



Amendments to the Korean REC System

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The Korean Renewable Energy Certificate (REC) system is one of the key policy instruments to promote and revitalise the renewable energy industry. The system has played a pivotal role in inducing the fulfillment of obligations of supply obligors through fixed-price contracts between renewable energy supply obligors* and power generators, to enhance the profitability of power generators.

* Power generators with 500MW or more of power generation facilities are obliged to supply a certain amount of power using renewable energy or purchase RECs to meet such obligation.

Key takeaways

Revisions by the Renewable Energy Center of the Korea Energy Agency to the relevant REC Guidelines include the following:

1. Streamline of the wind power fixed price contract system

In addition to successful wind power bidders, but also successful solar power bidders will be able to enter into replacement contracts with a new renewable energy supply obligor while maintaining the existing contract terms (contract unit price, contract period) if such supply obligor is unable to fulfill the REC sales contract due to unavoidable reasons such as bankruptcy.

The latest revisions provide that the new supply obligor is obligated to purchase RECs issued for the electricity supplied from the date of termination of the existing contract to the date of signing of a replacement contract. However, unsold RECs issued prior to the termination of the existing contract are not the subject of mandatory purchase by the new supply obligor. Accordingly, the power supplier may need to sell the relevant unsold RECs on the spot market.

2. Clarification of the criteria for issuance of RECs

Previously, the 'commercial operation start date' was defined as the date when the power generation facility's meter was sealed and the power supply to the power grid started. RECs were issued from this start date. However, the concept of commercial operation start date under the Electric Utility Act and the REC rules were not consistent. The latest revisions introduce a concept of 'initial power supply commencement approval date' to clarify that when pre-use inspection is conducted in stages, RECs will be issued for the amount of electricity supplied from the date of initial power supply.

3. Evaluation criteria for fixed price wind power contracts

Industrial and economic impact is one of the evaluation criteria for bidders of fixed price wind power contracts. The latest revisions separate each of (a) contribution to the supply chain, and (b) contribution to security as separate items from the industrial and economic impact criterion. Onsite inspections for compliance with security obligations have been introduced. Accordingly, the need for bidders to have a security plan has heightened.

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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