Lessons from Korean Green Growth Journey for Private Sector Engagement

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### Introduction of climate change response and green growth policies

- President Lee presented Low Carbon Green Growth as a new growth engine (‘08)
- Green New Deal to overcome global financial crisis (‘08)
- National strategy and framework plan for green growth established (‘09)
- 「Framework Act on Low Carbon Green Growth」 enacted (‘10)
- 「Act on Allocation and Trading of GHG Emission Permits」 enacted (‘12) – K-ETS
- COP18 decided to host Green Climate Fund (GCF) Secretariat in Incheon, South Korea (‘13)
- 2020 NDC target established (‘14)
  * 30% emission reduction compared to BAU level by ‘20

### Scale-up of climate change response policies

- K-Emission Trading Scheme launched (‘15)
- 2030 NDC target (‘15) and Roadmap established (‘16)
  * 37% emission reduction compared to BAU level by ‘30
- 1st framework plan for climate change response established (‘16)
- 2030 Roadmap revised (‘18) and 2nd framework plan for climate change response established (‘19)
  * Of the 37% target, the percentage for domestic reduction increased (25.7% → 32.5%)

### Carbon neutrality as a major agenda, laying institutional foundation

- 2050 carbon neutral vision declared (‘20)
- Carbon Neutrality Green Growth Framework Act enacted (‘22)
- 2050 Carbon Neutrality Scenarios developed and 2030 NDC target enhanced (‘21)
  * to become net zero by ‘50, and reduce emissions by 40% from 2018 level by ‘30
- Presidential Commission on Carbon Neutrality and Green Growth established (‘22)
Carbon Neutrality Declared in 2020 goes on for New Government

Presidential Commission on Carbon Neutrality and Green Growth plans, deliberates, and makes decisions on policies for society’s transition towards carbon neutrality.
Enacted Target

**Carbon Neutrality by 2050**
Long-term Low Greenhouse Gas Emission Development Strategies

Korea’s greenhouse gas emissions amounted to **727.6 million tons** in 2018

**Increased 2030 NDC**
40% reduction compared to 2018 (291 million tons)

Korea has revisited climate change policy to align with Carbon Neutrality
Carbon Neutrality Green Growth Framework Act

Key Provisions of
The Carbon Neutrality and Green Growth Framework Act
(Enforced on Mar. 22)

- Declare the national vision of achieving carbon neutrality by 2050
- Set the interim target to be achieved by 2030 (NDC):
  Reduction of the national GHG emissions by more than 35% by 2030, compared to 2018
- Provide measures to reduce GHG emissions
  - Codify reduction target
  - Establish and operate Carbon Neutrality Green Growth Committee
  - Launch and manage climate response fund
  - Establish and execute implementation plan
  - Implement policy measures by sector
  - Establish and execute climate change adaptation plan
Korea’s Dilemma similar to the Developing

More reduction needed for more energy intensive industrial structure

Source: Jewoo Hong, Associate Researcher, Korea Environment Institute (KEI), May 11, 2021
Assessment of Previous Policies from Current Administration

Progress

Carbon Neutrality Act enacted, laying the foundation for enhancing NDC target

- Legislation of carbon neutrality to tackle climate crisis
- Policy instruments newly established to broaden the scope of climate change response (ETS, Taxonomy, Tech Roadmap, etc) → laying foundation for long-term implementation

Assessment

What needs to be improved?

Emissions continue to rise (~'18), Policies rated insufficient by international community

- Lack of concrete policy tools and insufficient management of implementation → failed to make meaningful emission reduction
- Top-down approach to policy decisions → lack of local government cooperation as well as collection of stakeholder opinions
- Insufficient response to changing global trend → absence of strategies for economic sustainability

Future Policy Direction

**AS-IS**
- Insufficient means for implementation
- Lack of the use of carbon-free energy sources such as nuclear
- Government-led
- Passive response
- Fragmented support by different ministries
- Insufficient monitoring mechanism for implementation

**TO-BE**
- More specific means of implementation
- Balanced energy mix (Clean Energy Supply + Demand Control)
- Government + Local & Private sector-led
- Proactive response led by innovation
- Government-wide integrated support
- Transparent and systematic management implementation

Key Strategies of Korea (1/3)

**Key Strategy 1. Develop Core Green Technology and Talent**

- **Establish an R&D system for green technology**
- **Create a new growth engine for carbon neutrality**
- **Develop human resources**

| Establish global schools to nurture global talents |
| Ex) Stanford University’s New School, KAIST’ Graduate School of Green Growth, Green School of Korea Univ. + SNU Future Strategy Institute |

| Establish strategic PPPs (Public–Private Partnership) with industry |
| R&D, open cooperation for innovation and global technology |
| ex) Green technology Center (GTC) upgrade, participation in Breakthrough Energy and the FMC |

| Support the establishment of Grand Consortium for the industry, academia, and local governments |
| Establish the infrastructure for Overseas Smart Green Cities (EPC capacity-building, export of city models) |
| Cultivate energy-innovative venture enterprises and ‘green unicorns’ |

# Key Strategies of Korea (2/3)

## Key Strategy 2. Strengthen Green Industry, Foster Climate-Tech Ventures

### Clean energy Industry
- Implement key technologies for new energy industries
  - e.g. hydrogen energy, photovoltaic batteries, and energy storage devices

### Low carbon manufacturing
- Foster low-carbon material, parts, equipment and remanufacturing industries
  - Technology development, supply chain building, product certification, market expansion for next generation secondary batteries, semiconductor, bio materials, etc.

### Development of Climate-Tech Ventures
- Nurture ventures, startups focused on 5 areas of climate-tech
  - Clean(energy), Carbon(capture), Eco(recycling), Food(alternative food), and Geo(adaptation)

Key Strategies of Korea (3/3)

### Key Strategy 3. Expand Green Finance and the Influx of Investment Capital

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<tr>
<th>Allowance allocation of carbon emissions &amp; increase third-party market participation (regulation + asset)</th>
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<td><strong>ESG</strong> management &amp; induce large-scale ‘green investment’ of corporations</td>
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<td><strong>Ministry of Economy and Finance</strong> (Green Climate Fund), Financial Services Commission (Institutional Foundation for Green Finance), Bank of Korea (Introduction of green policy)</td>
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- **Support for SMEs**
  - (consultation service, funding, technology and R&D)

- **Tax incentives and financial support**
  - for green transition

- **Government’s strict rule-setting to prevent ‘green-washing’ behaviors**

- Review the verification systems currently led by the private sector

Lessons for the Developing to engage Private Sector

Incentive
(Internalize the externality by Carbon Pricing)

Innovation
(Economically viable Technology)

Governance
(Legislation)
Korea Chamber of Commerce and Industry (KCCI) opens Voluntary Carbon Market in 2023 to meet private sector’s needs to attain net zero goals.

KCCI Carbon Standard (KCS) with MRV principles has been developed since 2021 (by SK group’s support) based on Korean carbon market experience for a decade.

Private Sector’s Demands on VCM

More than 150 Korean companies declared their net zero goals since early 2020s.

KCCI’s Action on VCM

Established a carbon standard (KCS) program to assess private sector’s carbon reduction.

Source: Korea Chamber of Commerce and Industry
During the Korean Presidential visit to UAE, KCCI signed a MOU for Asia Partnership with Mubadala Group

(Jan 15, 2023)

SK signs partnership with UAE sovereign wealth fund on carbon credits

SEOUL, Jan. 16 (Yonhap) — South Korea’s SK Group said Monday it has signed a partnership deal with the sovereign wealth fund of the United Arab Emirates (UAE) to establish a carbon credit market in Asia, as part of efforts to tackle climate change in the private sector.

SK Group Chairman Chey Tae-won signed the memorandum of understanding (MOU) with Khad Income Khalifa Al Mubarak, CEO of Mubadala Investment Company, in Abu Dhabi on Sunday (local time), while accompanying President Yoon Suk Yeol on his four-day state visit to the Middle Eastern country, SK said.

Chey is traveling as part of the business delegation representing some 100 South Korean companies.
WBG can leverage KCCI to launch VCM in MENA

WB teams have been guiding governments to overcome policy, investment & project-level barriers to generate high quality credits...

- Provide advisory services & analysis to navigate CPIs and carbon markets
- Support development of carbon pricing instrument policies & systems
- Support ERC generation through portfolio of WB projects
- Engage stakeholders for capacity building & linking public with private actors

Thank you