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MSS will support Korean SMEs exporting to the EU to respond to the EU's Carbon Border Adjustment Mechanism (CBAM)

① MSS will strategically support the companies, considering their export scale, type of industry, etc. ② MSS will strengthen carbon reduction capabilities through facility conversion, loans, guarantees, etc. ③ MSS will establish a foundation to achieve carbon neutrality through legislation and institutions.

MSS has announced its support measures to help SMEs effectively respond to the EU's CBAM by analyzing target companies. MSS also gathered feedback from the industry and experts.

Sejong, May 24, 2024 – The Ministry of SMEs and Startups (MSS, Minister OH Youngju) held a meeting to announce its support measures to help SMEs respond to the EU's Carbon Border Adjustment Mechanism (CBAM) on May 22 in Seoul.

The Carbon Border Adjustment Mechanism (CBAM) came into effect in October 2023. It requires the purchase of certificates corresponding to the amount of carbon emitted during the production process for six items: steel, aluminum, fertilizer, hydrogen, cement, and electricity exported to the EU. This system will undergo a transition period of about two years until 2025, during which only reporting is required. It will be fully implemented in 2026.

This meeting was organized by MSS to announce its support measures for SMEs responding to the EU's CBAM and to gather feedback from SMEs, relevant organizations, and experts regarding these support measures.

The 'Support Measures for SMEs Responding to CBAM,' announced by MSS, focuses on helping small and medium-sized enterprises (SMEs) that export to the EU to address the EU's CBAM effectively. This is done by analyzing factors such as export scale, industry, product type, SMEs targeted by CBAM, and EU requirements. The key contents are as follows:

① MSS will strategically support the companies, considering their export scale, type of industry,

regularity of exports, etc.

MSS will provide direct support to SMEs, with a focus on those with export scales above a certain level. As of 2023, there are 355 companies with export amounts exceeding KRW 100 million, accounting for 98.3% of SMEs' exports to the EU. The support will include three initiatives, including a dedicated program for CBAM. These three initiatives will involve measuring and calculating carbon emissions per product unit, issuing verification reports using EU-ETS verification bodies, and directly assisting SMEs in the process of calculating and verifying carbon emissions.

For all SMEs exporting to the EU (1,358 companies as of 2023), MSS will conduct specialized training programs through educational and training initiatives to ensure SMEs' accurate understanding and preparation for the CBAM. This includes offering CBAM-specific courses that cover methods for measuring and calculating carbon emissions. Additionally, MSS will jointly hold explanatory meetings with relevant ministries' task forces and maintain a continuous help desk operation to address inquiries regarding CBAM explanations and carbon emission calculation.

② MSS will improve resilience by supporting facility conversion for carbon reduction and providing assistance with loans and guarantees.

MSS will make efforts to develop and disseminate digital Measurement, Reporting, and Verification (MRV) solutions through demonstration to alleviate the cost burden associated with measuring and calculating emissions for SMEs. Additionally, MSS will provide annual support to companies that directly receive assistance, such as one-on-one carbon neutrality consulting in 2024, to facilitate the introduction of carbon reduction facilities and to support the distribution of carbon emission management software.

Furthermore, MSS will offer expanded support for loans of policy funds to establish and operate large-scale facilities for carbon reduction, along with additional guarantees for expected carbon reduction amounts.

③ MSS will offer voluntary support to achieve carbon neutrality, providing information on carbon regulations and assisting voluntary net-zero initiatives related to laws and regulations.

MSS will construct and expand a dedicated platform for comprehensive information on global carbon regulation trends, support programs, and other information related to carbon neutrality. This platform will ensure that SME opinions of alleviating the burden of emission calculation and verification are reflected in national-level carbon regulation discussions, such as EU trade

negotiations and high-level meetings.

In addition, MSS will pursue the enactment of the Small and Medium-sized Enterprises Carbon Neutrality Promotion Act (tentative title) to support SMEs' voluntary carbon reduction efforts.

During the subsequent sessions, SMEs conveyed various voices from the industry regarding the process of responding to CBAM, including difficulties in obtaining carbon emission information from overseas raw material suppliers such as China and Japan, support for the cost of carbon emission calculation and verification, and training and education support for SMEs lacking specialized personnel in carbon emission calculation.

The experts who attended the meeting expressed their expectation that the support measure is timely and sufficient to prepare for proactive responses and improve the relevant policies during the transition period before the full implementation of the EU's CBAM. They anticipate that our small and medium-sized enterprises (SMEs) will be able to respond effectively to global carbon regulations, including CBAM.

Minister Oh Youngju displayed a strong interest in addressing each suggestion put forth by the SMEs, offering insights into relevant government support programs and associated regulations. In her closing remarks, she emphasized, "Carbon neutrality is an inevitable global trend and will become a core issue that businesses must address for survival and growth." She added, "We hope businesses view this trend as an opportunity for growth and actively collaborate with the government to address it."