

**THE EUROPEAN UNION'S EXPERIENCE IN DEVELOPING A GREEN ECONOMY**

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**Abstract:** *The European Union has emerged as a global leader in developing the concept of a green economy, which seeks to harmonize economic growth with environmental protection and social well-being. Over the past decades, the EU has implemented a comprehensive framework of policies, strategies, and financial mechanisms to promote sustainable development. This article analyzes the EU's experience in transitioning toward a low-carbon, resource-efficient, and socially inclusive economy. It examines key instruments such as the European Green Deal, the Emissions Trading System (EU ETS), the Circular Economy Action Plan, and the EU Sustainable Finance Taxonomy. The study highlights the importance of coordinated governance, technological innovation, and social justice in achieving long-term sustainability. The findings demonstrate that the European model provides valuable lessons for other regions seeking to balance economic competitiveness with ecological responsibility.*

**Keywords:** *green economy, European Union, sustainability, renewable energy, circular economy, European Green Deal, sustainable finance, carbon neutrality, climate policy.*

The European Union stands today as a global leader in the formation and promotion of the green economy, demonstrating how environmental sustainability and economic growth can coexist in a mutually reinforcing manner. The transition to a green economy in the EU has evolved over several decades, emerging as a response to resource depletion, climate change, and environmental degradation that became increasingly evident during the late twentieth century. The European Union's approach is grounded in the idea that long-term prosperity depends on harmonizing economic activities with environmental protection, social justice, and technological innovation. The concept of the

“green economy” within the European Union reflects a comprehensive transformation of production and consumption patterns, energy systems, and industrial processes, aiming to decouple economic growth from the use of natural resources and greenhouse gas emissions. This transformation is not limited to environmental policy; it encompasses fiscal, social, and industrial policies that together shape a new model of sustainable development. The evolution of the EU’s green economic model began with early environmental initiatives in the 1970s and 1980s, when member states recognized the need for coordinated action to reduce pollution and improve resource efficiency. However, it was only in the 1990s that environmental protection became a central element of the EU’s economic agenda, particularly with the adoption of the Maastricht Treaty (1992) and the establishment of the European Environment Agency (EEA). These steps institutionalized the principle of sustainable development as a guiding value for the European project. Over time, this principle was further consolidated through strategic frameworks such as the Lisbon Strategy (2000), the Europe 2020 Strategy (2010), and the most ambitious of all the European Green Deal (2019), which represents the culmination of decades of policy evolution. The European Green Deal embodies the European Union’s comprehensive plan to achieve climate neutrality by 2050. This long-term vision seeks to transform the EU into a modern, resource-efficient, and competitive economy that generates no net greenhouse gas emissions. It sets intermediate targets, including a 55% reduction in emissions by 2030 compared to 1990 levels. The strategy extends beyond energy and environment, influencing transport, agriculture, finance, trade, and innovation. It envisions a future where sustainability drives competitiveness, and where green investments serve as the foundation for economic resilience. The Green Deal reflects a paradigm shift: environmental objectives are no longer perceived as constraints to growth, but as essential drivers of modernization, innovation, and global leadership. One of the key pillars of the EU’s green economy transformation is the transition to clean and renewable energy. The European Union has made significant progress in decarbonizing its power sector, with renewable energy now accounting for more than 40% of electricity generation as of 2023. Policies such as the Renewable Energy Directive, the Energy Efficiency Directive, and the Emissions Trading System (EU ETS) have been instrumental in driving this shift. The EU ETS, launched in 2005, remains the world’s largest carbon market and has proven effective in reducing emissions from heavy industry and power generation. The steady rise in carbon prices—reaching nearly €90 per ton in 2023 has created powerful incentives for firms to invest in cleaner technologies, while revenues from the system are reinvested in innovation and just transition funds.

The European Union’s commitment to sustainable mobility represents another cornerstone of its green economic model. The development of electric vehicle infrastructure, the promotion of low-emission transport, and the introduction of stringent vehicle emission standards have accelerated the shift toward cleaner transportation. The “Fit for 55” package includes measures to phase out internal combustion engine vehicles

by 2035 and expand renewable-based transport fuels. These steps demonstrate how environmental regulation can drive industrial transformation, stimulating innovation in automotive technology, battery production, and hydrogen fuel systems. The EU's experience also highlights the crucial role of the circular economy—an approach that seeks to minimize waste and make the most efficient use of resources by closing production loops. The Circular Economy Action Plan, adopted in 2020, focuses on sustainable product design, extended producer responsibility, and waste prevention. It targets key sectors such as electronics, textiles, plastics, and construction, where material efficiency can deliver major environmental and economic benefits. By promoting repair, reuse, and recycling, the circular economy contributes not only to reducing pressure on natural resources but also to creating new jobs and business opportunities. According to the European Commission, the circular economy could increase the EU's GDP by 0.5% and create 700,000 new jobs by 2030.

Equally important is the EU's leadership in sustainable finance, which integrates environmental, social, and governance (ESG) criteria into financial decision-making. The EU Sustainable Finance Taxonomy, adopted in 2020, provides a classification system that defines which economic activities can be considered environmentally sustainable. This regulatory framework ensures transparency for investors and directs capital flows toward green projects, such as renewable energy, sustainable agriculture, and energy-efficient infrastructure. The establishment of the European Investment Bank (EIB) as a “climate bank” further reinforces this vision. The EIB has pledged to align all its financing with the Paris Agreement and dedicate at least 50% of its annual lending to climate and environmental projects by 2025. These measures reflect the EU's belief that financial markets must play a central role in driving the green transition.

The implementation of green economic policies in the European Union has also been accompanied by a strong focus on social inclusion and fairness. The transition to a low-carbon economy inevitably entails structural changes—some industries decline while others emerge. Recognizing the potential social costs, the EU has established mechanisms such as the Just Transition Fund, which allocates resources to regions most affected by the shift away from fossil fuels, particularly coal-dependent areas in Eastern Europe. This approach ensures that no one is left behind in the transition and that the benefits of green growth are distributed equitably. Social dialogue, skills retraining programs, and regional development strategies are integral to this process, demonstrating the EU's holistic vision of sustainability that encompasses environmental, economic, and social dimensions.

The European Union's experience in developing a green economy demonstrates how coordinated governance and long-term policy continuity can produce tangible results. The EU's success is largely attributed to its institutional architecture, where environmental policy is integrated across all sectors and levels of decision-making. The European Commission, the European Parliament, and the Council of the EU all play key



roles in shaping and enforcing green legislation. Moreover, the EU has been able to combine regulatory measures with market-based mechanisms, creating a balanced policy mix that encourages both compliance and innovation. Its ability to adapt and refine policies based on monitoring, research, and stakeholder engagement has been crucial to maintaining momentum and credibility. At the same time, the EU's path toward a green economy has not been without challenges. Member states differ significantly in their energy structures, economic capacities, and political priorities. While northern and western European countries such as Germany, Sweden, and Denmark have advanced rapidly, others face difficulties in financing the transition or reducing their dependence on fossil fuels. The energy crisis of 2022, exacerbated by geopolitical tensions and supply disruptions, tested the resilience of the EU's green agenda. However, rather than reversing progress, it reinforced the urgency of diversifying energy sources and accelerating investment in renewables. The crisis revealed that energy independence and environmental sustainability are not conflicting objectives but mutually reinforcing goals. The European Union's external dimension further amplifies its influence on global green transformation. Through its trade, development, and diplomacy policies, the EU promotes environmental standards and supports green initiatives beyond its borders. Instruments such as the Carbon Border Adjustment Mechanism (CBAM) ensure that imported goods are subject to the same carbon costs as domestic products, thereby preventing carbon leakage and encouraging global partners to adopt cleaner practices. In addition, the EU actively supports green transition programs in developing countries through financial aid, technology transfer, and capacity-building initiatives. This reflects the Union's commitment to global climate justice and its aspiration to lead by example in implementing the Paris Agreement and the UN Sustainable Development Goals (SDGs).

Looking forward, the European Union faces the task of deepening its green transformation while maintaining competitiveness in a rapidly changing global economy. The next phase of the green economy will depend heavily on innovation in digitalization, artificial intelligence, and biotechnology, which can further enhance resource efficiency and environmental performance. The integration of green and digital transitions—the so-called “twin transition”—is now a central theme in EU policy. Digital tools enable smarter resource management, precision agriculture, and efficient mobility systems, while sustainable technologies reduce emissions and waste. Together, they define a new model of industrial policy that is not only environmentally sustainable but also technologically advanced and globally competitive.

The EU's experience shows that the transition to a green economy requires vision, persistence, and coordination. It cannot be achieved through isolated measures but through a coherent strategy linking climate, energy, innovation, and social policy. The European Union has demonstrated that a commitment to environmental goals can drive modernization and global leadership. While many challenges remain ranging from financing needs and political consensus to external shocks the European Green Deal

provides a robust roadmap for achieving a balance between economic development and planetary health. The lessons of the EU experience extend beyond its borders: they illustrate that environmental ambition, when paired with institutional strength and public engagement, can become a catalyst for sustainable prosperity.

**Conclusion:** The European Union's experience in developing a green economy represents one of the most comprehensive models of sustainable transformation in the modern world. Its success lies in the combination of strong institutions, consistent policies, and the integration of environmental goals into all aspects of governance. The EU has shown that environmental policy can serve as a foundation for innovation, competitiveness, and social progress. While obstacles remain such as economic disparities among member states and the need for further technological advancement the EU's achievements prove that the green economy is not only attainable but also essential for long-term prosperity. The European experience serves as a powerful example for other regions seeking to transition toward a sustainable and resilient future.

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