

For release from 10:30, Saturday, October 16, 2010

**The 7th China International Finance Forum
Opening Keynote Speech**

Korea's Progress on Green Growth & Green Finance Initiatives

**Saturday, 16, 2010
Chateau Star River Hotel Pudong,
SHANGHAI, CHINA**

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The speech transcript below is provided for the convenience of the press. Please bear in mind that there may be slight discrepancies with the actual contents

<Opening Remarks>

Ladies and gentlemen, and distinguished guests,
My name is Kwon Hyouk-Se, Vice Chairman of Korea's
Financial Services Commission.

It is an honor to be here at the 7th China International Finance
Forum, and I thank you for allowing me to speak to you about
Korea's green growth initiatives and our policies for green
finance.

<Significance of Green Growth>

There is an old Chinese saying of '*Cang-Hai-Sang-Tian*' (桑田碧海, 상전벽해)', which means, a mulberry field
turns to a blue ocean.

The inside meaning is that the world changes that quickly and
that dramatically.

Recently, I have had the opportunity to visit a lot of cities
around the world in meetings on global financial reform.

But no other city changes on a daily basis as rapidly as Shanghai.

In particular, I was deeply impressed by what China has achieved in such a short period of time based on abundant natural and human resources combined with advanced technologies.

It is certainly a miracle to have achieved that much growth within only twenty to thirty years, whereas advanced economies had to go through two hundred years period of 'industrialization'.

But the world economy is now faced with an unprecedented challenge.

The quantitative economic growth model reliant on using up natural resources and labor can no longer be a viable choice for us to make.

And we are unable to bring about sustainable economic development by consuming fossil fuels like oil and coal.

We must acknowledge that the main stumbling block for the world economic recovery is, in fact, the soaring oil prices and the global competition to secure more natural resources.

Moreover, there are warnings everywhere that if we neglect the environmental problems highlighted by the global warming phenomenon, there will certainly be great calamities to the human race.

So, what do you think is the solution to the new challenge we are facing today?

Worldly renowned scholars and advanced countries find the answer in **green growth**.

The New York Times columnist, Thomas Friedman predicts in his book called "Code Green" that those who "**outgreen**" others will gain a competitive edge in the future.

Advanced countries including the U.S., Japan, and the European Union are increasing investment in green

technology such as eco-friendly energy industries while preparing themselves for climate change.

I believe we need to get out of the old-fashioned thinking that the 'environment' and 'growth' cannot be compatible.

They are, and should be compatible.

That is the way we can secure new momentum for growth.

Green growth is about a shift in thinking that we can discover a new growth engine and create new jobs through eco-friendly technologies and industries.

<Korea's Plan for Green Growth>

Korea has been very active in pursuing green growth.

Since we announced the "Low-Carbon Green Growth Initiative" as a new vision for our country in August 2008, we have been paving the way for green growth.

We created a presidential committee on Green Growth, and for the first time in the world, established a Green Growth Act.

We also set our goal to become the world's leader in green industries by the year 2020, and devised a 5-year action plan which will be implemented from 2009 to 2013.

The 5-year action plan consists of three objectives and ten policy directions.

Let me elaborate more on the **three objectives**.

First, we aim to enhance our energy independence and, at the same time, take proactive measures against climate change.

Korea set a target of cutting greenhouse gas emissions by 30% by 2020 relative to BAU “business as usual”, and we are now gradually working to meet that target.

We are also working towards enhancing energy efficiency by utilizing renewable energy and by expanding nuclear power generation. On the other hand, we are strengthening management of energy supply and demand.

Second, we want to create new growth drives through green growth.

The Korean government will expand support for R&D investment in green industries, so we can develop green products like LEDs, secondary cells, and green cars that will lead the global market.

We are also trying to expand investment in green R&Ds particularly in pollutant-generating industries including steel-making, petrochemical, and shipbuilding companies.

Moreover, we are engineering structural basis for green economy through policies like developing green financial products, giving more tax benefits to eco-friendly businesses and creating more jobs for green industries.

Third, we want to improve our quality of life and enhance Korea's status in the world.

To this end, Korea is making effort to bring green revolution into our daily lives by building more green houses and buildings, and by encouraging more use of eco-friendly transportation and green products.

By voluntarily participating in greenhouse gas emissions reduction and by increasing green ODAs, we want to set an exemplary case for green growth in the international community.

To make all this possible, based upon the 5-year action plan, Korea will spend 107 trillion Korean Won annually, equivalent to 2% of the total GDP, while creating 1.5 to 1.8 million jobs in green industries.

<Korea's Plan for Green Finance>

In order to pursue green growth, the role of finance is all the more important.

For all industries, free market principles are the most effective way to allocate funds, and green industries are no exception.

However, we have to admit that it is difficult for green industries to secure enough financing by solely depending on the market mechanism.

There are still significant uncertainties in the development and commercialization of green technology, and it takes quite long to recoup investment in the green industry.

We also have to take into our consideration environmental externalities created by the green industry.

That is why we need a funding mechanism customized for green industries.

In this regard, the Korean government is pursuing green finance-related policies on the following three fronts.

First, we try to provide more policy funds for green industries.

In the early stages of R&D and commercialization of green technology, there are big uncertainties; therefore, it is essential for the government to share risks involved in private sector investment.

The Korean government already provided a total of 6.2 trillion Korean won in government-backed loans and guarantees to support green industries.

This year, about 6.1 trillion won has been provided.

In addition, we are going to utilize capital markets further to stimulate investment in green industries.

We have created the Green Growth Fund of 260 billion Korean won, co-funded by the government and the private sector. The fund is now being invested in green companies and green projects.

Second, the Korean government is making efforts to create green infrastructures that will help green finance markets work smoothly.

For example, Korea began to implement the Green Certification Scheme starting April this year.

In order to attract investment from the private sector to green industries still in the early stages of development, it is important to eliminate the asymmetry of information between entrepreneurs and investors.

As an official certification given to certain technology or projects related to green industries, we expect the Green Certification to help green industries secure more investment.

Establishing an emissions trading system is also an important task to be done.

If we take direct regulations that force companies to reduce greenhouse gas emissions, it would undermine companies' competitiveness and incur large costs.

Emissions trading system is to reduce greenhouse gas emissions through the price-setting mechanism in financial markets that gives private companies incentives to invest more in technology development to reduce greenhouse gas emissions.

The Korean government has already laid down the legal foundation for establishing an emissions trading system in the Green Growth Act.

Based upon the legal ground, we plan to create and further develop emissions trading markets.

In addition, we need to nurture a pool of experts and professionals in green finance.

In preparation for growing demand for green finance professionals, the Korean government is now offering MBA programs specialized in green finance and training programs.

Third, with green finance infrastructures in place, we are trying to promote further development of green finance in the private sector.

We are offering green companies long-term, low-interest loans with funds raised through financial products customized for green finance such as green savings, green bonds, and green funds.

We also reflect banks' lending records to green companies in evaluating their performance so that banks have incentives to lend more to green companies.

The government will continue to support each sector of the financial industry - banks, securities companies, and insurers - to develop and sell innovative green finance products.

<Closing Remarks>

Ladies and gentlemen!

Green growth and green finance is not one of the choices we have, but it is the only choice we have.

It is the way for us the current generation and the future generation to live together, and for the human race to coexist with nature.

And if that road is a road that we inevitably have to take, don't you think we should head on earlier than others, even if that road is expensive?

The world has already begun a 'green race' to take the upper spot in green growth and green finance.

And governments and corporations that mobilize themselves earlier will enjoy most of the fruits in the near future.

I sincerely hope that Korea and China can together find ways to cooperate and lead in this race.

And I also hope this forum will be a place for us to actively discuss these issues.

Thank you very much, and congratulations in opening the 7th China International Finance Forum.