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This study evaluates the Korean emissions trading scheme with regard to international emissions trading and linkages. The results in this study suggest that Korea should select preferential target countries for international linking and push ahead with staged collaboration

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## Introduction

- In order to develop Korea's emission trading market, international linking ought to be an important policy agenda for the Korean government
- Expansion of emission trading market would increase liquidity of permits and thus may stabilize the market in the longer-term
- International linking may build trust among market participants, effectively ease information asymmetry and improve fairness during price formation

## Key factors of international linkages

- Objective Measurable, reportable, Verifiable (MRV) and standardized permit registry system
- Target commitments must be based on consistent standards and the number of sectors as well as activities coverage must be equal
- Free allocation (application of fixed price etc.) and auctioning is import element to consider

## Linking the Australian ETS to the EU ETS

- Unilateral linking starting from July 2015 (EU ETS permits are recognized in Australia, however Australian permits are not recognized in EU)
- The European Commission is going to allow bilateral linking from July 2018
- From 2016 to 2018, formal price cap will be additional AUD \$20 to expected price of EU permits (Currently, Australian permit price is fixed at AUD23/tCO<sub>2</sub>)

## Linking the New Zealand trading scheme to EU · Australian ETS

- New Zealand government kept in mind of linking other emission trading markets since the beginning (Australia's price cap is a biggest difficulty to linking)

## California ETS and Western Climate Initiative

- California have implemented emission trading scheme targeting approx. 350 companies from 2013
- Some members of WCI (British Columbia and California) linked their cap-and-trade programs on Jan 2014

## Conclusions

- Unlike developed countries, Korea's reduction target is on business as usual (BAU) basis and high ratio of permits are allocated for free which cause hardship for international linkage
- Korea should select preferential target countries for international linking and push ahead with staged collaboration

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## References

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