

National climate financing vehicle and ESG investing in Korea

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2030 NDC

- 40% reduction target
- Year 2018 : 727.6 MtCO₂eq
- Year 2030 : 436.6 MtCO₂eq

National financing vehicle

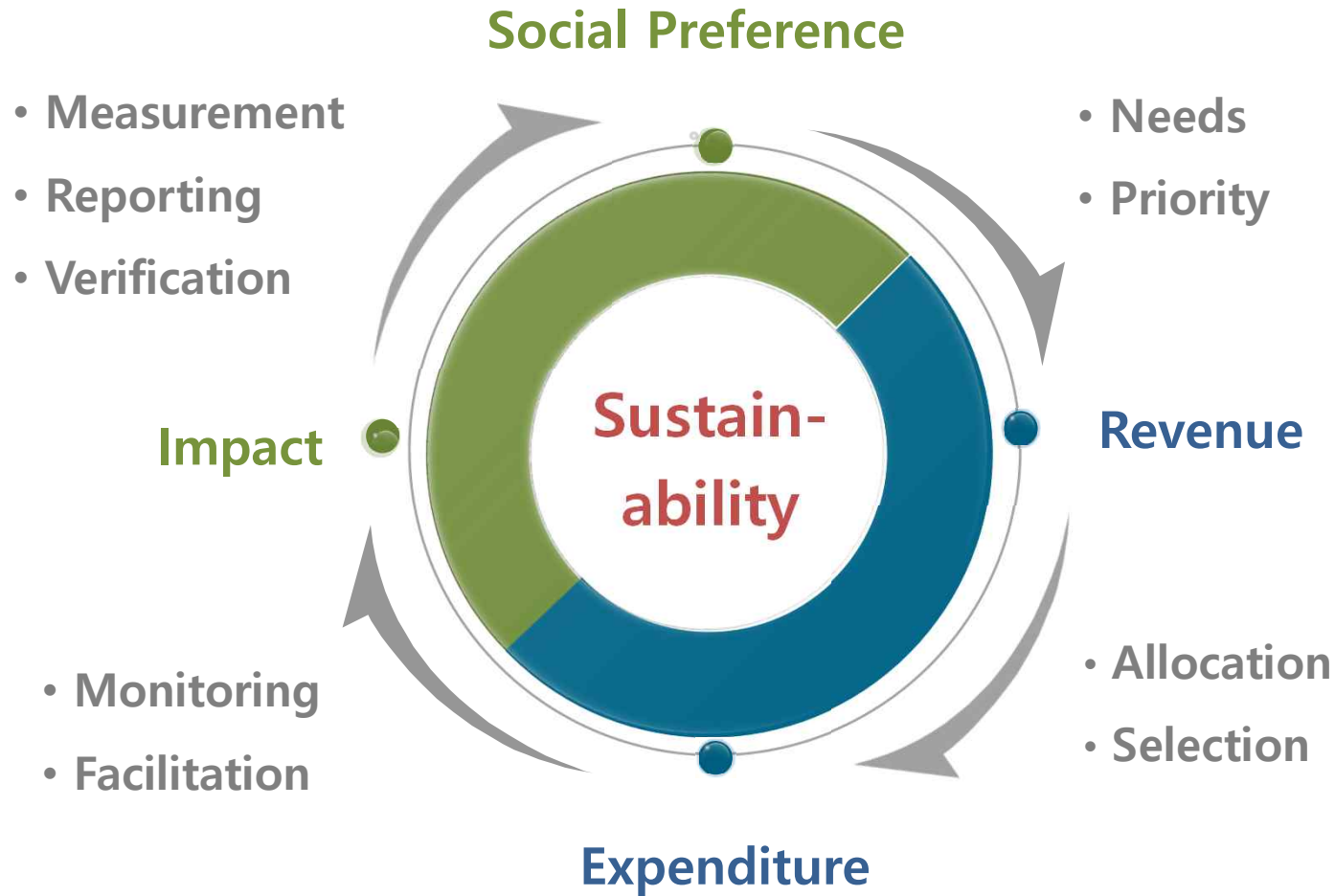
- Climate Response Fund
- 2,654 Billion KRW in 2022

Purpose

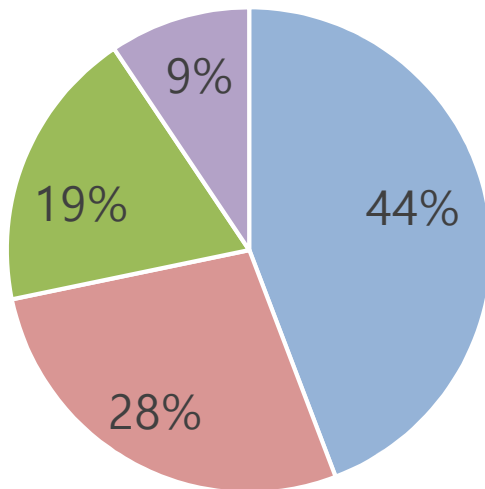
- Securing the financial resources necessary to:
- effectively respond to the climate crisis
 - promote the transition to a carbon-neutral society

Virtuous cycle

Sustainability beyond initial capitalization

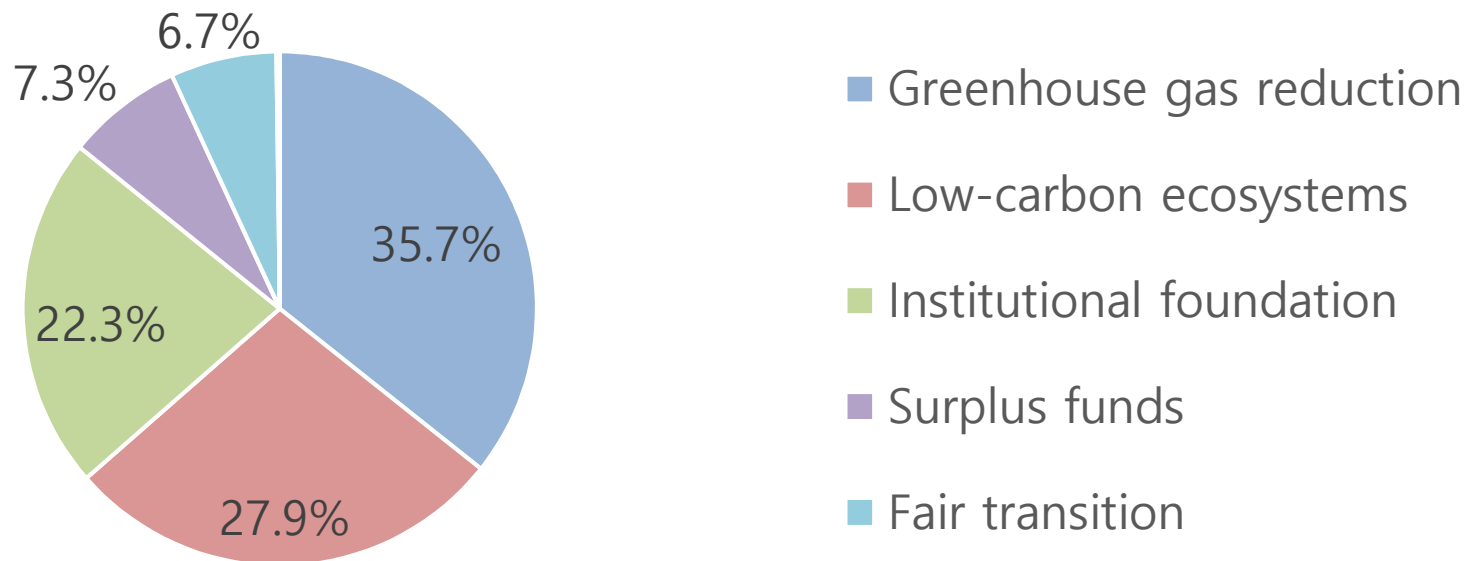


- **Framework Act on Carbon Neutralization** (Article 69②: Financial resources)
 1. Government contributions
 2. Contributions and donations from non-governmental persons
 - ...
 9. Other revenues prescribed by Presidential Decree
- **Fund Management Plan for 2022** (Revenue plan)



- Transfer from general account under Article 71
- Income arising from the allocation of emission rights
- Transfer from other accounts and funds
- Deposits from the Public Fund Management Fund

- **Framework Act on Carbon Neutralization** (Article 70: Use of Fund)
 1. Establishment and operation of the government's foundation for greenhouse gas reduction
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 11. Other purposes prescribed by Presidential Decree for responding to the climate crisis
- **Fund Management Plan for 2022** (Spending plan)





Correlation

ESG consideration when making investment decisions
The economics of climate finance ... all about ESG consideration

Direction

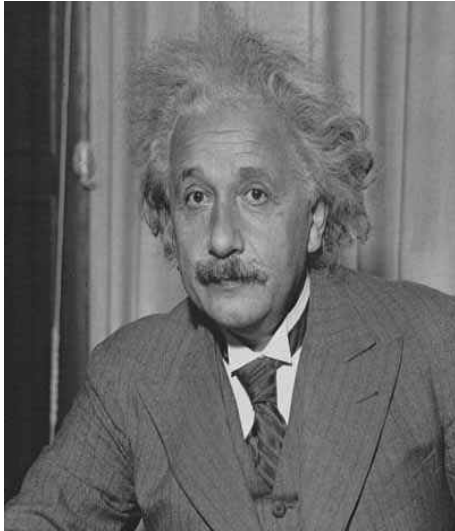
ESG investments (\$41 trillion) \gg Climate finance (\$632 billion)
NFV as a local hub ... credit creation, screening, monitoring, etc.

E&S

Externality ... (Private cost-benefit) \neq (Social cost-benefit)
Observability ... Measurement, reporting, and verification

G

Principle-agent problem between ESG investors and NFV
Monitoring ... Mitigating asymmetric and hidden information



We cannot solve our problems
with the same thinking we used
when we created them.

- Albert Einstein -

Thank you for listening!

