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Korea's Transition to a Renewable-Energy Contract Market

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On 20 August 2026, Korea's National Assembly passed seven Bills to reform Korea's renewable energy regulations. This is the first of a series of newsletters in which Shin & Kim's Projects & Energy Group will provide an analysis of the newly passed Bills, focusing on the transition from the Renewable Portfolio Standard ("RPS") system to a renewable-energy contract market system under the amendment of the *Act on the Promotion of the Development, Use and Diffusion of New and Renewable Energy.*

Key takeaways

The REC market. The RPS system requires relevant power generators to generate a certain volume of power by way of renewable energy. To generate revenue in addition to electricity sales, eligible operators receive Renewable Energy Certificates (RECs) for qualifying generation, which are sold in the spot market or under long-term contracts. A project's viability is heavily dependent on securing a creditworthy counterparty willing to purchase the RECs.

The new renewable-energy contract market. Under the proposed amendment to the New and Renewable Energy Act, the Korean government will generally provide a five-year forecast for total capacity and then select projects through a competitive bidding process to receive stable long-term fixed-price contracts. This new renewable-energy-facility contract-market system will be the principal support and procurement method for new renewable-energy facilities.

More accessible project financing. The proposed amendment permits specified electricity businesses and purchasers (such as KEPCO) to be required to purchase electricity generated by successful bidders.

Support for small facilities. The proposal is to (a) establish a separate contract market for small-scale facilities that could be placed at a disadvantage under stronger price competition, (b) permit multiple facilities to participate in bidding as one consolidated business operator, and (c) provide designated renewable-energy-integrated service providers targeted support.

Deployment obligations and targets. The proposal is to create two separate categories of regulated entity. Renewable-energy deployment obligors will be subject to a surcharge if they fail to comply with a formal renewable-energy deployment obligation. Renewable-energy deployment target-management entities will be required to submit performance records and receive an improvement order, followed by public disclosure and an administrative fine, if they fail to meet targets.

Transitional protection. 31 December 2026 is the deadline for projects to qualify for new REC issuance. Projects that have already received RECs by 31 December 2026 can generally continue to trade them under the previous rules. However, the spot market for REC trading will close on 31 December 2029, after which such projects are expected to only be able to sell them to a fixed-price-contract counterparty. The Ministry of Climate, Energy, and Environment will determine in future whether to provide transitional protection for projects that had received a electricity generation-business permit, but have not yet received RECs when the new law takes effect.

New certificates. The proposed legislative changes introduce a "generation-information certificate" to verify and certify renewable energy generation. It is expected to support RE100 verification, but REC-like tradability is uncertain.

If you have any questions or need help with the above, please feel free to contact us. Our dedicated Project & Energy Group is recognised as a top-ranking team in various international publications such as Chambers & Partners. It is the only Korean law firm that provides a one-stop service that can assist project and energy clients with regulatory advice, project finance, construction and operation and M&A.

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