

NEWSLETTER

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Environmental & Energy Team

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Enactment of the Carbon Dioxide Capture, Utilization and Storage Act (CCUS Act)

The “Carbon Dioxide Capture, Usage and Storage Act” (the **CCUS Act**) proposal has been passed at a plenary session of the National Assembly on January 9, 2024 and is scheduled to come into effect one year after its promulgation. The CCUS, representing the capture, utilization, and storage of carbon dioxide, technology is globally recognized as a bridge technology for achieving carbon neutrality by 2050, and the legislation supporting CCUS-related projects is being actively advanced at a global level. For instance, in the United States, the Inflation Reduction Act has established a tax-credit program that offers \$85 per ton of CO₂ for carbon dioxide capture and storage (CCS) projects and \$60 per ton of CO₂ for CCUS projects. Meanwhile, the European Union, under the Net-Zero Industry Act, aims to reach an annual carbon storage capacity of 50 million tons by 2030 and has designated CCS technology as one of the eight 'Strategic Net Zero Technologies'. The initiative is fostering robust private sector engagement by streamlining the permitting process and facilitating the commercialization of the related projects.

In the 1st National Basic Plan for Carbon Neutrality and Green Growth, published in April 2023, the Korean government revised the greenhouse gas absorption/removal targets in the 2030 Nationally Determined Contribution through CCUS technology from the original 10.3 million tons (as of October 2021) to 11.2 million tons. Recently, on January 5, 2024, an empirical project for the East Sea Gas Field utilizing CCUS technology, valued at KRW 2,9529 trillion, was selected as a preliminary feasibility study project to be pursued as a national project.

1. Key Provisions of the CCUS Act

The enactment of the CCUS Act is recognized as laying the legal groundwork for the implementation of CCUS policies at national level. The CCUS Act categorizes CCUS projects into capture, transportation, and storage operations and details the necessary permits and support measures for each. Its key provisions are as follows:

Provisions		Terms
Relation to Other Laws (Article 4)		<ul style="list-style-type: none"> specifies that captured carbon dioxide and substances or objects produced therefrom (excluding by-products from the utilization process that are no longer needed or mixed with waste) are not considered waste under the Waste Management Act.
Permits, etc.	Capture Facilities (Article 7)	<ul style="list-style-type: none"> requires any party planning to install and operate carbon dioxide capture facilities must report their installation and operation plan, including the site and equipment, to the Minister of Trade, Industry, and Energy (the MOTIE), and the MOTIE can provide necessary administrative and financial support for the facilities.
	Carbon Supply (Article 33)	<ul style="list-style-type: none"> business entity engaged in the carbon dioxide capture business can supply carbon dioxide to the facilities and sites for research, experimentation, and empirical study, and if the business entity is a designated business entity under the Act On The Allocation And Trading Of Greenhouse-gas Emission Permits, this can be considered not emitted for the purposes of the greenhouse gas emission calculation.
	Transportation Business (Article 8~11)	<ul style="list-style-type: none"> carbon dioxide transportation business requires approval from the Minister of the MOTIE, and for the maritime transportation, registration with the Ministry of Oceans and Fisheries (the MOF) under the Maritime Transportation Act is also required. a business entity engaged in transporting carbon dioxide via pipelines must obtain approval for their safety management regulations and fulfill obligations such as appointing safety managers and regular inspections, prior to the installation and operation of the pipelines.
	Storage (Article 13~24)	<ul style="list-style-type: none"> exploration for the discovery of carbon dioxide storage sites can be conducted with the approval of the Minister of MOTIE. The Ministers of the MOTIE and MOF can select and announce potential storage sites, including locations requested by the exploration permit holder, mining areas where mining rights have expired under the Mining Act, and seabed mining areas where natural gas seabed mining rights have expired under the Act of Development of Seabed Mineral Resources. the Ministers of the MOTIE and MOF can revoke the designation of potential storage sites if there are any safety concerns or risks to the ecosystem and can order the closure of storage sites in case of natural disasters or leakage.

Provisions		Terms
Permits, etc.	Storage (Article 13~24)	<ul style="list-style-type: none"> in order to operate the carbon storage business, the approval from the Minister of the MOTIE is necessary. For storage under ocean, the approval from the Minister of the MOF is required. Priority in respect to the storage site is granted to an exploration permit holder who has applied for a storage site permit.
	Storage Monitoring, etc. (Article 25~28)	<ul style="list-style-type: none"> a business entity holding a permit for a carbon dioxide storage business must establish and implement a monitoring plan both before and after the closure of the storage site, for a minimum duration of 15 years, as specified by the Presidential Decree. Additionally, the entity must adhere to obligations related to carbon dioxide leakage prevention measures and conduct regular inspections to ensure compliance and safety.
Support	Cluster (Article 29~32)	<ul style="list-style-type: none"> the Minister of MOTIE can designate specialized cluster districts where CCUS related companies and support facilities can be co-located in Metropolitan Cities or Does, upon the local government's request, and can support the costs required for establishing and operating industrial infrastructure and joint R&D facilities within the clusters.
	Empirical Project (Article 36~38)	<ul style="list-style-type: none"> the government can support the research, development, and commercialization of CCUS technology. Entities engaged in CCUS business can participate in empirical projects to promote the use and dissemination of CCUS technology, and are eligible for special exemptions under the "High-Pressure Gas Safety Control Act" and the "Act on the Management and Reclamation of Public Waters".
	Other CCUS Industry Support Measures (Article 34~35, 39)	<ul style="list-style-type: none"> additional support measures include provisions for certification of carbon dioxide utilization technologies and products, the recognition of companies specializing in CO2 utilization, the subsidies and loans for developing CCUS projects, investments using resources such as climate response funds, training of skilled personnel, international cooperation, standardization of technologies, and the establishment of CCUS promotion centers, etc.

2. Implications

South Korea, with its high greenhouse gas emissions in the power sector and a substantial proportion of heavy emission industries like steel, cement, and petrochemicals, is a nation that particularly necessitates the adoption of CCUS as a viable solution for achieving carbon neutrality. Previously, CCUS-related regulations were dispersed across more than 40 different laws, and notably, captured carbon dioxide was considered as waste under the Waste Management Act, thereby

subjecting it to its regulations. With the enactment of the CCUS Act, it is anticipated that lowered regulatory risks for CCUS facilities will pave the way for diverse administrative and the relevant industry. As such, business entities seeking new business opportunities in the CCUS industry or looking to use CCUS as a means to achieve carbon neutrality should closely observe the changes in the business landscape following the implementation of the CCUS Act and the legislative trends regarding the specific details of the support measures in future subordinate decrees and regulations.

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