

GREEN FINANCE TASK FORCE HOLDS KICK-OFF MEETING

Vice Chairman Sohn Byungdoo presided over a kick-off meeting of the green finance task force on August 13. The task force will work to establish a monitoring system for financial risks emanating from climate change, boost investment in green industries and consider the possibility of joining international networks on green finance.

The following is a summary of Vice Chairman Sohn's remarks.

(GREEN SWAN) In January this year, the BIS introduced the concept of the 'Green Swan,' warning about the possibility of financial crisis caused by climate change. In the BIS report, the threat of climate change is characterized by unpredictability, severe ripple effects and extensive negative externalities.¹ As such, major countries and international organizations have come to understand the threat of climate change to the financial sector. In July 2017, the FSB Task Force on Climate-related Financial Disclosures made recommendations to help companies disclose climate-related financial risks, and in December of the same year, the Network for Greening the Financial System was launched by central banks and regulators from major economies.

(PROACTIVE MANAGEMENT) Climate change can threaten the stability of the financial system in many different ways. There are physical risks that financial institutions may face as physical damages caused by climate change can have ripple effects through insurance, loans and investment. In addition, there are transition risks that can have negative effects on the stability of the financial system as a transition to low carbon economy can lead to an abrupt fall of carbon intensive industries. In this regard, the government will strengthen its efforts to monitor and identify climate change risks to maintain stability in the financial system.

Financial institutions should also consider taking into account the environmental, social and governance factors alongside the traditional risk factors such as credit or liquidity risks for their asset management. In this regard, the government will work to lay foundations to encourage investors to consider environmental risks when making investment decisions.

(GREEN INVESTMENT) Building a sustainable future amid climate change requires efforts of both adaptation and mitigation. The government will lead the public-private joint efforts to boost investment in green industries. The 'green new deal' is a part of the Korean new deal initiative introduced on July 14 aimed at laying foundations for a sustainable growth. Finance will play a significant role in this respect.

¹ Please click [here](#) to see the report.

The government will work to prevent greenwashing and minimize market confusions by specifying the scope of green industries, while providing new investment opportunities through enhanced liquidity in the market. To strengthen international cooperation, the government will also review the possibility of joining international networks, such as the NGFS and TCFD.

(GREEN FINANCE TASK FORCE) The BIS report states that there is “certainty about the need for ambitious actions despite prevailing uncertainty regarding the time and nature of impacts of climate change.” Green finance for climate change risks is a vast topic that affects the whole economy and industries. Thus, it is important to create a synergy between the government, relevant institutions and the private sector to draw up and pursue effective and consistent policy.

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