

Financing climate action in South Korea

- perspectives for the Moon administration -

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Challenges of climate change in Korea

- Average temperature rose 1.5 degree in the last 100 years (more than 2 times the global average)
- Sea surface temperature rose 1.1 degree (more than 2.5 times the global average)



Korea's Green Growth Policy 2008-2013



- aggressive marketing of „green growth“
- successful bid to host international environmental institutions (GCF, NEASPEC, EAAFP etc.) on a reclaimed wetland
- funding and elevation of GGGI to international organization
- at the same time, business-friendly liberalization policies (e.g. Greenbelt reduction)
- favoring market approach on CO2
- Strong critique on environmental damage of certain policies (e.g. 4 rivers)



Korea's environmental policy 2013-16

The Korean Emissions Trading System (1)

- Korean Allowance Units, Korea Offset Credits, Korea Credit Union
- KRX facilitates trade
- OTC transaction common
- Some structured deals
- Lack of volume is a concern to compliance buyers – especially energy companies
- No speculative trading – only hedging
- High price for offsets

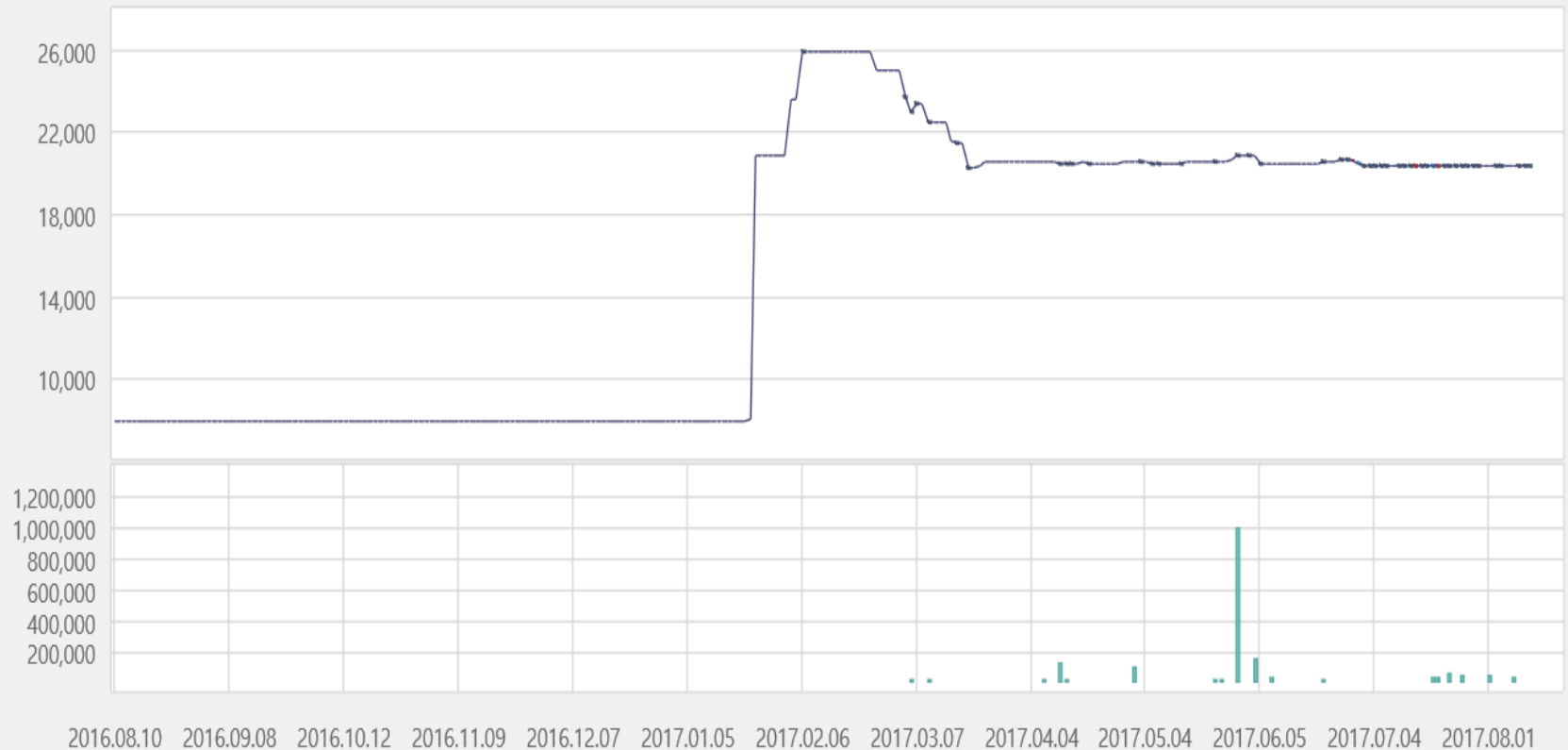
The Korean Emissions Trading System (2)

- Already reformed in 2016
- Ministry of Strategy and Finance (Control Tower)
- 4 Ministries now involved instead of just Ministry of Environment
 - Ministry of Environment
 - Ministry of Trade, Industry and Energy
 - Ministry of Agriculture, Food and Rural Affairs
 - Ministry of Land, infrastructure and Transport
- Process is slow
- Price has been rising strongly

The Korean Emissions Trading System (3)

Prices and Trade Volume

Opening,High.Low.ClosingPrice Trading Volume(ton)



The Korean Emissions Trading System (4)

- Possible after 2018
- Should be implemented as a CDM project
- ROK company needs to be involved in the project through shareholding, supply of technology or operational control
- CERS can be converted to KETS based on the amount of ownership by ROK company
- CDM Projects globally (with any CDM methodology other than HFC and N2O (adipic acid))
- Industrial gases would be prime target from a cost/revenue perspective
- However: Implementation timeframe is long and ROK compliance buyers are risk-averse when making investment decisions

Does Korea do enough on climate finance?

TABLE 1: G20 MEMBER SUMMARY TABLE

G20 member	1. Provide Strategic Policy Signals and Frameworks	2. Promote Voluntary Principles for Green Finance	3. Expand Learning Networks for Capacity-building	4. Support the Development of Local Green Bond Markets	5. Promote International Collaboration to Facilitate Cross-border Investment in Green Bonds	6. Encourage and Facilitate Knowledge-sharing on Environmental and Financial Risk	7. Improve the Measurement of Green Finance Activities and their Impacts
Argentina	✓			✓			
Australia	✓			✓			
Brazil				✓	✓	✓	
Canada	✓			✓	✓		
China	✓	✓	✓	✓	✓	✓	✓
France	✓	✓		✓	✓	✓	
Germany	✓		✓	✓		✓	
India	✓			✓	✓		
Indonesia	✓		✓	✓		✓	
Italy	✓			✓			
Japan				✓			
Mexico	✓			✓	✓		✓
Russian Federation				✓		✓	
Saudi Arabia			✓				
South Africa	✓			✓	✓		
South Korea		✓		✓			
Turkey				✓			✓
UK	✓		✓	✓	✓	✓	✓
US				✓		✓	
EU	✓			(N/A)	✓		
International	✓	✓	✓	✓		✓	✓



Three key mutually reinforcing trends emerge from the data collected: (i) increasingly systemic national action, (ii) greater international cooperation, and (iii) increased market leadership at the individual and collective level.

Source: UNEP Green Finance Progress Report

http://unepinquiry.org/wp-content/uploads/2017/07/Green_Finance_Progress_Report_2017.pdf

Climate policy of Moon administration (1) policy goals

- To have a renewable energy production ratio of 20% by 2030
- A temporary re-introduction of a small-scale electricity generation support system
- Upgrade of Renewable Energy Ratio (RPS) Targets
- Intensive investment in Namhaean offshore wind power
- Establishment of a model between energy new industries and SMEs
- Activation of the GHG Emission Trading System

Climate policy of Moon administration (2)

shift from nuclear policy and unresolved questions

- stop of new nuclear projects
- Does it also mean stop of nuclear export policy?
- What financial mechanisms will be available to invest in renewable energy?
- Coming from pilot projects to mass use
- Seeing limits of technology-alone approach (e.g. smart grids)
- Is green job growth realistic?
- Can *short-termism* be overcome?

Climate policy of Moon administration (3) the international dimension: renewed commitment to Gobitec and the Asian Supergrid



4 advantages of Gobitec (large-scale SP-Network and comprehensive renewable energy grid)

- Tackling climate change (fulfill commitments, raise national standing)
- Diversifying energy supplies (increase energy security)
- Promoting Northeast Asia cooperation and integration
- A new possibility for engagement on the Korean Peninsula

Thank you very much
for your attention!

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