

**MINUTES of**  
**The 6<sup>th</sup> Tripartite Roundtable on Environmental Business**

**Dates:** December 17<sup>th</sup>, 2021

**Location:** Seoul, Korea

**Method of meeting:** Online and Offline Hybrid Meeting

**Theme:** Sharing Innovative Development Model of Green industry for facilitating transition to Green Economy

**Participants:** Korean, Chinese, Japanese delegates

OPENING SESSION

**Ms. CHOI Jina, Secretary General, Korea Environmental Industry Association (Korea)**, the Chair of Opening Session, started the 6<sup>th</sup> TREB.

**Mr. JANG Lee-Jae, Director of the Green Industry Division, Green Transition Policy Bureau, Ministry of Environment (Korea)** made an opening remarks welcoming all delegates from China, Japan and Korea.

**Ms. SUGO Naomi, Deputy Director, Environment and Economy Division, Ministry of Environment (Japan)**, gave a brief summary of the 5th TREB meeting.

SESSION 1: Green Finance

**Ms. ZHANG Xiaolan, Senior Specialist, Foreign Environmental Cooperation Center, Ministry of Ecology and Environment (China)**, the Chair of Session 1, started the session with an introduction of the topic and presenters for the session.

**Mr. KONDO Takashi, Director, Minister's Secretariat, Environment and Economy Division, Ministry of Environment (Japan)**, delivered a presentation on "Promoting ESG Finance in Japan". He started his presentation with an introduction of three pillars

in promoting ESG Finance in Japan. The three pillars are facilitating ESG commitments by financial institutions and engagement based on ESG disclosure, implementing ESG regional finance to solve local issues, and expanding investments and loans with positive impacts, by supporting a development of guidelines and projects. Mr. KONDO emphasized the importance of formulation of financial institution's strategies for a transition to a decarbonized society through scenario analysis and examination of portfolio carbon analysis. Also, to promote regional ESG finance, Ministry of the Environment in Japan provides consultation to support regional financial institutions through "Promotion program." The consultation data have been compiled into "Practical Guide to ESG Regional Finance." In addition, there is a roadmap for the dissemination of impact finance, which aims to have a positive impact on the environment, society and the economy. He shared the current status of guideline development which that can support investors to improve their autonomous ESG investment practices and practical skills.

**Mr. HAN Yong, Board Chairman of Chongqing Environmental Fund Co. Ltd. (China)**, delivered a presentation on "Current Chinese Green Fund Market and Development Outlook under Carbon Neutrality Goals". He mentioned the definition and the significance of green funds in China. Also, he briefly introduced policy supports for green funds from 2011. There are four models of green funds sorted by initiators and applied areas. Furthermore, Mr. Han pointed out some challenges facing China in the development of green funds such as insufficient regulations, policies and enthusiasm for private capitals. As China declared carbon neutrality by 2060, several carbon financing policies are issued and the government selected eight key areas of carbon market investment such as power, transport, building and agriculture and so on. He introduced 9 green investment practices by Chongqing Environmental Fund Co., Ltd (CEFC), specialized in environmental equity investment, such as Shandong Aofu Environmental Technology Co., Trina Solar Energy Co., and GEM Co., Ltd.

**Mr. KEUM Byoung-Uk, Deputy Director of Green Transition Policy Division, Green Transition Policy Bureau, Ministry of Environment (Korea),** presented “Progress of Green Finance in Korea.” He started a presentation with the definition of green finance in Korea. He shared the progress of green finance at the Ministry of Environment and formation of taskforce with Financial Services Commission to discuss ways to create incentives for each financial product, receive feedback on guidelines for green bond, and review the draft version of K-taxonomy. K-taxonomy is a classification of green economic activities contributing to reduction of greenhouse gas, adaptation to climate change, and improvement of environment. It was developed to support facilitation of green investment and prevent greenwashing. Mr. Keum also mentioned a standardized system for environment assessment that can apply financial institutes to facilitate green finance, Ministry of Environment to expand mandatory items in the environment information disclosure system, and assessment organizations to provide meaningful assessment results. He concluded the presentation with future plan for support and promotion in providing customized consultation, in designation an organization for green finance and in holding awards for excellent companies in green finance.

During discussion time, an active discussion was made.

- 1) **China to Korea:** In Environmental information disclosure or in ESG finance, which ministry or institution are you working with?

**Korea to China:** Ministry of Environment has been working on Environmental information disclosure system and Financial Services Commission has been working on ESG finance. In long-term point of view, Ministry of Environment and Financial Services Commission will cooperate to develop an environmental information disclosure system and ESG finance that can reflect Korea market and meet with global standard.

- 2) **Korea to Japan:** Do you have any plan for developing a Taxonomy? It seems that Japan’s guideline for transition finance does not have specific standard. How would you define transition finance and support enterprises?

**Japan to Korea:** Instead of giving specific definition or standard our approach is to provide principles with non-exhaustive lists that can respond to new innovation. The principle is in line with The International Capital Market Association (ICMA)'s. Also, in the context of transition finance, investors are supposed to check whether the enterprises or companies have specific strategies for green transition such as how they will achieve their goals and how they will raise credibility. To support their decision making, several industries like steel and energy are setting up a roadmap for climate transition. Financial institutions and investors will analyze the roadmap and each companies' strategy and then will make their decision.

- 3) **Japan to Korea:** Does K-taxonomy quantitative metric for green finance like Europe's?

**Korea to Japan:** K-taxonomy is modeled after the EU taxonomy. It includes diverse economic activities and standards. There is industry that does not need quantitative metric such as renewable energy and zero emission vehicle, but we do have quantitative evaluation for some carbon-emission industries.

## SESSION 2: Response to Climate Change and Greenhouse Gas Mitigation

**Ms. SUGO Naomi, Deputy Director, Environment and Economy Division, Ministry of Environment (Japan),** Chair of Session 2, started the session with an introduction of the topics and presenters for the session.

**Mr. LU Guoqiang, Senior Specialist of Foreign Environmental Cooperation Center, Ministry of Ecology and Environment,** delivered a presentation on "Carbon Neutral Development in China." China aims to achieve carbon neutrality before 2060. China is contributing to carbon emissions now but the timeline is shorter than other countries. Moreover, China is establishing strong mitigation and adaptation policies since 11<sup>th</sup> 5-year plan. Especially, in 14<sup>th</sup> 5-year plan, by selecting eight key carbon peak industries, the government manages those industries to propose clear carbon

peak goals and formulation carbon peak action plans. Mr. Lu introduced the low carbon pilots which have been started since 2010. Now, some cities and enterprises in China have each timeline for low-carbon emission goals. He also mentioned the carbon neutralization's impact on business and emphasized the necessity for energy revolution and low carbon technologies. With new technologies and energy revolution, economic map would be redefined for workers, companies, and local economy. He shared the status of carbon removal study and the application of technologies on greenhouse gas emission reduction in crop production. Lastly, Mr. Lu stated the international partnerships and efforts of China to achieve carbon neutrality in the globe.

**Mr. SAEKI Suguru, Climate Change Policy Division, Global Environmental Bureau, Decarbonization in Corporate Management and Support Measures, (Japan),** presented “Decarbonization Management and Efforts Supported by the Ministry of the Environment”. Decarbonization management in the socio-economic context is promoted through corporate management that incorporates action into addressing climate change. As ESG finance was taken notice of worldwide, Japan expanded ESG market by 4.2 fold. With the development of ESG finance, disclosure of management strategies to address climate change (TCFD) and the setting of targets for decarbonization (SBTs and RE100) have been expanding. Not only the global or large companies but also their suppliers are involved in decarbonization. SBT, for example, certifies not only reduction targets of Scope1&2 but also a reduction target of Scope 3, which is indirect emission of greenhouse gases by the company itself outside of Scope 1 or 2. In addition, TCFD recommends disclosure of a total of 11 items in 4 themes, which are core elements of organizational management. One of these 11 items is disclosure of information using analysis of specific climate change scenarios. Mr. Saeki also mentioned Corporate Governance code, which is a compilation of key principles to achieve effective corporate governance. He finalized the presentation with the details on each phase of decarbonization management and the support options for each phases by MOEJ.

**Prof. KIM Jeong-In, Chung-Ang University (Korea)**, delivered "South Korea's Actions Towards Carbon Neutrality". Professor Kim started the presentation with background of carbon neutrality and status and countermeasure of overseas countries. He stated that Korea aims for net zero carbon emission by 2050. Korean Companies such as LG Electronics, LG Chemical, POSCO, and Hyundai Steel set the target of cutting carbon emissions from its manufacturing processes and enhance its efforts for reducing external emissions. By 2050, Key industries should meet emission reduction targets. For example, in steel industry Carbon-based process will be replaced by hydrogen reduction steelmaking. In cement industry, 53% reduction in emission will be made through 100% fuel transition and partial material transition. In petrochemicals and refinery, fuel transition and material transition will lead to 73% reduction in emissions. He also mentioned the importance of transition in stranded industries and industrial restructuring through carbon neutrality. It is predicted that the demand for electrification and autonomous vehicle parts will increase but, for internal combustion engine parts and jobs are likely to decrease due to downsized business of suppliers. He concluded the presentation with future direction for carbon neutrality in Korea. He stated that it is important to have bold regulatory reform and tax support for energy, automobile industry. R&D and financial support, and establishment of a public-private partnership would help nurturing new green industries.

During discussion time, active discussion was made.

**1) China to Korea:** What is numerical value of carbon emission reduction from 2018 to 2021?

**Mr. Jang Lee-Jae (Korea) to China:** We had a carbon emission peak in 2018, 727.6 million tons and since then, it decreased and will be decreased to 436.6 million tons by 2030. We made green house gas mitigation roadmap in 2013. However, there was a demand of more reduction, and Moon Administration announced carbon neutrality by 2050.

**Prof. Kim Jeong-In (Korea) to China:** It has been 727.6 million tons in 2018 but decreased by approximately 690 million tons by now. There is Covid19 effect in this reduction, but still, it is decreasing

**2) China to Japan:** How is Japan's carbon emission market? How is the trading volume and value? Do you have any plan for partnerships with other country?

**Japan to China:** We do not have a nation-wide carbon market at the moment. We have been contributing to establishing rules under the Article 6 of the Paris Agreement and implemented Joint Crediting Mechanism (JCM) for international carbon credit.

**3) Korea to China:** What is China's future direction for carbon emission?

**China to Korea:** From this year July, China required companies to participate in carbon neutrality. There is 1 industry (petroleum thermal power), including 2200 companies and takes 45% of carbon emission for now to be required to involve in carbon neutrality. However, after 1-2 years, we will include more industries like steel and cement. And if possible, all 8 industry that we selected will be included. Therefore, China will have the biggest carbon market with mandatory and voluntary participants.

## CLOSING SESSION

The closing session was made by the chair of the closing session, **Ms. CHOI Jina, Korea Environmental Industry Association (Korea).**

**Mr. ZHOU Jun, Division Chief of Asian, African, and Latin American Affairs Division, Department of International Cooperation, Ministry of Ecology and Environment (China)** gave an introduction to the 7th TREB.

**Mr. JANG Lee-Jae, Director of the Green Industry Division, Green Transition Policy Bureau, Ministry of Environment (Korea)** made a closing address. He expressed his gratitude to all participants.

**Mr. ZHOU Jun, Division Chief of Asian, African, and Latin American Affairs Division, Department of International Cooperation, Ministry of Ecology and Environment (China)** made a closing address. He thanked participants for having a great roundtable.

**Ms. SUGO Naomi, Deputy Director, Environment and Economy Division, Ministry of Environment (Japan)**, made a closing address. She expressed her thanks to Korea for preparing the 6<sup>th</sup> TREB and thanked all the participants.

Commemorative photographs were taken during the photo session.