

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; • -50% by 2050. A target for net zero by 2050 is in a draft revision of the Act.
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 287 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	To be determined.
Penalties for non-compliance	The draft revision of the Act sets a penalty of a maximum of NT\$1500 (about US\$50) per tonne.

Use of revenues	<p>Proceeds from carbon fee, ETS auctions and trading fees will be put in the GHG Management Fund, which can be used to:</p> <ol style="list-style-type: none"> 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; 6. Climate change adaptation measures; 7. Educate, promote, and award grants; 8. Conduct international affairs; 9. Carry out research and analysis.
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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's EPA is in the process of revising the Act and renaming 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 was approved by the Executive Yuan in April 2021 and will be submitted to the Legislative Yuan. If the revised Act is passed, the carbon fee will be implemented first, with the ETS considered at a later time. The fee is expected to be collected starting 2024 at the earliest for major emitters and large electricity users, and likely at a rate below NT\$300 (about US\$10).

On 30 May 2022, the National Development Commission released Taiwan's roadmap for net-zero carbon emissions by 2050, by setting a goal for an electricity mix of 60-70% renewables, 9-12% hydrogen, and 20-27% fossil fuel with carbon capture, utilisation and storage. In the section on carbon pricing, the roadmap noted the implementation of carbon fee, setting up a platform for trading carbon credits (offsets), and the potential for international cooperation under the Paris Agreement.

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 April 2022, 87 offset projects have been registered, and 21 projects have been issued credits totalling about 23 Mt. Recent revisions to Environmental Impact Assessment (EIA) regulations require new projects to offset at least 10% of increased carbon emissions and allows the use of offset credits. One of the EIA offset programmes involves the replacement of old motorcycles with electric ones and is expected to sell at a price of NT\$1500 (about US\$50). The planned carbon fee will also allow the use of offset credits, with the percentage to be decided later.

USEFUL LINKS

[Taiwan GHG Emissions Registry](#)

[Taiwan Towards UNFCCC](#)

REFERENCES

[Taiwan Environmental Protection Administration, Recent Issues on Climate Change](#)

[Greenhouse Gas Reduction and Management Act \(2015\)](#)

[Taiwan's 2050 Net-Zero Emissions Pathway](#)

[Focus Taiwan: Taiwan sets goal of boosting renewables in energy mix tenfold by 2050](#)

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