

# A Bolder Environmental Strategy for the Bank of Korea

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This briefing, developed by Positive Money (UK) and the Institute for Green Transformation (Korea), sets out six areas in which the Bank of Korea should take action to align its policies with addressing the climate and ecological crisis. Globally, the degradation of climate and ecological systems is becoming an increasing source of financial instability, as well as gravely threatening social wellbeing. For these reasons, central banks around the world have begun adapting their tools and policies in response. The Bank of Korea's response currently lags behind regional and international peers. This briefing provides recommendations to shape a bolder environmental strategy through which the Bank of Korea can show international leadership.

## Why the Bank of Korea must act on the climate and ecological crisis

The years 2023–2025 rank as the [top three](#) hottest years on record, in terms of global average surface temperature. Meanwhile, wildlife populations have [decreased by 73%](#) on average globally over the period 1970–2020. These are just two measures of an interconnected [climate](#) and [ecological](#) crisis that poses critical threats to the [financial stability](#) of all countries, through acute and chronic physical impacts, cascading economic losses and disruption, and risks of delayed transition. Furthermore, [flawed economic models](#) and [difficulties of predicting](#) the trajectories of climate and ecological breakdown as [tipping points](#) are reached mean that the scale of possible damage is still widely underestimated.

The Korean government has [enshrined in law](#) targets to reduce the country's greenhouse gas emissions to net-zero by 2050, with a reduction of 40% by 2030 (compared to 2018 levels). In 2025, the newly elected Lee Jae-myung government submitted a revised NDC to the UNFCCC, setting a new target of a [53–61% reduction by 2035](#). Also, it has committed to [aligning national policies](#) with the 2022 Kunming–Montreal Global Biodiversity Framework, which aims to halt and reverse biodiversity loss by 2030. However, based on current policy trajectories, Korea is [falling well short](#) of these targets, signalling that a significant ramping up of climate and ecological policies and green investment is required. [It has been estimated](#) that Korea needs to invest US\$102 billion annually in order to meet its 2050 net-zero target, or around 6% of its GDP. As of 2023, annual investment was less than a quarter of this level, with Korea's renewable energy capacity notably [lagging far behind](#) global and regional averages. While the political will

of governments to drive forward green transition is essential, so too is the alignment of central bank policies to guide this necessary financing.

The Bank of Korea (BOK) has recognised climate change as [an urgent challenge](#) facing the country, highlighting the impact of extreme weather events, [inflation](#) driven by disruption to agriculture, and risks surrounding Korea's high-carbon export-oriented economy. Indeed, Korea regularly ranks [in the top ten](#) greenhouse gas emitters globally, which increases the need for rapid decarbonisation as well as the risks to the Korean economy resulting from delayed transition (such as stranded assets). Yet, current paradigms of '[market neutrality](#)' adhered to by many central banks around the world in fact serve to reinforce the existing industrial composition of economies, which in the case of Korea includes a large proportion of high-carbon sectors.

In addition, as impacts of climate and ecological breakdown intensify over the short- to medium-term, climate and ecological shocks will become an increasingly persistent and predominant source of [price and macroeconomic instability](#), which current monetary policy approaches are ill-equipped to address. BOK's own stress testing has found that the Korean financial sector faces losses of up to [45.7 trillion won](#) from climate change by the end of the century, and that is before accounting for the tendency towards underestimation of climate and ecological risks in models.

In summary, climate and ecological breakdown strikes at the heart of BOK's primary mandate around price and financial stability, as well as its [wider mandate](#) to develop monetary and credit policy "*in harmony with the government's economic policy*".

### Bank of Korea's actions so far

BOK has started to incorporate climate and ecological considerations into its operations relatively recently, setting up a [Climate Change Response Task Force](#) in 2021, which then published the Bank's first climate change strategy later that year. In 2024, a new department, the [Office for Sustainable Growth](#), was set up with an explicit aim of carrying forward BOK's climate analysis and policy development.

A significant proportion of BOK's environmental work so far has taken the form of research and analysis. It has published over [40 research papers](#) (at the time of writing) on environmental risks to the Korean economy and financial system, such as the impact of intensifying [extreme weather events on inflation](#). It has conducted multiple stress tests to assess both [transition risks](#) and [physical risks](#) posed by climate change to the Korean financial system.

In terms of integrating climate and ecological considerations into monetary policy, the only policy area set out in BOK's 2021 climate change strategy that has seen significant progress is foreign reserves management. Since 2022, the Bank has implemented a [negative screening](#) strategy within its foreign reserves management which restricts investment in assets from the fossil fuels industry. Further, from 2024, BOK explicitly incorporated 'ESG' criteria as a factor shaping its foreign reserve investment plans.

In addition, through one of its Financial Intermediated Lending Support Facilities—the Regional SMEs Support Program—BOK has provided funds at BoK base rate (150bp) to commercial banks for lending to ‘green enterprises’. Approximately 400 enterprises have received financing, totalling around US\$100 million. BOK has also discussed—but not implemented—[green collateralised loan obligations](#) (CLOs) as a further tool for expanding the availability of funding for green enterprises.

Overall, BOK’s progress in integrating climate and ecological considerations into monetary and credit policies has been slow. In [Positive Money’s 2025 Scorecard](#) of the climate and ecological policies of central banks and financial supervisors in the ASEAN+3 countries, Korea placed eighth out of the thirteen countries, falling behind regional peers. Similarly, Korea ranked sixteenth in [Positive Money’s 2024 Scorecard](#) of green central banking in the G20 countries.

The significant amount of research on climate and ecological matters BOK has conducted has not fed into an equivalent scale of action in regards to monetary and credit policy. For example, BOK’s 2021 climate change strategy set out multiple policy areas where action could be taken—such as the collateral framework—but has not been implemented thus far. The greening of foreign reserves, where progress has been made, is a policy area that is [less likely to](#) help finance the green transition in Korea. Furthermore, BOK [does not publish](#) climate and ecological disclosures for its monetary or non-monetary portfolios, or information about the sustainability criteria, tilting, or asset class coverage it uses, which compromises transparency and the possibility of accurately assessing progress.

BOK has itself also highlighted a number of challenges it faces in integrating climate and ecological considerations into its policies. BOK has suggested that an ongoing [lack of green bonds](#) (including sovereign bonds) and robust green certification procedures in Korea has limited its progress. The Korean Green Taxonomy (K-Taxonomy)—originally launched in 2021 and expanded to cover [100 economic activities](#) from January 2026—should aid this task, although the [inclusion of](#) liquified natural gas (LNG) as a ‘transitional’ fuel and nuclear power as ‘green’ undermines its scientific legitimacy. In addition, BOK has argued that a structural need to absorb excess liquidity in the financial system limits the feasibility of implementing [asset-side](#) green monetary and credit policies.

**Policies listed in Bank of Korea’s 2021 climate change response strategy**

Category	Policy	Description	Implementation Status (April 2026)
Credit Policy	Support for green growth companies through the Financial Intermediary Support Loan Program (FILSP)	Provision of low-interest funds to green companies and SMEs through the currently implemented FILSP.	Partially Implemented

Category	Policy	Description	Implementation Status (April 2026)
Collateral Policy	Inclusion of green bonds in the list of eligible collateral for central bank lending	Acceptance of green bonds as collateral for loans to financial institutions.	Not Implemented
	Inclusion of green bonds as collateral for fulfilling net settlement obligations	Acceptance of green bonds as collateral to mitigate the risk of net settlement between banks.	Not Implemented
	Inclusion of green bonds as collateral for Repurchase Agreements (RP) and Securities Lending	Acceptance of green bonds as collateral provided by financial institutions during transactions such as RPs.	Not Implemented
Asset Management Policy	Continued expansion of ESG asset investment in foreign currency asset management	Continuous expansion of ESG investment in foreign currency assets.	Implemented
	Negative screening in foreign currency asset management	Applying ESG principles to the entire foreign currency asset management, beyond just ESG investment.	Partially Implemented
	ESG integration strategy in foreign currency asset management	Introduction of ESG integration strategy to the entire operational process, encompassing both financial and non-financial factors.	Not Implemented
Internal Organisation	Reduction of institutional carbon emissions and information disclosure	Research for the BOK's carbon reduction, setting emission targets, and establishing implementation plans.	Partially Implemented
	Establishment of a dedicated department for climate change	Launching a dedicated climate response team and operating under an agile framework	Implemented
External Cooperation	Expansion of participation in international bodies, formation of a consultative body for financial institutions' climate-related personnel, and website section composition	Expansion of participation in international consultative bodies, formation of a consultative body with financial institutions' climate personnel for regular meetings, and public disclosure	Partially Implemented

## What should the Bank of Korea do next?

From here, the briefing outlines six key areas where BOK should take further action to align its policies with the imperative of addressing the climate and ecological crisis, safeguarding financial stability, and supporting green economic transition in Korea.

### 1. Embedding a 'double materiality' perspective and recognising the flaws of 'market neutrality'

Improvements to green monetary and credit policy at BOK must be underpinned by robust theoretical foundations in order to be impactful in supporting Korea's green transition and safeguarding financial stability. However, current central banking orthodoxies present barriers to the effective integration of climate and ecological considerations and achievement of these goals.

The predominant approach to climate and ecological breakdown from central banks internationally takes a ['risk exposure'](#) lens, which sees a unidirectional relationship whereby climate and ecological breakdown presents exogenous risks to the financial system. The central bank assesses these risks in terms of their financial materiality, and then attempts to limit the exposure of itself and the wider financial system to these risks. There are major flaws and insufficiencies in such a risk exposure approach. Crucially, it ignores the multi-directionality of the relationship. As well as the financial system being impacted by physical climate and ecological risks, the central bank's policy decisions play an active role in exacerbating or mitigating climate and ecological breakdown, thus generating material impacts. The recognition of both these directions of causality constitutes what is often referred to as a ['double materiality'](#) perspective. Because the financial system is endogenously driving physical climate and ecological risks which threaten macroeconomic stability, it is incumbent upon central banks to [take policy action](#) to address these risks. This means guiding finance away from environmentally destructive sectors and towards supporting a [green economic transition](#) which is essential for financial and environmental stability.

Unfortunately, central banks are often deterred from taking such monetary and credit policies due to concerns around being seen as breaching the principle of 'market neutrality'. However, the notion that central bank actions are ever neutral [does not hold up to scrutiny](#). Rather, in seeking to adhere to so-called market neutrality, central bank policies serve to reinforce the privileged status of sectors and firms which hold the most power within the existing industrial composition of a jurisdiction, and further marginalise smaller or more recently emerging sectors. In the case of Korea—like many other countries—this means reinforcing the dominance of high-carbon industries, such as semiconductors, steel and automobiles.

Central banks including those of China, Brazil, Japan, and Indonesia have not explicitly used the term 'double materiality', but have nonetheless implemented [green credit guidance policies](#) that consider the climate and ecological impacts of the financial

sector, as well as physical climate and ecological risks posed to financial institutions. Meanwhile, the [European Central Bank](#) and [Banque de France](#) have explicitly advocated for a double materiality approach, and have integrated this into elements of their research and policy-making. For example, in regards to its non-monetary portfolios, the Banque de France [has stated](#) that it “*hopes to limit the physical and transition risks to which its portfolios are exposed, while simultaneously improving the overall environmental impact of the assets that it finances*”.

Establishing a strong underlying analysis of the relationship of the central bank and the financial system with climate and ecological breakdown is therefore vital to the development of impactful policies. This requires questioning some of the orthodoxies that remain popular amongst central banks internationally, yet are fundamentally ill-suited to address the challenges of the twenty-first century.

## 2. Integrating environmental considerations into the collateral framework

As referenced above, BOK’s 2021 climate change strategy stated that the Bank was considering including green bonds as eligible collateral, which it expected would increase demand for green bonds and improve issuance conditions. So far, however, partial inclusion of green bonds has only occurred as a secondary effect of other policy initiatives, and is unable to deliver these envisaged benefits. In 2023, BOK expanded the framework of eligible collateral for central bank lending and the payment system to include high-quality corporate bonds, which—by extension—included some green bonds. This excludes, however, green bonds from non-bank financial institutions and SMEs, for example.

Accordingly, as a next step, BOK should explicitly incorporate green bonds as a category in the collateral framework. As BOK specified in its own 2021 climate strategy, green bonds can be made eligible as collateral not only for loans extended by the BOK, but also for net settlements, repurchase transactions and securities lending. Unlike the second-hand inclusion so far, explicit inclusion would send a clear signal to the Korean financial sector and wider economy that would help to stimulate green bond issuance, and enable a wider range of firms conducting activities vital to Korea’s green transition to access [better financing conditions](#).

It is also crucial in order to combat the ‘[carbon bias](#)’ that exists in current bond markets and collateral frameworks, whereby high-emission sectors benefit disproportionately due to being overrepresented amongst large issuers. This is particularly true for Korea, given its high-carbon economy, in which [82% of primary energy consumption](#) came from fossil fuels in 2024.

While Korea’s green bond market has been expanding, its size remains relatively modest relative to the size of the national economy, and it is [dominated by financial institutions](#). These factors currently constrain the potential impact of greening the collateral framework. Alongside this policy, therefore, BOK should also coordinate with the Korean government to support the development of Korea’s sovereign green bond market, as

witnessed in many other [ASEAN+3 and European countries](#). Of course, it is crucial that bonds qualifying as green are subject to a rigorous accreditation process, in order to avoid greenwashing and undermining the benefits of the policy. This will require K-Taxonomy standards to be refined to reach comparability with the most rigorous international taxonomy standards.

In order to ensure that the inclusion of green bonds in the collateral framework sufficiently counters the carbon bias described, the BOK should also adjust haircuts on accepted assets based on [climate and ecological factors](#) (e.g. carbon intensity). Assets which embody higher levels of climate and ecological degradation (e.g. that are more carbon intensive) should receive a larger haircut to their value as collateral, while green assets receive a lower haircut. This is necessary in order to reflect the high levels of physical and transition risks contained in environmentally damaging assets that threaten Korea's green transition and financial stability. Assets associated with the most environmentally damaging companies—such as those expanding fossil fuel production—should be excluded from the collateral framework, in order to reflect the extreme levels of risk they represent.

To ensure transparency around these initiatives, BOK should also enhance its disclosures to show the breakdown of all collateral pledged, including the proportion of green bonds and the environmental character of assets. Examples of efforts to embed climate and ecological considerations, restrictions and [haircuts](#) in the collateral framework, alongside strong [disclosures](#), can be seen from the [People's Bank of China](#) and [European Central Bank](#).

### 3. Establishing a financial intermediary support loan facility explicitly for climate and ecological purposes

The BOK can leverage its existing [Financial Intermediated Lending Support Facility \(FILSF\)](#) to actively support SMEs in their decarbonisation efforts and investments in green industries. To achieve this, the BOK should establish a dedicated 'Green Financial Intermediated Lending Support Facility (Green FILSF)' and seek to reform the operation of the broader FILSF to incorporate climate and ecological performance as a key metric.

In its 2021 climate change strategy, the BOK [outlined a vision](#) to provide green finance through its lending facilities. However, this has so far been [implemented only on a very limited basis](#) within the Regional SMEs Support Program, which has a ceiling of 5.9 trillion won. Furthermore, the decision to provide such support is left to the discretion of BOK regional branches, and eligibility is limited to strictly certified 'green enterprises' designated by the Ministry of Environment. This narrow focus effectively excludes the vast majority of SMEs that urgently require financing for their green transition.

In contrast, other major central banks are achieving significant results through more proactive green credit policies. For instance, the People's Bank of China has provided [1.3 trillion yuan](#) (approx. 284 trillion won) through its Carbon Emission Reduction Facility

(CERF) as of 2024, contributing to an estimated reduction of over 200 million tons of greenhouse gas emissions. The Bank of Japan became the first central bank in Asia to implement a targeted refinancing scheme for financial institutions engaging in green activities in 2021. As of January 2026, the outstanding balance of these loans has grown steadily to [21 trillion yen](#) (approx. 198 trillion won). Similar policy discussions and advocacy are also gaining momentum within the [European Central Bank](#) and in [France](#).

The BOK should establish the 'Green FILSF' as a standalone programme with a status equivalent to existing sub-facilities, rather than a minor component of regional programmes. Eligibility should be expanded beyond specifically certified firms to include a wider range of green and transition activities – such as the adoption of renewable energy facilities and energy efficiency improvements – that align with the K-Taxonomy and transition finance standards. To increase the attractiveness of the facility, the BOK should introduce an incentive structure that offers lower interest rates to firms or financial institutions with superior greenhouse gas reduction performance.

Alongside the creation of this new programme, the BOK should consider decarbonising its overall financial support by reflecting improvements in carbon intensity and the implementation of emission reduction plans in the operational indicators of the entire 30 trillion won FILSF.

As a refinancing policy conducted through commercial banks, a Green FILSF offers the advantage of relatively rapid processing and the ability to extend support to 'blind spots' that existing policies may miss. This would complement the rigidity of traditional green finance policy, which is often centered on direct lending, and would help expand private sector green investment. Given that the Korean economy is characterised by a high proportion of manufacturing and a heavy reliance on fossil fuels, a delayed transition for SMEs – which account for 30% of industrial greenhouse gas emissions – could lead to systemic distress across the entire financial system. Consequently, a more proactive role for the BOK is essential.

#### 4. Greening the BOK's investment portfolio

As climate and ecological breakdown grows as a systemic risk across the financial system, the BOK must transform the management of its foreign reserves, which amounted to [US\\$428.1 billion](#) (approx. 640 trillion won) as of the end of 2025. While the BOK has been expanding the scale of its ESG investments and implementing negative screening, numerous challenges remain regarding its methodology and transparency.

The policy of managing foreign assets with sustainability considerations can be regarded as the only climate-related measure among those highlighted in the BOK's 2021 strategy document that has seen substantive implementation. The share of ESG investments within foreign assets [grew nearly fourfold](#) from US\$5.45 billion at the end of 2020 to US\$20.38 billion at the end of 2024. In 2023, the Bank announced measures to exclude companies involved in weapons of mass destruction, coal power generation, and fossil fuels from its investable universe.

However, these actions remain insufficient. Negative screening alone is unlikely to drive the comprehensive greening of the entire asset portfolio. ESG investments account for only around 5% of total foreign reserves, and within this, green bonds — which are directly linked to climate change mitigation — amount to only US\$3 billion, or roughly 0.5% of the total.

The most significant issue is the BOK's total lack of disclosure regarding the climate and ecological impacts of its foreign reserve management, often citing its link to national strategy. Information such as financed emissions, carbon intensity, and portfolio weights by industrial sector is essential for assessing the impact of foreign assets and is already being disclosed by many other central banks. Although the BOK implements negative screening, the specific criteria used to select and exclude coal companies remain undisclosed, and there is no public information regarding the scale of its investments in fossil fuel companies or high-carbon and ecologically-damaging sectors within the overall portfolio.

With the [2026 announcement of the mandatory sustainability disclosure plan](#) and its phased implementation for large corporations starting in 2028, the BOK should take the lead by disclosing its own asset management activities. Based on transparent disclosure, it is necessary to diagnose the climate and ecological risks of current assets and move toward a system that integrates climate and ecological impacts across the entire investment process, moving beyond simple exclusion strategies. To this end, the BOK should implement the ESG integration strategy it has already reviewed and adopt a strategy of differentiating investment weights based on climate and ecological performance. This approach should be applied not only to foreign reserve management but also to all BOK lending and investment activities, including the Financial Intermediated Lending Support Facility and asset purchase programs utilising Special Purpose Vehicles (SPVs). The time has come to move beyond the traditional pillars of stability and profitability, to introduce climate and ecological impact as a new criterion, and to present a comprehensive net-zero roadmap for the Bank's entire asset portfolio.

## 5. Developing green central bank short-term debt securities

There are already many existing examples of the other policy recommendations in this briefing being used by central banks internationally to integrate climate and ecological considerations into their operations, which BOK can learn from to inform its own policy development. However, there are also many more novel and innovative policy options which offer the opportunity for BOK to show international leadership in green central banking. One such measure relates to the use of central bank short-term debt securities, which in BOK's case primarily take the form of monetary stabilisation bonds (MSBs).

Integrating a climate and ecological dimension into the use of short-term debt securities is a liability-focused measure, which complements asset-focused measures such as those around collateral and credit policies. Accordingly, it is a valuable option for central

banks who face a structural need to absorb liquidity from the banking system. This has traditionally been the case for BOK, even if [this need is declining](#) over the long-term.

Central banks issuing short-term debt securities can ringfence a portion of the issuance proceeds in order to finance (or refinance) longer-term assets playing a role in green economic transition, creating what the [Network for Greening the Financial System \(NGFS\)](#) describes as asset-backed 'green monetary bills'. As with other policies recommended, this requires a robust, science-based green taxonomy in order to categorise what constitutes a green project (which again raises the issue of [deficiencies](#) of the K-taxonomy in its current form).

While it could be argued that the use of proceeds to finance green projects disrupts the price stability mandate by injecting liquidity back into the system, if the amount of green refinancing remains smaller than the initial issuance of securities, the liquidity management function can be retained while also supporting the expansion of green finance. Furthermore, with climate and ecological crisis causing increasing price and financial instability through supply-side shocks, Green MSBs form one instrument within a wider policy toolkit that can contribute towards the fulfilment of BOK's primary mandate. Only the central bank of the [United Arab Emirates](#) has started looking into green short-term debt securities as a policy option, hence the opportunity for BOK to become an international leader and innovator in this area.

BOK issues MSBs with maturities ranging from 14 days to three years, though with the vast majority maturing after two years or more. Though issuance is on a long-term downward trend, as of 2024, the outstanding balance of MSBs remained around 110 trillion won (~70 billion USD). Adapting a portion of this issuance into green MSBs (in accordance with international green bond principles e.g. [ICMA](#)) could therefore generate green high-quality liquid assets (eligible as collateral), stimulate green bond markets and increase green financing overall.

MSBs are currently used by BOK primarily for liquidity absorption purposes, and so proceeds remain unutilised. Green MSBs would therefore require a significant transformation from the current MSB system. Using short-term debt securities to refinance longer-term green assets can [increase net operational profits](#), due to the returns on the latter outsize interest payments in the former. Like the Central Bank of UAE example, one system the BOK could use is to create a special purpose vehicle that would administer MSB proceeds to refinance green assets.

## 6. Reforming governance

In the BOK's governance structure, climate and ecological crisis is not yet being considered as a major factor influencing monetary and credit policy. BOK designated 'governance' as one of the 12 activities in its ['Roadmap for Climate Change Response'](#) and specified that it would "establish a framework that takes into account climate change as a long-term initiative in the Bank's business operations." Furthermore, in January

2023, it established the '[Committee on Sustainable Growth](#)' under the Deputy Governor to oversee and discuss climate change response strategies.

However, an analysis by the Institute for Green Transformation of the minutes of the Monetary Policy Board (MPB) — BOK's policy-making body — from January 2025 to March 2026 revealed that 'climate change' was mentioned in only two out of a total of nineteen released minutes, and the discussion was limited to measures addressing the physical impacts of climate change. The specific policies and strategies discussed by the Committee on Sustainable Growth remain completely unknown. In addition, BOK has shown a passive attitude toward disclosures by [postponing](#) the mandatory implementation of ESG disclosures until after 2026, and its response to climate and ecological crisis has been limited due to a narrow interpretation of its mandate. In other words, while a formal governance structure is in place, there is a lack of momentum within it to prioritise climate and ecological issues and drive policy change. Therefore, governance reform is essential for BOK to take bolder action on climate and ecological crisis.

The core problem lies in the design and composition of the BOK's decision-making systems and bodies. The MPB, which determines BOK's policy stance, consists of the Governor, the Deputy Governor, and five members recommended by the Minister of Economy and Finance, the Chair of the Financial Services Commission, the Korea Chamber of Commerce and Industry, the Korea Federation of Banks, and the Governor of the BOK, respectively. Combined with the Bank of Korea's own conservative theoretical tradition, the composition of the MPB, which is weighted towards the interests of corporations and banks, is obstructing the climate and ecological crisis from being reflected in core agendas and a paradigm shift in monetary and credit policy.

First of all, BOK should expand and diversify the composition of the MPB. BOK has previously [opposed](#) expanding membership, arguing that the MPB should be insulated from political accountability to protect the independence of monetary policy. However, as previously established, the current structural imbalance privileges financial and corporate interests at the expense of those of the general population, who are systematically excluded despite bearing the worst impacts of financial instability and the climate and ecological crisis. Thus, the MPB should include experts who can represent the interests of citizens facing the climate and ecological crisis while proposing a bold shift in monetary and credit policy.

For instance, the MPB could appoint a member recommended by the Minister of Climate, Energy and Environment, or the Chair of the National Climate Crisis Response Committee, and another recommended by NGOs or labour unions. The BOK could also establish a Policy Advisory Committee, separate from the MPB, to advise it on various social agendas including climate and ecological crisis, and to play a role in the MPB's decision-making process. For example, in the case of the National Bank of Belgium, a '[Council of Regency](#)' — which includes two members recommended by the largest labour union — discusses general matters concerning the national economy and checks the

authority of the Board of Directors by approving the National Bank's budget, accounts, and operational reports.

In addition, BOK should implement its own climate and ecological disclosures in accordance with international standards (e.g. [TCFD](#), [TNFD](#)) and transparently disclose its environmental policies. Currently, the Bank of Korea's emission targets are limited to Scope 1 and 2, excluding targets regarding the climate impact of assets held (Scope 3), such as foreign exchange reserves. Since a central bank's climate and ecological disclosures serve as a benchmark for assessing risks and formulating monetary and credit policies in response, the BOK should set a standard for the financial sector by disclosing climate and ecological information such as financed emissions and reduction targets.

More fundamentally, the BOK should apply its statutory mandates broadly and consider redefining its explicit responsibilities. While the mandate of price and financial stability has been interpreted conservatively from the perspective of market neutrality, proactively responding to the climate and ecological crisis — which poses risks to the national economy — can be fully recognised as a legitimate exercise of the BOK's authority. Furthermore, explicit provisions could be introduced in the BOK Act requiring the consideration of climate and ecological issues in monetary and credit policy, and asset management, as well as compulsory climate and ecological disclosures. Such reforms are consistent with the international trend toward diversifying central bank mandates in response to climate and ecological crises, as seen with the European Central Bank and the People's Bank of China.

### **Conclusion: The Bank of Korea's role in building a resilient and sustainable future for the Korean economy**

As of April 2026, and the publication of this briefing, the crisis in fossil fuel supply chains and the surge in energy prices caused by the US-Israel war on Iran have clearly exposed the vulnerabilities of the Korean economy. With macroeconomic uncertainty increasing, as evidenced by the OECD lowering its [2026 economic growth forecast for Korea](#), the BOK is facing a more challenging environment than ever in achieving its mandates of price and financial stability.

The BOK must now move away from the inertia of attempting to achieve inflation targets solely through base interest rate adjustments. To address the structural risks of the Korean economy, which is [heavily dependent on fossil fuels](#), a rapid transition to renewable energy and industrial decarbonisation is essential. While the government's policy role is crucial, the BOK also has a central role to play by creating favourable conditions for green finance — which is difficult for the government to execute alone — and by compensating for the [instability in green transition investments](#) that its own [interest rate policies may cause](#).

In this context, the six policy perspectives and instruments proposed in this briefing provide a practical path for the BOK to respond to the climate and ecological crisis and demonstrate international leadership.

### Summary of the six recommendations

1. **Introduction of a ‘double materiality’ perspective:** A new policy paradigm must be established that considers not only the risks the climate and ecological crisis poses to finance but also the impact of central bank policies and the financial system on the environment.
2. **Greening the collateral framework:** Green bonds should be explicitly designated as eligible collateral, and differential haircuts reflecting climate and ecological risks should be applied.
3. **Establishment of a dedicated Green Financial Intermediated Lending Support Facility (Green FILSF):** An independent green lending program of substantial scale should be operated to support SMEs in their low-carbon transition and investment in renewable energy facilities.
4. **Transparent greening of the investment portfolio:** Beyond negative screening, the BOK must move toward integrated management of environmental impacts in its asset operations, such as foreign reserves, and transparently disclose carbon emissions and climate and ecological risk information.
5. **Issuance of Green Monetary Stabilisation Bonds (Green MSBs):** The BOK should stimulate the green finance market and show international leadership by using proceeds from short-term debt issuance to finance or refinance green projects.
6. **Reform of governance and institutional foundations:** The composition of the Monetary Policy Board (MPB) should be diversified to reflect civil society voices responding to the climate and ecological crisis, and the interpretation and scope of the BOK Act should be expanded to meet the epochal challenge of the crisis.

The Bank of Korea has accumulated sufficient analytical capacity to lead these changes. It is time to move beyond research and into policy implementation. It is hoped that the proposals in this briefing will serve as a catalyst for accelerating the structural decarbonisation and green transition of the Korean economy, to deliver long-term financial stability.

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