

South Korea to cut coal imports

Clancy Yeates IN SOUTH KOREA

November 4, 2010

THE second-biggest importer of Australian coal, South Korea, is set to cut its demand because of climate-change policies.

Although there is no global agreement on climate change, South Korea is pursuing an ambitious plan to wean itself off fossil fuels and sharply boost green investment.

The "green growth" strategy, to feature at the G20 leaders' summit in Seoul next week, is intended to offer a blueprint for emerging economies wanting to cut carbon emissions without harming their economies.

A senior official from the Presidential Committee on Green Growth, Yeon-chul Yoo, said Seoul's move towards cleaner energy sources would lead to a gradual decline in its imports of coal and other fossil fuels in coming decades.

"The portion of fossil fuels [in South Korea's energy mix] will decrease from 40 per cent in 2008 to 30 per cent in 2030. It will take time," Mr Yoo said at a foreign investment conference this week.

Although gradual, the move is significant for Australia because South Korea is the second-largest export destination for thermal coal, with Seoul buying 16 per cent of shipments from Newcastle in the year to October. This could represent a sign of things to come - Seoul's key customers, China and Japan, are also eyeing cleaner energy sources, though it is unclear how this will affect their demand for coal.

While it cuts coal consumption, resource-poor South Korea aims to expand the role of renewable energy from less than 5 per cent of its energy mix to 11 per cent in 2020, and nuclear from 26 per cent in 2008 to 40 per cent in 2030.

The country's use of gas - a growing Australian export - would keep increasing until 2050, Mr Yoo said.

As part of the green growth plan, South Korea also aims to invest the equivalent of 2 per cent of its annual gross domestic product in coming years in green industries, which range from the manufacturing of wind turbines to electric cars.

Embracing green growth is a sharp change in tack for South Korea's "Asian tiger" economy, whose rapid expansion since the 1960s has depended on carbon-intensive heavy industry.

This also highlights shifts engulfing Australia's biggest markets for coal. Japan, the biggest buyer of our coal, has also promised to join developed countries in slashing its carbon emissions to 25 per cent of 1990 levels by 2020. The International Energy

Agency has predicted that if the world committed to significant reductions in carbon emissions, Japan's coal demand in 2030 would slump by 60 per cent from 2008 levels.

Even China - which is still building coal-fired power plants - this year threatened to shut down parts of heavy industry that were not meeting strict efficiency targets.

Despite signs that key trading partners are looking to wean themselves off coal, the domestic industry remains confident clean-coal technologies will ensure overseas coal demand remains strong for decades to come.

The reporter's travel was paid for by Kotra, South Korea's trade and investment promotion agency.