

# IMPACT CARBON

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## **Korean Market**

The Korea ETS is now trading on the last year of its first phase. The second trading year (2016) closed last June 2017 with a total certified emission of 554.3 million tons and emission reserve of 9.3 million tons. The third implementation year (2017) which started in July 2017 has an allocation of 566.5 million tons and just like the first two trading years, the market trend will see entities banking their permits due to future uncertainties such as the Phase II allocation plan and carbon price. The Korean government has also introduced market stabilization measures targeting a stricter banking and borrowing rules to increase the market's liquidity but the delay in the announcement of the Phase II allowance allocation caused uncertainties within the entities resulting in dwindling volumes and continuous price increases.

In October, Korean CO2 allowances (KAUs) edged along KRW 21,000 which is the highest since mid-March as the demands remain unsatisfied. The prices rose steadily even on days when trading is non-existent reaching the price of KRW 21,800. As

entities keep their permits due to an expected reduction in their allocation levels coupled with the delay in the allocation plan announcement, the market prices are anticipated to continuously increase.

KAUs accumulated sales in Korea Exchange totaled to 3,468,000 tons as of October 31 with an average price of KRW 20,548 and outside market trading is 2,711,000 tons as of September 29.

Meanwhile, to ease the worries of the entities, the government has conducted a series of consultations and plans to issue the 2018 allocation plan within this year (December) and will announce the Phase II allocation plan when it gets finalized next year.

FOREX: USD 1 = KRW 1,188 (2017 Oct. 31) (Korea Customs Service)

## Issue of the Month

The international community – governments, environmental organizations, industries, NGOs, academe, media, etc. – are now preparing for the upcoming COP 23 that will be held in Bonn, Germany on 6-17 November 2017.

This year's COP will be vital in the transition of national targets into implementation of climate action initiatives as Party delegates negotiate the details of the implementation of the Paris Agreement which will form the treaty's "rulebook" containing information on access to financial, technical, capacity building and monitoring/reporting activities. Climate change adaptation and resilience of small island states is also a top topic as Fiji presides over the conference. Exhibitions, parallel meetings, events and political discussions will also be held side-by-side the conference to present the ideas and demands of the industries and civil society.

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