

# Asia Investor Group on Climate Change (AIGCC)

Comments on the Korea's 2035 Nationally Determined  
Contribution (NDC)

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 [info@aigcc.net](mailto:info@aigcc.net)

 [www.aigcc.net](http://www.aigcc.net)



The Asia Investor Group on Climate Change (AIGCC) welcomes the opportunity to provide comments on the Korea's 2035 Nationally Determined Contribution (NDC).

AIGCC is the leading network of investors in Asia focusing on risks and opportunities in climate and nature. Our 80+ members have a combined AUM of \$36trn and have headquarters in 11 markets across the region. AIGCC is a network partner of the Investor Agenda, as well as the Asia network partner supporting the Paris Aligned Asset Owners Initiative and the Net Zero Asset Managers Initiative.

In July 2024, AIGCC established the Korea Working Group to bring together institutional investors with a specific focus on Korea, to discuss and provide feedback on the latest sustainable finance-related market developments. It serves as a platform to catalyse investor action on Korea-specific climate investing themes, bringing in subject-matter experts for knowledge sharing. AIGCC's membership includes a substantial number of institutional investors leading on sustainable finance in Korea.

AIGCC submits two main comments for consideration in relation to Korea's 2035 Nationally Determined Contribution (NDC) below:

**1. Korea's 2035 NDC should be set on a pathway that limits global average temperature rise to 1.5°C and achieves carbon neutrality by 2050.**

AIGCC supports an ambitious, Paris-aligned and scientifically backed NDC. For institutional investors, the strength of an NDC and each government's decisions are directly tied to how climate risks are managed and how countries hedge against those risks. A clear and science-based NDC enhances stability in financial markets and strengthens investor confidence, while enabling investors to better assess transition risks, allocate capital effectively, and build resilient portfolios that can withstand the structural shifts of the low-carbon transition.

AIGCC wishes to emphasise that although implementing robust carbon reduction measures may involve near-term costs, failing to act would expose the economy and financial system to far greater long-term losses.

Data released by the Network for Greening the Financial System (NGFS) – a group of 141 central banks and financial supervisors including Bank of England, Bank of Japan, European Central Bank, People's Bank of China, Reserve Bank of Australia, Reserve Bank of India, US Federal Reserve, and Bank of Korea – shows that Korea could see its Gross

Domestic Product (GDP) decline by approximately -10.54% by 2050 under current climate policies. This reflects the broad and adverse effects of climate change, from costs associated with extreme weather to second-order impacts on labour, capital, land, and natural productivity.

Furthermore, according to the Bank of Korea's Climate Stress Test (CST) result<sup>1</sup>, by 2100, Korea's GDP would decline relative to the baseline scenario by -10.2% under a 1.5°C response, but -21.0% under a no-response/existing policy scenario. The CST result also highlights that while early adoption of climate policies may lead to some losses due to the devaluation of high-carbon assets, such losses remain limited in scale. By contrast, delayed or absent climate action is projected to result in significantly larger losses across the financial sector. In view of this, the Bank of Korea concluded that early and ambitious climate policy implementation would be more favourable for the overall stability of individual institutions and financial markets.

For institutional investors, continued investment in Korea depends on the stability of its financial markets and on ensuring that Korea and Korean companies are less exposed to climate risks. International bodies such as the NGFS, as well as Korea's own central bank have underscored the materiality of climate risks and the urgency of aligning with a 1.5°C pathway. Considering the four 2035 NDC targets under discussion, Korea's NDC should be set at or within a range that includes the 61% reduction target, as this level reflects both scientific guidance from the IPCC and the ambition needed to align with limiting warming to 1.5°C.

## **2. Include investors as a key stakeholder in climate policy discussions**

Investors are dedicated stakeholders, committed to help protect and grow the wealth of their beneficiaries and clients, and, intrinsically, the economic well-being of the market which will in turn impact the wider public. However, their perspectives are often underrepresented in key policy discussions. For instance, there has been no clear representation from institutional investors so far in several convenings for 2035 NDC, as well as in the 'Climate Future Forum', which aimed at shaping the nation's long-term greenhouse gas reduction pathways for 2031-2049.

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<sup>1</sup> Bank of Korea. (2025, March). 은행·보험사에 대한 하향식(Top-down) 기후변화 스트레스 테스트 결과.  
<https://www.bok.or.kr/portal/bbs/B0000502/view.do?menuNo=201265&nttId=10090346>

The financial risks of unchecked climate change are clear. For investors, these risks pose an existential threat to assets and business activities of their investee companies and therefore impact returns. Investors have a fiduciary duty to integrate financially material factors, which include environmental and climate matters. To better understand and respond to these risks and fulfill their fiduciary duties, investors have developed an active and constructive engagement approach with companies and policymakers to understand and support ambitious transition targets and pathways across all sectors. This is to ensure, as much as possible, that an ambitious and coordinated approach on addressing climate-related risks, supported by capital flows, is adopted. **AIGCC and its members are available and willing to engage with Korean policymakers to provide relevant perspectives to shape and support policy targets and pathways through meaningful engagement.**

**In conclusion, AIGCC strongly encourages the Korean government to adopt an ambitious and science-based 2035 NDC, aligned with the 1.5°C pathway, while also ensuring that investors are meaningfully engaged in the policy process.** Doing so will not only strengthen Korea's climate resilience and financial stability but also demonstrate to global capital markets that Korea is committed to a credible and forward-looking transition.



Asia Investor Group on Climate Change  
Level 1, 60 Martin Place,  
Sydney 2000  
Australia  
E: [info@aigcc.net](mailto:info@aigcc.net)  
W: [www.aigcc.net](http://www.aigcc.net)

## ABOUT AIGCC

AIGCC is the leading network of investors in Asia focussing on risks and opportunities in climate and nature. Our 80+ members have a combined AUM of \$36 trn and have headquarters in 11 markets across the region. We were founded by institutional investors as a not-for-profit to drive action on climate, and bring an evidence driven, long-term focus on climate, nature, and investment across Asia.

Our work is underpinned by science, economics, and a highly effective theory of change that channels the influence of powerful Asian and international institutional investors, integrated across finance, business and policy making towards systemic impact. We bring deep knowledge and familiarity with Asian markets and dynamics, and play a founding role in global initiatives, making us a trusted force in driving climate-aligned finance across the region and globe.