환경부

Press Release

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2020 Korean Emissions Trading System Report was published

- Emissions of ETS participants reduced by 5.7% YoY

Sejong, March 14 - The Ministry of Environment's Greenhouse Gas Inventory and Research Center (GIR; President: Seo Heung-won) announced on March 11 that it published the "2020 Korean Emissions Trading System (K-ETS) Report" that highlights the operational performance of the K-ETS. This report includes analyses by sector, such as the emissions allowance allocation and certification of emissions in 2020, the last year of the second trading phase. It also provides the analysis of emissions permits (KAU20 and KCU20), for which the transaction was completed on August 9, 2021. The report includes the efforts to cut greenhouse gas (GHG) emissions in the second trading phase (2018–2020) by analyzing participants' awareness of the system and the surveys on the implementation. It recommends actions to be taken for the third trading phase (2021–2025).

According to the report, there were 636 business entities eligible for allocation in 2020. Greenhouse gas emissions of the system participants were reduced by 5.7% (554.4 million tons) compared to the previous year. The number of participating business entities increased each year, from 586 in 2018 to 610 in 2019 and 636 in 2020. The emissions from business entities in 2020 dropped even more than in 2019[1]. Except for one business entity[2], six hundred thirty-five businesses entities met the emissions reduction target.

According to the report, emissions were reduced due to the impact of COVID-19, fine dust reduction measures, and efforts to reduce emissions of the system participants. In the energy conversion sector, emissions were reduced by 29.3 million tons (11.9%) compared to the previous year due to less coal-fired power generation according to fine dust reduction measures and lower electricity demand. The industrial sector showed a decrease of 4 million tons (1.2%), owing to lower production from businesses, replacement with highly energy-efficient equipment, and fuel conversion.

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[1] Emissions reduction in 2018: 601.5 million tons → in 2019: 587.9 million tons (2.3% increase) → in 2020: 554.4 million tons (5.7% increase)

[2] One business entity that failed to surrender emission permits (5,400 tons) is subject to penalty surcharges

The building sector, which includes commercial and school buildings, showed a 1.8 million ton (4.4%) reduction in emissions YoY due to COVID-19's reduced open hours and trend of online classes. Similar to the building sector, the aviation and transport sectors indicated reduced numbers of new projects and flights due to COVID-19, resulting in a reduction of 400,000 tons (21.7%) of emissions.

The total payment for emissions trading in 2020 was KRW 1.3 trillion (trading volume of 44 million tons), which was 21 times (7 times for the traded volume) more than the amount paid when the system was first implemented in 2015 (KRW 62.4 billion, trading volume of 5.66 million tons). The average price of "allocated emission permits in 2020 (KAU20, September 24, 2019 – August 9, 2021)" was KRW 18,510. The price started at KRW 31,000 on September 24, 2019, and rose to KRW 42,500 (Apr. 2020) but eventually dropped to KRW 9,750 (Jun. 2021) with the gradual impact of COVID-19 in the market. Later, the trade volume increased when the deadline for surrendering emission permits approached, causing the KAU20 price to soar to KRW 22,500 in 2020.

Meanwhile, for the whole month of last September, the GIR surveyed 260 business entities eligible for allocation (40.9% of all business entities) on the system's reduction effect in the second trading phase and measures for responding to the third trading phase. 41.1% responded that the ETS effectively reduces emissions, showing an 18.9% increase compared with the last year's survey. The reasons business entities eligible for allocation answered the system is effective were in the following order: ①The need for mandatory reduction for complying with the allocation. ②Increased efforts for reduction due to financial burden for purchasing emission permits. ③ Inducement to invest in reduction technologies to gain profit from permit trade.

Regarding specific activities for reducing GHGs, the responses were in the order of: ①Installation of high-efficiency equipment and performance upgrade (63.9%). ②Use of unused energy (30.6%). The transition towards low-carbon fuels (25.7%). ③Use of renewable energies (16.7%). ④Carbon capture, storage, and use (2.1%).

Achieving the ETS goal by purchasing emission permits (68.0%) was the highest in response measures for the third trading phase, followed by conducting internal activities for reduction (39.9%) and use of allocated emission permits. ※ Multiple answers were allowed for this survey

"The Korean Emissions Trading System Report will transparently disclose the system's annual accomplishments and operation status, and it is expected to improve the system operations and management and provide the necessary information," said GIR President Seo Heung-won. The report will be available on the GIR website (www.gir.go.kr) from March 11. The GIR plans to publish the English version in May to meet the overseas demand for Korea's experience and knowledge in ETS operation.