

System on the Management of Targets for GHGs and Energy & ETS

September 20, 2010

Republic of Korea



New paradigm in Korea towards a Low Carbon, Green Growth

'Low carbon, green growth' strategy is
a new national development vision
that creates new growth engines
- August 15, 2008 , Address by president Lee Myung-bak



The Framework Act on Low Carbon Green Growth
entered into force (April 2010)



Features of the Framework Act

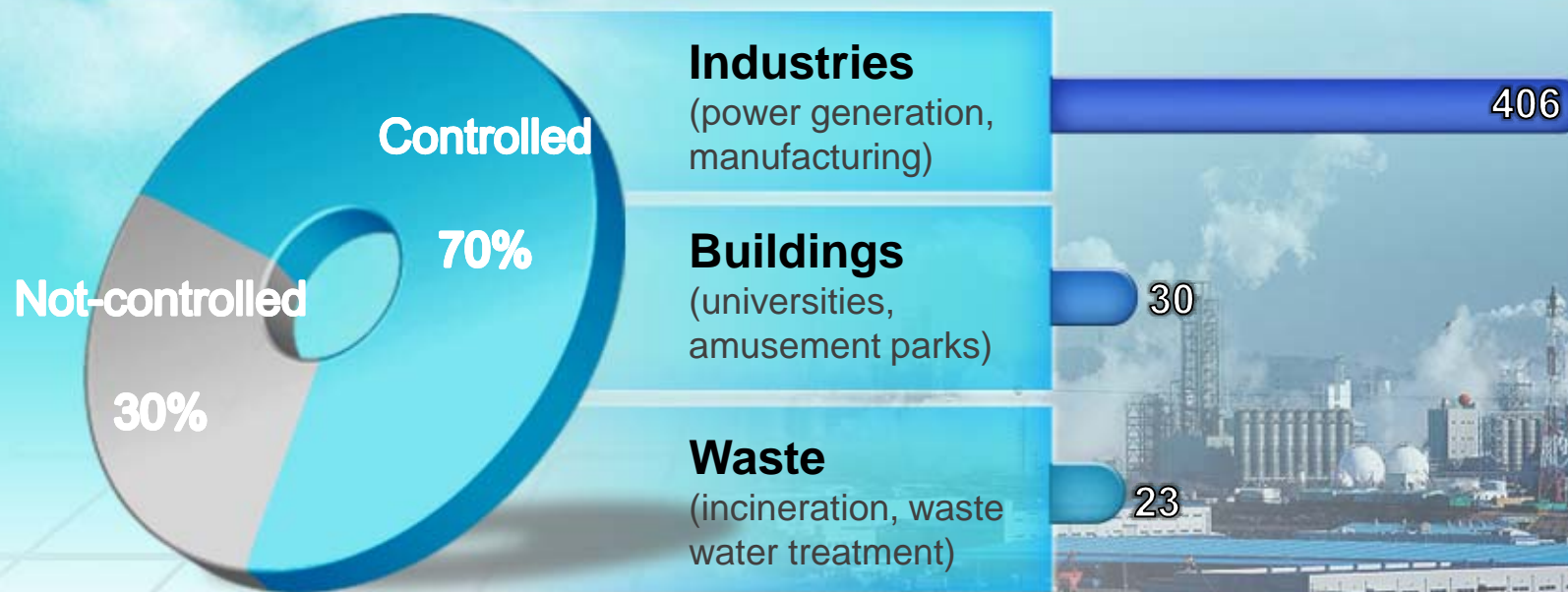
- ◆ Integration of three existing laws (or draft law)
 - Energy Act
 - Framework Act on Sustainable Development
 - Bill on Countermeasures against Climate Change
- ◆ Measures to control GHG emission
 - Mid-term GHG emission reduction target : 30% of BAU by 2020
 - **System on the management of targets for GHGs and Energy**
 - * Emission Trade System through a new separate law
 - Comprehensive National GHG Information System
 - Control of automobiles' GHG emission and fuel efficiency
 - Vitalization of green life style

System on the Management of Targets for GHGs and Energy

To set and manage targets for **GHG** reduction and energy savings of large-scale entities

Total emission: 620 mil. ton ('07)

Controlled entities : appx. 459



To manage **70%** of national **GHG** emission

Principles of Implementation

- **1st year's focus: establishment of calculation · management schemes**

- Exemption of target setting mandate
- 3mons. grace period for preparation

- **Target setting method**

- Consider BAU and companies' investment plan

- **System on the management of targets for GHGs and Energy**

- Prevent double regulations through integrated management

- **Incentives for over-achievement**

- Preferential treatment in loan application, green certificate, etc
- Recognize mitigation performance when enacting ETS related law

Balanced consideration of GHG reduction and competitiveness of companies

Role of Relevant Ministries

Ministry in Charge: MOE

- Prepare comprehensive standards and guidelines
- Monitor and evaluate the operation of competent agencies by area
- Designate verifying institution



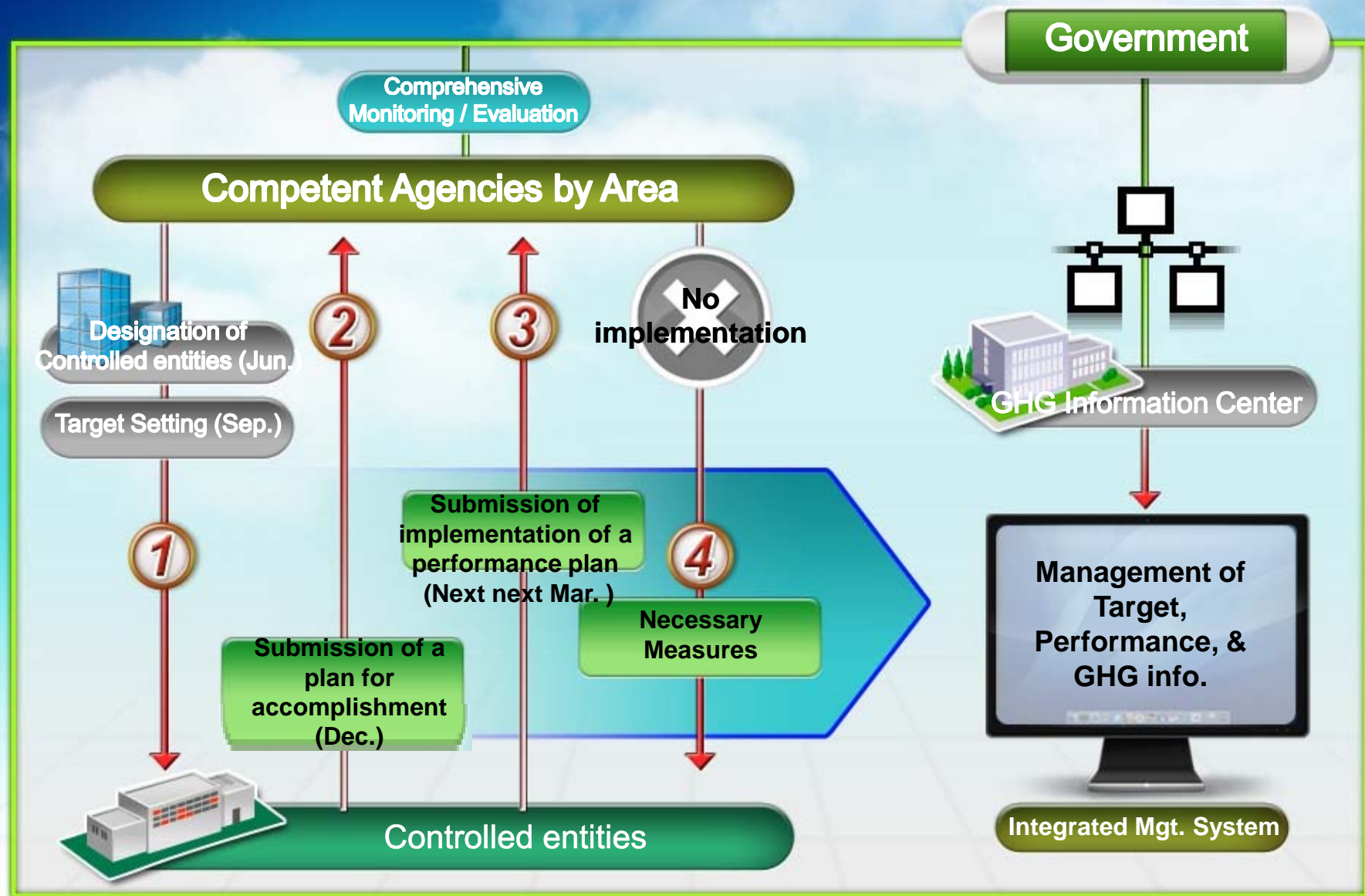
Competent agencies by area



- Agriculture · livestock: MIFAFF
- Waste: MOE

- Industry · power generation: MKE
- Buildings · Transport: MLTM

Process of the System on the management of targets for GHGs and Energy



Introduction of pilot phase ET

Background

- ◆ **Discussion of the Korean domestic ET scheme**
 - **Consideration of pilot emission trading**
 - **To achieve mid-term GHG goal effectively and efficiently**
 - **To get experience of Cap & Trade and organize early action program**
 - **Possibility of the linkage to other ET scheme (Japan, EU,...)**

Issues under discussion

Issues on carbon market

◆ Allocation

- Level of cap to each installation
- Free allocation and/or auction

◆ Coverage of participants

- Sector and Volume(assigned amount) covered by emission trading
- Number of participant to secure market size and effectiveness

◆ Application of Offsets

- Domestic and/or international

Expected Market size

Restrictions

- ◆ **Limited number of Participants**
 - About 15% of that compared to 2007 GHG emissions of EU
- ◆ **Lower volume**
 - Limited liquidity and volumes in the market
 - Short of experience in ETS market
 - How to continue trading in the market

Country	2006 emission (ktCO ₂ e)
USA	7,006,049
EU	4,115,962
Japan	1,342,109
ROK	599,500

The image features a vibrant blue sky filled with fluffy white clouds. In the upper right corner, there are faint, glowing white lines that suggest a network or data flow. At the bottom of the image, a light gray grid pattern is visible, consisting of several horizontal and vertical lines that create a perspective effect. The overall aesthetic is clean, modern, and professional.

Thank you!

THANK YOU!