South Korea’s Green New Deal

Moon’s vision for a post-COVID economy includes a new commitment to reducing emissions.

By Troy Stangarone
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Credit: Cheong Wa Dae
South Korea is one of the world’s largest per capita emitters of greenhouse gases, but that could change under South Korea’s proposed Green New Deal.

During South Korea’s recent National Assembly elections, President Moon Jae-in and the ruling Democratic Party of Korea (DPK) backed the idea of implementing a Green New Deal. With an April election victory that produced a supermajority in the National Assembly, the Moon administration and DPK now have the ability to pursue their policy objectives unencumbered by the opposition.

The Green New Deal is part of a larger Moon administration “New Deal” package that includes the Digital New Deal and is designed to prepare the South Korean economy for economic growth after the COVID-19 induced downturn.

This isn’t the first time that South Korea has pursued green initiatives to help revitalize the economy during a crisis. President Lee Myung-bak introduced his Green Growth strategy to help stimulate the economy during the Global Financial Crisis. Lee’s efforts to develop a “low-carbon, green growth” economy resulted in 80 percent of South Korea’s stimulus money being dedicated to green projects.

The Lee administration’s green initiatives, however, had a mixed record. They yielded the establishment of the Global Green Growth Institute and helped Seoul convince the UN to locate the Green Climate Fund in Songdo. They also helped spur the expansion of smart grids and encouraged Korean firms to develop environmental technologies.

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However, South Korea has continued to see its greenhouse gas emissions rise. South Korea only accounts for 2 percent of world’s total carbon dioxide emissions, but in 2017 it was the world’s seventh largest
carbon dioxide emitter and the fifth largest per capita emitter. A recent study by Climate Analytics has concluded that South Korea’s commitments under the Paris Agreement are insufficient to meet the “fair burden” standard and that it should more than double its pledged reductions from 34 percent of business-as-usual to 74 percent.

Rather than replace the green policies put in place by the Lee administration, the Moon administration hopes to upgrade them. Under the plan put forward by the DPK in the election, South Korea would pledge to reach zero emissions by 2050 and pass legislation to support this objective. It would also stop providing financing for the construction of coal power plants overseas, while setting the goal of reducing fine dust domestically 40 percent by 2040. The plan would also establish a training center to help workers transition to green jobs. In the mid-to-long term, the plan calls for the introduction of a carbon tax to finance the Green New Deal.

The Green New Deal, however, isn’t the first attempt by the Moon administration to pursue greener energy policies. Last June, the administration released South Korea’s Third Energy Plan. The new plan calls for expanding renewable energy production to 20 percent by 2030 and between 30-35 percent by 2040, while also reducing South Korea’s dependence on coal.

The Moon administration has also taken significant steps to support the development of a hydrogen-based economy. One of the key elements of that push is the development of hydrogen vehicles; South Korea hopes to produce 500,000 hydrogen fuel cell vehicles for export and domestic consumption by 2030. The Green New Deal would continue to support South Korea’s push to develop hydrogen as a source of energy.

To support the increasing usage of hydrogen vehicles, the Moon administration recently announced that it would build a series of new hydrogen production facilities that
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would be capable of supplying enough hydrogen to fuel
49,000 vehicles or 760 buses.

South Korea is also taking steps to encourage the
development of eco-friendly vehicles more broadly.
Public organizations purchase an average of 15,000
vehicles a year, and about 28 percent of their purchases
are eco-friendly models. Beginning in 2021, 80 percent
of vehicle purchases by public organizations will be
required to be eco-friendly, with the goal of having 90
percent of all vehicles owned by public organizations be
eco-friendly by 2030.

South Korea is also expanding its air pollutants emissions
cap system. The system allocates the yearly emissions
levels for each business every five years and currently
only covers Seoul. It is set to be expanded to cover much
of the rest of the country.

There are other steps the Moon administration could
consider to reduce greenhouse gas emissions, either
through the Green New Deal or separately. Seoul
launched the Korea Emissions Trading Scheme (KETS)
in 2015, which is now the world’s third largest trading
scheme. KETS is currently in its second phase of
emissions permit trading with the third phase set to come
into operation in 2021. The third phase is expected to
have stricter emissions caps and introduce other reforms
into the system. Expanding the industries covered by the
KETS, increasing emissions caps, in line with standards
established in the Green New Deal, or linkages with
other trading schemes could help the administration use
KETS as a tool for reducing South Korea’s emissions
beyond its current Paris Agreement commitments and
achieve net zero carbon emissions by 2050.

South Korea could also consider setting a date to phase
out the use of combustion engines in vehicles to support
the development of eco-friendly vehicles and reduce air
pollution. There is global precedent for this step. United
Kingdom is set to ban the sale of combustion engines
by 2035 and France is set to do the same by 2040. China is
also considering a ban. With China looking to dominate the market for electric vehicles there may be strong competitive economic reasons for a deeper commitment to eco-friendly vehicles.

South Korea will also need to reconsider its use of coal. While the proposed Green New Deal would eliminate the financing of new coal plants abroad and end their construction domestically, it does not commit South Korea to fully phasing out its own existing coal plants. In a world shifting to greener technologies that are also declining in price, the world’s highest stranded asset risk for continued coal usage is in South Korea.

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The transition to a green economy will not be swift. Similar to the Moon administration’s earlier efforts to promote hydrogen as an alternative fuel source, the long-term support of future administrations will be needed for the Green New Deal to be successful. This will be challenging, as each new administration will have its own priorities, but Moon and the DPK now have the political capital to begin the transition.

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