

Korean Emission Trading Scheme

- Background and Future Plan -

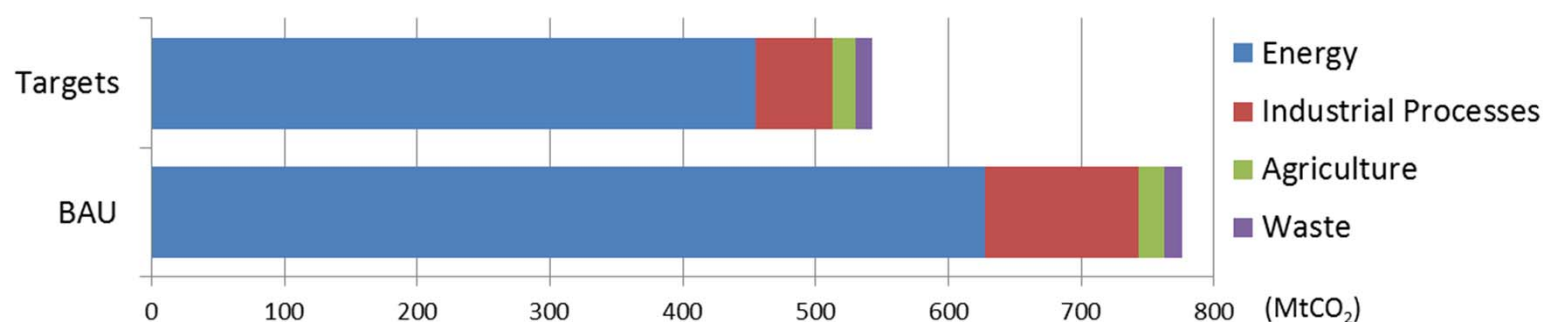
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Why Korea Needs It

- Mid-term Target: -30% from BAU by 2020
 - Unconditional, single-numbered
 - Energy & industrial processes: key sectors



- Cost-effective Way to Address the Key Sectors
 - Possibly promotes green technologies

Milestones until Now

2009

- Mid-term target of -30% below BAU announced

2010

- Framework Act on Low Carbon Green Growth Framework Law
- Provisions for ETS and GHG & Energy Target Management Scheme (TMS)

2011

- Sectoral BAU targets fixed based on the mid-term target
- Industry 18.2%, Energy transformation 8.4%, Transport 34.3%, etc.

2012

- Act on Allocation and Trading of GHG Emissions (a.k.a. ETS Law)
- Presidential decree ensued

2013

- Inter-ministerial task force launched
- In charge of setting market rules and other technicalities, formulating allocation plan, etc.

Steps Taken Prior to ETS

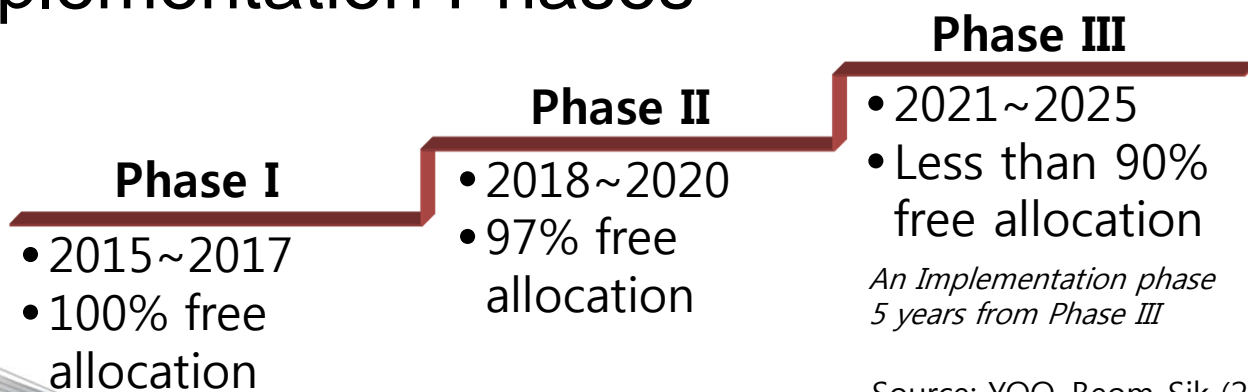
- GHG and Energy Target Management Scheme (TMS)
 - “Command and control” measure
 - Targets set through bilateral negotiations
 - Modest penalty (max 10,000 USD) when targets not met
 - Coverage criteria (from Jan '14):
+50ktCO₂ for businesses, +15ktCO₂ for installations
 - National GHG MRV system established
- Piloting of ETS
 - To assist business to be better prepared for ETS
 - Implemented in conjunction with TMS
 - Applying TMS procedures and MRV infrastructure

The Road Ahead

- Phase I (3 years) Launches in Jan. 2015
 - Specific rules to be set on: offsets, early action, non-compliance, etc.
 - Cap for the whole ETS
 - Reinterpretation of BAU target in terms of absolute emissions
 - Allocation to each entity (by Oct. 2014)
- Integration/Coordination with Related Policies
 - GHG reduction: TMS, carbon tax (recently proposed by legislators)
 - Energy sector: renewable portfolio standard (RPS), retail electricity price deregulation

Notable Features

- Coverage: All Entities above Emission Criteria
 - Businesses over 125ktCO₂, Installations over 25ktCO₂
 - In total, 70% of national GHG emissions to be covered
- Implementation Phases



Source: YOO, Beom-Sik (2013)

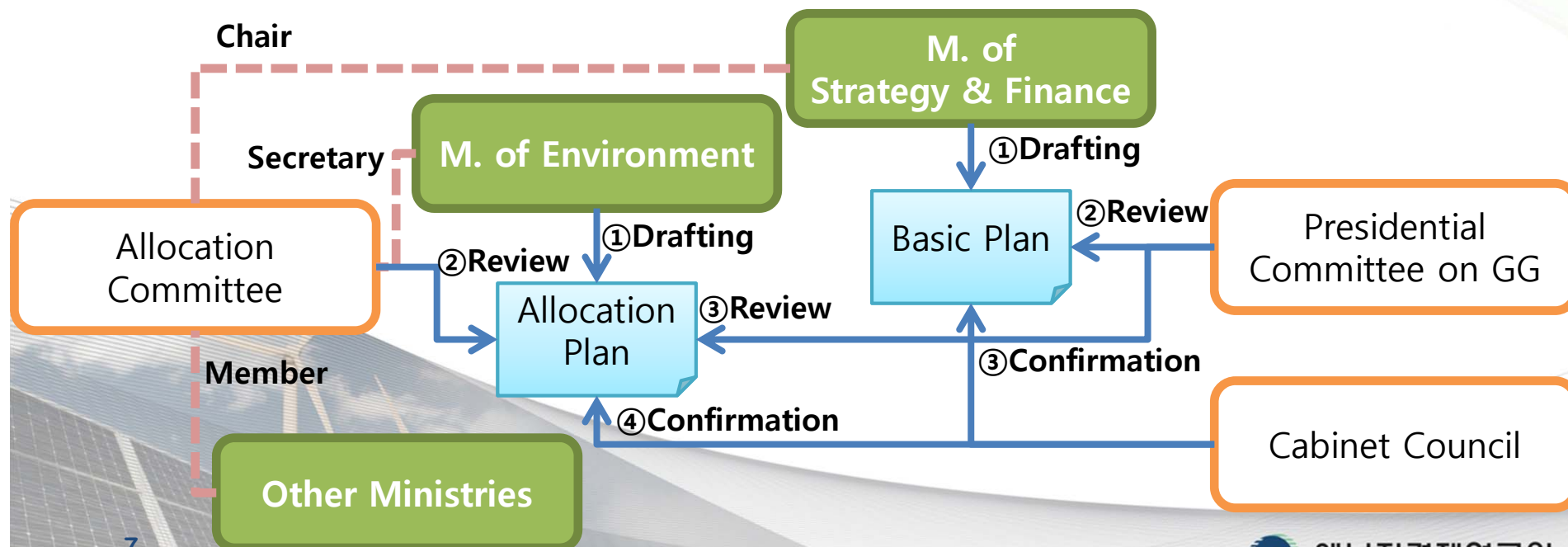
- Emission-intensive Trade-exposed Industries
 - 100% free allocation

Task Force for ETS Preparation & Planning

- Inter-ministerial T/F Led by M. of Environment (MoE)
 - Joined by M. of Trade, Industry & Energy (MOTIE) and M. of Land, Infrastructure & Transport (MLIT)
 - MoE in charge of running the ETS
- Mission
 - Allocation of allowances
 - Based on the allocation guideline it will establish
 - Setting MRV rules and necessary information system
 - Support to businesses (SMEs): financing, tax favor
 - Designation of the exchange operator

Institutional Arrangement

- Basic Plan (10-year span)
 - Policy direction, BAU forecast, impact assessment, etc.
- Allocation Plan (every phase)
 - ETS cap, cap for each sector, allocation methodology



Institutional Arrangement

- MoE in Charge of Allocation and Operation of ETS
 - Designated as competent ministry by a presidential decree
- Allocation to Businesses or Installations
 - MoE designate entities to be covered by ETS and allocate allowances to them
 - MoE chairs Allocation Decision Review Committee which reviews allocation by competent ministries
 - GHG Inventory and Research Center (GIR) under the MoE produces a review report to the committee
- Operation of ETS
 - MoE run ETS at working level
 - Allocation adjustment, emissions verification, market stabilization, penalty imposition, etc.

THANK YOU!
감사합니다.



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