

B-PMR, 26-27 SEP 2013



# Korean Emission Trading Scheme

## Scheme design and the road ahead

ETS Task Force  
Ministry of Environment Republic of Korea

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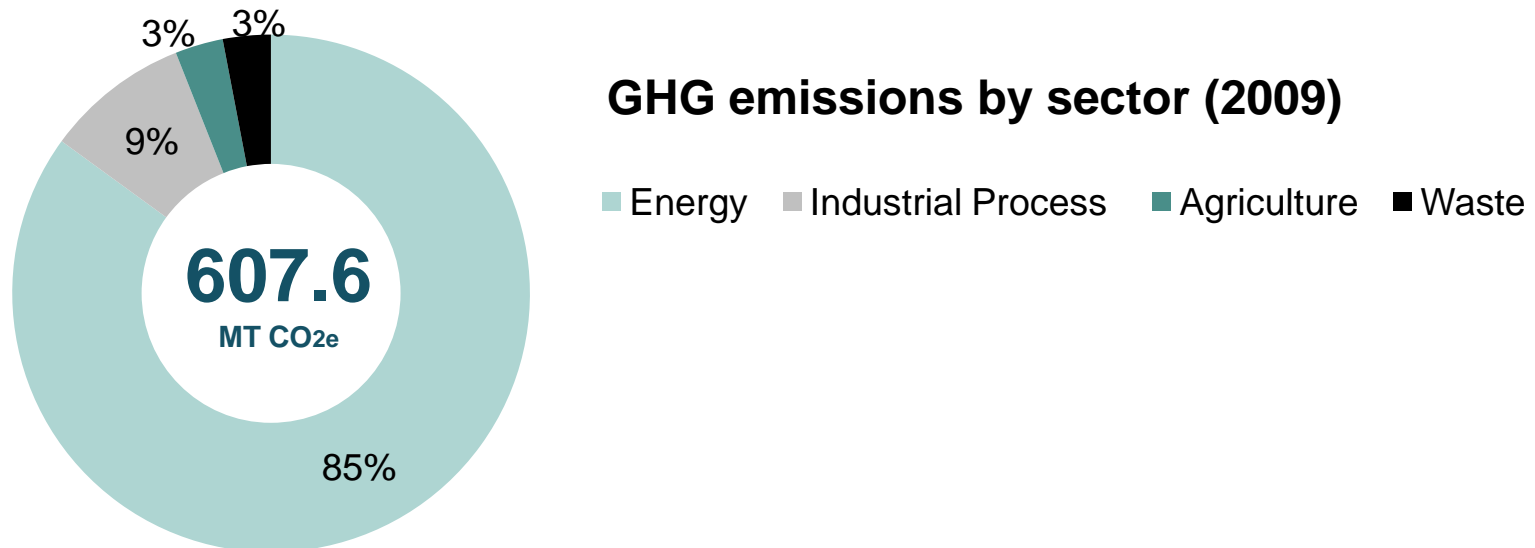
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## Overview of Korea's GHG emissions

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### Energy & Industrial Process – keys sectors for GHG emissions



### facts on Korea's energy consumption

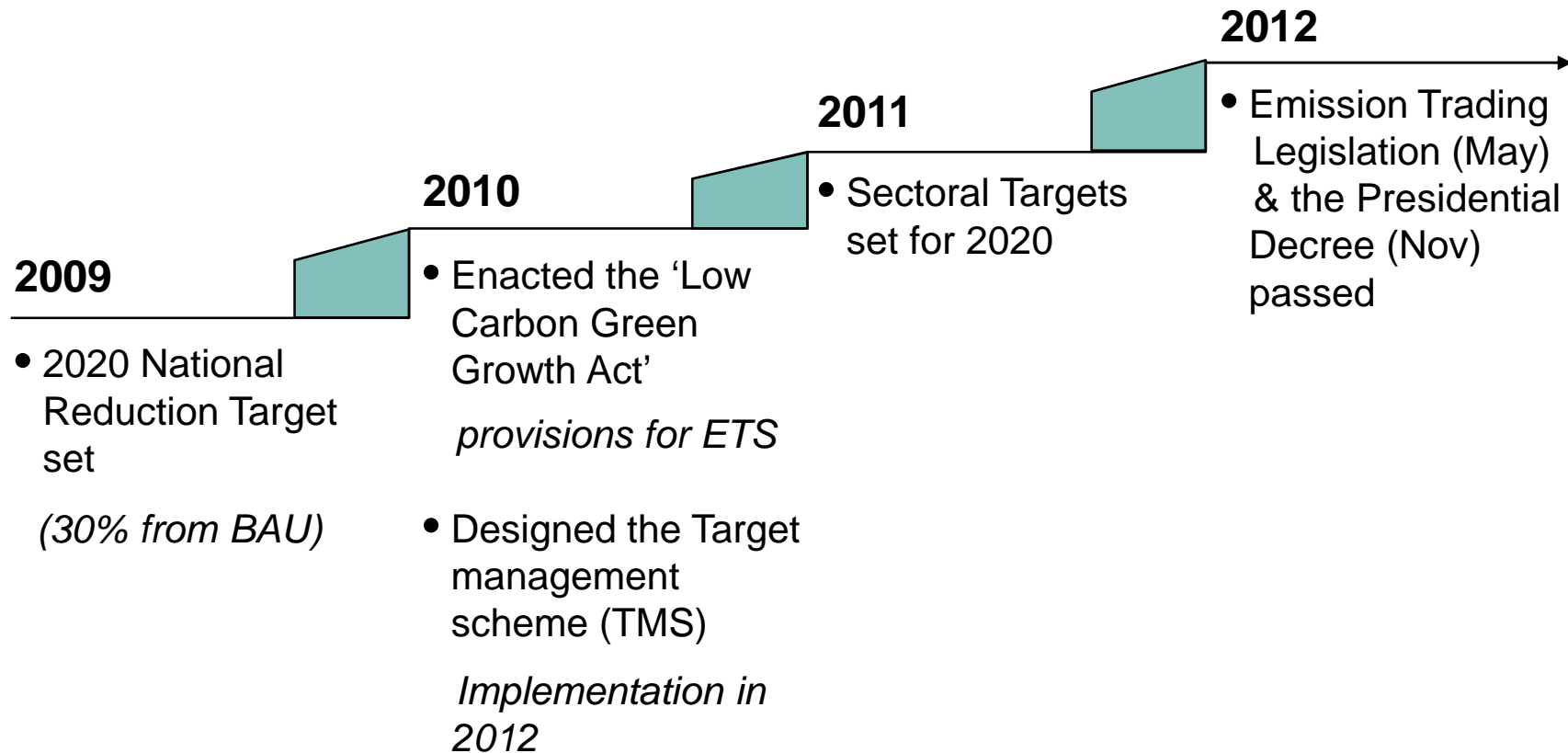
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- World's 10<sup>th</sup> largest energy consumer
- 97% of energy is imported from abroad
- Energy import account for 29% of Korea's total import volume

# Recent landmarks on GHG mitigation

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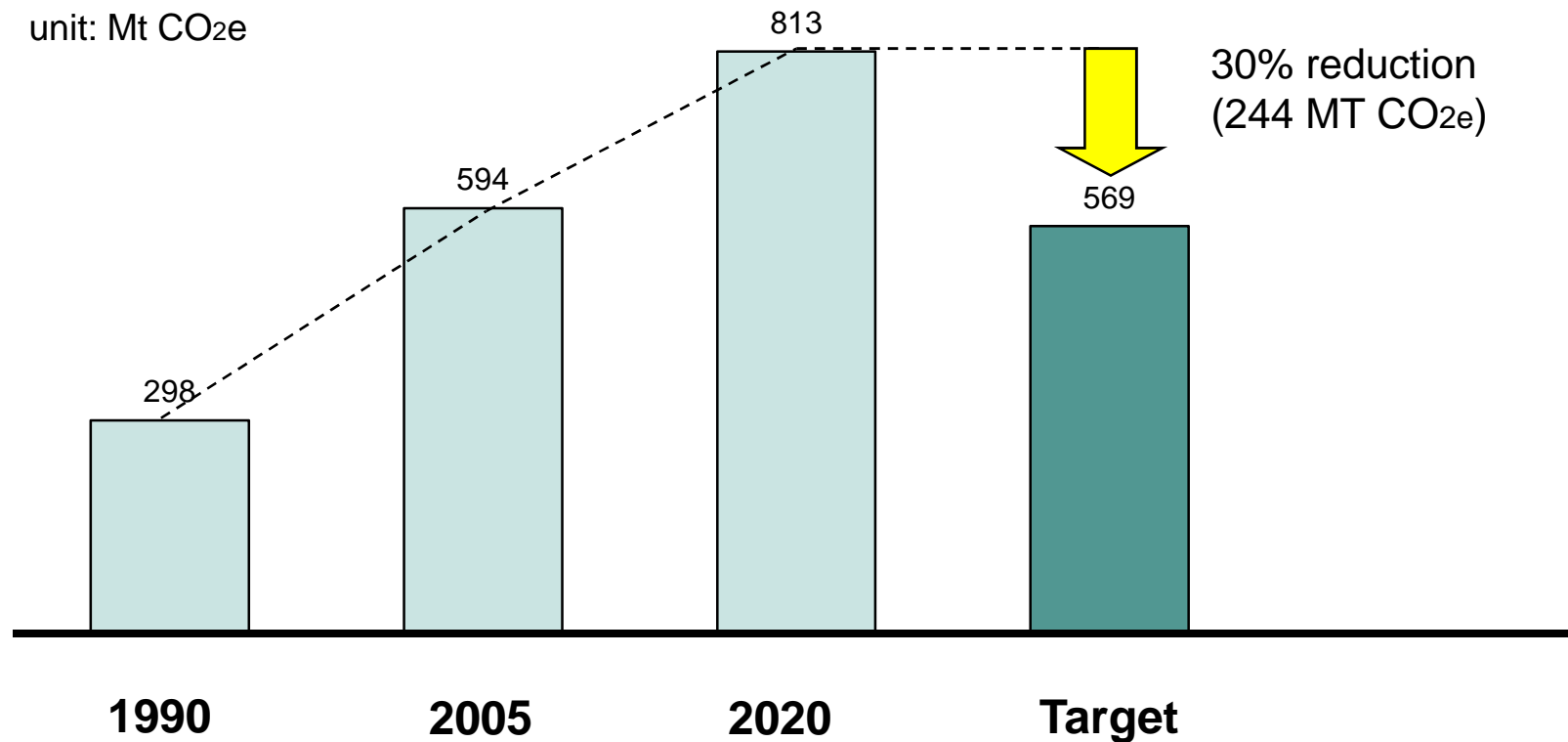
Substantial progress in mitigation policy in the last few years



## The national target (2009)

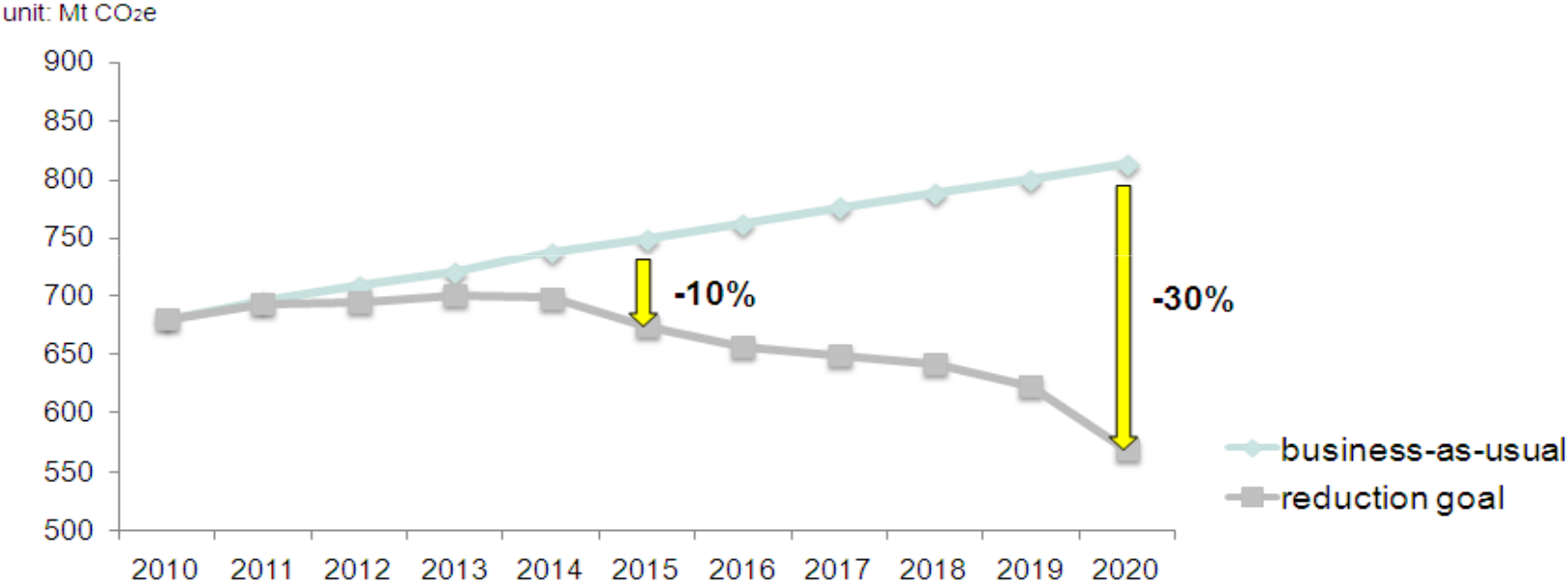
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Estimated that such ambition could imply some 244MT CO<sub>2e</sub> reduction in 2020 from the business-as-usual scenario



# Sectoral targets (2011)

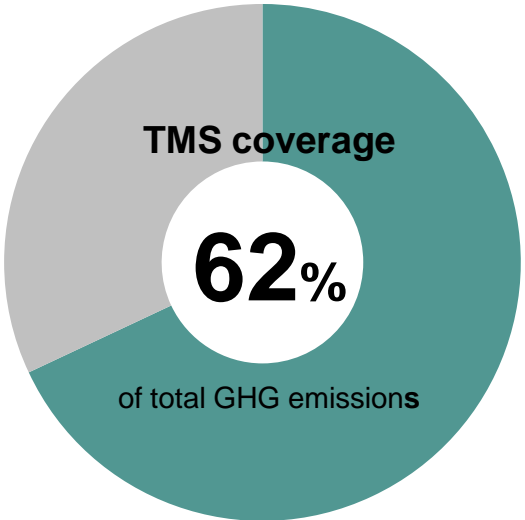
As a follow-up to the national target, emission pathway and sectoral reduction targets were set in July 2011



## Sectoral targets (reduction from BAU)

Industry	Transport	Buildings	Agriculture & Fisheries	Waste	Public	Total
18.2%	34.3%	26.9%	5.2%	12.3%	25.0%	30.0%

# Target Management Scheme (TMS)

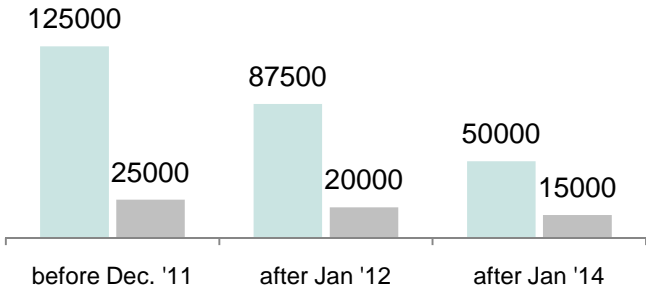


- Launched in 2012
- TMS covers 62% of total GHG emissions
- 490 entities designated at the end of 2011

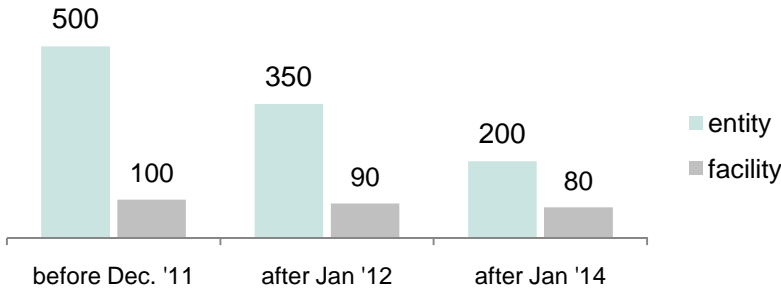
<u>Power/Industry</u>	<u>Buildings</u>	<u>Waste facilities</u>
412	51	27

## • Designation criteria

GHG emission criteria (CO<sub>2</sub>e T)

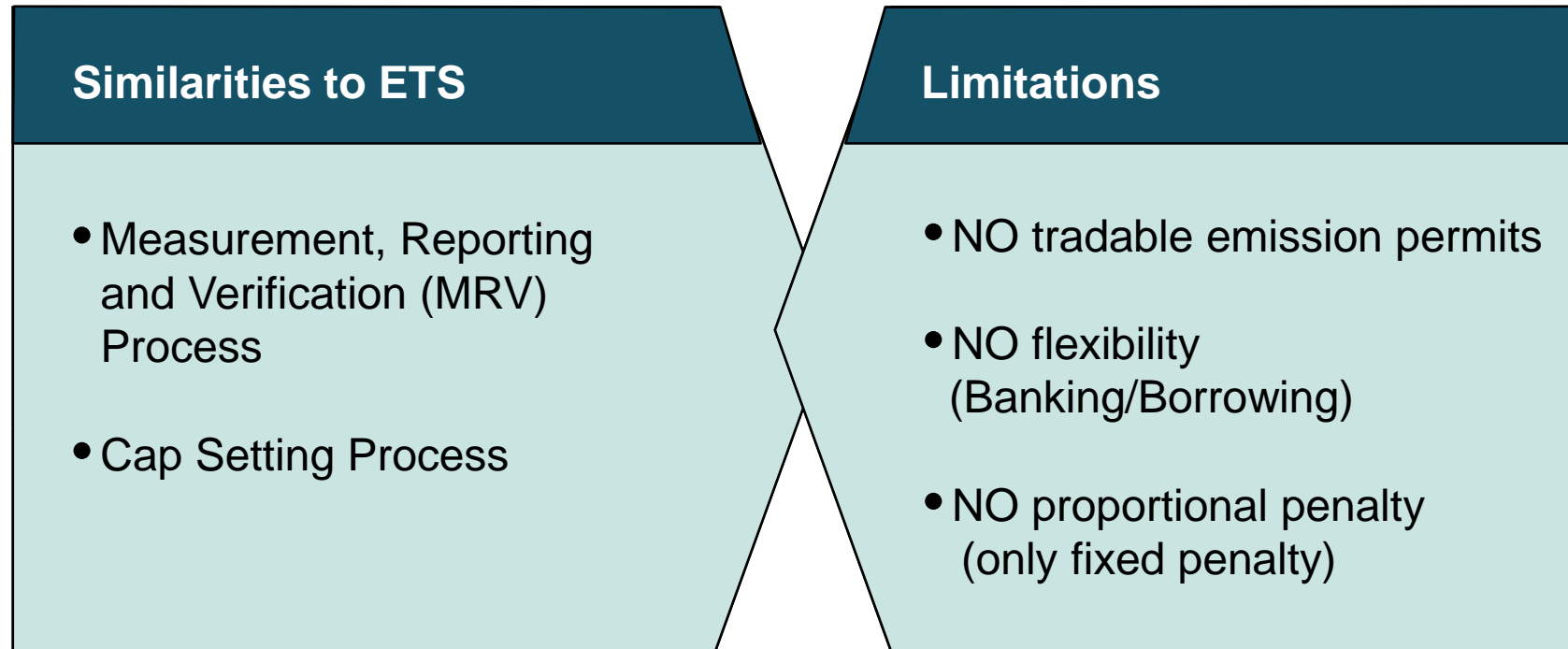


Energy consumption criteria (terajoules)



## Target Management Scheme (TMS)

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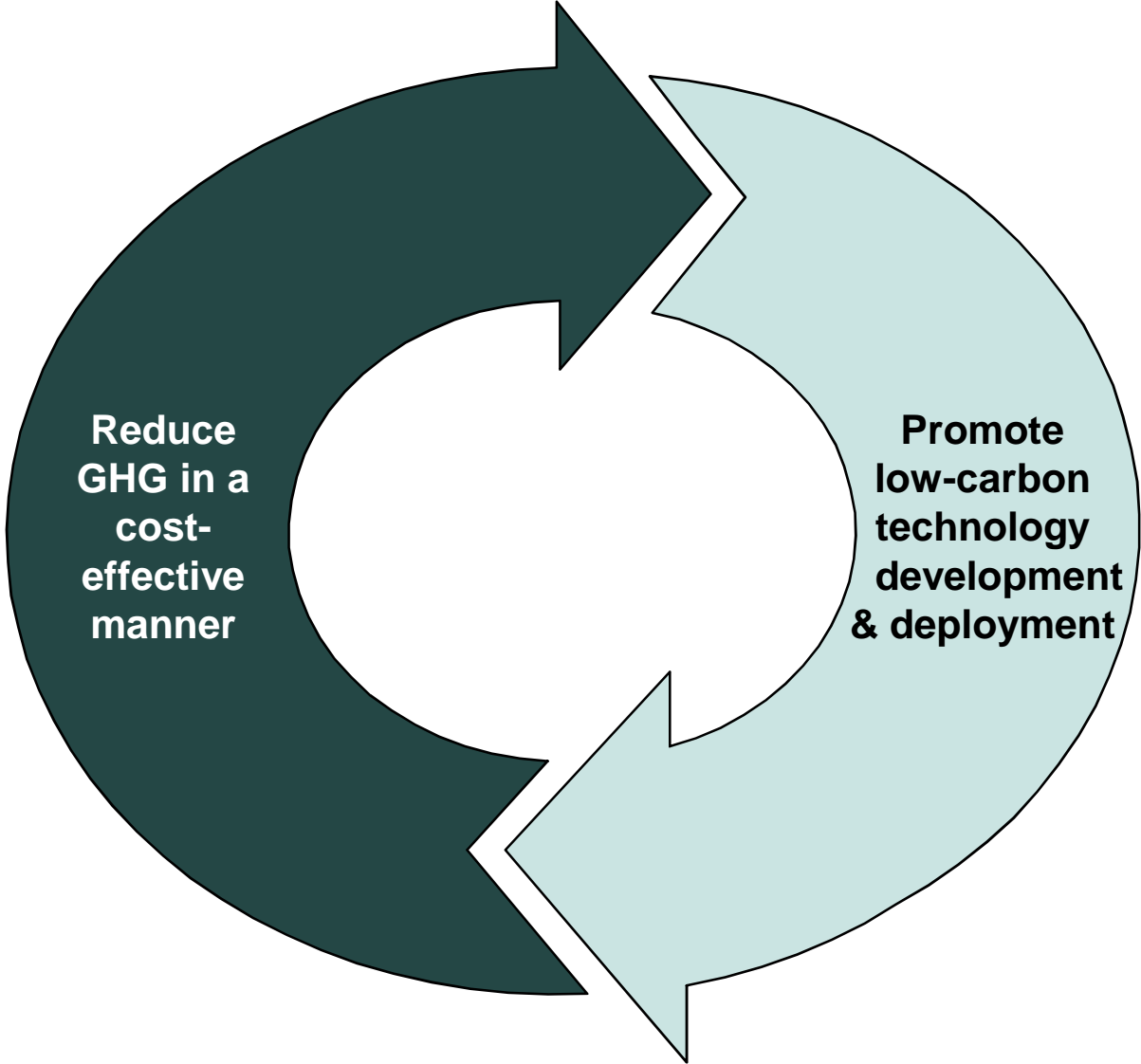


- Led to the legislation of the “**Greenhouse Gas Emission Permit Allocation and Trade Act** ” (Bipartisan support in the National Assembly)



# Emission Trading Scheme (Key Objective)

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# ETS (Key processes and legal plans)

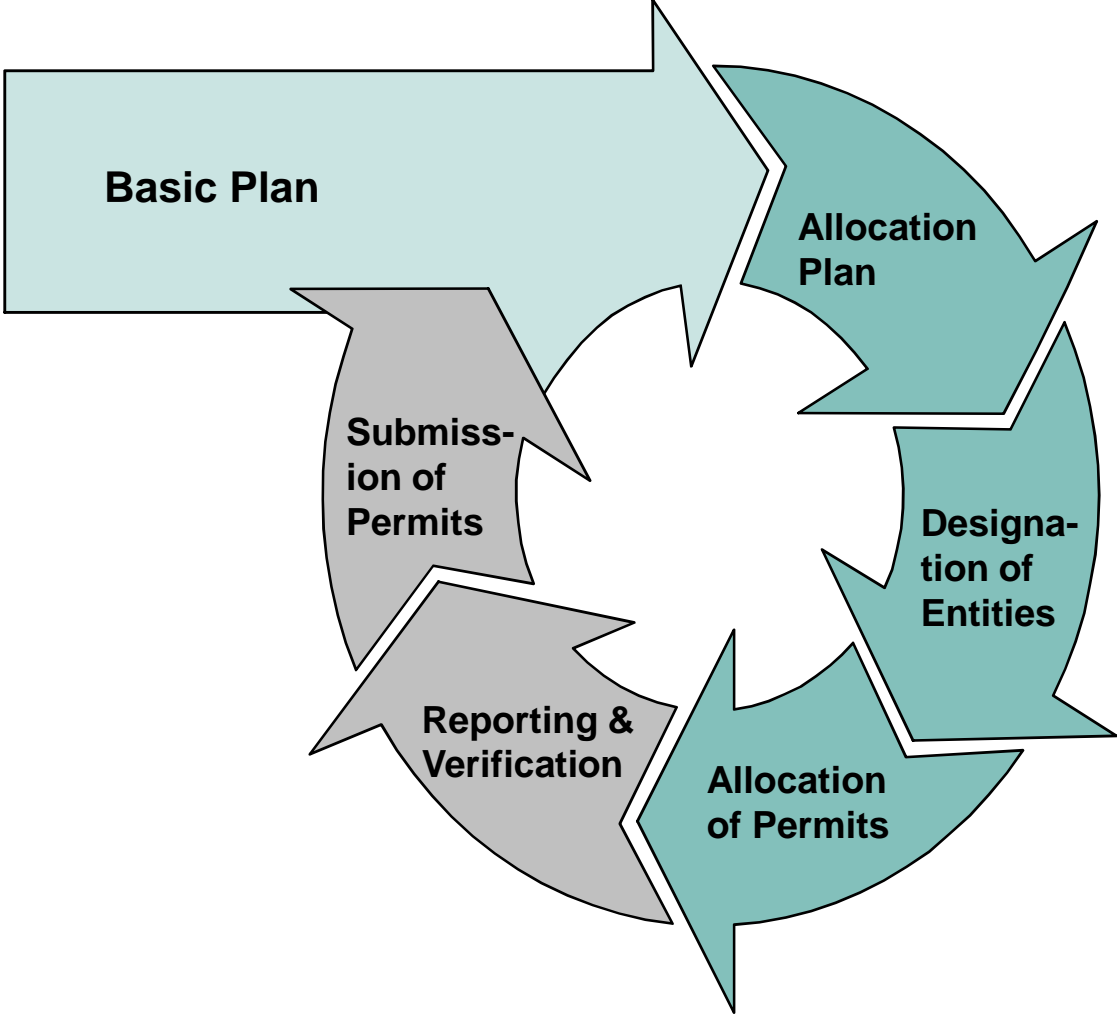
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**Basic Plan**

- 10 year plan
- Every 5 years
- Ministry of Strategy and Finance
- Policy direction for ETS, BAU forecast, economic impact assessment, etc.

**Allocation Plan**

- Every phase (3~5 yrs)
- Ministry of Environment
- ETS cap, Cap for each sector, Allocation methodology,
- Reviewed by the Allocation Committee

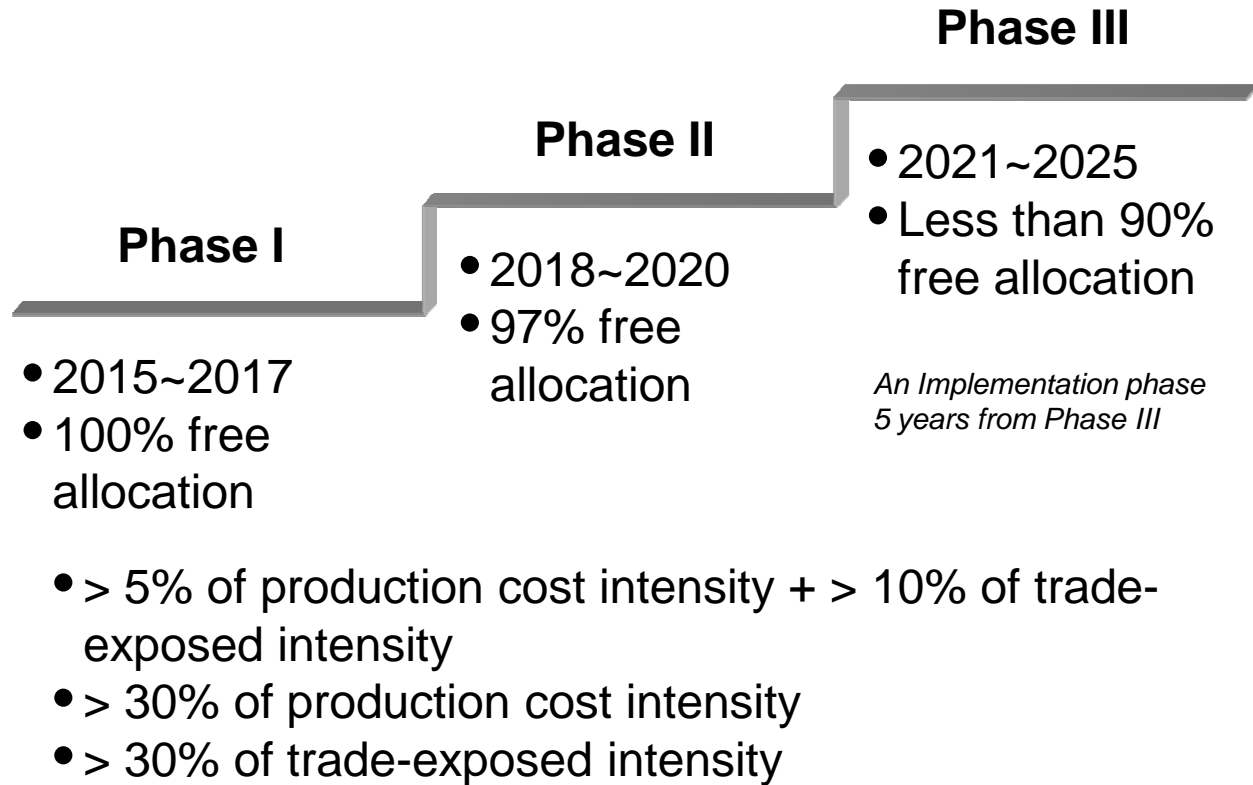


# ETS (Scheme design)

## Coverage

- Average emission of 3 years\* prior to the implementation phase  
*Entity criteria 125,000t CO<sub>2e</sub>, Installation criteria 25,000t CO<sub>2e</sub>*
- Voluntary participating entities

## Implementation phases & free allocation



## 100% free allocation for EITE entities

- > 5% of production cost intensity + > 10% of trade-exposed intensity
- > 30% of production cost intensity
- > 30% of trade-exposed intensity

## ETS (Flexibility)

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### Banking & Borrowing

- Banking allowed to the next implementation year within the same phase or the 1<sup>st</sup> year of the next phase
- Borrowing allowed from the next implementation year (max of 10% of total necessary permits for submission)

### Offsets

- Max of 10% of total necessary permits for submission
- International offsets are allowed starting in Phase III (50% of total offset permits)

### Early Action

- Max of 3% of total necessary permits for submission (only for Phase I)

## ETS (Adjustment, cancelation & fine)

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### Adjustments

- Adjustments in allocation of permits is possible when:
  - there is a change in the Allocation Plan;
  - - there is request from entities for additional permit allocation due to unexpected expansion or merge acquisition and change in operation

### Cancelation

- Cancelation of permits is possible when:
  - there is a closure;
  - delay in operation of over 3 month; or
  - suspension of operation of 1 year

### Fine for non-compliance

- Up to 3 times the average market price
- Max of 100thousand KRW (US\$ 91)/tCO<sub>2e</sub>

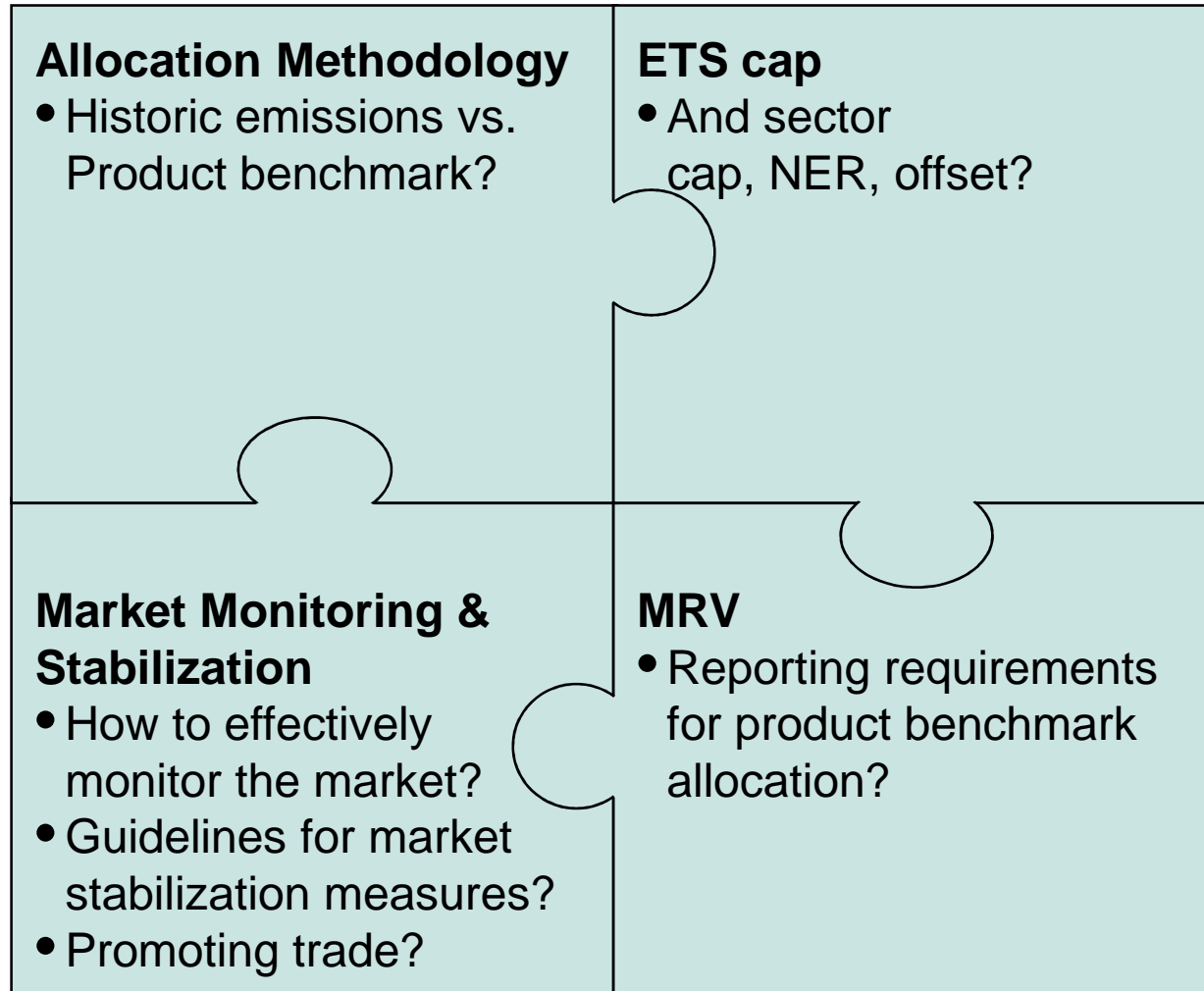
## ETS (Timetable for Phase I)

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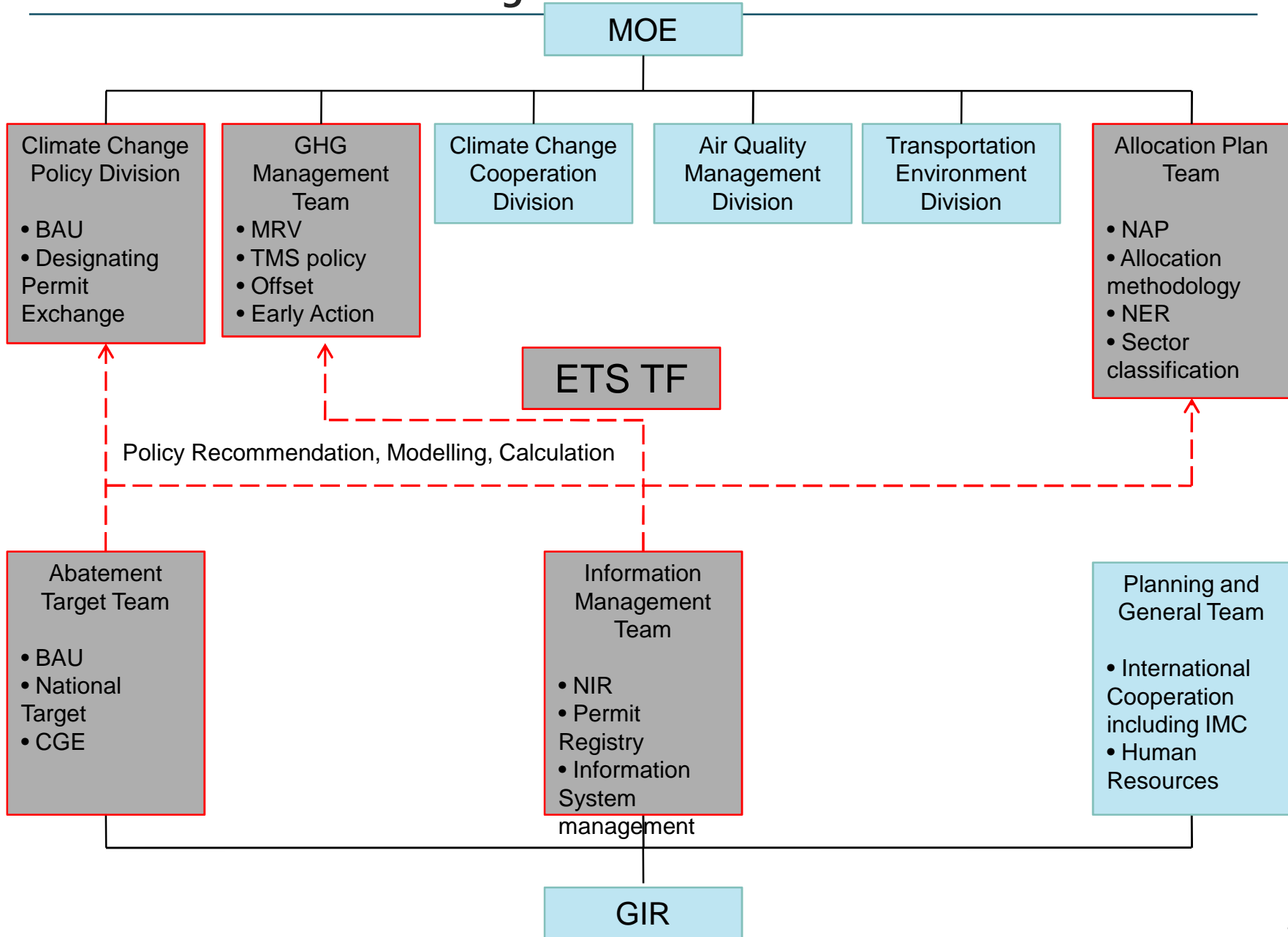


## Key Challenges

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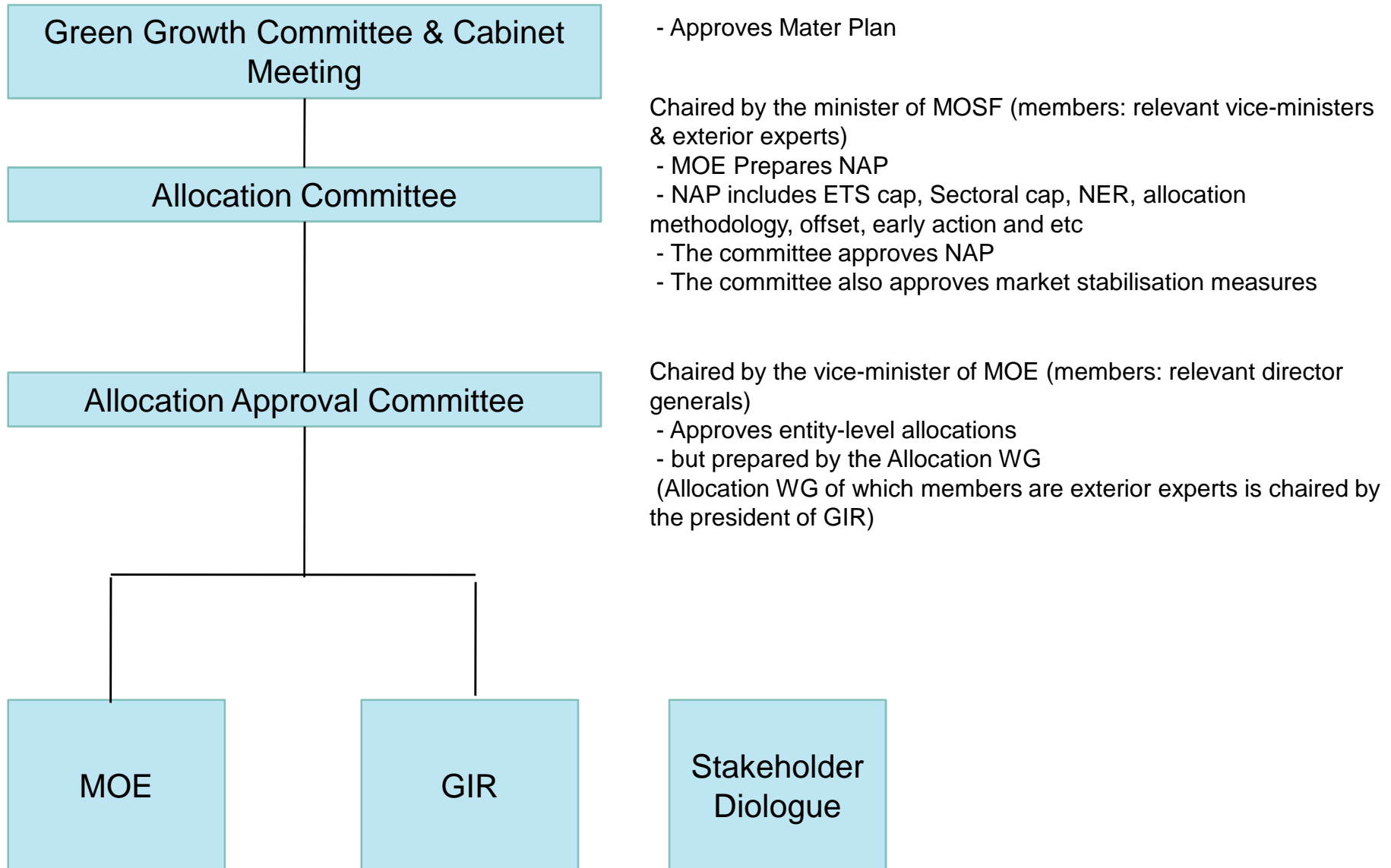
# Framework of Korean ETS governance





# Framework of Korean ETS governance

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**Thank You**

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