



Introduction of the RE 100 Trading Market

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On August 2, 2021, the Ministry of Trade, Industry and Energy announced that from that date onwards it would create and manage a Korean version of the RE100 that allows Korean companies to directly purchase renewable energy certificates (“RECs”) (the “**REC Trading Market**”). In relation to the REC Trading Market, the Korea Energy Agency New and Renewable Energy Center (the “**NREC**”) amended the “Rules on Issuance and Trading Market Operation of RECs” (the “**Rules**”) on July 27, 2021 (effective on August 2, 2021). The amended Rules contain detailed standards relating to the opening of the REC Trading Market, transaction participants, participation methods, standards, and procedures (New and Renewable Energy Center Announcement No. 2021-12).

Amendment of the Rules to establish the REC Trading Market puts into effect Article 67 of Chapter 7 of the Regulations on Support for New and Renewable Energy Facilities (the “**Regulations**”), and is one of the RE100 participation methods stipulated in the Regulations. The other participation methods in the Regulations are green premium payments, third-party power purchase agreements (“**PPAs**”), REC purchases by electricity consumers, REC purchases through equity participation, and self-generation from self-owned power plant installation. Below is a review of the main contents of the REC Trading Market.

[1] Key matters concerning the RE100 REC marketplace

	Remarks	References to the Rules
Managing entity	Korea Energy Agency NREC	Article 50
Market participants	(Purchaser) Consumers of industrial and ordinary electricity and resident companies In addition, other persons who have not entered into industrial/ordinary electricity use agreements separate from the Korea Electric Power Corporation (i.e., resident companies) are also entitled to participate	Article 49(1)(2) and 49(1)(3)
	(Seller) Renewable energy power generation businesses that have completed	Article 49(1)(1)

	<p>renewable portfolio standards (RPS) facility verification.</p> <p>These include providers using solar power, wind power, hydro power, marine energy, geothermal energy, bio energy, ESS-linked solar power and wind power.</p>	
Transaction method	<p>(Platform transaction) REC transaction following registration by power generation companies and electricity consumers using the trading platform established by the NREC</p> <ul style="list-style-type: none"> • –Spot transactions: One-time REC transactions (i.e., transactions by unit quantity) • –Contract transactions: Short-term or long-term contract transactions and periodic transactions (REC/month) 	<p>Article 53 Article 54 Article 57 Article 58</p>
	<p>(Over-the-counter transactions) Following execution of an agreement negotiated by the parties, transfer of ownership of RECs through registration and settlement on the REC Trading Market.</p> <ul style="list-style-type: none"> • –The NREC issues a certificate of transfer of REC ownership following confirmation by the NREC of the terms of the agreement executed by the parties and details of payment. 	<p>Article 52 Article 57 Article 58</p>
Transaction cycle	<p>(Platform transaction) Two per month</p> <ul style="list-style-type: none"> • –Korean RE100 transaction certificate system: https://nr.energy.or.kr/RE/CST/login.do • –Between 10:00 a.m. and 4:00 p.m. on the first and third Friday of each month 	<p>Article 50(2)</p>
	<p>(Over-the-counter transaction) Throughout the year</p>	<p>Article 50(1)</p>
Transaction price	<p>The transaction price is determined through consultation between the seller and the buyer, with the buyer confirming the purchase price by converting the seller's REC unit price into the equivalent amount of electricity (in MWh).</p>	<p>Article 52 Article 53 Article 54</p>
Settlement of purchase price and transfer of title	<p>Following execution of the agreement, the parties settle the purchase price within 14 days. Once this has been confirmed by the NREC, title to the RECs is then transferred to the purchaser.</p>	<p>Article 57</p>
Prohibition on retransfer	<p>Resale of certificates purchased through the REC Trading Market is prohibited.</p>	<p>Article 59</p>
Conversion of renewable energy use certificates, and disposal of RECs	<p>Any electricity consumer in possession of RECs is entitled to be issued with a renewable energy use certificate prior to expiry of the RECs, at which point the relevant RECs will be deemed disposed of.</p> <p>Renewable energy use certificates are issued based on MWh.</p>	<p>Article 58</p>
Other matters	<p>The Rules come into effect from August 2, 2021.</p>	<p>Addendum</p>

[2] Discussion

Currently, approaches such as green premium rates, third-party PPAs and self-generation are being implemented in relation to RECs. However, introduction of the new REC Trading Market is a meaningful development in that parties will now be free to purchase RECs on a regular basis (by using the over-the-counter method), which is substantially more convenient and flexible. Additionally, through purchasing RECs through the new REC Trading Market, not only will companies be able to participate in the RE100, but will also become entitled to recognition of their reduced greenhouse gas consumption, which will likely increase interest in the purchasing of RECs through the REC Trading Market. Over 40% of the total participation in the RE100 overseas is by way of purchase of REC certificates.

If you have any questions about the above, or need any help regarding the purchase of RECs or related matters, please feel free to contact the Shin & Kim Energy Team on the contact number below for more information. As the top-ranked law firm in Bloomberg's new and renewable energy sector league table (on an accumulated basis for 2020), Shin & Kim's Energy Team has substantial experience and a history of exceptional performance in the Energy space, and provides advice on matters concerning renewable energy, such as construction and operation of renewable energy plants.

[\[Korean version\]](#) RE 100 인증서(REC) 거래시장 개설

Key Contacts

Michael Chang

Senior Foreign Attorney

+82-2-316-4653

mchang@shinkim.com

Sang-Hyun Lee

Partner

+82-2-316-4068

shlee@shinkim.com

Su-Yong Jung

Partner

+82-2-316-4345

syjung@shinkim.com

Seung Gyu Yang

Partner

+82-2-316-4048

sgyang@shinkim.com

Jae Wook Ryu

Partner

+82-2-316-1635

Hyun Mi Cho

Partner

+82-2-316-1643

jwryu@shinkim.com

hmcho@shinkim.com

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