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Press Release

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PLANS TO FINANCE GREEN GROWTH RELATED INDUSTRIES

The Korean government plans to promote investment in green growth related industries. The plan is aimed at creating funds fit for the industries and expanding sources of financing as a way to prevent potential bubble in the industries.

Background

Both financing in the financial market and by the government are not fit for green growth related industries because 1) projects in the industries have a lot of uncertainties, 2) it will take long to realize return on investment in those projects, and 3) the external benefit is larger than that of other projects.

Directions of the plan

To attract private investment, the government decided to remove uncertainties: The government will introduce a certification system to approve green technologies and projects, and verify companies involved in green growth related projects as “green enterprises” if they qualify for government’s requirements.

The plan

The plan is formulated on the basis of the three stages of development.

Stage 1: R&D and commercialization

To promote R&D projects and their commercialization, the government will increase fiscal support from 2.0 trillion won in 2009 to 2.8 trillion in 2013, along with 300 billion won funds set up by the KDB (Korea Development Bank).

SMEs doing projects in stage 1 will access fiscal funds exclusive for them, which will be expanded from 60 billion won in 2009 to 1.1 trillion won in 2013.



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Credit guarantee offered to “green enterprises” and green projects will also be increased almost three folds from 2.8 trillion won in 2009 to 7 trillion won in 2013.

Stage 2: Industries maturing

To boost maturing industries, the “green funds” of 500 billion won will be formed by the KDB and National Pension Fund in the last half of this year, along with long-term deposit products and “green bonds” launched by banks to attract private investors. The government will grant tax incentives on capital gains: no tax on dividend up to 30 million won, among others.

Stage 3: Industries fully grown

To support fully grown industries, 100 billion won carbon funds will be set up in October 2009, followed by carbon emission rights exchange which will be test run in 2011. To promote exports of eco-friendly industries and projects, the government will expand export financing from 1.0 trillion won in 2009 to 3.0 trillion won in 2013 in addition to increased government guarantee for exporters.

Detailed plan

A detailed plan to support eco-friendly cars and LED lighting was set up based on the plans by stages. Eco-friendly cars, which are in the commercialization stage, will have 200 billion won of project financing for facilities investment. In the case of LED lighting, 100 billion will be financed to help replace conventional lighting with LED lighting in public places.

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