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RECIPIENT

Giancarlo Giorgetti Minister of Economy and Finance of Italy
Fabio Panetta Governor of Bank of Italy

Re: Urgent appeal to address South Korea's financing of international fossil fuel expansion

We, a coalition of international civil society organizations committed to environmental sustainability and climate action, are writing to express our deep concerns regarding South Korea's ongoing financial support for fossil fuel expansion. This continued investment strongly misaligns with global climate objectives and undermines the necessary transition toward renewable energy sources.

Recent years have seen severe climate events which clearly demonstrate the impacts of global warming. 2023 was the warmest year on record, with global temperatures surpassing 1.5 degrees Celsius above pre-industrial levels for the first time. This increase in temperatures contributed to a deadly heatwave in Europe resulting in thousands of deaths. Additionally, it led to the largest wildfire ever recorded in the European Union and unprecedented floods in Asia.

According to recent data from Oil Change International, between 2020 and 2022, South Korea emerged as the second largest publicly financed fossil fuel investor among G20 nations, with annual investments exceeding USD 10 billion. Should Canada, currently the largest investor, cease new fossil fuel investments following its commitment as of the end of 2022 to implement the Clean Energy Transition Partnership (CETP), South Korea would become the leading national investor in fossil fuels worldwide.

This level of investment directly contradicts the objectives of the Paris Agreement. The Intergovernmental Panel on Climate Change (IPCC) has clearly stated that to limit global warming to 1.5°C, global emissions must be halved by 2030 and reach net-zero by 2050. Furthermore, the International Energy Agency (IEA) has emphasized that new fossil fuel developments are incompatible with these targets, cautioning against reliance on proven failure technologies such as hydrogen, ammonia, and Carbon Capture and Storage (CCS). These technologies divert resources from proven renewable technologies, extending the lifespan of fossil fuel infrastructure and risking the surpassing of global emission thresholds.

Despite these warnings, 84% of South Korea's fossil fuel financing during this period was directed towards gas projects and 72% was invested in LNG transportation projects, where notably Korean shipbuilders dominate almost 80% of the market. These investments are likely to result in an oversupply of LNG carriers, leading to massive ensuing stranded asset risks and exacerbating dependency on fossil fuels in Southeast Asia – a significant recipient of Korea-backed financing with immense potential for renewable energy development. It is a critical juncture for South Korea to pivot toward supporting renewable projects, serving as a linchpin for regional and global energy transformation.

However, clean energy financing in South Korea averaged just USD 850 million (about KRW 1.15 trillion) per year over the same period, less than one-thirteenth of its fossil fuel financing. Neighboring

Japan averaged USD 2.3 billion (about KRW 3.1 trillion) per year in clean energy financing, more than three times the amount in South Korea, indicating that South Korea is slowing down the rapid growth of renewables in the region.

In 2021, more than thirty countries signed on to the Glasgow Statement at COP26, pledging to redirect government-backed international financing away from fossil fuels and prioritize clean energy. Regrettably, South Korea has yet to join this commitment, continuing to invest heavily in the development of fossil fuel projects overseas, thereby undermining global climate efforts. The G7 committed to reduce their reliance on fossil fuels at the Germany G7 Leaders' Summit in 2022, and further underlined this commitment to accelerating the phase-out of unabated fossil fuels to achieve net zero in energy systems by 2050 at the Japan G7 Leaders' Summit in 2023. At COP28 in Dubai, in the outcome of the first Global Stocktake, the parties agreed that the effort to reduce greenhouse gas emissions must be accelerated within this critical decade with the transition away from fossil fuels in energy systems. In April 2024, the G7 Climate, Energy and Environment ministers reaffirmed their commitment to implement the Global Stocktake outcomes, and it is critical that this commitment is supported with clear expectations to cease new financing of fossil fuels.

In response to these critical issues, we ask you to:

1. Urge South Korea to stop providing public finance in support of the global fossil fuel infrastructure expansion:
 - Engage directly with the South Korean government to establish clear expectations for ending new fossil fuel financing.
2. Promote comprehensive financing into clean energy transition:
 - Support South Korea in signing on to the 'Clean Energy Transition Partnership', and to exponentially increase public support for Renewable energy.
 - Encourage international cooperation to support a just transition to renewable energy, ensuring robust financial mechanisms are in place to provide technological advancements and financial assistance to developing regions.
3. Enhance accountability and transparency:
 - Encourage South Korea to improve transparency and accountability on climate change by having public financial institutions disclose the climate impacts of their portfolios as well as climate-related risks.

By addressing South Korea's role in fossil fuel financing, the G7 can lead a transformative global effort to support sustainable development. We value your leadership and eagerly anticipate your active role in promoting a sustainable and equitable global energy landscape.

Yours sincerely,

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