

CARBON MARKET BUSINESS BRIEF

TAIWAN

TAIWAN ETS AT A GLANCE

Years in operation	To be determined. The GHG Management and Reduction Act (the Act) stipulates that Taiwan EPA shall implement the domestic cap-and-trade scheme by considering the UNFCCC and its agreements, or relevant international conventions decisions.
Overall cap & trajectory	To be determined.
Target(s)	Current economy-wide targets, against a 2005 base year, are: <ul style="list-style-type: none"> • -2% by 2020; • -10% by 2025; • -20% by 2030; • and -50% by 2050.
Emissions Reduced to date	N/A
Sectors covered	To be determined. Currently installations with emissions in excess of 25,000 tonnes CO ₂ e/year (power, steel, petrochemical, cement, semiconductor, panel) are required to report their emissions.
GHGs covered	To be determined.
# of covered entities	To be determined. Currently 293 entities are required to report their annual emissions, with third-party verification.
Allocation method	To be determined. The Act stipulates that the allocation must take into account carbon leakage and national competitiveness, and that the Taiwan EPA shall allocate emission allowances to entities either freely, via auctions, or for a fixed price.
Trading rules	To be determined. Trading regulations will be developed by Taiwan EPA, which will designate a financial institution to manage the trading platform.
Use of offsets and linking	A draft revision of the Act stipulates that an entity may surrender credits from domestic projects and external GHG trading schemes recognised by Taiwan EPA at a percentage to be determined by the EPA for each phase of ETS.
Other features (eg banking, borrowing, reserves, etc)	To be determined.
Penalties for non-compliance	The draft revision of the Act sets a penalty of NT\$3000 (about US\$105) per tonne.

Use of revenues

Proceeds from GHG Management fee, ETS auctions and trading fees will be put in the GHG Management Fund, which can be used to:

1. Reduce GHG emissions;
2. Inspect emission sources;
3. Provide emission sources with assistance, subsidies or grants for voluntary efforts to reduce GHG emissions;
4. Administration of the ETS;
5. Climate change adaptation measures;
6. Educate, promote, and award grants;
7. Conduct international affairs;
8. Carry out research and analysis.

MAJOR DEVELOPMENTS

The GHG Act was enacted in 2015, but there is still no clear timeline for the start of the cap-and-trade system in Taiwan. Citing barriers such as small market size, difficulties in international linkage, and limited scope of coverage, Taiwan EPA is in the process of revising the Act and rename it the Climate Change Response Act.

In addition to cap-and-trade, mandatory energy efficiency standards and a GHG management fee will be added as complementary policy tools to reduce emissions. The draft revision is expected to be submitted to the Executive Yuan by June 2021 and later submitted to the Legislative Yuan. If the revised Act is passed, it is expected that the GHG management fee will be implemented first, with the ETS considered at a later time.

MARKET COMMENTARY

Trading is limited to domestic offsets mostly used for voluntary carbon neutrality purposes. Since no trading platform is available, the credits are transacted through bilateral contracts with no public price disclosure.

Early action credits have prices similar to the CER market price, while domestic offsets are close to NT\$400-600 (about US\$14-21). As of March 2021, 53 offset projects have been registered, with about 11 million credits issued. Recent revisions to Environmental Impact Assessment regulations require new projects to offset at least 10% of increased carbon emissions and allows the use of offset credits, likely boosting demand and prices even before the start of the cap-and-trade system.

USEFUL LINKS

[Taiwan GHG Emissions Registry](#)

[Taiwan Towards UNFCCC](#)

[ICAP](#)

[ICAP, Taiwan update \(April 2020\)](#)

REFERENCES

[Taiwan Environmental Protection Administration, Recent Issues on Climate Change Greenhouse Gas Reduction and Management Act \(2015\)](#)

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