic activity must meet four conditions simultaneously in order to be considered "environmentally sustainable"⁶³

1. **Substantial Contribution (SC)** to at least one of the six environmental objectives.
2. **Do No Significant Harm (DNSH)** to any of the other five environmental objectives.
3. Compliance with Minimum Social Safeguards (MSS) based on the UN and OECD standards.
4. Compliance with detailed **Technical Screening Criteria (TSC)** established by delegated acts.

In addition, six environmental objectives are enshrined in the EU legislation:⁶⁴

- Mitigation of climate change.
- Adaptation to climate change.
- Sustainable use and protection of water and marine resources.
- Transition to a circular economy.
- Prevention and control of pollution.
- Protection and restoration of biodiversity and ecosystems.

For the agricultural sector, the priority goals for "Significant Contribution" (SC) are goals No. 1 (mitigation), No. 2 (adaptation) and No. 6 (biodiversity). At the same time, goals No. 3 (water), No. 4 (waste/manure) and No. 5 (pollution from pesticides/fertilisers) most often act as strict "Do No Significant Harm" (DNSH) criteria.

Direct copying of EU criteria is unrealistic for most Ukrainian farmers and does not take into account the specifics of post-war recovery. This creates the risk of elitism, where only the largest agricultural holdings will be able to attract green financing. Therefore, Ukraine should also consider a multi-level system. The European Commission itself recognises the limitations of a binary system ("green"/"not green"). There is an understanding that the market needs a more differentiated approach, which would include, in particular, a transitional criterion (for specific types of activities with low impact) to simplify the start of the redistribution of capital from harmful to transitional.⁶⁵

International experience confirms the advisability of a differentiated approach for sectors that are strategic for the economy and are at risk of decline if over-regulated. For example, in New Zealand,

⁶² The MRV digital platform, using satellite data, machine learning and scientific models (e.g. for modelling SOC dynamics), allows for verified proof that the farmer has indeed met the Taxonomy requirements (e.g. applied cover crops or achieved certain CO2 dynamics). Case Study - Enhancing Sustainable Agriculture through Satellite Monitoring and Advanced Crop Analytics in Ukraine / Geospatial Resource Platform. URL: <https://resource.geospatialworld.net/casestudy/enhancing-sustainable-agriculture-through-satellite-monitoring-and-advanced-crop-analytics-in-ukraine>

⁶³ EU Taxonomy Climate Technical Screening Criteria (TSC). A&O Shearman. URL: <https://www.aoshearman.com/en/insights/eu-taxonomy-regulation-climate-technical-screening-criteria-a-step-closer-to-the-statute-books>

⁶⁴ EU taxonomy for sustainable activities - Finance - European Commission. URL: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

⁶⁵ The EU Taxonomy Traffic Light. URL: <https://corpgov.law.harvard.edu/2022/05/03/the-eu-taxonomy-traffic-light/>

where the agricultural sector is key to the economy, an approach is used that distinguishes between green and transitional activities. The latter are intended to allow more time for adaptation.⁶⁶

Synthesising this experience, Ukraine is proposed to create a two-level taxonomy that combines full harmonisation with the EU (mainly for exporters) – the "green level" – and national transitional criteria (for the mass segment of MSMEs) – the "transitional level". Alternatively, if necessary, a list of undesirable activities may also be defined.

7.4. Roadmap for building the Taxonomy

Based on the above analysis, the Ministry of Economy of Ukraine is recommended to initiate the adoption of the following policy decisions to launch the National Green Finance Taxonomy, in particular its agricultural sectoral component.

✓ Initiate at the political level a decision to adopt a two-tier approach to the development of the National Green Taxonomy, ensuring balance and consistency in the transition to harmonisation with the EU. This approach will provide for:

- **Green level requirements** – i.e. full harmonisation with the EU Taxonomy for large enterprises as a prerequisite for access to international capital markets;

- **A transitional level** – the introduction of national, scientifically based, regionally and activity-differentiated temporary requirements for the mass segment of MSMEs in the agricultural sector.

✓ The Ministry of Economy should initiate the creation of **a Working Group to develop two-tier requirements in the agricultural sector**, including representatives of the Ministry of Economy, Ministry of Finance, NBU, NAAS, OZP and key market participants (banks, IFIs and business associations).

✓ The Working Group should be tasked with preparing:

- a full translation and **implementation** plan for **the technical criteria (TSC, DNSH)** of the EU Taxonomy for the agricultural sector (based on EU Delegated Acts);

- develop a draft of scientifically sound and geographically differentiated transitional criteria.

✓ Initiate the development of **financial incentive mechanisms for banks** using the Taxonomy (e.g., involvement in special government programmes for preferential green lending, as well as contacting the NBU regarding the possibility of reducing reserve requirements for verified "green" and "transitional" loans).

✓ Initiate a regulatory obligation to ensure that all future state programmes to support the agricultural sector and projects financed through the Ukraine Facility must use the developed Taxonomy as the sole criterion for verification when providing financing.

⁶⁶ NZ Taxonomy. Centre for Sustainable Finance. URL: <https://sustainablefinance.nz/nz-taxonomy/>

8 RECOMMENDATIONS FOR MONETARY INCENTIVES TO PROMOTE GREEN FINANCE

Given the active implementation of measures to support the Green Deal in the policies and practices of EU central banks, it is appropriate for the National Bank of Ukraine to avoid delays in developing appropriate instruments within its own mandate. The development of green finance in Ukraine requires the systematic use of the NBU's monetary and prudential instruments. Below is a set of recommendations covering both regulatory and incentive components.

8.1. Strengthening the involvement of NBU policies

An important first step for the NBU should be **to formally present its supervisory expectations** on how banks should integrate climate and environmental risks into their corporate governance processes, business strategy, risk management strategy, and disclosure of information. The ECB introduced similar supervisory expectations in 2020 and set the end of 2024 as the deadline for banks to fully comply. Banks that fail to meet the deadline face supervisory measures, including capital requirements.⁶⁷ Moreover, there has already been a precedent when the ECB imposed a fine on ABANCA Corporación Bancaria, S.A. (Spain) for failing to comply with climate and environmental risk assessment requirements.⁶⁸ The NBU is recommended to adopt a similar approach with clear deadlines.

The second important step should be **to expand disclosure requirements**. Although the implementation of this requirement in Ukraine is currently hampered by the lack of unified criteria, in particular taxonomy, once the National Green Taxonomy is approved, the NBU will be tasked with developing and implementing regulatory requirements for banks to disclose information on ESG risks, harmonised with the standards of the European Banking Authority (EBA Implementing Technical Standards on Pillar 3 ESG risks).⁶⁹

In turn, the implementation of these standards provides a methodological basis for requiring banks to calculate and publish **two key performance indicators (KPIs)** that directly depend on the Taxonomy:

- **Green Asset Ratio (GAR)** – The ratio of a bank's green assets (which comply with the Taxonomy) to its total assets.
- **Banking Book Taxonomy Alignment Ratio (BTAR)** – An indicator of the alignment of the banking book portfolio with the objectives of the Taxonomy.

The availability of these indicators serves two purposes: first, it increases market transparency and strengthens market discipline; second, it simplifies the statistical representation of the greening of the financial market; and third, it provides standardised quantitative data that the NBU itself needs to calibrate its prudential and monetary policy instruments.

8.2. Features of prudential policy

The inclusion of a preferential coefficient in the capital adequacy ratio remains a rather controversial measure. In theory, applying a preferential coefficient to risk-weighted assets (RWA) for assets that qualify as "green" reduces the amount of reserves required for them and should encourage banks to issue more such loans at lower rates. However, the direct link between an issuer's "green credentials"

⁶⁷ Summary of ECB publications on climate and environmental risk - Grant Thornton Ireland. URL: <https://www.grantthornton.ie/insights/publications/fast-read-summary-of-ecb-publications-on-ce-risk/>

⁶⁸ ECB imposes periodic penalty payments on ABANCA for failing to sufficiently identify climate risks. ECB. URL: <https://www.bankingsupervision.europa.eu/press/pr/date/2025/html/ssm.pr251110~3e0b6f579e.en.html>

⁶⁹ EBA publishes binding standards on Pillar 3 disclosures on ESG risks. URL: <https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-binding-standards-pillar-3-disclosures-esg>

and its reliability is not always obvious due to the influence of other economic indicators.⁷⁰ The EBA's 2016 report showed that this instrument had no noticeable effect on increasing SME lending or lowering interest rates, but led to an overall reduction in capital in the EU banking system.⁷¹

Nevertheless, from the point of view of financial sector greening policy, the prudential exemption may be justified. The question is whether it reflects actual market conditions. Accordingly, the introduction of such an exemption should be preceded by the launch of targeted data collection from banks on default rates for loans classified as "green" and "transitional" under the Taxonomy. In those market segments and for those "green" assets where data collected in Ukraine confirm a lower level of defaults, the NBU is recommended to introduce a preferential standard with the possibility of calibration. This will be a risk-oriented measure to bring capital requirements into line with the actual risk profile of the asset.

Accordingly, over time, the opposite prudential requirement should be introduced – an increased reserve requirement for assets that will be classified as "brown" or associated with high climate risks. At this stage, the NBU is not recommended to introduce such prudential requirements.

8.3. Monetary instruments to stimulate transition

Unlike prudential instruments, which affect capital, monetary instruments affect liquidity. The NBU can make it cheaper for banks to raise money, provided that this money is used to finance "transition" projects.

The development and launch of a targeted "green" long-term refinancing programme could be a powerful stimulus for the spread of green finance in Ukraine. To this end, the NBU could launch a **preferential refinancing instrument for banks with a term** of up to 5 years for green projects, in particular within the framework of Ukraine's climate commitments (NDC, Decarbonisation Strategy). By analogy with similar foreign programmes, the amount of refinancing available to a bank, as well as the interest rate, could be made dependent on the size of the bank's new loan portfolio, verified in accordance with the "green" and "transitional" levels of the National Taxonomy. This would give the bank a strong incentive to actively build a green loan portfolio, rather than just participating in external programmes. It is also worth noting that such a refinancing instrument could be coordinated with EBRD, KfW or EU4Environment programmes to combine with international sources of cheap funding.

As for international experience, it should be noted that such monetary instruments have not yet been implemented in the EU.⁷² However, they do exist in Japan, for example. The Bank of Japan has introduced **Funds-Supplying Operations to Support Financing for Climate Change Responses**.⁷³ Under this instrument, banks receive refinancing at 0% for a term of 1 year with the possibility of extension up to 10 years against the collateral of their green loans, green bonds, as well as loans linked to sustainable development (SL) and loans for "transitional" financing.

This instrument will allow the NBU to move more quickly to stimulate green lending, unlike prudential standards, the effect of which is difficult to predict at this stage. Similarly, a number of other regulatory instruments used by central banks in European countries to support green financing are difficult to implement in Ukraine given the increased risks and unpredictable events in the context of the war. In

⁷⁰ Capturing risk differentials from climate-related risks - Network for Greening the Financial System. URL: https://www.ngfs.net/sites/default/files/medias/documents/capturing_risk_differentials_from_climate-related_risks.pdf

⁷¹ Green-Supporting Factors, Brown-Penalising Factors And The Prudential Framework. European Banking Authority (EBA). URL: https://www.eba.europa.eu/sites/default/files/2024-08/f8a17406-92dd-4ec4-9675-c251a8f8b9a4/Staff%20paper_Green-supporting%20factors%20brown-penalising%20factors%20and%20the%20prudential%20framework.pdf

⁷² Central banks' targeted refinancing operations and the climate transition. SUEF. URL: https://www.suerf.org/wp-content/uploads/2024/02/SUEF-Policy-Brief-793_Colesanti-Senni-et-al.pdf

⁷³ Funds-Supplying Operations to Support Financing for Climate Change Responses. URL: https://www.boj.or.jp/en/mopo/measures/mkt_ope/ope_x/index.htm

particular, this applies to standards for evaluating assets pledged as collateral with penalties for non-environmental parameters, low energy efficiency, etc. It also applies to preferential mandatory reserve requirements to allow banks to hold fewer mandatory reserves with the NBU if they have a larger share of green assets or liabilities. At least until the National Taxonomy is approved, such measures carry the risk of greenwashing, so their application is somewhat premature.

8.4. Possible measures by the National Bank of Ukraine

Thus, the range of measures available to the National Bank to promote the development of green finance in Ukraine is not very wide, but some of them may be strategically significant. These include

- **Approval of supervisory expectations** based on the ECB and NGFS model.⁷⁴ This will require banks to integrate climate risks into their corporate governance, strategies, risk management (including ICAAP) and internal stress tests.

- **Promoting the development of a National Taxonomy, the introduction of mandatory disclosure and the development of statistical databases.** Along with the approval of the Taxonomy, mandatory ESG risk disclosure standards, harmonised with EBA requirements, will provide the market and the regulator with critical data for building a comprehensive system of regulation and incentivising the greening of the banking sector.

- **Develop and implement a programme of preferential long-term refinancing for banks** for projects consistent with Ukraine's commitments to achieve its climate goals, in particular in co-financing with IFIs.

⁷⁴ Guide for Supervisors Integrating climate-related and environmental risks into prudential supervision - Network for Greening the Financial System. URL: https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf

9 SPECIALISED CREDIT PROGRAMME TO SUPPORT THE DEVELOPMENT OF SUSTAINABLE AGRICULTURE IN UKRAINE

As mentioned above, mixed financing instruments with preferential terms, risk-sharing mechanisms and targeted lending, in particular for MSMEs to purchase and implement green technologies, are being actively introduced into the green financing practices of EU countries. Within the framework of this approach, it would be feasible for Ukraine, on the initiative of the Ministry of Economy, to develop a special programme aimed at stimulating green modernisation in the agricultural sector by providing MSMEs with access to blended finance (loans with partial interest rate compensation).

The launch of such a targeted state programme, which combines financial instruments with clear but simplified "green" criteria based on a defined list of technologies and a scoring system, will have significant economic and social significance.

9.1. Basic tool for developing a state credit support programme

The development of green finance in the agricultural sector is critical for Ukraine's sustainable post-war recovery and European integration. Although there is some harmonisation and simplification of regulations in the EU, Ukrainian MSMEs remain cut off from green capital due to high barriers to the implementation of complex standards.

The mechanism for the proposed programme could be based on the Green Farming pilot financial product developed as part of the international project PROGRESS (Preparing Ukraine's agricultural sector for the EU Green Deal) in cooperation with the Business Development Fund (Fig. 9.1). This pilot product focuses on horticulture, but can be extended to the entire agricultural sector.

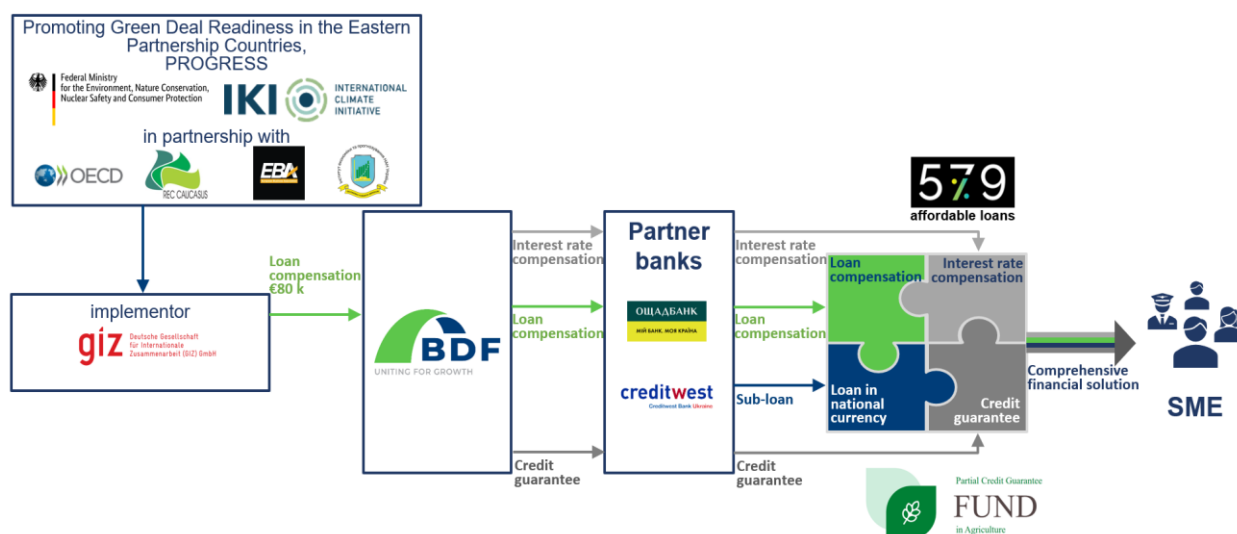


Figure 9.1 – Schematic diagram of the Green Farming pilot financial product developed as part of the international PROGRESS project

Source: developed by BDF and IEF within the framework of PROGRESS

The key advantage of this product is the availability of an interest rate compensation mechanism similar to the "Affordable Loans 5-7-9" programme. At the same time, instead of complex reporting, the programme offers scoring and verification based on a list of approved green technologies (e.g. drip irrigation, agrivoltaics, biogas). This is in line with the practice of IFIs (e.g. IFC) regarding certified equipment and thus provides an opportunity to attract international financing for the compensation mechanism. Issued loans can be verified as green, which increases the prospects for their refinancing by National Bank programmes.

The pilot product for financing fruit growers also includes a grant component of up to 20% (but not more than €10,000). This option is not mandatory under the state programme and may be included, where possible, for certain priority activities (processing). At the same time, an important element of the mechanism is the partial guarantee of the loan amount with the involvement of the Partial Loan Guarantee Fund in Agriculture.

In addition to climate technologies, the evaluation criteria for this product include a number of social criteria, and the product implementation mechanism is based on the BDF digital IT platform. The entrepreneur submits an application through a single digital portal³⁸. The platform performs an automatic rating (scoring) and, provided that it meets the specified criteria, forwards it to banks with a note that it will be a "green" loan.

9.2. Practical recommendations for the implementation of a specialised state programme

The proposal is to take the Green Farming product mechanism as a basis and scale it up to the level of a state programme to support the development of a sustainable agricultural sector. The proposed mechanism will help to solve a number of strategic tasks:

- **Practical development of an approach to determining the "transitional" level in the National Taxonomy based on a list of technologies.** The scoring system for such a programme is, in essence, a simplified set of technical selection criteria for MSMEs.

- **Updating the BTAR methodology**, which requires banks to *actively* assess non-reporting clients (MSMEs). The proposed programme and its IT platform create the mechanism for such active assessment and verification, providing banks with data for calculating BTAR.

- **Implementation of a mechanism for attracting international financing for the development of the domestic agricultural sector.** Since the programme is based on a system of social and environmental criteria, as well as a list of defined green technologies, attracting IFI resources to finance such a programme will be fully consistent with their principles of operation in Ukraine. Combining IFI resources with state funds to partially compensate for the interest rate will create a significant multiplier for green lending in Ukraine.

In view of the above, the recommendation for the Ministry of Economy of Ukraine is to:

1. **Initiate the development of** a nationwide state programme to support the development of a sustainable agricultural sector, "Green Farming", based on the model presented, providing for funds in the state budget to compensate for the interest rate on terms similar to those of the "Affordable Credit 5-7-9" programme.

2. **Integrate** the selection criteria developed in the project (technology scoring list) as the basis for the **"agriculture" sectoral module** within the framework of the future National Green Taxonomy.

3. **Present the programme as a priority** and initiate the attraction of funding from international partners and IFIs (EIB, EBRD, IFC), using it as a ready-made mechanism for absorbing targeted funds, similar to the "SME Go Green" programmes.

Integrate the programme verification mechanism (IT platform and scoring) into other sectors of the economy, thereby developing the overall ESG data infrastructure.

10 CONCLUSIONS AND RECOMMENDATIONS

10.1. Assessment of the potential for green finance development in Ukraine

An analysis of the development of green finance in Ukraine during 2024–2025 shows a transition from fragmented initiatives and programmes to the formation of a comprehensive national ecosystem of sustainable finance. **Key policy shifts in green finance development in 2024–2025:**

- **Integration of ESG into banking supervision.** Ukraine gradually advanced the integration of ESG and climate-related considerations into financial sector regulation and supervisory approaches, reflecting broader alignment with evolving EU banking standards.

- **Emergence of differentiated state financing architecture.** During 2024–2025, Ukraine developed a more differentiated system of state-supported green finance instruments targeting residential energy efficiency, industrial decarbonisation and municipal energy resilience.

- **Integration of EU Taxonomy principles.** EU Taxonomy principles and DNSH-based screening mechanisms increasingly influenced public investment governance and the design of green finance-related initiatives in Ukraine.

- **Expansion of blended finance instruments.** International financial institutions and public programmes increasingly relied on blended finance approaches combining guarantees, concessional lending, grants and technical assistance to mobilise private investment.

- **Digitalisation of green finance access.** The rapid development of digital platforms and public investment ecosystems significantly reduced information and transaction barriers in access to green finance for businesses, communities and financial intermediaries.

This period can probably be considered a turning point, as green criteria have been implemented in an imperative form in important financial intermediation mechanisms (in particular, bank lending under the "5-7-9%" programme) and occupy a significant share of the market. In addition, green criteria have been implemented in a number of public-private investment mechanisms (in particular, the public investment system, the activities of the Decarbonisation Fund and the Energy Efficiency Fund). An important stimulus for this process in Ukraine was the fact that the green transition was driven by the physical need for energy decentralisation, the requirements of European integration and the prospects of attracting external financial assistance.

Based on the results of the study, the following key areas of green finance development during this period can be identified, which are likely to retain their *potential in the medium term*:

- Building up the Business Development Fund, which, due to the implementation of the ESMS system, has become a selector of green practices, with a view to increasing the number of agreements and compensation volumes, as well as introducing new targeted programmes in the field of agribusiness, energy solutions and manufacturing.

- Development of the activities of the Energy Efficiency Fund and the Decarbonisation Fund through the expansion of their funds and instruments in the field of energy efficiency modernisation of the residential sector and industrial modernisation, respectively.

- An important area is supporting the pace of deployment of the public investment management system, given the need to modernise fixed assets and the prospects for their financing within the framework of the already approved Ukraine Facility mechanisms, as well as attracting domestic private capital.

- Further development of the institutional framework for the financial sector by the National Bank and the National Securities and Stock Market Commission in terms of developing tools for taking ESG criteria into account in the activities of financial intermediaries.

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- Expansion of digital tools for accessing and offering green finance. In addition to the existing DREAM and Green Platform, new private fintech solutions are expected to emerge both to reduce transaction costs for raising capital and to compensate for the lack of financial inclusion in the traditional banking market.

In addition to the above drivers, it is important to note the existing **gaps that limit the pace of development of the green finance market in Ukraine**. The most significant of these include:

- **lack of a consolidated state initiative body** for the development of green finance. The absence of such a body hinders the development of important national-level decisions that require coordination between different regulators and ministries.

- **absence of a national green taxonomy** and a national accreditation system for verifiers, which creates technical difficulties for the dissemination of relevant tools and project selection, and forces businesses to resort to expensive international services.

- **lack of long-term financial resources and large-scale targeted green finance programmes** for the banking market. The domestic capital market remains weak, and banking products (mainly focused on energy equipment) are limited mainly to short-term funding, which hinders deep industrial modernisation and the implementation of long-term projects. State programmes of targeted grant support for business are in high demand, but such expenditure of state and local budget resources is not optimal. It would be more reasonable to expand state programmes of targeted financing with compensation mechanisms at various levels, which can multiply limited budget resources, partially compensate for the maturity gap in bank resources, and encourage banks to attract them on a longer-term basis.

- **insufficient attention to the formation of a carbon market**. Despite the approved commitments to create a national emissions trading system, the slow pace of developing methodological standards and regulatory support for MRV infrastructure makes the prospects for launching a regulated carbon credit market in Ukraine difficult to predict. Accordingly, one of the powerful mechanisms is still missing from Ukraine's green transition financing system.

10.2. Recommendations for addressing gaps

➤ A phased approach is recommended for **the creation of a consolidated interagency coordinating body** for the development of green finance. At the first stage, the proposal is not to create a new institution from scratch, but to use the existing potential of the Financial Stability Council and create a permanent Committee on Sustainable Finance under the auspices of the FSC. This will allow for the prompt launch of work on urgent tasks, such as the development of a taxonomy and sectoral requirements. A critical condition at this stage is the formal inclusion of the Minister of Economy in the Council or granting him the status of a permanent member, as the Ministry of Economy is responsible for structural transformation and implementation of the Ukraine Facility programme. An important element of the first stage is the creation of a technical secretariat and a number of working groups on priority issues.

The second stage should involve the process of establishing a fully-fledged Interagency Council on the Green Course (ICGC) as a permanent body under the Cabinet of Ministers of Ukraine. This model is strategically sound, as it recognises the Green Course as a comprehensive economic strategy rather than just a financial issue. The ICGC should have high political status and be headed by the Prime Minister or First Deputy Prime Minister. At the same time, it is necessary to develop and approve the Regulations on the ICGC, identify sources of funding, and engage a highly professional secretariat

and a system of working groups as the main working body of this body to avoid the risk of it becoming a mere formality.

At this stage, strategic functions are being transferred from the temporary Committee under the FSC to the newly created ICGC. The Financial Stability Council is returning to its core mandate of monitoring systemic risks, including climate risks to the financial sector. An important element of the effectiveness of both formats is the creation of thematic working groups, which directly integrate stakeholders: representatives of business, banks, academia and civil society. These groups are responsible for developing sectoral requirements, sections of the Taxonomy and reporting standards.

➤ **Development and implementation of the National Green Taxonomy**, built on a two-tier principle. Direct implementation of European criteria is unrealistic for small businesses and most Ukrainian farmers, especially in the context of post-war recovery, and creates the risk of elitism in access to finance. Therefore, a rational solution is a two-tiered taxonomy architecture, which provides for full harmonisation with the Technical Selection Criteria (TSC) of the EU Taxonomy at the first level. This level is aimed at large enterprises and exporters, for whom compliance with European standards is a prerequisite for access to international capital markets and integration into EU supply chains.

The second (transitional) level provides for the introduction of national, scientifically based criteria that are temporary and differentiated by region and type of activity for the mass segment of MSMEs. It allows companies that are not yet able to meet strict European standards to attract funding for modernisation and a gradual transition to sustainable practices.

For the practical implementation of this approach, a special working group should be established under the Ministry of Economy that will include representatives of science (NAS, NAAS), the financial sector and relevant associations. The task of this group is not only to translate European acts, but also to develop transition level criteria specific to Ukraine, taking into account climate zones and soil characteristics. In addition, a regulatory requirement should be established to ensure that all future state support programmes and projects financed through the Ukraine Facility use the developed Taxonomy as the sole verification tool. This will ensure the unification of approaches and avoid "greenwashing".

➤ A number of measures should be introduced to complement **the monetary and prudential incentives of the National Bank of Ukraine** in the development of green finance. In the area of banking supervision, the first step should be the official approval and publication of supervisory expectations regarding climate and environmental risk management, following the example of the European Central Bank. With regard to disclosure, it is advisable to harmonise national requirements with the standards of the European Banking Authority (EBA) on Pillar 3 risks. This will create a methodological basis for calculating two key performance indicators (KPIs): Green Asset Ratio (GAR) and Banking Book Taxonomy Alignment Ratio (BTAR). In the Ukrainian context, the BTAR indicator is critically important, as the GAR is calculated based on data from companies that already report according to the Taxonomy (of which there are currently almost none in Ukraine). The BTAR, on the other hand, involves active assessment of clients (in particular MSMEs) by the bank itself, which is more relevant at the initial stage.

In terms of monetary incentives, the most effective recommendation is to introduce a long-term targeted refinancing instrument to support green projects. A model is proposed whereby banks would have access to preferential refinancing (for up to 5 years) on condition that these funds are used to finance projects verified in accordance with the "green" or "transitional" level of the National Taxonomy. This would create a direct economic incentive for banks to build up their sustainable lending portfolios.

With regard to prudential standards, it is recommended to approach the introduction of "green" preferential coefficients (risk weight reduction) with caution. Such a measure can only be justified after statistical data has been accumulated to confirm that "green" borrowers in Ukraine do indeed have lower default rates. At this stage, the priority is to collect data, not to automatically lower capital requirements.

➤ **Expansion of targeted state credit programmes.** For the practical launch of green lending in the agricultural sector, without waiting for the full implementation of regulatory changes, the Ministry of Economy may initiate the development of a nationwide state programme to support agribusiness and manufacturing enterprises. Such programmes should be based on mixed financing mechanisms, combining state compensation of interest rates and credit guarantees.

Green Farming may be used as a pilot product model, developed as part of the PROGRESS project in cooperation with the Business Development Fund (BDF), as a basis. A key feature of this model is the rejection of complex bureaucratic reporting in favour of a simplified verification procedure through technological scoring.

The essence of the approach is to use a pre-approved list of green technologies. If an entrepreneur takes out a loan to purchase technology from this list, the loan is automatically classified as "green". This significantly reduces transaction costs for MSMEs and banks.

The programme should include interest rate compensation (similar to the "5-7-9%" programme) and a partial loan guarantee mechanism (e.g. through the Agricultural Partial Loan Guarantee Fund or the Decarbonisation Fund of Ukraine). This programme design allows for the involvement of funding from international financial institutions (IFIs) such as the EBRD, EIB and IFC, as it meets their requirements for the targeted use of funds and transparency.

It is recommended to integrate the technology scoring list developed for this programme as the basis for the "agriculture" sectoral module of the future National Taxonomy. In addition, the programme's digital platform will ensure the accumulation of verified data on green investments, which is necessary for banks to calculate the above-mentioned BTAR indicator.

Thus, the proposed set of measures combines strategic institutional development (creation of the ICGC and Taxonomy) with tactical quick-action tools (NBU refinancing and the Green Farming programme), which will unlock financing for the agricultural sector in the short term.

Development of carbon credits in the agricultural sector⁷⁵: EU experience for Ukraine

Carbon pricing instruments and carbon credit issuance mechanisms around the world. Globally, there are not many carbon credits in the agricultural sector yet, but mechanisms are being developed. Carbon credit issuance mechanisms are specialised programmes or systems that allow projects to verify emissions reductions or removals and issue carbon credits – units (e.g. 1 t CO₂e) for trading or offsetting. They can be: a) international (Clean Development Mechanism (CDM) and Joint Implementation (JI) under the Kyoto Protocol); b) national, created in accordance with Article 6 of the Paris Agreement; c) voluntary (Verra VCS, Gold Standard, American Carbon Registry, Climate Action Reserve), operating on the voluntary carbon market⁷⁶.

Carbon pricing instruments are regulatory instruments used by states or associations of states to set a price for emissions or limit them in a market-based manner (there are about 80 such instruments worldwide)⁷⁷. They differ from credit mechanisms in that their main purpose is to set a price or limit on emissions, rather than directly issuing trading units to farmers. Types of carbon pricing instruments include:

a) carbon tax (there are about 45 of them worldwide)⁷⁸ – a direct charge per tonne of CO₂e; imposed on fuel or specific sectors;

b) Emissions Trading System (ETS) (there are about 35 of them worldwide)⁷⁹. Within the ETS, a total cap is set on emissions in a given jurisdiction or sector, and participants receive or purchase emission allowances (quotas) and can freely trade them among themselves; an example is the EU ETS, which covers energy, energy-intensive industries and air transport in the EU;

c) internal/corporate pricing (the company creates its own methodology and issues⁸⁰ certificates to farmers without external registration).

Thus, carbon pricing instruments as elements of state or supranational policy (taxes, ETS) determine the general conditions, while carbon credit issuance mechanisms as project-oriented systems (CDM, JI, Verra, Gold Standard, etc.) ensure the generation and certification of emission reduction/removal units. In the case of the agricultural sector, it is the crediting mechanisms that are key to generating income for farmers, while tax and ETS schemes tend to determine the overall demand for such credits from industry, energy and corporations with climate commitments.

Carbon credits in the EU agricultural sector. Agricultural credits are a small but growing segment of the voluntary market in the EU. The main barriers to scaling them up remain high MRV costs, risks of soil carbon reversal, fragmented standardization, and low market confidence. The EU is overcoming these barriers through the CRCF, investments in MRV technologies, farmer cooperation and integration into climate policy (CAP, CBAM).

In 2024, the EU adopted the Carbon Removal Certification Framework (CRCF), which aims to establish uniform principles for certification of removals, including agricultural and soil projects; work is ongoing to harmonise methodologies, MRV approaches and quality criteria for carbon farming. Under the CAP, eco-schemes have been introduced that financially support the same practices that form the basis for carbon projects (reduced tillage, cover crops, grassland conservation, agroforestry).

⁷⁵ A carbon credit is a standardised, verified and marketable climate asset created using international methodologies and confirmed by independent verification.

⁷⁶ World Bank. State and Trends of Carbon Pricing Dashboard. URL: <https://carbonpricingdashboard.worldbank.org/>

⁷⁷ World Bank. State and Trends of Carbon Pricing Dashboard. URL: <https://carbonpricingdashboard.worldbank.org/>

⁷⁸ World Bank. State and Trends of Carbon Pricing Dashboard. URL: <https://carbonpricingdashboard.worldbank.org/>

⁷⁹ World Bank. State and Trends of Carbon Pricing Dashboard. URL: <https://carbonpricingdashboard.worldbank.org/>

⁸⁰ A carbon certificate is a flexible document that can confirm certain environmental practices, but without proper verification and standardisation, it often has no market value and is not recognised by corporate buyers for offsetting emissions.

In this way, the EU is gradually forming a multi-level institutional framework where:

- a) the CAP and national programmes provide basic support for sustainable practices;
- b) CRCFs are designed to increase the transparency of carbon projects;
- c) Corporate regulation (CSRD, ESRS) creates a steady demand for Scope 3 reduction.

Demand for carbon credits in the EU agricultural sector is determined primarily not by the behaviour of farmers themselves, but by the strategies of large corporations and regulatory frameworks. On the one hand, the EU ETS and CBAM do not directly include the vast majority of farms, but they do affect the cost of emissions in related sectors (energy, industry, fertilisers, transport), which indirectly affects the cost structure of agricultural producers. On the other hand, the Corporate Sustainability Reporting Directive (CSRD) and European Standards for Non-Financial Reporting (ESRS E1) require large companies to report not only Scope 1 and 2 emissions, but also Scope 3 emissions, including emissions in raw material supply chains.

The economic viability of carbon credits for farmers. A farmer's net income (profit) from the sale of carbon credits is defined as the difference between the gross income from the sale of carbon credits, equal to the product of the market price of one credit (USD/t CO₂-eq.) and the volume of verified emission reductions or removals, and the total costs of participating in the carbon scheme (implementation of agronomic practices, monitoring, reporting and verification (MRV), transaction costs, remuneration of intermediaries, etc.). The demand on carbon credits depends on the structure of farming:

1) size of the enterprise:

- a) large enterprises (agricultural holdings, renewable energy projects) can generate large volumes of credits and cover high transaction costs (certification, MRV, audit);
- b) small farmers incur administrative costs (banking samples, SOC modelling, verification) that often exceed their income.

2) sector:

- a) energy (RES): the value of carbon credits is high because each MWh has a high potential for reducing emissions;
- b) agricultural sector: profitability depends on methodology and management.

Given that the financial returns from carbon credits are often modest, especially for small and micro farms where MRV transaction costs are relatively high, farmers' interest in carbon credits is driven by:

- a) savings on mineral fertilisers due to improved soil structure and fertility (less need for nitrogen fertilisers);
- b) reduced fuel and cultivation costs, in particular through minimal or zero tillage;
- c) reduced production risks (better moisture supply, resistance to drought, erosion and degradation);
- d) access to long-term contracts from food and processing companies that declare a reduction in their carbon footprint (in the EU – Scope 3).

National standards can ensure greater trust and lower transaction costs when implementing climate-resilient practices. Unlike many other EU countries, where agricultural producers are increasingly integrating into voluntary carbon credit markets, France has developed an alternative model based not on the sale of carbon credits as a commodity, but on direct financial incentives from food and agribusiness companies for reducing emissions in the supply chain. A key element of Label Bas-Carbone (LBC)⁸¹, introduced by the French Ministry of Ecological Transition in 2018 as a state mechanism for assessing, verifying and financing climate-effective agricultural practices. LBC defines the criteria for additionality, methodologies for reducing emissions for different sectors (livestock, cereals, horticulture), the verification process and compensation payments. The French

⁸¹ Label Bas-Carbone. Ministère de la Transition Écologique. 2018. URL: <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000037657959>

model is based on close cooperation between farmers, industry associations and processing and food companies.

For instance, the France Carbon Agri Association (FCAA), established in 2021 on the basis of farming and livestock associations. It brings farmers together in joint projects, reducing MRV transaction costs and administrative costs for small producers. Since food companies are subject to CSRD, they (incl. Danone, Nestlé, Bonduelle) enter into long-term agreements with cooperatives, compensating for the reduction of emissions in the production of raw materials. Therefore, embedded decarbonisation of supply chains may be more effective than market mechanisms. When corporations finance climate practices directly with farmers, emissions reductions in national supply chains are financed without entering the global carbon credit market.

Meanwhile, a different logic of agricultural decarbonisation prevails in a number of EU countries. For example, Denmark, Lithuania, Estonia and Romania are actively implementing international soil carbon programmes (Agreena, InSoil, Verra) that are oriented towards the global voluntary market (Table I.1.).

Table I.1 – Examples of agricultural/ incl. soil carbon projects in the EU

No	Project	Country	Type	Standard/status
1	AgreenaCarbon	EU (including Spain, Italy, Romania, Denmark, Ukraine)	Soil carbon / Regenerative agriculture	Verra VCS certification (VM0042); 2.3 million VCUs issued
2	Involtor Future Agriculture – Project 3973	Eastern Europe	Improved Agricultural Land Management	Verra VCS; 64,645 VCUs approved
3	InSoil	Lithuania / EU	Soil carbon technology platform	Plan for more than 1.2 million credits by 2027.
4	CAFAMORE (Horizon Europe)	EU	MRV platform for carbon farming	Creation of a European MRV system
5	Carbon Farming CE (2023-2026)	Central Europe	Pilot farmland	EU-funded, creates carbon farming systems
6	Farm Carbon EIP	Ireland	Peatlands and agriculture	EU EIP; reducing emissions in peatlands

Therefore, carbon credits in the agricultural sector cannot be considered a fully-fledged "new business model" for farmers that is capable of ensuring their financial stability on its own. Rather, they are an additional source of income that: a) monetises practices that are already desirable from an economic point of view (reducing fertiliser costs, increasing drought resistance, etc.); b) is derived from the regulatory environment (CSRD, CBAM, CRCF) and the climate commitments of large companies; c) remains sensitive to the quality of methodologies, MRV costs and structural features of the agricultural sector.

List of regulatory documents adopted by the NSSMC relating to green financing

Title	Type of document	Date of adoption	Content related to green finance
On approval of Recommendations on the implementation or financing of environmental projects through the issuance of green bonds	Decision of the NSSMC No. 493	dated 07.07.2021	The recommendations also set out requirements for external independent verification ("verifiers") and issuers' reporting on the impact of the funds raised. They contain criteria for "green" projects, a list of environmentally acceptable categories (energy efficiency, renewable energy sources, climate adaptation, etc.).
Annex on corporate governance and sustainable development to the Corporate Governance Code (Annex on ESG issues)	Recommendations, unnumbered	02.12.2021	The Annex describes how companies can implement ESG principles: reporting standards, management approaches, the role of the supervisory board, etc.
On approval of the Regulations on the procedure for issuing corporate bonds and their circulation	Decision of the NSSMC No. 28/21/1105/K03	dated 06.09.2024 (current version dated 01.11.2025)	Separate requirements for green and infrastructure bonds have been introduced: the specifics of the issue, circulation, and mechanisms for the "earmarked" use of funds for such bonds are spelled out. Updates the procedure for issuing corporate bonds, simplifies the package of documents for targeted issues. Section II of Chapter 1 of the aforementioned provision establishes the specifics of issuing green bonds.
On Approval of Amendments to the Decision of the National Securities and Stock Market Commission No. 314 dated 23 April 2022	Decision of the NSSMC No. 09/21/2382/K03.	dated 06.06.2025	Changes have been made to the calculation of liquidity ratios, including the list of securities that are taken into account when calculating liquid assets, which allows green bonds to be included in the asset portfolio as liquid.
On approval of the Regulations on the State Register of Securities Issues	Decision of the NSSMC No. 456	dated 16 April 2024	The decision regulates the registration of various types of bonds (including green bonds), which is key to the transparency of the bond market as it discloses public information about issues, their terms and volumes
On approval of Amendments to the Decision of the National Securities and Stock Market Commission No. 1221 dated 29 September 2022	Decision of the NSSMC No. 28/21/2128/K03	dated 15 April 2025	Clarification of asset liquidity taking into account securities, which may be relevant for green bonds (in the context of prudential supervision).
On approval of amendments to certain regulatory acts of the National Securities and Stock Market Commission regarding joint investment activities	Decision of the NSSMC No. 09/21/2488/K03	dated 27 June 2025	May affect the structure of funds that invest in green projects and targeted bonds.
On the approval of Recommendations on the selection of environmental projects for full or partial financing with proceeds from the placement of green bonds	Decision of the NSSMC No. 433	dated 10 April 2024	Criteria for selecting green projects for financing/refinancing with funds from green bonds have been defined; the document sets out approaches for issuers and investors.

Recommendations for preparing environmental impact reports for environmental projects that are fully or partially financed and/or refinanced with proceeds from the placement of green bonds	Decision of the NSSMC No. 157	dated 07.02.2024	Concerns general provisions on impact reporting, indicators for assessing the environmental impact of projects, benchmarks, reference materials and reporting templates.
On approval of requirements for disclosure of financial reporting indicators in XBRL format for reporting entities that are participants in capital markets and professional participants in organised commodity markets	Decision of the NSSMC No. 36/21/2383/K03	dated 06.06.2025	Requirements for the disclosure of financial reporting indicators in XBRL format for capital market participants have been approved, which increases the transparency of issues (including information on targeted/green issues).
NSSMC recommendations on green bonds	Methodological recommendations	January 2025 updated version	Detailed recommendations for green bond issuers: definition of "green" characteristics, use-of-proceeds principles, reporting requirements (pre-issuance, allocation, impact reporting), external verification requirements (verifier/SPO). Harmonised with ICMA/IFC/WB.
Sustainable Finance Roadmap 2025-2030 (developed with technical support from IFC)	Roadmap	Approved by the NSSMC on 28 March 2025.	The Commission will provide ongoing information support and training, simplify regulatory procedures for issuers wishing to issue "sustainable" instruments, and develop tools for measuring ESG progress, etc.