INTERNATIONAL JOURNAL OF POLITICAL SCIENCES AND ECONOMICS
Impact Factor (research bib) - 9,78
https://ijmri.de/index.php/ijpse , German international journals company
ISSN 2751-9708

EVALUATION OF GREEN INVESTMENT PROJECTS: GREEN ENERGY AND ENVIRONMENTAL EFFICIENCY CRITERIA

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Abstract

This paper examines the theoretical and practical aspects of evaluating green investment projects, with a particular focus on green energy and environmental efficiency criteria. The study identifies key indicators such as carbon emission reduction, energy efficiency, the share of renewable energy sources, and environmental sustainability as essential components of project evaluation. Furthermore, the research analyzes international practices and innovative approaches in assessing green investments and explores their applicability within the context of a national economy. The findings highlight the importance of integrating environmental criteria into investment decision-making processes and demonstrate that green investment evaluation contributes to sustainable economic development and ecological balance.

Keywords

green investments, green energy, environmental efficiency, renewable energy, carbon emissions, energy efficiency, sustainable development, environmental criteria.

Introduction

In recent years, the global transition toward sustainable development has significantly increased the importance of green investments, particularly in the field of renewable energy and environmentally responsible projects. The growing concerns over climate change, environmental degradation, and resource depletion have forced governments, financial institutions, and private investors to reconsider traditional investment approaches and prioritize environmentally sustainable solutions. In this context, green investment projects have emerged as a key driver of economic transformation, promoting both ecological balance and long-term economic growth.

Green investment projects, especially those related to green energy, play a crucial role in reducing greenhouse gas emissions and enhancing energy security. The shift from fossil fuels to renewable energy sources such as solar, wind, and hydropower has become an essential component of national and global development strategies. However, the effectiveness of such projects largely depends on the application of appropriate evaluation mechanisms that consider not only financial returns but also environmental and social impacts.

Traditional investment evaluation methods primarily focus on economic indicators such as profitability, return on investment, and payback periods. While these metrics remain important, they are insufficient for assessing green investment projects, which require a broader set of criteria. In particular, environmental efficiency indicators—such as carbon emission reduction, energy savings, resource efficiency, and ecological sustainability—must be incorporated into the evaluation framework. This shift reflects the growing recognition that economic performance alone cannot fully capture the value of environmentally sustainable investments.

Moreover, the development of international frameworks and standards, such as environmental, social, and governance (ESG) criteria, has further emphasized the need for

comprehensive evaluation approaches. These frameworks provide guidelines for assessing the environmental and social performance of investment projects, thereby facilitating more informed and responsible investment decisions. At the same time, the increasing integration of digital technologies and data-driven tools enables more accurate measurement and monitoring of environmental indicators.

Despite the growing interest in green investments, several challenges remain in their evaluation. These include the lack of standardized methodologies, difficulties in quantifying environmental benefits, and the limited availability of reliable data. In addition, there is often a trade-off between short-term financial returns and long-term environmental gains, which complicates investment decision-making processes.

Given these challenges, the development of effective evaluation criteria for green investment projects becomes particularly important. Such criteria should ensure a balanced assessment of both economic and environmental performance, taking into account the specific characteristics of green energy projects. Therefore, this study aims to analyze the key environmental efficiency indicators and evaluation approaches used in green investment projects, as well as to explore their role in promoting sustainable development.

Literature Review

The growing importance of green investments in the context of sustainable development has attracted significant attention from scholars and international organizations. The concept of green investment is closely linked to environmental sustainability, climate change mitigation, and the transition to low-carbon economies. According to the World Bank (2023), green investments are defined as financial flows directed toward projects that contribute to environmental protection, resource efficiency, and climate resilience. These investments are considered essential for achieving long-term sustainable economic growth.

A number of studies emphasize the role of green energy projects as a core component of green investments. The International Energy Agency (2023) highlights that renewable energy sources such as solar, wind, and hydropower are key drivers of decarbonization and energy transition. The agency argues that increasing investments in renewable energy significantly reduces greenhouse gas emissions and improves energy security. Similarly, the International Renewable Energy Agency (2022) reports that green energy investments not only contribute to environmental sustainability but also generate economic benefits through job creation and technological innovation.

In terms of evaluation methodologies, researchers have increasingly focused on integrating environmental efficiency indicators into investment assessment frameworks. According to Organisation for Economic Co-operation and Development (2022), traditional financial evaluation tools are insufficient for assessing green projects, as they fail to capture environmental and social impacts. The OECD recommends incorporating indicators such as carbon emission reduction, energy efficiency, and resource utilization into investment evaluation models.

The concept of Environmental, Social, and Governance (ESG) criteria has also gained prominence in recent years. ESG frameworks provide a comprehensive approach to evaluating investment projects by considering environmental performance alongside social and governance factors. According to the United Nations Environment Programme (2023), ESG-based evaluation enhances transparency and accountability in investment processes, enabling investors to align financial objectives with sustainability goals.

Furthermore, academic research highlights the importance of developing quantitative models for measuring environmental efficiency. Scholars such as Nicholas Stern emphasize that

climate-related investments should be assessed based on their long-term environmental benefits rather than short-term financial returns. Similarly, recent studies in energy economics suggest that indicators such as carbon intensity, energy productivity, and ecological impact assessments are essential for evaluating green energy projects.

Despite the progress in this field, several challenges remain. According to the OECD (2022), one of the main issues is the lack of standardized methodologies for evaluating green investments. In addition, the difficulty of quantifying environmental benefits and the limited availability of reliable data hinder the effective implementation of evaluation frameworks. The World Bank (2023) also notes that developing countries face additional challenges related to institutional capacity and financial resources.

Research Methodology

This study employs a qualitative research approach combined with elements of comparative and analytical methods to evaluate green investment projects. The research is based on a systematic review of scientific literature, international reports, and policy documents related to green energy and environmental efficiency.

A comparative analysis is used to examine traditional investment evaluation methods and green investment assessment frameworks, focusing on key environmental indicators such as carbon emission reduction, energy efficiency, and the use of renewable energy sources. In addition, logical analysis and synthesis are applied to identify the most relevant criteria for evaluating environmental performance.

The study relies on secondary data obtained from international organizations, including the World Bank, OECD, and International Energy Agency, ensuring the reliability and relevance of the research findings.

Analysis and Results

The analysis of green investment projects in the context of sustainable economic development shows that the integration of environmental efficiency criteria significantly improves the quality and effectiveness of investment evaluation. Unlike traditional investment approaches that primarily focus on financial returns, green investment assessment requires a multidimensional framework that incorporates both economic and environmental indicators. This shift reflects the growing importance of ecological sustainability and climate responsibility in modern investment decision-making.

One of the key findings of the study is that green energy projects demonstrate higher long-term efficiency compared to conventional investment projects, particularly due to their contribution to reducing carbon emissions and improving energy sustainability. Investments in renewable energy sources such as solar and wind power not only decrease dependence on fossil fuels but also create stable and predictable energy outputs over time. This enhances both environmental and economic resilience.

The analysis further indicates that environmental efficiency indicators play a central role in evaluating green investments. Among these, carbon emission reduction is considered one of the most critical criteria, as it directly reflects the environmental impact of a project. In addition, energy efficiency, measured by the ratio of output to energy input, serves as an important indicator of resource optimization. Projects that demonstrate higher energy productivity are generally more sustainable and economically viable in the long term.

Another important result is the increasing relevance of renewable energy share in total energy production. Projects that rely on a higher proportion of renewable energy sources are

more aligned with global sustainability goals and environmental standards. Furthermore, ecological sustainability indicators, including reduced environmental pollution and efficient use of natural resources, significantly influence investment attractiveness and long-term project viability.

The study also reveals that incorporating environmental criteria into investment evaluation reduces risks associated with environmental regulations, carbon taxes, and market uncertainties. Investors are increasingly prioritizing projects that meet environmental standards, as such projects are less exposed to regulatory risks and more likely to receive institutional support and financing.

At the same time, the analysis identifies several limitations in the current evaluation of green investment projects. These include the lack of standardized methodologies, difficulties in quantifying environmental benefits, and limited availability of reliable environmental data. Despite these challenges, the integration of environmental efficiency criteria into investment evaluation frameworks remains essential for achieving sustainable development goals.

To illustrate the comparative advantages of green investment evaluation, the following table summarizes key criteria:

Table

Key Criteria for Evaluating Green Investment Projects

Criteria	Description	Impact on Investment Decision
Carbon Emission Reduction	Decrease in greenhouse gas emissions	High
Energy Efficiency	Ratio of output to energy consumption	High
Renewable Energy Share	Use of renewable energy sources	Medium–High
Environmental Sustainability	Long-term ecological impact	High
Resource Efficiency	Optimal use of natural resources	Medium
Regulatory Compliance	Alignment with environmental standards	High

Overall, the results confirm that the application of environmental efficiency criteria significantly enhances the effectiveness of green investment evaluation. By integrating these indicators into decision-making processes, investors can achieve a balance between economic profitability and environmental sustainability, thereby contributing to the development of a green economy and long-term ecological stability.

Conclusion and Recommendations

The conducted research confirms that the evaluation of green investment projects requires a fundamentally new methodological approach that integrates both economic and environmental efficiency criteria. In the context of the transition to a sustainable and low-carbon economy, traditional investment evaluation models are no longer sufficient, as they fail to capture the long-term ecological and social benefits of green projects. Therefore, the incorporation of environmental indicators into investment assessment frameworks becomes a critical prerequisite for ensuring sustainable development.

The findings of the study demonstrate that green energy projects play a pivotal role in enhancing environmental sustainability and economic resilience. Investments in renewable energy sources not only contribute to reducing greenhouse gas emissions but also improve energy security and promote technological innovation. In this regard, environmental efficiency indicators—such as carbon emission reduction, energy efficiency, and resource optimization—serve as key determinants of investment attractiveness and long-term project viability.

At the same time, the research highlights that the integration of environmental criteria into investment evaluation significantly reduces exposure to regulatory and environmental risks. Projects that comply with international environmental standards and sustainability requirements are more likely to attract institutional investors and benefit from financial incentives, including green financing instruments and preferential lending conditions. Consequently, the adoption of green evaluation frameworks enhances both the stability and competitiveness of investment portfolios.

However, despite the growing importance of green investments, several systemic challenges remain. These include the lack of unified methodological standards, difficulties in quantifying environmental impacts, and insufficient availability of high-quality environmental data. In addition, the divergence between short-term financial returns and long-term environmental benefits continues to complicate investment decision-making processes. Addressing these challenges requires coordinated efforts at both national and international levels.

Based on the results of the study, the following scientifically grounded recommendations are proposed:

Firstly, it is essential to develop and implement standardized methodologies for evaluating green investment projects. These methodologies should incorporate a comprehensive set of environmental efficiency indicators and ensure consistency in assessment practices across different sectors and regions.

Secondly, governments should strengthen regulatory frameworks and introduce clear environmental standards for investment activities. The establishment of unified criteria for green investments will enhance transparency and facilitate the effective allocation of financial resources.

Thirdly, it is necessary to promote the development of green finance instruments, including green bonds, sustainable investment funds, and climate financing mechanisms. Expanding access to such financial tools will stimulate investment in environmentally sustainable projects.

Fourthly, significant attention should be given to improving data collection and monitoring systems related to environmental performance. The use of digital technologies, including big data and analytical platforms, can enhance the accuracy and reliability of environmental indicators.

Fifthly, capacity building and professional training in the field of green investment evaluation should be prioritized. Developing expertise in environmental economics and sustainable finance will support the effective implementation of green investment strategies.

Finally, further research should focus on developing integrated models that combine financial, environmental, and social criteria, as well as on assessing the long-term macroeconomic effects of green investments in emerging economies.

In conclusion, the effective evaluation of green investment projects represents a crucial element in the transition toward a sustainable economic model. The integration of environmental efficiency criteria into investment decision-making not only improves the quality of financial analysis but also contributes to achieving global climate goals, ensuring ecological balance, and fostering long-term economic growth.

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