BOND SPOTLIGHT

Korea East-West Power: new Climate Transition Bond

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SUMMARY

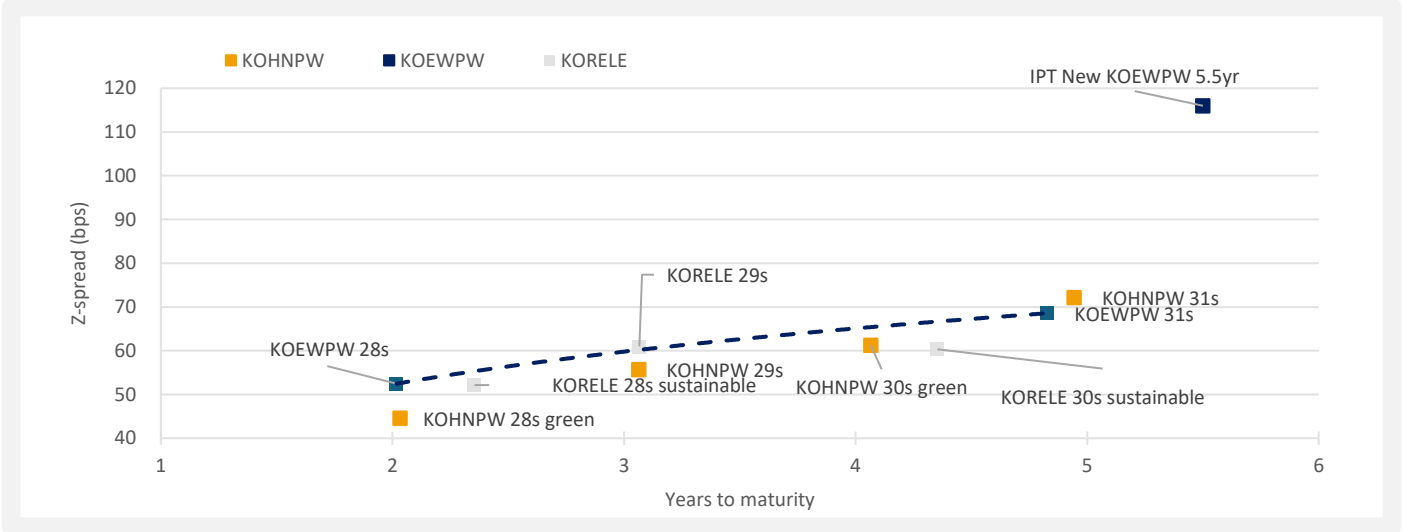
- First Korean utility USD Climate Transition Bond.
- The 2026 framework builds on KOEWPW's earlier green bond issuance by expanding eligible proceds to include coal-to-gas CCGT replacement projects.
- Potential benchmark for KEPCO subsidiaries and Korea's transition bond market
- This tests investor demand for transition instruments from a coal-exposed issuer.

Korea East-West Power (ticker KOEWPW), a subsidiary of Korea Electric Power Corp (KEPCO) came to market on 6 July 2026 with its first USD Climate Transition Bond (CTB), extending its labelled-bond activity from earlier sustainability and green bonds into transition use of proceeds. The proposed 5.5-year senior unsecured bond has initial price talk at Treasuries plus 90bps (equivalent to ~ z-spread of 116bps).[1]

The transaction is notable because KOEWPW remains a coal-heavy Korean utility issuer. Its June 2026 Green and Climate Transition Finance Framework allows proceeds to be allocated to defined transition projects, including LNG or blended-gas combined-cycle generation where projects replace or convert coal-fired plants and meet the framework's decarbonisation criteria. This is not a general gas-financing framework: eligible gas projects are tied to coal replacement, Korea Taxonomy criteria and a longer-term hydrogen pathway.

The deal also comes as the KEPCO group returns to labelled issuance, with the parent company running investor meetings ahead of a potential green bond issuance.

Figure 1. Selected comparables for KOEWPW USD bond in the Korea utility sector. Source: Bloomberg Finance L.P., accessed 6 Jul 2026.



[1] Details from Bloomberg.

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Climate Transition Bonds are still a relatively new instrument, with ICMA guidelines published in late 2025. The Japanese Government is the largest and highest profile user so far, with its 9th bond priced in May 2026, and achieving a positive 4bp greenium.[2] This transaction is therefore notable to test corporate (albeit state-controlled) investor demand.

For investors, the transaction tests demand for transition instruments from a coal-exposed issuer. Key follow-up areas are allocation reporting, evidence of coal retirement or conversion, emissions reduction against the coal baseline, and progress towards hydrogen, CCUS or other low-carbon fuels. Final pricing and secondary-market performance will show how investors price the transition label relative to KOEWPW's issuer-level coal exposure and existing Korean utility USD comparables.

Pricing

Pricing is expected the same day, and would usually tighten substantially (subject to market conditions). Pricing will be assessed against KEPCO and KEPCO subsidiary USD comparables, given KEPCO's 100% ownership of KOEWPW and the expected bond ratings of Aa2/AA- by Moody's and Fitch. KEPCO group USD comparables trade at z-spreads in the range of around 45bps to 75bps, see Figure 1.

This suggests a tightening of around 40bp from IPG would keep KOEWPW's prospective USD issuance aligned with the existing KEPCO group curve.

Final pricing, orderbook quality and secondary spread performance will indicate how investors price KOEWPW's coal-heavy generation profile, gas-related transition use of proceeds and the climate transition label relative to existing Korean utility bonds.

Transaction and issuer profile

Korea East-West Power, rated Aa2 by Moody's, AA by S&P and AA- by Fitch at the issuer level, announced initial price thoughts on 6 July 2026 for for its first climate-transition bond. KOEWPW is looking to issue USD 5.5 year benchmark Reg S only climate transition senior unsecured bond, at Treasuries plus 90bps. The issue is expected to be rated Aa2 by Moody's and AA- by Fitch.

KOEWPW is one of Korea Electric Power Corporation's six wholly owned generation subsidiaries. Korea Electric Power Corporation (ticker KORELE) is Korea's state-controlled integrated electric utility and owns Korea's major public generation companies. KOEWPW sits alongside Korea Hydro & Nuclear Power (ticker KOHNPW), Korea South-East Power, Korea Midland Power, Korea Southern Power and Korea Western Power. Within the KORELE utility complex, KOHNPW is the hydropower and nuclear subsidiary, while KOEWPW and the other thermal generation companies remain more exposed to coal and LNG generation. See Table 1 in the Appendix for details.

KOEWPW domestic installed capacity was approximately 10,280MW as of June 2026, representing 6.46% of Korea's total installed capacity. Its domestic capacity mix was 62.6% coal, 34.5% LNG combined cycle, and 2.9% new and renewable energy.[3] This coal-heavy profile is important for investors: the transition label may

[2] "JCTB: latest auction shows greenium is back", AFII, 4 Jun 2026.
[3] "Green and climate transition finance framework", Korea East-West Power, Jun 2026.

support use-of-proceeds-focused or transition-oriented mandates, but it does not remove issuer-level coal exposure. Strict coal-screened mandates may therefore remain constrained.

Labelled bond history

KOEWPW previously issued labelled bonds, including a sustainability bond in 2018 and a green bond in 2022. The labelled format also fits within the broader KEPCO group, where parent KEPCO has historically been active in labelled USD issuance with the exception of its vanilla issuance in 2025.[4] While KEPCO did not use a labelled format for that 2025 transaction, the group is now returning to labelled issuance, with KOEWPW marketing this Climate Transition Bond and KEPCO also marketing a new green bond.

The transaction also comes against a broader regional backdrop of transition bond issuance. Japan provides the clearest precedent, with both the Japanese government and Japanese corporates issuing transition-labelled debt.[5] KOEWPW's transaction extends this theme to Korea and tests investor demand for transition instruments from a coal-exposed utility issuer.

2026 Green and Climate Transition Finance Framework

Its 2026 Green and Climate Transition Finance Framework expands the eligible use of proceeds from green projects to include defined climate transition projects, while also incorporating the 2025 updates to relevant international guidelines and taxonomies, including the ICMA Green Bond Principles, ICMA Climate Transition Bond Guidelines, ICMA Climate Transition Finance Handbook and, where relevant, the Korea Green Taxonomy.

The use of proceeds covers eligible green and climate transition projects. Eligible green categories include renewable energy and energy efficiency, while the transition category allows LNG or blended-gas power generation where projects replace or convert coal-fired plants and meet the framework's decarbonisation criteria. KOEWPW identifies LNG-fired combined-cycle gas turbine replacement projects linked to existing coal assets, including Shin-Honam, Donghae, Yongin, Ulsan New and Dangjin units 5 and 6. The framework also excludes proceeds allocation to coal-related activities.

The key transition case is therefore project-based rather than framed around a disclosed post-financing energy mix target. The framework seeks to mitigate gas lock-in by linking eligible gas projects to coal replacement or conversion, Korea Taxonomy criteria and a longer-term hydrogen pathway. KOEWPW states that achieving 17TWh of carbon-free power by 2040 would require around 830,000 tonnes of clean hydrogen annually.[6] The main investor follow-up will be post-issuance reporting on allocation, coal retirement, emissions reduction versus the coal baseline and progress towards hydrogen, Carbon Capture Utilisation Storage (CCUS) or other low-carbon fuels.

[4] "KEPCO: et tu Brute?", AFII, 04 Feb 2026.
[5] Japan's transition bonds AFII, 23 Feb 2026.
[6] "Green and climate transition finance framework", Korea East-West Power, Jun 2026.

Korea power sector developments

Korea's power-sector context supports the relevance of the transaction. The country is seeking to lower the emissions intensity of its power mix while maintaining reliable power supply for industry, semiconductors, electrification and data-centre demand. This is reflected in Korea's 11th Basic Plan, which targets an increase in renewable generation from 8.4% of the power mix in 2023 to 29.2% by 2038, while also raising nuclear generation from 30.7% to 35.2% over the same period. The plan includes two new large nuclear reactors and one small modular reactor, alongside around 7GW of renewable capacity additions per year until 2030.[7]

The sector structure is also in focus. Korea's environment ministry reported interim findings from a government-commissioned study in which Samil PwC recommended consolidating the country's state-owned power generation companies into a single entity as the preferred restructuring option.[8] The relevance of the PwC recommendation is that Korea's power-sector transition requires coordinated, asset-level execution across generation fleets, infrastructure and low-carbon technologies. This is different from relying mainly on renewable certificates or other procurement mechanisms, which can support clean-power claims but do not directly address the transition of the existing generation fleet.

Conclusions

KOEWPW's proposed climate transition bond is notable as a coal-to-gas transition financing case under its updated Green and Climate Transition Finance Framework. The transaction extends the company's labelled-bond activity from green and sustainability bonds into climate transition use of proceeds, with proceeds expected to support LNG combined-cycle replacement projects linked to coal asset retirement, alongside eligible green projets.

The bond may therefore serve as an early test case for how Korean power-sector issuers apply the 2026 transition framework in practice. Key follow-up areas will be allocation reporting, evidence of coal retirement or conversion, emissions reduction versus the coal baseline, and progress on longer-term low-carbon fuel pathways.

This issuance also extends the usage of the Climate Transition Bond in Asia, beyond Japan's sovereign Climate Transition bonds. It will be an interesting test of corporate investor demand for this product.

[7] "South Korea plans two new large nuclear reactors, more renewables in energy mix", Reuters, 21 Feb 2025.
[8] "Exploring New Roles for State-Owned Power Utilities in the Energy Transition Era: Interim Research Findings Unveiled", Ministry of Climate, Energy and Environment, 18 Jun 2026.

Appendix

Table 1. Key metrics of Korean utitlity companies. Source: AFII, issuers, Bloomberg Finance L.P., accessed 6 Jul 2026.

Issuer	Korea East West Power	Korea Electric Power	Korea Hydro Nuclear Power	Korea Southern Power	Korea Midland Power	Korea West Power	Korea South East Power
Ticker	KOEWPW	KORELE	KOHNPW	KOSOPW	KOMIPO	KOWEPW	KOSEPW
Ownership	100% by KORELE	58% by Korea government	100% by KORELE	100% by KORELE	100% by KORELE	100% by KORELE	100% by KORELE
Outstanding USD	✓	✓	✓	✓			
Issued Green/Sustainable bonds	✓	✓	✓	✓	✓	✓	✓
Ratings	Aa2/AA/AA-	Aa2/AA/AA-	Aa2/AA/AA-	Aa2/NR/AA-	Aa2/AA/NR	Aa2/AA/NR	Aa2/AA/NR
Market Cap (USD bn)	Not Listed	15.6bn	Not Listed	Not Listed	Not Listed	Not Listed	Not Listed
Total assets (USD bn)	8.55	175	53.3	9.1	10.3	9.2	9.6
Green & transition bonds/ Total public bonds	8%	8.4%	16.14%	13.0%	7.9%	3.3%	20%
Labelled bonds outstanding (USD bn)	200	4235	1815	481	375	183	706
Installed Energy Mix (Coal/LNG/Renewables/ Nuclear/Others)	63%/35%/3%/0%/0%	26%/30%/23%/17%/4%	0%/0%/2%/83%/15%	50%/47%/2%/0%/2%	58%/40%/1%/0%/1%	51%/31%/6%/0%/12%	84%/10%/6%/0%/0%

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