

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, manufacturing of semiconductors and flat panel displays) 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. Draft regulations and trading platforms have been developed, awaiting final decision to implement the cap-and-trade system.
Use of offsets and linking	The Act stipulates that the use of offset credits should give priority to domestic efforts. Also, an entity may surrender credits from external GHG trading schemes recognized by Taiwan EPA by up to 10% of the entity's total allowances.
Other features	To be determined
Penalties for non-compliance	Penalty of three-times carbon market price per tonne, within a maximum of NT\$1,500 (about US\$50) per tonne. The carbon market price will be set by Taiwan EPA in consultation with central industry competent authorities, taking into account domestic and international carbon prices.

Use of revenues

Proceeds from 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 proposing to revise the Act at the end of 2020. In addition to cap-and-trade, mandatory energy efficiency standards and GHG management fee will be added. Furthermore, the revision might include capping direct emissions from the power sector, which is now regulated by the electricity emissions factor targets for different phases of the GHG Emissions Control Goals under the Act.

MARKET COMMENTARY

Currently, 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\$600 (about US\$20). Recent revised regulation on Environmental Impact Assessment requires new projects to offset at least 10% of increased carbon emissions and allows the use of offset credits. Therefore, the demand and the price for offsets is expected to increase even before the start of cap-and-trade.

USEFUL LINKS

[Taiwan GHG Emissions Registry](#)

[Taiwan Towards UNFCCC](#)

[ICAP](#)

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

[IETA, Taiwan: An emissions trading case study \(August 2016\)](#)

REFERENCES

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

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

AUTHORS

Stefano De Clara
International Policy Director, IETA
declara@ieta.org

Robert Shih
General Manager, YC Consultants
robert@yourcarbon.com.tw