

PRESS RELEASE

Korea's green financing regime becomes vulnerable to greenwashing

Just days before COP26, the Korean government reveals draft taxonomy regulation which includes fossil gas and fossil fuel based-hydrogen, dangerously opening doors to more investment in climate-devastating fuels.

October 27, 2021 – The Korean Ministry of Environment has published an updated proposal for a classification system for environmentally sustainable activities ('K-Taxonomy'), akin to the EU's taxonomy regulation. However, the new K-Taxonomy draft has been found to include electricity generation using fossil gas and gas-based hydrogen, which environmental groups have criticized as 'greenwashing'.

The K-Taxonomy intends to provide science-based technical criteria for sustainable activities eligible for green investments. According to the Ministry of Environment's plans, K-Taxonomy will be applied to green bond issuance in the Korean capital market, and will serve as an important component of the green finance regulation. The ministry plans to finalize the draft by the end of this year after receiving public feedback by today.

The K-Taxonomy draft has gone through two rounds of "review and comment" process earlier this year. The latest change, released last Wednesday, is the most controversial one: The addition of LNG power generation and fossil fuel based-hydrogen power generation.

In response to the proposal, **Sejong Youn, climate finance program director of Seoul-based research and advocacy group Solutions for Our Climate**, said:

"Fossil gas is not a 'bridge fuel.' Fossil gas creates significant amount of greenhouse gas during extraction, processing, liquefaction, and transportation in addition to its end-use emission, which makes it not much better than coal when it comes to climate mitigation. Including fossil fuel projects in the green taxonomy goes directly against the purpose of the regulation."

"The South Korean economy is already exposed to significant stranded asset risks due to its heavy investment in fossil fuel projects." Citing SFOC's [recent report](#) with Carbon Tracker Initiative, Youn stated: "If Korea decides to replace its old coal fleet with gas power, the stranded asset risk will amount to \$60bn by 2050. The K-Taxonomy is the most recent example of the Korean government privileging fossil fuel industries over renewables, despite fossil fuel's dismal financial future on top of its environmental harm."

"Gas generation in Korea has already increased by 370% between 2001 and 2019. If the government passes the proposed guideline, new gas projects will be eligible for 'green finance' as eco-friendly businesses, further expanding fossil fuels. Not only does this risk shifting investment away from true 'green activities', but it can also set a dangerous global precedent. As one of the first countries to establish a taxonomy regulation, Korea has a critical role in establishing a successful green finance regime."

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Solutions for Our Climate (SFOC) is a South Korea-based group that advocates for stronger climate policies and reforms in power regulations. SFOC is led by legal, economic, financial, and environmental experts with experience in energy and climate policy and works closely with policymakers.

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