



SEPTEMBER 2020

 **IMPACT CARBON**

**Ecoeye International**  
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## MARKET SITUATION

### Comprehensive Trading Information (January 2019 – August 2020)

#### KAU19

↑ **19,950** ▲ **700 (+3.64%)**

Closing Price	19,950 Won
- 1 Month Average	18,484 Won
- 3 Month Average	26,904 Won
- Total Average	31,701 Won
Total Trading Amount	10,337,573 tons
- Intraday	6,851,689 tons
- Negotiated	3,485,884 tons
Total Trading Value	327.71 B Won

#### KAU20

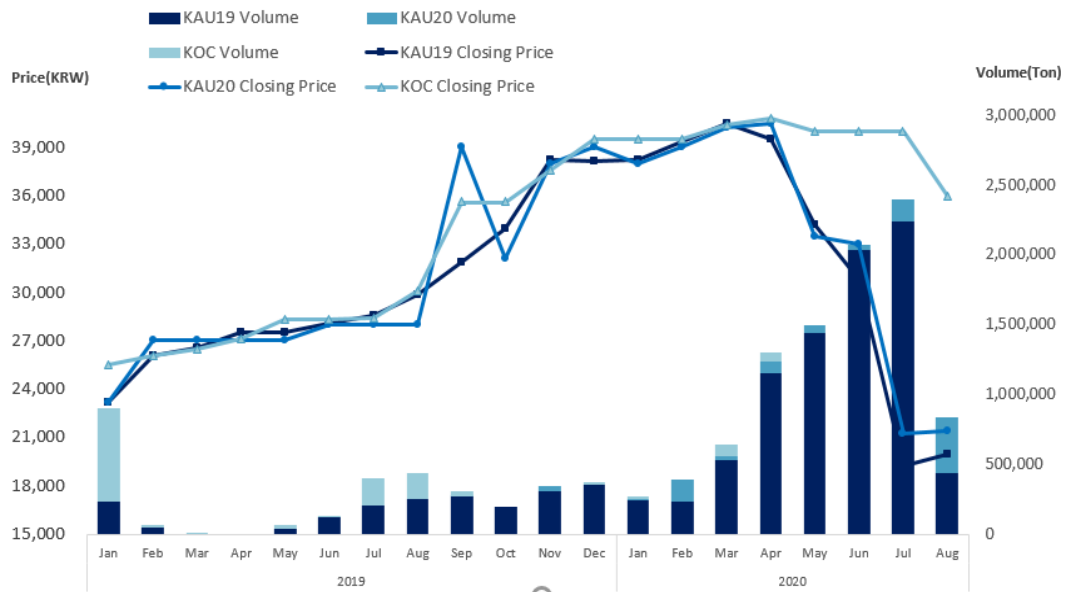
↓ **21,250** ▲ **150 (+0.71%)**

Closing Price	21,400 Won
- 1 Month Average	20,995 Won
- 3 Month Average	22,434 Won
- Total Average	28,406 Won
Total Trading Amount	967,759 tons
- Intraday	694,471 Won
- Negotiated	273,288 tons
Total Trading Value	27.49 B Won

#### KOC Jan 2019 - Aug 2020

↓ **36,000** ▼ **4,000 (-10.00%)**

Closing Price	36,000 Won
- 1 Month Average	-
- 3 Month Average	-
- Total Average	28,636 Won
Total Trading Amount	1,344,372 tons
- Intraday	284,271 tons
- Negotiated	1,060,101 tons
Total Trading Value	38.50 B Won

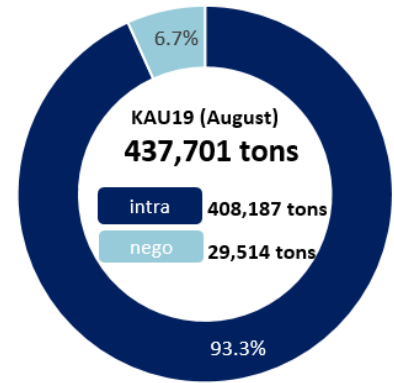
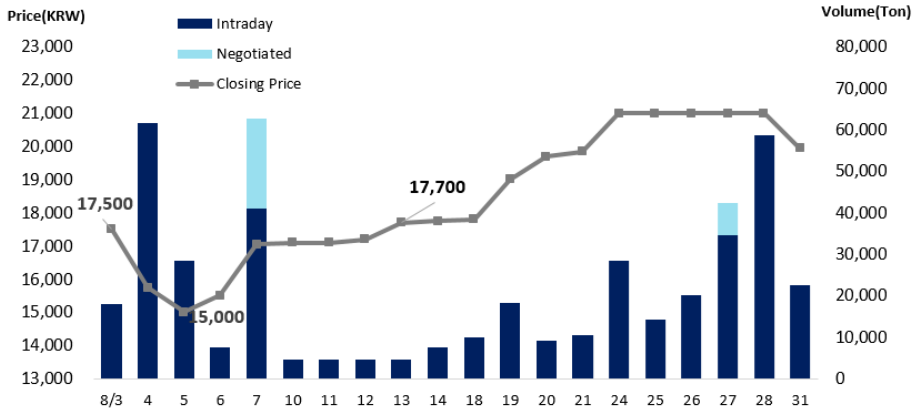


	KAU19		KAU20		KOC		
	Closing Price	Trade Volume	Closing Price	Trade Volume	Closing Price	Trade Volume	
2019	Jan	23,200	237,000	23,200	-	25,500	664,754
	Feb	26,050	45,000	27,050	-	26,050	23,163
	Mar	26,550	-	27,050	-	26,500	4,229
	Apr	27,500	-	27,050	-	27,100	-
	May	27,500	40,500	27,050	-	28,300	25,000
	Jun	28,100	118,000	28,000	-	28,300	16,702
	Jul	28,550	202,500	28,000	-	28,400	200,000
	Aug	29,850	250,300	28,000	-	30,100	190,963
	Sep	31,850	273,522	39,000	1,139	35,600	36,532
	Oct	33,950	196,517	32,100	-	35,600	-
	Nov	38,350	308,743	37,950	32,000	37,600	-
	Dec	38,100	355,983	39,000	-	39,500	20,000
2020	Jan	38,200	242,651	38,000	13,300	39,500	15,304
	Feb	39,250	236,750	39,000	156,050	39,500	-
	Mar	40,500	528,859	40,250	32,149	40,400	83,033
	Apr	39,500	1,153,634	40,500	78,554	40,800	64,692
	May	34,200	1,440,482	33,500	58,650	40,000	-
	Jun	30,800	2,031,172	33,000	38,652	40,000	-
	Jul	19,250	2,238,259	21,250	162,047	40,000	-
	Aug	19,950	437,701	21,400	395,218	36,000	-
<b>Total</b>	-	<b>10,337,573</b>	-	<b>967,759</b>	-	<b>1,344,372</b>	

\*Trade information are official data from the Korea Exchange (KRX)



***KAU19 Trading Trends (August 2020)***



Price (KRW)	Closing Price	19,950	Trade Volume	Intraday	408,187
	Average Price	18,434		Negotiated	29,514
	Monthly Highest	21,000		Total	437,701
	Monthly Lowest	15,000		Total Trade Value (B won)	8.07

	Date	Closing Price	Gap	Rate	Trade Volume		
					Intraday	Negotiated	Total
KAU19	3-Aug-2020	17,500	▼1,750	-9.09	17,993	-	17,993
	4-Aug-2020	15,750	▼1,750	-10	61,759	-	61,759
	5-Aug-2020	15,000	▼750	-4.76	28,360	-	28,360
	6-Aug-2020	15,500	▲500	3.33	7,449	-	7,449
	7-Aug-2020	17,050	▲1,550	10	41,044	21,691	62,735
	10-Aug-2020	17,100	▲50	0.29	4,700	-	4,700
	11-Aug-2020	17,100	-	-	4,500	-	4,500
	12-Aug-2020	17,200	▲100	0.58	4,500	-	4,500
	13-Aug-2020	17,700	▲500	2.91	4,500	-	4,500
	14-Aug-2020	17,750	▲50	0.28	7,400	-	7,400
	18-Aug-2020	17,800	▲50	0.28	10,000	-	10,000
	19-Aug-2020	19,000	▲1,200	6.74	18,200	-	18,200
	20-Aug-2020	19,700	▲700	3.68	9,000	-	9,000
	21-Aug-2020	19,850	▲150	0.76	10,500	-	10,500
	24-Aug-2020	21,000	▲1,150	5.79	28,500	-	28,500
	25-Aug-2020	21,000	-	-	14,200	-	14,200
	26-Aug-2020	21,000	-	-	20,000	-	20,000
	27-Aug-2020	21,000	-	-	34,500	7,823	42,323
	28-Aug-2020	21,000	-	-	58,582	-	58,582
	31-Aug-2020	19,950	▼1,050	-5	22,500	-	22,500
	<b>Total</b>	-	-	-	<b>408,187</b>	<b>29,514</b>	<b>437,701</b>

KAU19 price fell to KRW 20,400 during the banking/borrowing period and dropped to its lowest at KRW 15,000 before the compliance deadline, before recovering and closing the month at KRW 19,950.



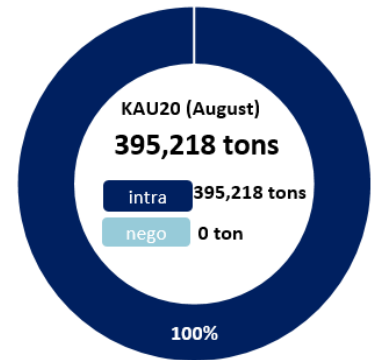
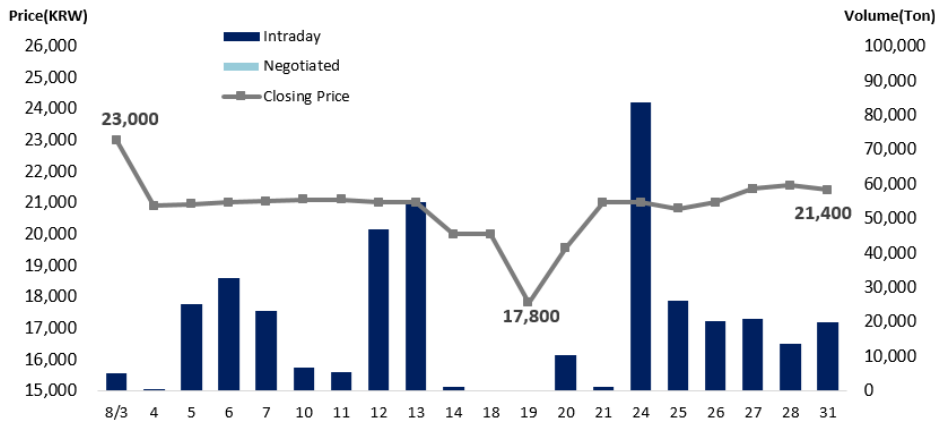
The notification of additional allocations and allowances cancellation, concurrent with the banking and borrowing applications, confirmed the final surplus of companies, thereby accelerating the price decline due to the increased supply of excess allowances. By the end of July, the second support price of KRW 20,000 collapsed, leaving the prices on a freefall for a few days before prices slightly rebounded due to the demand of the remaining emitters. This price crash was seen as a temporary effect of the big volume of surpluses entering the market.

As of August 31, the total cumulative trading volume of KAU19 stands at 10,337,573 tons of which 66.3% are intramarket transactions, and 33.6% are of negotiated transactions. KAU19's August trading volume recorded 440,000 tons, about one-fifth of the previous month, as 456 companies completed their compliance obligations. Although there are still an estimated 160 companies trading in the market from the end of the surrender deadline until present (trading allowed until September 11), the surrender of majority of allowances on August 7 has concluded the 2019 compliance year.

Buyer and seller dynamics remained similar, showing that the largest sellers are the market makers, and the largest buyer is the power generation sector.



KAU20 Trading Trends (August 2020)



Price (KRW)	Closing Price	21,400	Trade Volume	Intraday	395,218
	Average Price	20,995		Negotiated	-
	Monthly Highest	23,000		Total	395,218
	Monthly Lowest	17,800		Total Trade Value (B won)	8.3

	Date	Closing Price	Gap	Rate	Trade Volume		
					Intraday	Negotiated	Total
KAU20	3-Aug-2020	23,000	▲1,750	8.24	5,000	-	5,000
	4-Aug-2020	20,900	▼2,100	-9.13	52	-	52
	5-Aug-2020	20,950	▲50	0.24	25,000	-	25,000
	6-Aug-2020	21,000	▲50	0.24	32,500	-	32,500
	7-Aug-2020	21,050	▲50	0.24	23,000	-	23,000
	10-Aug-2020	21,100	▲50	0.24	6,709	-	6,709
	11-Aug-2020	21,100	-	-	5,500	-	5,500
	12-Aug-2020	21,000	▼100	-0.47	46,776	-	46,776
	13-Aug-2020	21,000	-	-	54,700	-	54,700
	14-Aug-2020	20,000	▼1,000	-4.76	1,000	-	1,000
	18-Aug-2020	20,000	-	-	-	-	-
	19-Aug-2020	17,800	-	-	-	-	-
	20-Aug-2020	19,550	▲1,750	9.83	10,150	-	10,150
	21-Aug-2020	21,000	▲1,450	7.42	1,001	-	1,001
	24-Aug-2020	21,000	-	-	83,500	-	83,500
	25-Aug-2020	20,800	▼200	-0.95	26,000	-	26,000
	26-Aug-2020	21,000	▲200	0.96	20,120	-	20,120
	27-Aug-2020	21,450	▲450	2.14	20,800	-	20,800
	28-Aug-2020	21,550	▲100	0.47	13,680	-	13,680
	31-Aug-2020	21,400	▼150	-0.7	19,730	-	19,730
<b>Total</b>	-	-	-	<b>395,218</b>	-	<b>395,218</b>	

Following the downtrend of the KAU19, the price of KAU20 was changed to KRW 17,800 on August 19, in accordance with ETS regulations. Prices picked up, closing the month at KRW 21,400.

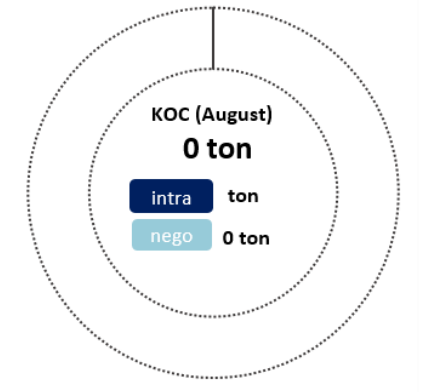
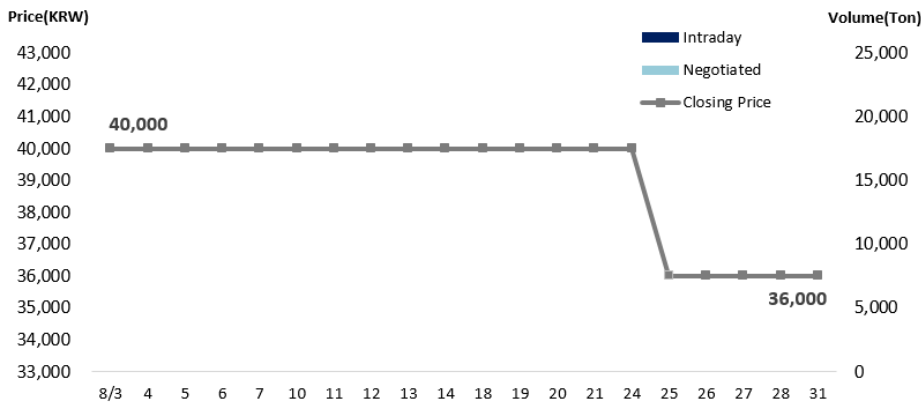
Around 395,000 tons were traded via intramarket, with the demand steady at the KRW 20,000 – 21,000 range.



KAU20 continued to trade above the support level of KRW 20,000 even after mid-July, confirming a solid buying demand at this price point. Since the end of the KAU19 submission deadline, KAU19 sales volume has fallen sharply, and KAU20 trade has been more active. A modest rise is expected as prices will likely form around KAU20.



KOC Trading Trends (August 2020)



Price (KRW)	Closing Price	36,000	Trade Volume	Intraday	-
	Average Price	-		Negotiated	-
	Monthly Highest	40,000		Total	-
	Monthly Lowest	36,000		Total Trade Value (KRW)	-

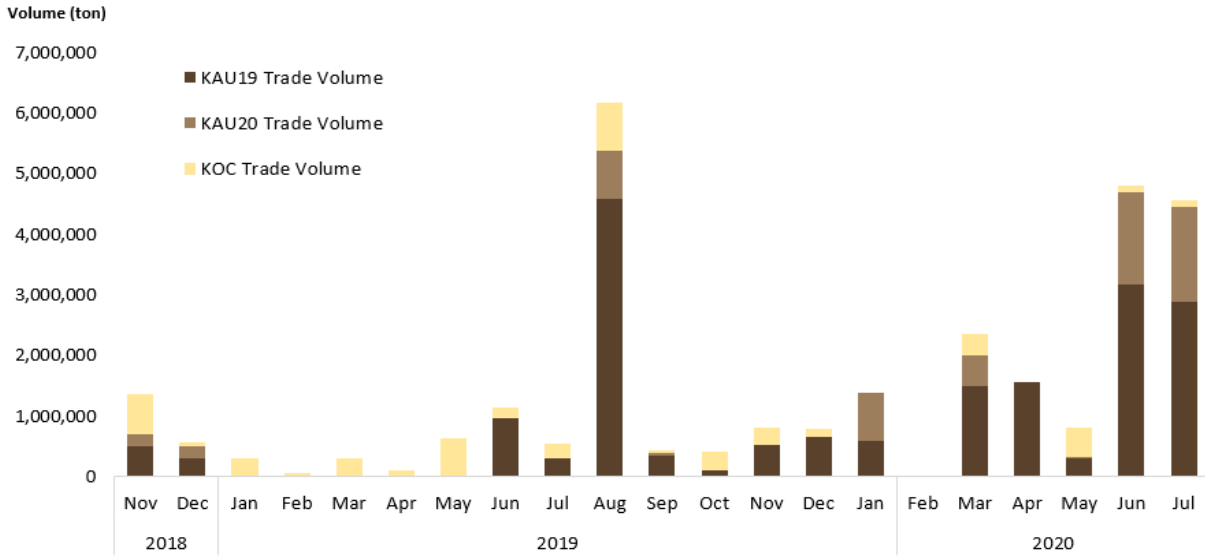
	Date	Closing Price	Gap	Rate	Trade Volume		
					Intraday	Negotiated	Total
KOC	3-Aug-2020	40,000	-	-	-	-	-
	4-Aug-2020	40,000	-	-	-	-	-
	5-Aug-2020	40,000	-	-	-	-	-
	6-Aug-2020	40,000	-	-	-	-	-
	7-Aug-2020	40,000	-	-	-	-	-
	10-Aug-2020	40,000	-	-	-	-	-
	11-Aug-2020	40,000	-	-	-	-	-
	12-Aug-2020	40,000	-	-	-	-	-
	13-Aug-2020	40,000	-	-	-	-	-
	14-Aug-2020	40,000	-	-	-	-	-
	18-Aug-2020	40,000	-	-	-	-	-
	19-Aug-2020	40,000	-	-	-	-	-
	20-Aug-2020	40,000	-	-	-	-	-
	21-Aug-2020	40,000	-	-	-	-	-
	24-Aug-2020	40,000	-	-	-	-	-
	25-Aug-2020	36,000	▼ 4,000	-10	-	-	-
	26-Aug-2020	36,000	-	-	-	-	-
	27-Aug-2020	36,000	-	-	-	-	-
	28-Aug-2020	36,000	-	-	-	-	-
	31-Aug-2020	36,000	-	-	-	-	-
	<b>Total</b>					-	-

KOC prices, which were maintained at KRW 40,000 since May 11, has fallen to KRW 36,000 due to the momentum on August 25.

There are no intramarket trades for four consecutive months.

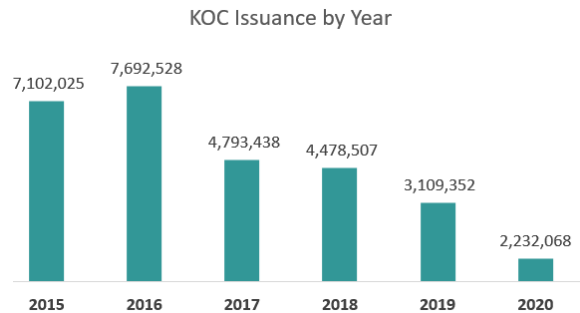
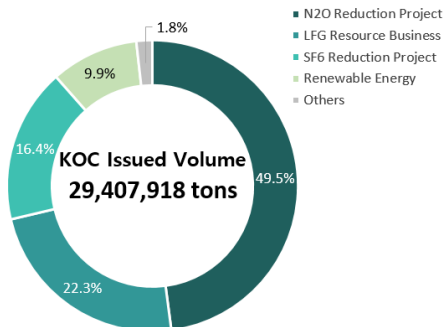


Over-the-Counter Transactions (November 2018 – July 2020)



Year	Month	KAU19 Trade Volume	KAU20 Trade Volume	KOC Trade Volume	Total
2018	Nov	500,000	200,000	648,372	1,348,372
	Dec	300,000	200,000	67,041	567,041
2019	Jan	-	-	300,000	300,000
	Feb	-	-	64,116	64,116
	Mar	-	-	300,000	300,000
	Apr	-	-	96,369	96,369
	May	3,000	-	632,253	635,253
	Jun	955,000	-	179,085	1,134,085
	Jul	300,000	-	246,484	546,484
	Aug	4,580,000	800,000	784,422	6,164,422
	Sep	336,099	50,000	39,388	425,487
	Oct	100,000	-	300,000	400,000
	Nov	515,000	-	300,000	815,000
	Dec	649,000	-	141,164	790,164
2020	Jan	590,000	790,000	-	1,380,000
	Feb	21,000	-	-	21,000
	Mar	1,497,000	500,000	356,621	2,353,621
	Apr	1,550,000	-	-	1,550,000
	May	290,000	20,000	500,000	810,000
	Jun	3,172,477	1,519,000	113,089	4,804,566
	Jul	2,872,092	1,569,502	109,159	4,550,753
<b>Total</b>		<b>18,230,668</b>	<b>5,648,502</b>	<b>5,177,563</b>	<b>29,056,733</b>

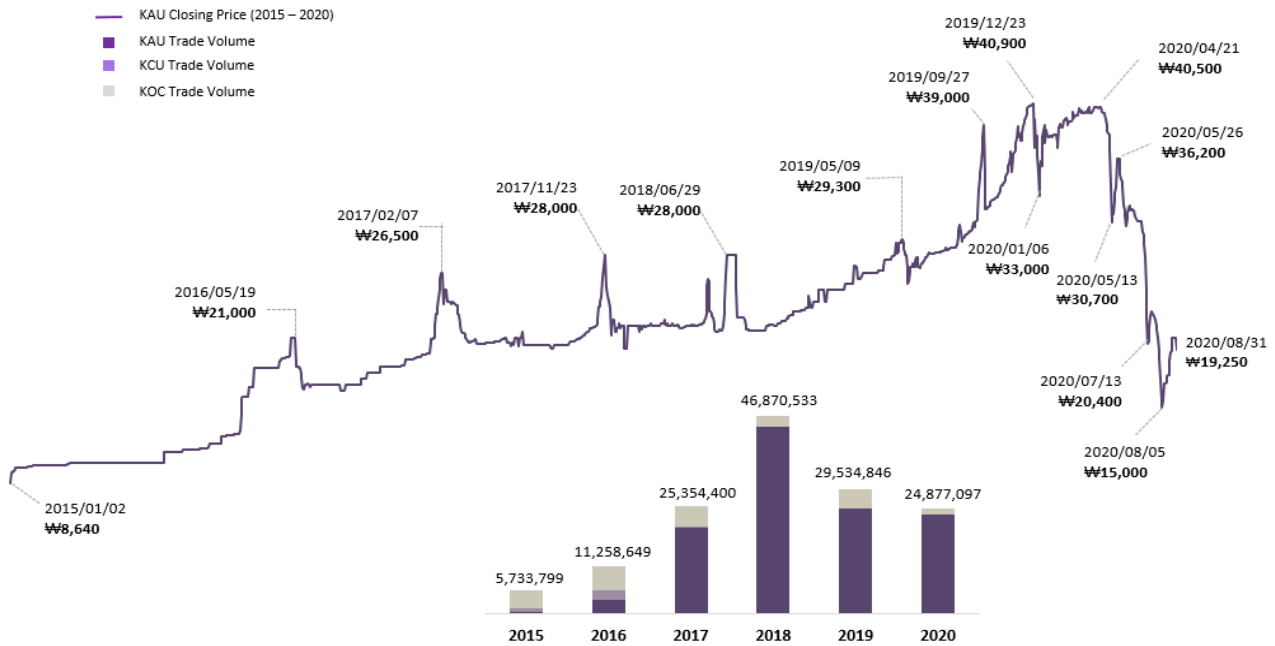
KOC Issuance (as of August 2020)







Total ETS Performance (January 2015 – August 2020)



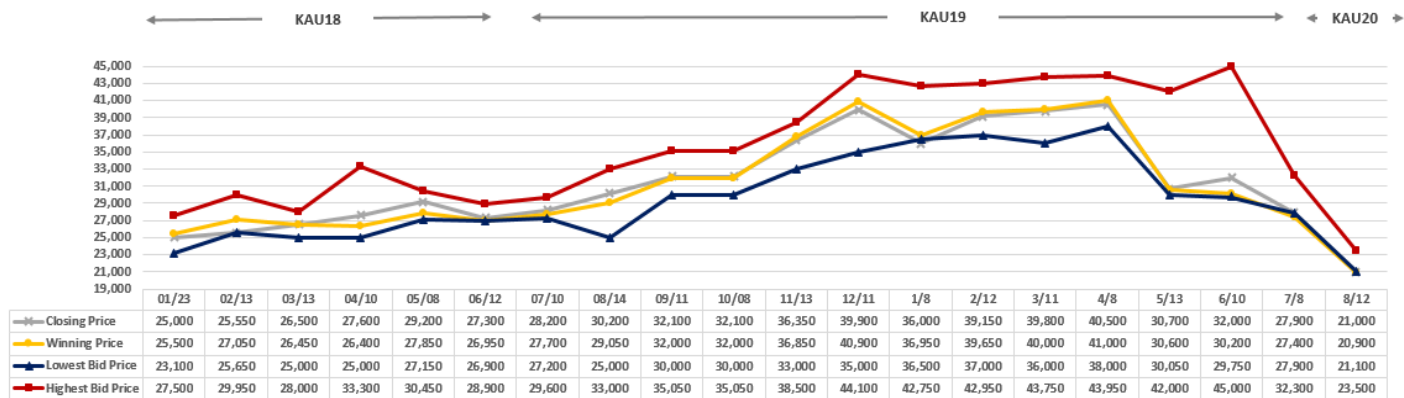
		2015	2016	2017	2018	2019	2020	Sub-total
KAU15	Intramarket	321,380	1,298,844	-	-	-	-	1,620,224
	OTC	78,315	207,642	-	-	-	-	285,957
KCU15	Intramarket	920,717	1,725,135	-	-	-	-	2,645,852
	OTC	-	286,149	-	-	-	-	286,149
KAU16	Intramarket	-	1,263,224	7,730,376	-	-	-	8,993,600
	OTC	-	713,312	2,949,959	-	-	-	3,663,271
KCU16	Intramarket	-	158,632	323,276	-	-	-	481,908
	OTC	-	10,000	-	-	-	-	10,000
KAU17	Intramarket	-	-	5,977,452	15,777,144	-	-	21,754,596
	OTC	-	-	3,644,509	13,939,228	-	-	17,583,737
KAU18	Intramarket	-	-	-	1,753,242	5,767,233	-	7,520,475
	OTC	-	-	-	11,531,332	8,853,686	-	20,385,018
KAU19	Intramarket	-	-	-	-	2,028,065	8,309,508	10,337,573
	OTC	-	-	-	800,000	7,438,099	9,992,569	18,230,668
KAU20	Intramarket	-	-	-	-	33,139	934,620	967,759
	OTC	-	-	-	400,000	850,000	4,398,502	5,648,502
KOC	Intramarket	-	661,822	703,032	299,582	1,181,343	163,029	3,008,808
	OTC	4,413,387	4,933,889	4,025,796	2,370,005	3,383,281	1,078,869	20,205,227
Sub-total	Intramarket	1,242,097	5,107,657	14,734,136	17,829,968	9,009,780	9,407,157	57,330,795
	OTC	4,491,702	6,150,992	10,620,264	29,040,565	20,525,066	15,469,940	86,298,529
Total		5,733,799	11,258,649	25,354,400	46,870,533	29,534,846	24,877,097	143,629,324



### MONTHLY AUCTION

	August 2020
Auctioned Permits	520,600 tons
Total number of received bids	487,700 tons
Bid Rate	94%
Participating companies	8
Winning companies	8
Lowest Bid Price	KRW 21,100
Highest Bid Price	KRW 23,500
Market Closing Price	KRW 21,000
Winning Bid Price	KRW 20,900
Total amount of bids won	487,700 tons
Total value of bids won	KRW 10,192,930,000

A total of 8 companies bid and bought 487,700 tons of KAU20 allowances out of the auctioned volume of 520,600 tons at the clearing price of KRW 20,900. The original auction volume was set at 699,600 tons including unsold allowances from the June and July auctions, but the government decided to exclude June’s allowances due to the drop in demand and falling prices. Among the 8 successful bidders, the highest bid price was KRW 23,500 and the lowest was KRW 21,100.





## K-ETS POLICY UPDATES

### *GHG Allocation and Trading Act*

The proposed amendments to the ETS Act that has been circulated earlier this year had been approved and enforced in August 2020.

#### *1. Free Allocation*

Companies with a leakage index of more than 0.2% will be handed out free allowances. Free allocation will be given to local governments, schools, medical institutions, and public transportation operators, regardless of their leakage index.

In Phase 3, 29 out of 69 industries will be allocated free of charge.

#### *2. Allocation Unit*

Criteria for additional allocation or allowance cancellation are revised as allocation units changed from facilities to “business site”. Additional allocation will be given to when the emissions of a business site increase due to the establishment or expansion of facilities, while a decrease of 50% or less due to the suspension or closure of a facility, will see allocations being cancelled accordingly.

#### *3. Third-party Participation*

Third parties registered under the “Capital Market and Financial Investment Act” will be allowed to participate in the ETS.



## KOREA ETS 2020 SCHEDULE

(as of 02 September 2020)

January		July	
13th KAU Auction (KAU19, 650,000 tons)	(01/08)	Application for Appeals (Certified Emissions)	(07/01-07/30)
		Surrender of Allowances	(07/01-08/07)
		Review Committee for Allocation	(07/07)
		19th Auction (KAU19, 679,000 tons)	(07/08)
		Notification of Additional Allocation/Cancellation	(07/08)
		Application for Appeals (Additional Allocation/Cancellation)	(07/09-08/07)
		Application of Banking/Borrowing	(07/01-07/17)
		Approval of Banking/Borrowing Applications	(07/20-07/28)
		33rd Emission Certification Committee (Q3)	(07/20-22)
February		August	
14th KAU Auction (KAU19, 650,000 tons)	(02/12)	Preparation of the (draft) 3rd Allocation Plan	(08/07)
30th Emission Certification Committee (Q1)	(02/17-18)	20th KAU Auction (KAU20, 520,600 tons)	(8/12)
Submission of Data for Allocation Plan	(02/17-28)	Amendment of the ETS Act	(08/18)
		Application for ETS Voluntary Participation	(08/19-09/04)
		Notification of Results (Objections/Appeals)	(08/31)
March		September	
Application for CDM External Project Approval	(02/12-03/02)	Notification (Additional Allocation/Cancellation)	(09/01)
15th KAU Auction (KAU19, 750,000 tons)	(03/11)	Application of Banking/Borrowing and Surrender of Allowances (with appeals)	(09/01-09/11)
		21st KAU Auction (KAU20, 711,900 tons)	(09/09)
		KAU19 Final Trading Day	(09/11)
		Public forum on the (draft) 3rd Allocation Plan	(09/15)
		Phase 3 Allocation Plan	(mid-Sept)
		Phase 3 Assignment of Compliance Entities	(end-Sept)
April		October	
16th KAU Auction (KAU19, 800,000 tons)	(04/08)	34th Emission Certification Committee (Q4)	(10/12-13)
		22nd KAU Auction (KAU20, 500,000 tons)	(10/14)
Statement and MP submission	(02/11-04/30)	Submission of Phase 3 Allocation Application	(10/30)
May		November	
Application of Additional Allocation	(02/11-05/13)	23rd KAU Auction (KAU20, 650,000 tons)	(11/11)
17th KAU Auction (KAU19, 1 million tons)	(05/13)	Announcement of 2021 Auction Plan	(11/30)
31st Emission Certification Committee (Q2)	(05/25-27)		
June		December	
18th KAU Auction (KAU19, 1,486,500 million tons)	(06/10)	24th KAU Auction (KAU20, 650,000 tons)	(12/09)
32nd Emission Certification Committee	(06/24-26)	Phase 3 Allocation Quota Notification	(12/31)
Notification of Certified Emissions	(06/30)	Formulation of 2050 LEDS	Before yearend



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