

PRESS RELEASE

World's third-largest pension fund faces pressure to quickly move away from coal

A \$757 bn state pension fund is planning to move away from coal. Environmentalists raise greenwashing concerns.

April 28, 2022 – The world's third-largest pension fund, South Korea's National Pension Service (NPS), will begin finalizing its coal-exit policy this coming month and environmentalists are demanding a concrete plan that goes beyond greenwashing. The NPS has a track record of investing [billions](#) in coal after pledging to exit.

In a joint statement, environmental organizations criticized the NPS has not sufficiently engaged civil society regarding its climate finance and coal phase-out. Environmentalists also raised "greenwashing" concerns, referring to the lax policy options that the NPS presented last month during the only public forum about its coal-exit plans.

Namely, the policy draft provides different ways to define coal companies. Depending on the chosen combination of coal-exit standards, companies still significantly reliant on coal-related businesses may continue to access capital from the pension fund.

"The main stakeholders of the NPS, the South Korean taxpayers, are being left out of this critical discussion about the future of their money and climate," said **Sooyoun Han, a climate finance researcher at Seoul-based Solutions for Our Climate.**

One possible definition of coal companies under the current guideline is those that derive half of their revenue from coal mining, which is "too limited in scope" and would "basically allow the NPS to continue business as usual, backing the world's biggest climate culprit," according to Han.

Amid rising concerns over the climate crisis, financial institutions from across the globe are announcing plans to shift their money out of fossil fuels. Major pension funds, such as the [Dutch APG](#) and the [New York State Common Retirement Fund](#), are quickly divesting from fossil fuels and pushing companies toward cleaner energy policies.

South Korea was also among a string of countries that pledged to end public financing of overseas coal to align with the 1.5°C pathway.

However, the country's own pension fund remains heavily invested in fossil fuels. In fact, after its pledge to exit from coal, the NPS added another USD 1.5 billion to its coal portfolio the same year. The move disregards the International Energy Agency's warning that there should be [no more fossil fuel developments](#) for the world to reach net-zero emissions by 2050.

In addition, climate laggards, such as the NPS, are expected to face huge financial losses if they do not quickly decarbonize. According to the new [IPCC report](#), fossil fuel assets, especially coal, will soon become stranded as the world transforms its

energy systems to limit the rising temperature.

“The NPS is South Korea’s largest coal investor. If it truly cares about the financial well-being of the Korean people, it needs to divert its capital from fossil fuels to forward-looking companies, such as renewable energy generators. The time is now,” said Han.

South Korea’s NPS may also utilize another key loophole for conditional approvals, which allow exceptions for coal companies that plan to convert to fossil gas, currently defined as a transitional sector under South Korea’s [taxonomy](#). Environmentalists argue that only companies with robust plans to transition to the ‘green’ sector, as defined in the taxonomy, should be considered for financing.

“The NPS needs to realize this is about risk management. The pension fund is responsible for safeguarding the retired life for the entire nation, and this cannot be done without reducing the carbon intensity of its portfolio. The NPS needs to set a robust criteria on coal, and set an example for the other financial institutions in Korea whose coal policy is still very lax.” said **Sejong Youn, director of Plan 1.5, a South Korean non-profit climate advocacy group**.

ENDS.

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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