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CLIMATE FINANCES: REGIONAL AND LOCAL ASPECTS OF USE

Abstract. *The global warming that we are facing now induces international organizations to look for new ways how to overcome it, particularly through the use of financial levers and instruments. The framework development of*

climate finances for regional and local levels will allow using country and regions finances more efficiently for fight against climate warming that is the main function of climate finances in the current environment.

Key words: *climate finances, structure of climate finances, challenges of climate finances functioning at regional and local levels, the Kyoto protocol, the Paris Agreement, European Union, special economic zones, Ukraine.*

INTRODUCTION

In the modern context of progressing climate warming on the planet pointed by top-level scientists, climate finances are becoming a vital component of ecological economy and they should involve financial instruments of ecological plan. First of all, it refers to financial levers of influence for environment conservation integrally as well as financial instruments for climate warming control on the planet, financial incentives and fines for statutory level compliance for use of natural resources, water resources, land use, recycling of waste etc. It is important to summarize all these financial instruments and levers and on their basis to work out the system of climate finances that would comprise all levels of climate management stipulated in the Kyoto protocol and its follow-up amendments as well as in the Paris Agreement. Moreover, the structure of climate finances should cover not only geopolitical and state levels, but regional and local levels as well.

The Kyoto protocol that entered into force on February 16, 2005, put the Clean Development Mechanism (CDM) into operation. Its main points include the following activities: a developed country invests in a project to reduce greenhouse gas emissions in a developing country and assumes the total volume of emission reduction in the course of this project implementation. According to the UN statistics 7.8 thousand projects have been implemented via CDM in 107 countries and they resulted in global reduction of emissions by 1.5 billion tons of carbon dioxide equivalent. At the same time almost 75 % all these projects are accounted for 4 countries: Brazil, China, India and Mexico [1]. In addition to that, we should take into consideration the fact that China is the largest emitter of greenhouse gases in the world [2, p.44].

At the same time the following fact triggers concern that many developed countries (particularly EU-members) are not able to fulfill the conditions of either the Kyoto protocol or the Paris Agreement in the stipulated deadlines. For example, Poland

has to close almost all coal mines to fulfill its conditions, but it generates opposition of labor unions and the population. The similar situation is characteristic for most localities of Donbas and Kryvbas, Ukraine. Attraction of climate investments in the abovementioned regions from international financial organizations and more effective use of the already granted ones could be the proper way out. But this demands to develop real business plans of attracting foreign climate investment in order not to make delays in their implementation as it happened to so-called Japanese Kyoto credit, the part of which had to be reimbursed.

In general, the analysis of foreign and Ukrainian references to the abovementioned range of problems allows giving a definition of climate finances. It is a set of financial relations between particular countries of the world as well as inside these countries concerning use of financial funds, levers, instruments, standards and regulations that promote and contribute to conservation and improvement of climate conditions and are aiming at proper management of factors of production and sustainable development on a scale of the whole world and groups of countries as well as at the level of a separate country, its region, a specific territorial community [3, p. 73]. The objectives of climate finances are a set of financial levers, instruments, standards and regulations that are facilitative of conservation and improvement of climatic conditions with the aim of proper management of factors of production and supporting sustainable development in the world and in a separate country. The structural elements of climate finances are fixed in general terms in the Kyoto protocol, in the Paris Climate Agreement, in the documents of EU, other regional organizations, in the documents of certain countries directed at fight against climate warming. The first and foremost points at issue are development of renewable power, energy saving, the maximum level of waste processing, forest conservation, introduction of electric transport etc. and use of proper financial instruments for it. Correspondingly parties to climate relations are international organizations (the United Nations, EU etc.), particular states acting through their governments and parliaments, regions of a country, territorial communities, households.

The initiative by the Sweden government is very important for implementation in Ukraine. It involves the government grant-in-aids for households that compensate 60 % cost of household power generation systems, first of all, for heat production. This program will function till December 31, 2019; its maximum amount is up to 50 thousand Swedish krona (5600 US dollars). The aid grant is applicable to batteries, wiring, systems, control, and smart concentrator of power, construction and installation for houses with solar systems on the roofs. In principle, with the help of this and other initiatives Sweden intends to abandon burning of fossil fuels for electric-power and heat production till 2040. The above said Swedish program is similar to the analogous example in Germany where 19 thousand domestic power storage systems were installed [4, p.11].

Use of so-called “warm credits” can become a benefit for climate activities at a local level. The Ukrainian state banks give credits to borrowers through State Agency of Energy Efficiency and Saving. The payment of interest and the principal of the loan will be effected after the project completion within the credit term (5 or 10 years). The average rate for a “warm credit” amounts to 25 %, and the local compensation for a borrower is from 10 to 15 % from the total cost of credit servicing. The compensation for borrowers-individuals to buy gas/electricity-free boilers in the private section equals to: the sum for borrowers that do not get subsidized utilities is 20 %, for borrowers that get subsidized utilities is 35 %. The compensation for condominium associations (or another type of dwellers’ association) to take other energy efficient measures may come from 40 to 70 %, depending upon availability of utilities subsidies recipients living in a block of flats.

In recent years the new objective of climate finances is climate innovations, first of all, directed at production boosting of renewable energy sources, above all, using solar, wind, water, biomass energy etc. As a consequence more and more companies (particularly in PR China) have started to make equipment for power generation from renewable sources. Thus, in the depressed regions of Ukraine where special economic zones could be created it is necessary to encourage establishment and functioning of such companies, especially to use tax incentives. It would help reach climatic indicators

for our country set for the year of 2050. In particular, in Ukraine the share of wind power plants in the structure of electrical power generation should reach 45 % in 2050, solar power plants – 36 % [5, p.2].

The state has not paid due attention to steps and measures to encourage business to use renewable energy and introduce appropriate technologies in Ukraine on the whole as well as at local levels so far. The expert analysis of priorities in the budget policy of Ukraine showed the government disregard of solving environmental problems (they were only mentioned in the budget resolution in 2013), insufficient attention has also been given to state support for implementation of environmentally friendly technologies. All the abovementioned facts do not help conservation and multiplication of natural resources and capital of Ukraine.

Conclusions. For climate conservation not only at the country level but also at regional and local levels it is important to give an impetus to and use financial incentives for development of power-generating cooperatives that are becoming widely used in the developed countries, their establishment is also of great importance for Ukraine both at the country and regional and local levels, but on a first-priority basis they are essential for rural zones. What is more, regional authorities and municipal governments should be liable for conformity of use of available renewable power sources with international standards of environmental quality, particularly with the EU standards.

The significant challenge is supervision over the efficiency of functioning mechanisms of climate finances that are often used insufficiently at local levels in many countries where the civil society is still being formed as well as in Ukraine. Thus, it is crucial to expand and apply e-declaration mechanisms to incomes of all Ukrainian civil servants, equal-status employees and members of their families.

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