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# KOREA DEVELOPMENT BANK



*This is a dashboard summary for this bank from E3G's major report "Banking on Asia: Alignment with the Paris Agreement at six Development Finance Institutions in Asia". Please see the full report for the detailed analysis behind this summary.*

**Founded:** 1954

**Mission:** To contribute to the development of Korea's financial industry and economy<sup>1</sup>.

**Total assets:** KRW 263,076 billion / USD 220 billion<sup>2</sup>

**Headquarters:** Seoul, South Korea

**Top shareholders:** Government of the Republic of Korea (100%). The Ministry of Economy and Finance owns the lion's share (91.71%). The Ministry of Land, Infrastructure and Transport (7.60%) and Ministry of Oceans and Fisheries (0.69%) have minor stakes. Note that KDB reports to the Financial Services Commission, rather than the Ministry of Economy and Finance.

**Key moments and decisions coming up:**

- Ministry of Trade, Industry and Energy to set the 9th Electricity supply plan in December 2019.
- Ministry of Environment's obligation to update Korea's NDC and agree a long-term emissions reduction strategy in 2020.

**Summary of Paris-alignment assessment:** The Korea Development Bank has a significant amount of work to do to implement its commitment of aligning to the Paris Agreement on climate change. It would appear that this work has only just begun. It should prioritise the creation of an overarching climate strategy (and dedicated climate change team within the institution), full GHG accounting and targets and implementing fossil fuel exclusion policies.

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<sup>1</sup> KDB (2017) **Annual Report 2017**, page 12.

<sup>2</sup> KDB (2018) **Annual Report 2018**, page 3, converted with rates as at 16/09/2019.



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Figure 1: A summary of the assessment of KDB's Paris Agreement alignment

Indicator	Summary
Overarching climate strategy	Not Paris-aligned – KDB does not have a standalone climate strategy, but recognises climate change as a “challenge” in its overarching strategy.
Integration of climate mitigation and resilience in key sectoral strategies	N/A – There is no information or evidence of sector-specific strategies. There are plans to finance projects related to hydrogen/electric charging stations, electric vehicles and public transport.
Transparency of climate finance data	Not Paris-aligned – No project level information is available and there is no disclosure of financial intermediary sub-projects.
Energy efficiency strategy, standards and investment	Not Paris-aligned – KDB has no separate energy efficiency guidelines, but adheres to OECD efficiency guidelines on coal-fired power generation.
Fossil fuel exclusion policies	Not Paris-aligned – KDB has no coal, oil or gas exclusions and there are examples of KDB loans for coal, oil extraction and gas projects. However there appears to be no financing of new coal power stations in Korea due to government policy.
Greenhouse gas accounting and reduction	Not Paris-aligned – There is no GHG accounting at project or portfolio level (with the exception of renewables projects financed by green bonds). This is despite being a signatory of the Equator Principles and accredited to the Green Climate Fund.
Climate risk, resilience, and adaptation	Not Paris aligned – No processes to screen or manage climate risks at project level, no disclosure of adaptation finance
Green/brown energy finance and scaling up climate investment	Not aligned – Low level of climate financing reported and high fossil fuel investments
Technical assistance for implementing Paris goals	N/A – Almost no information could be located on KDB technical assistance.
Promotion of green finance	Some progress – It is unclear how the support on green finance is carried out, and there is only limited information on green bonds.

**Paris-aligned project case study:** Phase 3 of the Mohammed bin Rashid Al Maktoum<sup>3</sup> 800MW Solar PV power plant in United Arab Emirates which will receive a USD 100 million loan funded by KDB Green Bond proceeds<sup>4</sup>.

<sup>3</sup> EDF Renewables (2017) **800MW third phase of Mohammed bin Rashid Al Maktoum Solar Park reaches financial close**

<sup>4</sup> Sustainalytics (2017) **KDB green bond: framework overview and second opinion**, page 9.



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**Misaligned project case study:** Two new coal power plants that are to be added to the Suralaya power complex near Jakarta, Indonesia. The plants will have a combined capacity of 2,000MW and cost USD 1.67 billion<sup>5</sup>.

**Recommendations:**

- > KDB should put in place a standalone climate strategy, in addition to its implementation of Korea government policy in this area.
- > KDB should put in place a fossil fuel exclusion for coal, and then extend that to oil and gas projects. It is noted however that as the Korean government has no current plans for coal-fired power stations, KDB in turn has no plans to finance any coal power stations in Korea.
- > KDB should start providing project-level and portfolio data, including GHG emissions, to increase its transparency. Publishing GHG data would bring it into line with the Equator Principles to which it has committed.
- > KDB (or the Korean government, as appropriate) should consider creating a new “Korean green bank” institution that would have as its explicit mandate the financing of green sustainable infrastructure within and outside of Korea.

**Leadership area:** The KDB is the only bank assessed in this report to have signed up to the Equator Principles, which are based on the IFC’s environmental, social and human rights performance standards, and represents a minimum starting point for financial institutions. It was also accredited to the Green Climate Fund in 2016, which is a significant achievement, and it is understood that it may shortly submit some projects to the GCF.

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<sup>5</sup> Asia Times (2018) [Korean Banks urged to halt funds for Indonesian coal fired plants](#)