



Press Release

다시, 대한민국!
새로운 국민의 나라

FOR IMMEDIATE RELEASE
02/24/23

Contact: Chung Yoon-hwa, Deputy Director
Air Quality Future Strategy Division / +82-(0)44-201-6882
Foreign Media Contact: Chun Minjo(Rachel)
+82-(0)44-201-6055 / rachelmchun@korea.kr

Environment ministry to reform rule on subsidies for the purchase of EVs in 2023 to popularize EVs

- Enhancing performance evaluation for EVs and introducing capacity assessment for follow-up battery management –

Sejong, February 24 – On February 2, the Ministry of Environment (ME, Minister Han Wha-jin) announced its reform plan for electric vehicle subsidy for 2023 with the concerned ministries. The Ministry has researched EV subsidies. It also organized a consultative body with the concerned authorities, including the Ministry of Economy and Finance and the Ministry of Trade, Industry and Energy, to prepare the subsidy reform plan. The Ministry also held meetings with manufacturers and importers of each vehicle type to review and reflect on their feedback on the reform plan.

The Ministry has paved the way for popularizing electric vehicles by supplying cumulatively 402,000 units through an active EV subsidy scheme. Also, differentiating subsidies based on performance has led to the development and spread of EVs with excellent performance in a short period.

As the number of supplied EVs increases, people have high expectations for the safety, conditions of use, and performance of vehicle fleets. Accordingly, people expect subsidies more than just financial supporting EV purchases. In particular, the subsidy scheme should help innovations in core technologies, such as batteries, more than provide differentiated subsidies according to performance of vehicle fleets. There are also concerns about the safety of EVs, such as risk of battery fires. As such, subsidies should improve user convenience, such as supplying safe EVs, expanding charging stations, and improving after-sales service. Others say the government should support more to ease entry barriers for the type of vehicles mainly purchased by vulnerable groups

and small business owners.

The Ministry of Environment has reviewed various social needs and reformed its subsidy scheme based on three principles: △ more support for safe and high-performance vehicles, △ support considering safety and convenience after purchase, along with promoting EV supply and △ customized support for the underprivileged and small business owners.

The details of the subsidy reform plan by vehicle type are as follows.

< Electric passenger cars >

(Direction for subsidy reform) The Ministry of Environment reformed the subsidy scheme for electric passenger cars in a way to further differentiate subsidies according to vehicle performance and capacity for after-sales service. The Ministry will also meet the distribution target and improve the conveniences of electric vehicles by implementing various incentives.

- ① (Criteria for base price) The Ministry of Environment will adjust the ratio of subsidy payment by the base price of each vehicle.

Until now, the Ministry of Environment paid a full subsidy to vehicles priced at less than KRW 55 million to boost mass-market EVs at a reasonable price. However, as pressure to hike car prices increase due to rising battery prices as a result of the recent surge in raw material prices, the criteria for base price* for receiving full subsidy support has been raised from KRW 55 million to KRW 57 million.

* (Criteria for base price) Less than KRW 57 million: eligible for 100% subsidy / KW 57 to 85 million: eligible for 50% of full subsidy / Over KRW 85 million: 0%

- ② (Adjustment of the unit price) The Ministry of Environment will adjust subsidies by considering cost analysis of life cycle and equity by vehicle class while accelerating EV supply by significantly increasing the amount of support.

While reducing the performance subsidies for mid- and large-sized EVs by KRW 1 million(KRW 6 million → KRW 5 million), the Ministry raised the number of EV units for subsidies by about 31% (160,000 units → 215,000 units) compared to the previous year. Also, considering price differences according to vehicle class, the ceiling for performance subsidies for small and compact

EVs was newly established at KRW 4 million. Meanwhile, the Ministry reduced the subsidies for ultra-compact EVs from KRW 4 million to KRW 3.5 million. The Ministry will provide an additional 10% of the subsidies for low-income families and small business owners and provide a total of an additional 20% of subsidies for low-income families and small business owners purchasing ultra-compact electric cars.

- ③ (Enhance performance evaluation) The Ministry of Environment will enhance the performance of the EVs by differentiating subsidies according to performance, such as mileage.

The Ministry will reduce EV subsidies with a single-charge mileage of less than 150km by about 20%. The Ministry will also expand the criteria for qualifying subsidies from a single-charge mileage of 400km to 450km so that high-performance EVs receive more support.

- ④ (Competency evaluation of after-sales service) The Ministry of Environment plans to evaluate the manufacturers' after-sales service, such as auto shops directly operated by the manufacturers and computerized management of maintenance history. According to the evaluation results, the Ministry will differentiate performance subsidies by up to 20%.

There have been complaints constantly about the lack of after-sales service infrastructure for EVs and inconvenience due to differences in expertise, service quality, and prices. The Ministry will give the highest scores to manufacturers directly operating vehicle maintenance centers. However, even if manufacturers outsource after-sales service to vehicle maintenance centers in partnership, they can receive subsidies equivalent to those directly operating vehicle maintenance centers if they fulfill responsibilities, such as providing professional training for auto mechanics.

- ⑤ (Incentives) The Ministry of Environment will introduce various incentives to boost the supply of low-emission vehicles, expand charging stations, and develop and adopt innovative technologies.

The Ministry will try to alleviate the burden on manufacturers caused by increasing the supply target for low-emission vehicles in 2023 (KRW 0.7 million → KRW 1.4 million) and encourage them to reach the target.

※ Companies subject to the low-emission vehicle distribution targeting: 10 (Domestic

manufacturers: Hyundai, Kia, Ssangyong, Renault, GM Korea; overseas manufacturers: Mercedes Benz, BMW, Volkswagen, Toyota, Honda)

The Ministry of Environment also provides an additional 'subsidy for charging infrastructure' (KRW 200,000) for EVs produced by manufacturers that have installed at least 100 fast chargers over the past three years to encourage manufacturers to install more EV chargers. The Ministry will provide a 'subsidy for innovative technology' (KRW 200,000) to EVs that increase utilization and apply high-added-value innovative technologies. This year, it will also support vehicles equipped with V2L (Vehicle to Load) functions that convert EVs into a mobile energy storage system (ESS).

< Electric vans and buses >

- ① (Direction for subsidy reform) Electric vans and buses are equipped with high-capacity batteries, so the Ministry of Environment will reform subsidies for those vehicles in a way to improve battery safety and technology levels by introducing an evaluation of the performance characteristics of batteries.
- ② (Evaluation of performance characteristics of batteries) As electric vans and buses have larger battery capacities than other vehicles, their batteries significantly impact vehicle load, fuel economy, and safety. Therefore, the Ministry will differentiate subsidies by evaluating their battery characteristics.
- ③ First, for safety, if manufacturers submit a report from a certified domestic testing agency on the 'traction battery safety test' among the motor vehicle safety standards under the 'Motor Vehicle Management Act,' they will receive preferential treatment (support for KRW 3 million) to increase the reliability and objectivity of safety test results. Also, vehicles equipped with high-energy-density batteries will receive more subsidies to induce high-quality EVs and promote the development of EV battery technologies.
- ④ (Enhanced performance evaluation) The Ministry of Environment will further differentiate EV subsidies based on the levels of performance considering improvements in overall vehicle performance.

The Ministry raised the subsidy criteria to 440km (originally 400km) for large electric vans and 360km (originally 300km) for medium-sized electric vans. The Ministry also plans to ensure a certain fuel efficiency level by adding a 'minimum fuel efficiency' standard as an evaluation factor to determine whether to provide subsidies in the future.

- ⑤ (Evaluation of after-sales service) Electric vans will also receive different subsidies according to the after-sales service of each manufacturer.

Performance subsidies KRW 67 million(large) or 47 million won (medium)) will vary by up to 20% depending on the operation of maintenance/parts management centers and computerized management of maintenance history. The Ministry plans to apply the same after-sales service evaluation criteria to electric trucks with similar after-sales service.

< Electric trucks >

(Direction for subsidy reform) All electric truck subsidies will vary according to EV performance to induce performance improvement. Underprivileged groups and small business owners will receive more benefits considering their livelihood-driven demands.

- ① (Adjustment of the unit price) Considering the increasing trend of small electric trucks, the Ministry of Environment reduced subsidies for electric trucks by KRW 2 million from the previous year (KRW 14 million → KRW 12 million) but increased the number of subsidized electric trucks (40,000 units → 50,000 units). However, considering that most people buy electric trucks because of their livelihood, the Ministry will provide an additional 30% of the grant amount (previously 10%) for vulnerable groups and small business owners to receive subsidy benefits similar to the previous year.
- ② (Enhanced performance evaluation) The Ministry abolished base subsidies, which provided a fixed rate of support regardless of performance, and plans to support the total amount according to vehicle performance. The Ministry raised the standard for receiving different subsidies to a single-charge mileage of 250km (originally 200km).
- ③ (System improvement) The period for limiting subsidy support when individuals purchase the same vehicle model will be extended from two to five years. The Ministry plans to prevent moral hazards, such as repeated second-hand EV sales aiming for subsidy

profits.

< Plans >

The Ministry of Environment announced that the 'Guidelines for processing subsidies for electric vehicle supply projects in 2023,' containing the subsidy reform plan, will be published on the integrated website for zero-emission vehicles (www.ev.or.kr) from February 2. The Ministry plans to finalize the guidelines by February 9 after collecting documents and feedback necessary for calculating subsidies by vehicle type, including the status of establishing after-sales service systems.

Park Yeon-jae, Director-General of the Air Quality Policy Bureau at the Ministry of Environment, said, "This subsidy reform plan includes various measures to boost supplying EVs, improve their performance and safety, and improve their convenience." He added, "Distributing EVs will improve the environment by reducing air pollutants and GHG emissions. It is also expected to enhance the competitiveness of electric vehicle technologies."