



Press Release

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The Ministry of Environment to Improve the Korea Emissions Trading Scheme

- The Ministry of Environment held the council meeting to advance the emissions trading scheme to hear suggestions on system improvement –

Sejong, August 19 - On August 16, the Ministry of Environment (Minister Han Wha-jin) convened its first council meeting to advance the emissions trading Scheme. During the meeting, the attendees discussed ways to improve the greenhouse gas (GHG) emissions trading scheme to promote carbon neutrality. The Council comprises relevant ministries, enterprises, and associations of various business types subject to the emissions trading scheme and experts. The Council has three subcommittees: system improvement, auctioned allocation, and allocation based on benchmarks.

First, the subcommittee for system improvement discussed the ways to expand government support for lowering GHG emissions by hearing from the industries and identifying challenges. During the meeting, the participants discovered the current system's problems and the needs of the industries, such as rewarding GHG reduction efforts, vitalizing the carbon emission trading market, and alleviating unreasonable administrative burdens. They also discussed ways to support companies with the revenues generated from the auctioning of allowances and diversify support programs to introduce new reduction technologies and processes such as Carbon Contracts for Difference (CCfD)¹.

¹ The government and private companies sign a contract to guarantee a carbon price to apply innovative reduction technologies and promote investments in GHG reduction.

The auctioned and benchmark-based allocation subcommittees discussed improvement measures for mid-to-long-term ETS allocation options. There is a need to improve the current allocation methods to meet the EU and other international standards and thus preemptively respond to the global barriers to carbon trading, such as adopting the EU's Carbon Border Adjustment Mechanism (CBAM). The subcommittee members also talked about the expansion of auctioned allocation as well as a detailed plan for the expansion of benchmark-based allocation².

The Ministry of Environment will regularly convene Council meetings until the end of this year to develop a plan for systemic improvement through continuous discussions with the industries. Of the tasks discussed, those that can be improved with guidelines revision will be completed this year, while mid- to long-term tasks will be carried out when establishing the basic and allocation plans for the next emissions trading scheme.

Keum Han-seung, Deputy Minister for Climate Change and Carbon Neutral Policy Office, said, "It is important for the industries to actively participate in the Emission Trading Scheme to reduce greenhouse gas. We will closely communicate with the industries as we work to improve the emissions trading scheme."

² Benchmark-based allocation is based on average emissions by industry and benefits corporations with higher reduction efficiency. According to GHG reduction performance indicators, grandfathering is based on historical emissions and does not consider reduction efficiency to better reward efficient installations.