

**Recipient**

Tae-hyun Kim  
National Pension Service CEO

**Sender**

Solutions for Our Climate and  
169 Civil Society Organizations

20 September 2022

**Dear Tae-Hyun Kim,**

We, a group of 170 civil society organizations, are writing to call on the National Pension Service of Korea (NPS) to implement robust standards on the coal phase-out policy. As the world's third-largest pension fund, the NPS holds a great influence over the financial market and its guidelines on coal-free investments could have a significant impact on the coal regulations taken by major global investors and multinational corporations. It is therefore imperative for the NPS to take a strong stance against coal in accordance with the Paris Agreement's 1.5°C goal.

The Intergovernmental Panel on Climate Change (IPCC) urged the world to make the most drastic cuts in greenhouse gas emissions and stressed a serious concern about fossil fuel assets being stranded. According to IPCC's [Special Report on Global Warming of 1.5°C](#),<sup>1</sup> net global anthropogenic CO<sub>2</sub> emissions should be reduced to zero by 2050, while coal assets are projected to become stranded before 2030. Nevertheless, as of September 2022, the NPS' coal investments totaled 15.6 billion USD in the coal industry,<sup>2</sup> based on the 'Global Coal Exit List' developed by Urgewald. In recent months, The NPS has even [sought to acquire 22 million USD additional shares of KEPCO \(Korea Electric Power Corporation\)](#), a company currently in a grave financial crisis due to its heavy reliance on fossil fuels. Such regressive actions will accelerate the risk of exceeding a 1.5°C global temperature rise and make Korea's 2050 Net-

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<sup>1</sup> Intergovernmental Panel on Climate Change (IPCC), 「Special Report on Global Warming of 1.5°C」, 2018.10.08.

<sup>2</sup> Profundo, 「GCEL extract on South Korean coal exposure」, 2022.09.02.

zero target unattainable. This poses a serious threat to the safety and assets of the general public, who hold shares in the National Pension Service.

In terms of the coal phase-out plan, we are deeply concerned about the lack of progress the NPS has shown so far. In its last public hearing held in March, the [NPS proposed adopting either 30% or 50% coal share of the revenue](#)<sup>3</sup> as the threshold for defining the coal industries and coal companies. Compared to the 20% standard of the Global Coal Exit List (GCEL) developed by the German environmental group Urgewald, both criteria are significantly below the global standards. Along with the quantitative criteria, the NPS has also suggested a qualitative standard that allows investments in coal companies with energy transition plans. Approvals on conditional financing with loose rules could backfire and be misused to maintain existing coal-related projects.

As humanity stands on the brink of a climate crisis, the global pressure on financial institutions for sustainable investment continues to mount. Investors are also aggressively tackling the climate crisis. The world's largest climate action investor group, [Climate Action 100+](#), has been working to accelerate the transition of 160 global companies that are critical to achieving the Paris Agreement goals. Moreover, some of the world's leading pension services are taking steps beyond coal phase-out policies to divest from fossil fuels in order to manage potential stranded assets. Sweden's AP2, Denmark's Danica Pension, and Norway's Storebrand Pension funds are some of the pioneers in this regard, implementing some of the strictest coal investments standards. Fossil fuel phase-out policies are intended not only to address the climate crisis, but also to manage the risk of stranded assets associated with fossil fuels. Likewise, the NPS should contribute to such sustainable investments and global actions to combat the climate crisis.

According to [National Pension Act](#), the NPS is mandated to manage assets in the best interest of contributors and beneficiaries and maximize returns for the long-term stability of pension funds. If the NPS keeps investing in coal assets and contributing to accelerating the climate crisis, the NPS will be in violation of its stated mandate.

As a national service responsible for the retirement funds of the people of Korea, the NPS must embrace a strategic and well-established coal phase-out policy to manage the potential risk posed by coal investment. In this respect, we, 170 civil society organizations suggest that the following be adopted by the NPS.

#### **Our request for the NPS:**

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<sup>3</sup> The National Pension Service, 「Research on the scope and standards of the coal mining·power generation industries」, 2022.06.30.

1. Establishing an effective coal phase-out policy by defining 'coal companies' as those that rely on coal for 'at least 30%' of the total share of their business, and to exclude them from investment.
2. Expanding the definition of the coal industry to the entire value chain of the coal business.
3. Imposing strict standards on the approval of conditional financing for companies with energy transition plans to avoid providing grounds for further investment in coal.
4. Establishing clear guidelines on NPS' fiduciary duties for coal companies and enhancing transparency.
5. Implementing an immediate and full exclusionary policy regarding overseas coal assets.

We will be publishing the responses and lack thereof to this letter and would very much appreciate your reply to these requests by October 24th. Please note that a copy of this letter has also been sent to 24 members of the National Assembly Health and Welfare Committee, Gyu-Hong Cho Vice Minister of Ministry of Health and Welfare (MOHW), Min-Sik Kim Policy Advisor to the Minister of MOHW, Hyo-Joon Ahn CIO of the NPS, the members of the National Pension Fund Management Committee, National Pension Fund Coal Mining and Power Generation Industry Investment Restriction Enforcement TF Committee members, and others.

We look forward to continuing discussions on the establishment and implementation of an effective coal phase-out policy by the National Pension Service. Should you have any questions or comments, please contact Soo-Youn Han([sooyoun.han@forourclimate.org](mailto:sooyoun.han@forourclimate.org)) at Solutions for Our Climate.

We look forward to your response.

With kind regards,