

# Climate Change Response Act

## Chapter 1 General Principles

### Article 1

Climate change concerns have led to the passage of the Climate Change Response Act, establishing strategies to reduce and manage greenhouse gas emissions, strengthen environmental justice, and the shared responsibility of environmental protection and the nation's sustainable development.

### Article 2

The Executive Yuan's Environmental Protection Administration, is the central competent authority at the central government level, while municipal governments execute authority at the county or city level.

The matters designated in this Act, which involve the powers and responsibilities of the central industry competent authorities, will be handled by the central industry competent authorities.

### Article 3

This glossary of terms are to be interpreted with the following meanings:

1. Greenhouse Gas (GHG) refers to the following substances: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydro fluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), nitrogen trifluoride (NF<sub>3</sub>), and others designated by the central competent authority.
2. Climate change adaptation refers to the process of adjusting to current or expected climate change effects, to moderate or avoid harm, and exploit beneficial opportunities; including the process for natural systems to adjust and adapt to the actually occurring climate change effects through proper human intervention when needed.
3. GHG reduction means reducing GHG emissions stemming from human activities or to enhance GHG absorption and storage.
4. Emission Source means any unit or process that directly or indirectly releases GHG into the atmosphere.
5. Global-warming potential (GWP) refers to the measurements of the amount of heat trapped over a specific time interval by a specific GHG when compared to a similar mass of carbon dioxide. GWP is expressed as a factor of carbon dioxide (whose GWP is standardized to 1).
6. Emissions are the sum of different GHG emissions and their corresponding GWPs, which shall be described by CO<sub>2</sub> equivalent (CO<sub>2</sub>e).
7. Negative emission technology means the system of removal, absorption and storage of carbon dioxide or other GHG from the emission sources or in the atmosphere by natural carbon cycle or anthropogenic method.
8. Carbon sink means the sequestration and storage of carbon dioxide or other GHG removed from emission unit or atmosphere by trees, forests, soils, oceans, stratum, facilities, or other sites.
9. Net zero emissions refers to the achieving of an overall balance between the quantity of GHG emissions and carbon sinks.
10. Just transition means in the principle of respecting human right and labor, consulting all the communities affecting by the climate change responsive transition and climate policy, and assisting industries, regions, labors and consumers in stable transition.
11. Entity means legal persons, non-corporate representatives or managers, institutions, government agencies or others who have emission sources designated by the central competent authority.
12. Reduction credit refers to the quantity of GHG emissions reduction earned by entity and government at all levels through the implementation of GHG voluntary reduction measures, GHG Offset Project and GHG Early Action Project before the amendment of the Act.
13. Emission performance standard means the permitted emission per unit of product, material, mileage or input of emission sources.

14. Cap means the control measure implemented in order to effectively reduce GHG emissions by the limitation of the total amount of emissions allowed for designated emission sources in a certain period of time under the cap-and-trade scheme.
15. Emission allowance means the allowance to emit carbon dioxide equivalent during a specified period under the cap-and-trade scheme.
16. Carbon leakage refers to the implementation of cap-and-trade scheme that may result in relocation of energy-intensive production in less-constrained regions which could cause global carbon emissions to increase.
17. Carbon footprint refers to the amount of total carbon emissions released throughout the life cycle of a product from raw material acquisition, manufacturing, distribution and sale, use and waste treatment, calculated by total CO<sub>2</sub> equivalent (CO<sub>2</sub>e).

#### Article 4

The long-term national GHG emission reduction goal shall achieve GHG net zero emission by 2050.

To achieve the goal set in the foregoing Paragraph, all levels of government shall implement GHG reduction, develop negative emission technologies and facilitate international cooperation together with the general public, entities and organizations.

The goal pursuant to Paragraph 1 shall be timely adjusted by the central competent authority, in consultation with the central industry competent authorities, by taking into consideration the United Nations Framework Convention on Climate Change (UNFCCC), its agreements and or related international conventions, as well as domestic circumstances, subject to the Executive Yuan's approval; and in line with the required periodical review.

#### Article 5

The national government shall ensure the sustainable utilization of the nation's resources, maintain balanced energy supply and demand, mitigate and respond to the impacts of climate change, and place balanced emphasis on environmental protection, economic development, social justice, intergenerational equity and vulnerable groups support.

All levels of government shall encourage technological innovation research and development, enhance financial mechanisms, spur economic momentum, open healthy competition, promote low-carbon green growth, create employment opportunities, and boost national competitiveness.

In order to respond to the impact of climate change, the government shall uphold the following legal and policy principles:

1. To ensure the nation's energy security, the government shall establish mid-long-term strategies for gradually reducing dependence on fossil fuels with a mid-long-term aim of renewable energy policies, and the gradual realization of a nuclear-free homeland.
2. In line with "user charge" principle of environmental justice, the free allowances allocation method shall be gradually replaced by allowances auctioned or sold at a fixed charge.
3. To respond to the impact of climate change, under the principle of equality and social welfare promotion, the government should implement GHG emissions tax (or fee) mechanisms based on carbon dioxide equivalent.
4. The government should actively help traditional industries achieve energy conservation and carbon reduction or transition, develop green technology and green industry, create new employment opportunities and green economies, and promote a low-carbon, green growth plan for the nation's infrastructure.
5. In order to lessen environmental pollution and greenhouse gas emissions, the government should promote resource use efficiency, energy use efficiency, and resource recycling.
6. Inclusion of climate change response factors, reinforcement of climate change adaptation

capability, lower vulnerability and enhance resilience, to ensure the nation's sustainable development.

#### Article 6

Climate Change Response plans or programs shall comply with the following principles:

1. National reduction targets and schedule shall seek to realize the common but differentiated responsibilities specified in UNFCCC, while also furthering the sustainable development of the nation's environment, economy, and society.
2. The determination of sector-based periodic regulatory goals shall take cost effectiveness into consideration, and strive to achieve GHG reductions at the lowest possible cost.
3. The government shall actively adopt preventive measures, seek to forecast, avoid, or reduce the causes of climate change, to mitigate the adverse effects, and to support just transitions.
4. Dedication to research and development on climate change science and GHG reduction technology
5. Establish green financial mechanism and promotion measures, in order to bring about a healthy cycle of investment and pursuit of sustainable industrial development.
6. Enhance the cooperation between central and local authorities, as well as private and public sector, to implement educational propaganda and cultivate capacity for professionals in response to climate change.
7. Actively strengthen international cooperation to ensure the international competitiveness of industries.

#### Article 7

The competent authorities and industry competent authorities may appoint affiliated agencies, entrust or commission other agencies (organizations) to conduct investigation, verification, consultation, training, and research regarding climate change adaptation and GHG mitigation.

### Chapter 2 Authority and Responsibility of Government Agencies

#### Article 8

In order to promote climate change response and to enhance across sectoral governance, the Executive Yuan's National Council for Sustainable Development ("NCSA") shall coordinate, assign or integrate basic policies for national climate change response and major important strategies for cross sectoral climate change response affairs.

Relevant central government agencies shall promote GHG reduction and climate change adaptation through the following actions:

1. Development of renewable energy and energy technology.
2. Improvement of energy efficiency and energy conservation.
3. Reduction in GHG emissions by manufacturing sectors.
4. Transportation management, development of mass transit systems, and reduction in GHG emissions by other transportation sectors.
5. Implementation of low carbon energy transportation.
6. Reduction and management of GHG emissions from buildings.
7. Waste recycling and reuse.
8. Forest resource management, biodiversity conservation, and strengthening of forests' carbon sequestration.
9. Reduction and management of greenhouse gas emission by agriculture and guarantee of food security.
10. Green finance and GHG reduction incentive mechanisms.
11. Comprehensive assessment of GHG reduction impacts on the economy and the planning of response measures.
12. Establishment of GHG cap-and-trade scheme including allocation, auction, allowance sale, trade, and facilitation of international emission reduction cooperation mechanism.

13. Research, development and implementation of GHG reduction technologies.
14. Study of international GHG conventions and laws and participation in international conferences.
15. Development and implementation of matters connected with climate change adaptation.
16. Education and advocacy of climate change adaptation and GHG reduction.
17. Promotion of just transition.
18. Other climate change adaptation and GHG reduction matters.

#### Article 9

The central competent authority shall develop National Climate Change Action Guideline ("Action Guideline") reflecting the nation's economy, energy and environment, current international situation, and the assignment of responsibilities mentioned in Paragraph 1 of the previous Article, and shall implement the Action Guideline in consultation with the central industry competent authorities, and open to public after requesting approval from the Executive Yuan.

The Action Guideline pursuant to the foregoing paragraph shall be reviewed periodically by the central competent authority, taking into consideration the United Nations Framework Convention on Climate Change (UNFCCC), its agreements and or related international conventions, together with domestic circumstances.

#### Article 10

To achieve the national long term GHG reduction goal, the central competent authority shall invite relevant central and local agencies, scholars, experts, and non-governmental organizations to participate through public hearing processes to establish the periodic regulatory goals in stages on a five-year basis to be implemented and open to public after requesting approval from the Executive Yuan.

The periodic regulatory goals shall include the following contents pursuant to the Article 5(3) and Article 6:

1. National periodic regulatory goals.
2. Sectoral periodic regulatory goals for energy, manufacturing, building, transportation, agriculture and environment.
3. Periodic goals for electric carbon emission factors.

Apart from the regulatory goal for the first stage, the central competent authority shall establish the regulatory goal for each stage at two years ahead of the beginning of the next stage.

After the periodic regulatory goals for each stage have been approved by the Executive Yuan, the central competent authority shall compile the status of implementation by the central industry competent authorities for each sector annually and report to the Executive Yuan.

#### Article 11

The central industry competent authorities shall formulate and revise the Sectoral GHG Reduction Action Programs ("Sectoral Action Program") and the target for each year, in accordance with the Action Guideline and periodic regulatory goals, after widely gathering opinions from the relevant central and local agencies, scholars, experts, and non-governmental organizations through holding forums or other ways. The central industry competent authorities shall submit the Sectoral Action Program and the targets for each year to the central competent authority; the program and the target shall be implemented and open to public after requesting approval from the Executive Yuan.

#### Article 12

The central industry competent authorities shall deliver an annual report on the implementation of the Sectoral Action Program for the sectors under its supervision.

The central industry competent authorities after implementation of the Sectoral Action Program for the sectors under its supervision, shall propose improvement measures for any failure to achieve the yearly targets or periodic regulatory goal for the sectors under its supervision.

The central industry competent authorities shall submit the annual report and improvement measures

mentioned in the previous two paragraphs to the central competent authority to request approval from the Executive Yuan, and open to public afterwards.

#### Article 13

The central industry competent authorities shall regularly survey emission, compile relevant statistics, and submit the survey and statistics results to the central competent authority annually.

The central competent authority shall compile the national emissions statistics, and establish a national GHG emissions inventory; to compile the national GHG report every three years for submission to the Executive Yuan whose approval will then pave the way for release to the general public.

#### Article 14

Special municipality, county and city competent authorities who establish climate change response steering group, the principal of the competent authority shall assume the position of convener, in charge of cross department coordination, integration and implementation of climate change affairs.

The committee of climate change response steering group shall appoint or hire from relevant agencies, the principal of the competent authority, experts and scholars with knowledge and experience in climate change response by the position of convener.

#### Article 15

Special municipality, county and city competent authorities shall formulate and revise the GHG Reduction Implementation Programs (“Reduction Implementation Program”), in accordance with the Action Guideline and Sectoral Action Programs, after widely gathering opinions from the relevant agencies, scholars, experts, and non-governmental organizations through holding forums or other ways. The special municipality, county and city competent authorities shall submit the Reduction Implementation Program to the special municipality, county and city climate change response steering group, the Reduction Implementation Program shall be implemented and open to public after requesting approval from the central competent authority in consultation with the central industry competent authorities.

Special municipality, county and city competent authorities shall deliver annual report of the Reduction Implementation Program to the special municipality, county and city climate change response steering group, and open to public afterwards.

#### Article 16

The industry competent authorities shall assist entities in the accounting of emission sources, verification, registration, reduction, and participation in cooperative GHG reduction measures, domestically or internationally.

### Chapter 3 Climate Change Adaptation

#### Article 17

The Government in response to climate change shall promote adaptation capacity building matters as follows:

1. Examine existing data, estimate possible climate change in the future, and evaluate the risk of climate change based on science, thereby strengthening the risk governance and the ability of adaptation to climate change.
2. Reinforce the adaptation capacity related to environment, disaster, facilities and energy resources in response to climate change, to enhance climate resilience.
3. Ensure the implementation of climate change adaptation to correspond with national sustainable development goals.
4. Establish climate change governance and coordination mechanism between all levels of government

to consolidate regional adaptation capacity, integrating cross sectors and cross level tasks.

5. Implement green financial mechanism and promotion measures in response to the need for climate change adaptation.

6. Promote emerging industries under climate change; assist in and encourage the development of technologies for climate change adaptation; research and develop, as well as promote products and business opportunities derived from climate change adaptation.

7. Foster climate change adaptation education, talents cultivation and raise civic awareness, and promote relevant activities mentioned above.

8. Strengthen the capacity of vulnerable groups in response to climate change impacts.

9. Integrate comprehensive and community-based climate change adaptation policies and measures

10. Other matters related to capacity building on climate change adaptation.

All citizens, entities and organizations shall dedicate to building climate change adaptation capacity mentioned in the preceding paragraph.

#### Article 18

The central science and technology competent authority shall conduct research and development on climate change science and adaptation to the impacts; research and analyze, as well as grasp the climate change tendency in cooperation with the meteorological authorities; organize and summarize the climate scenarios, climate change science and impact information to periodically publicize scientific reports on climate change.

Government at all levels shall proceed climate change risk assessment according to the scientific reports mentioned in the previous paragraph, as the basis to develop and implement adaptation programs and strategies.

The guidance for climate change risk assessment mentioned in the preceding paragraph shall be determined by the central competent authority in consultation with relevant government agencies.

#### Article 19

The central industry competent authorities shall formulate and revise the Adaptation Action Programs for particular sectors ("Adaptation Action Program"), in accordance with corresponding sectors vulnerable to climate change impacts, after widely gathering opinions from the relevant central and local agencies, scholars, experts, and non-governmental organizations through holding forums or other ways. The Adaptation Action Program shall be submitted to the central competent authority.

The central competent authority shall integrate the Adaptation Action Programs mentioned in the previous paragraph in accordance with the Action Guidelines, to establish the National Climate Change Adaptation Action Plan (National Adaptation Plan) to be implemented and open to public after requesting for approval from the Executive Yuan.

The central industry competent authorities shall deliver an annual report on the implementation of the Adaptation Action Program to the central competent authority to request for approval from the Executive Yuan, and open to public afterwards.

#### Article 20

Special municipality, county and city competent authorities shall invite relevant local government agencies, scholars, experts, and non-governmental organizations to hold workshops or in other forms to widely gather opinions in accordance with the Action Guideline, National Adaptation Plan and Adaptation Action Program to determine the Climate Change Adaptation Implementation Programs ("Adaptation Implementation Program") for submission to the special municipality, county and city

climate change response steering group, to be implemented and open to public after requesting approval from the central competent authority in consultation with the central industry competent authorities.

Special municipality, county and city competent authorities shall deliver annual report of the Adaptation Implementation Program to the special municipality, county and city climate change response steering group to open to public.

#### Chapter 4 Emission Reduction Measures

##### Article 21

Entities with Emission Sources designated by the central competent authority shall conduct emission accounting and register in the Registry by the deadline; for entities designated by the central competent authority, the information about emission accounting shall be verified by verification body.

The central competent authority shall determine management regulations for the accounting of GHG emissions, reporting elements, verification process and other binding matters for the foregoing paragraph.

##### Article 22

Verification bodies shall apply and acquire accreditation certificates and permits from the central competent authority or its appointed accreditation body before the operation of verification business.

The central competent authority shall determine management regulations for the prerequisite for application, review procedures, granting, graded verification scope, supervision, inspection, revocation, cancellation, as well as prerequisite for dedicated personnel, and other binding matters for verification body permits pursuant to the foregoing paragraph.

The central competent authority shall determine management regulations for the qualification, requisite for commission or decommission, and other binding matters for an accreditation body pursuant to paragraph 1.

##### Article 23

The production processes for products designated by the central competent authority shall comply with GHG emissions performance standards.

Vehicles designated by the central competent authority that are manufactured or imported by entities for domestic use shall comply with GHG emissions performance standards.

The structure, equipment of new buildings shall conform to GHG emission mitigation requirements.

The central competent authority in consultation with the central industry competent authorities shall determine GHG emissions performance standards pursuant to paragraph 1 and 2, as well as the GHG emission mitigation requirements pursuant to the preceding paragraph to implement after requesting approval from the Executive Yuan.

##### Article 24

Entities with newly installed or modified Emission Sources from which GHG emissions reach a certain scale shall offset the increased GHG emissions. Provided that there are difficulties in offsetting the increased emissions due to special circumstances, entities may pay monetary substitution for GHG reduction purpose after requesting for approval from the competent authority.

The central competent authority shall determine management regulations for the certain scale, offsetting ratio, deadline, sources for offsetting, application for monetary substitution payment, approval procedure, and calculation of monetary substitution, payment deadlines, payment methods and other binding matters pursuant to the foregoing paragraph.

## Article 25

Entities and government at all levels may independently or jointly propose voluntary GHG reduction programs and implement GHG reduction measures, to apply for reduction credits from the central competent authority, and shall follow the conditions and deadlines set by the central competent authority.

The central competent authority may, according to the type of voluntary GHG reduction program, designate the verification method which the voluntary reduction measures or the emission reduction outcomes pursuant to the foregoing paragraph shall comply with.

Entities and government at all levels who acquire reduction credits from participation in GHG Offset Projects, Early Action, and voluntary programs pursuant to the paragraph 1 shall apply to the central competent authority for respondent holding accounts, making the information regarding the reduction credits publicly accessible in the national registry designated by the central competent authority, and may transfer, trade or auction the credits.

The central competent authority shall determine management regulations for applicable candidates, application procedures, voluntary reduction methods, project review and approval procedures, calculation of reduction credits, conditions for the use of reduction credits, deadline for use, revocation, cancellation, withdrawal of reduction credits or programs, management, and other binding matters pursuant to the paragraph 1.

The central competent authority shall determine management regulations for the information necessary for opening the respondent holding accounts, account management, the targets for reduction credits transfer or trade, transfer limits, fee, the targets for reduction credits auction, procedure, and other binding matters pursuant to the paragraph 3.

## Article 26

The reduction credits pursuant to foregoing paragraph shall be used for the following purposes:

1. offsetting the increased GHG emissions pursuant to the paragraph 1 of the article 24.
2. deducing the emissions pursuant to the paragraph 1 of the article 28.
3. deducing the differences in carbon emission pursuant to the paragraph 1 of the article 31.
4. offsetting the amount of GHG emissions in excess of the emission allowances pursuant to the paragraph 2 of the article 36.
5. other purpose recognized by the central competent authority.

## Article 27

Entities who acquire international reduction credits shall recognized by the central competent authority before deducing the emissions pursuant to the paragraph 1 of the article 28 or offsetting the amount of GHG emissions in excess of the emission allowances pursuant to the paragraph 2 of the article 36. The amount of credit for deducing or offsetting shall not exceed ten percent of the used reduction credits per time.

The central competent authority, in consultant with the central industry competent authorities, may determine the criteria regarding the binding matters of the recognition of the international reduction credits pursuant to the foregoing paragraph by taking into consideration the United Nations Framework Convention on Climate Change (UNFCCC), its agreements and/or related international conventions decisions, as well as factors that include but are not limited to, energy efficiency, domestic reduction credits and the long-term national GHG emission target.

## Article 28

To achieve the long term national GHG emission reduction goal and periodic regulatory goals, the central competent authority may impose carbon fee by stages against Direct and Indirect GHG Emission



Sources listed as follows:

1. Direct Emission Sources: fee shall be collected based on the quantity of emission from the owners of the Emission Sources; or from the actual user or manager if the owner of the source is not the user or manager.
2. Indirect Emission Sources: fee shall be collected based on the quantity of indirect emission generated from the use of electric from the owners of the Emission Sources; or from the actual user or manager if the owner of the source is not the user or manager.

Direct Emission Sources of electric power production may submit proof document for emission from providing for power consumption to request deduction of the emission pursuant to subparagraph 1 in the foregoing paragraph by the central competent authority.

The central competent authority may announce and periodically review the targets of carbon fee and the rates pursuant to paragraph 1, based on current status of domestic GHG reduction, types of Emission Sources, types of GHG emissions, scales of emissions, the situation of voluntary reduction and its effectiveness.

The central competent authority shall determine management regulations for calculation methods, collection methods, declaration and payment procedures, payment deadlines, methods for the pursuit of insufficient payment, calculation methods for emission quantities, exemption of payment, and other binding matters for the carbon fee pursuant to paragraph 1.

#### Article 29

Entities subject to carbon fee who adopt GHG reduction measures that can effectively reduce GHG emissions and reach the target designated by the central competent authority, may propose voluntary reduction plan to apply for approval of a preferential rate from the central competent authority.

The central competent authority in consultation with relevant agencies shall determine the designated target pursuant to the foregoing paragraph.

The central competent authority shall determine management regulations for the preferential rate, applicants, qualification, documentations to be submitted, content of voluntary reduction program, review procedures, revocation, cancellation, compensation and other binding matters pursuant to paragraph 1.

#### Article 30

Entities subject to carbon fee may apply to the central competent authority for deducing the emissions pursuant to paragraph 1 of the article 28 via reduction credits.

The central competent authority shall determine management regulations for the eligibility, documentations to be submitted, the ratio of reduction credits and deduced emissions, limit, review procedures, cancellation, recovery of insufficient reduction credits and other binding matters pursuant to foregoing paragraph.

#### Article 31

To avoid carbon leakage, entities who import goods designated by the central competent authority shall declare the carbon emissions of the goods to the central competent authority, and acquire the reduction credits from the registry pursuant to Article 25, according to the differences in carbon emission specified by the central competent authority. Whereas goods that have been subject to emission trading, charged for carbon tax or carbon fee in the exporting country that did not receive export rebate, the importers may submit proof documents to request a deduction of the needed reduction credits from the central competent authority.

Entities shall pay monetary substitution to the central competent authority in case of failing to purchase adequate reduction credits pursuant to the foregoing paragraph.

The central competent authority in consultation with relevant agencies shall determine management

regulations for the declaration, review procedures, calculation of the differences in carbon emission, deduction, calculation of monetary substitution, payment deadlines, payment procedures, and other binding matters pursuant to paragraph 1 and 2.

#### Article 32

The central competent authority shall establish the GHG Management Fund from the following sources:

1. Monetary substitution pursuant to the Article 24 and foregoing article and Carbon fee pursuant to the Article 28.
2. Proceeds pursuant to the Article 25 and Article 36;
3. Proceeds from allowances auctioned or sold by the central competent authority pursuant to the Article 25;
4. Government grants via budget appropriation;
5. Donations received from persons, liable entities or organizations;
6. Other incomes.

#### Article 33

The Fund shall serve the following purpose exclusively for GHG emissions reductions and adaptation to climate change:

1. Inspect emission sources.
2. Subsidies to special municipalities, counties and cities for implementation of GHG reduction.
3. Subsidies to the central industry competent authorities for implementation of GHG reduction.
4. Subsidies and grants to entity for investment in GHG reduction technologies.
5. Conduct the consultation, subsidies and grants for implementation of GHG reduction other than the preceding three paragraph.
6. Administrative affairs for holding accounts establishment in the Registry, auctions, sales and allowance trading.
7. Employ staff to carry out administrative services in GHG reduction and management.
8. Coordinate, plan and promote adaptation to climate change.
9. Promote related matters concerning carbon footprint.
10. Education and advocacy of climate change adaptation and GHG reduction.
11. Conduct climate change and GHG reduction related international affairs.
12. Carry out research in climate change adaptation and GHG reduction.

The GHG Administration Fund shall set priority use in research preceding paragraph (4) and (5).

The central competent authority shall determine regulations regarding targets, application qualifications, conditions, review procedures, procedures of subsidies and incentives, objects of trade or auction, restrictions and procedures of transfer, revocation, cancellation, compensation and fees pursuant to Paragraphs 1(2), (3), (4), (5), and (12).

Provide assistance, subsidies and grants for efforts to reduce GHG emissions, develop low carbon technology or negative emission technology, and promote low carbon economy development.

#### Article 34

The central competent authority shall implement the domestic cap-and-trade scheme by considering the

UNFCCC and its agreements, or relevant international conventions decisions in response to international GHG reduction requirements

After the implementation of accounting, verification and registration as well as establishing regulations of voluntary reduction, allocation and allowance trading, the central competent authority shall develop GHG Cap-and-Trade Scheme Plan, and implement the cap-and-trade scheme in consultation with the central industry competent authorities upon approval by the Executive Yuan. The cap-and-trade scheme may be implemented in alliance with foreign country governments or international organization.

#### Article 35

The central competent authority shall announce the designated Emission Sources which are included in the cap-and-trade scheme, apply aggregate cap limits of each compliance period, take into account factors including trade intensities of the various sectors, the costs affected by the cap-and-trade program to prevent carbon leakage which may compromise the international efforts to reduce GHG emissions and overall national competitiveness. The central competent authority shall allocate emission allowances to entities freely, through auction, or for a fixed charge.

The percentage of sales pursuant to the foregoing paragraph may be adjusted by the tax mechanisms imposed on imported fossil fuels.

The central competent authority may reserve partial emission allowance to stabilize carbon market price or may allocate for designated entities with specific scales of new entrants or modified Emission Sources.

The central competent authority shall retire the emission allowances returned from Entities upon closure, permanent shutdown or dissolution, and the ownership of emission allowance freely allocated shall not be transferred. In the case that Entities cease operation, the central competent authority shall execute administrative discretion regarding the disposition, if necessary, retirement of emission allowance freely allocated.

The central competent authority in consultation with the central industry competent authorities shall determine regulations regarding the impact recognition of carbon leakage to the overall national competitiveness, the eligibility, approach and processes of emission allowance allocation, the approaches of auction or sale, revocation and cancellation of emission allowances pursuant to Paragraph 1; the reserve of emission allowances, specific scales of new or modified Emission Sources pursuant to Paragraph 3; the retirement of emission allowances, the processes of ceasing and resuming operation of Emission Sources and other binding matters pursuant to the foregoing paragraph.

#### Article 36

Entities who have received allocation of emission allowances shall register the allowances to the holding accounts in the Registry, and may transfer or trade the allowances; GHG emissions of the entity over a period of time specified by the central competent authority, shall not exceed the amount of allowances available to meet the compliance obligations in the entity's account upon compliance deadline obligation determined by the central competent authority.

Before the deadline for compliance obligations determined by the central competent authority, an entity may procure reduction credits from the Offset Projects, Early Action, the voluntary GHG reduction programs, transfer, trade and auction to register in the holding account to offset the amount of GHG emissions in excess of the emission allowances for an entity. Prior to the deadline of surrendering, the remaining emission allowances not used for offsetting the excess emissions cannot be traded before verification.

The procurement of reduction credits from the implementation of Offset Programs, Early Action and the voluntary GHG reduction programs pursuant to the foregoing paragraph shall give priority to domestic efforts.

The central competent authority in consultation with the central financial authorities shall determine

regulations regarding administration of Emission Source accounts, the registration and surrendering of reduction credits or emission allowances, objects, procedures and proceeds of transfer, trade and auction of reduction credits or emissions allowances, and other binding matters pursuant to the three preceding paragraphs.

#### Article 37

Entities that manufacture, import or sell products, may apply to the central competent authority for carbon footprint labeling.

The central competent authority may designate certain kind or scale of product, which shall acquire the label within specified period and shall mark the label on the container or packaging of the product.

The central competent authority shall determine regulations regarding the application of carbon footprint, documentations to be submitted, calculation methods, rating, labeling, verification, reviewing, audit, use, management, awards, extension, issue (reissue), revocation, cancellation and other binding matters pursuant to the foregoing two paragraphs.

#### Article 38

The central competent authority may announce the prohibitions or restrictions on the manufacture, import, export, sell, use or emission of high global warming potential GHGs and products that use such GHGs which are regulated by international environmental conventions.

The manufacture, import, export, sell, use or emission of the designated high global warming potential GHGs and products that use such GHGs pursuant to the preceding paragraph shall request for approval, record keeping and reporting to the central competent authority.

The central competent authority shall determine the application for approval, review procedures, contents of approval, cancellation, record keeping, reporting, management and other binding matters pursuant to the preceding paragraph.

#### Article 39

The capture and use of carbon dioxide shall be conducted according to the regulations determined by the central competent authority.

The capture and storage of carbon dioxide conducted by entities, shall be approved by the central competent authority.

The application pursuant to the foregoing paragraph shall consist of a pilot plan or an implementation plan, which shall be reviewed by the central competent authority.-The content of the plan shall at least include locations, content of the plan, environmental impact and feasibility assessment.

The central industry competent authorities in consultation with the central competent authority shall determine regulations regarding the capture and use of carbon dioxide pursuant to paragraph 1.

The central competent authority in consultation with the central industry competent authorities shall determine regulations regarding the approval, review procedures, revocation, cancellation, monitoring, record keeping, reporting and other binding matters of the carbon dioxide capture and storage plan pursuant to proceeding three paragraph.

#### Article 40

The competent authorities or the industry competent authorities may direct officers, with credentials or proof of authorization presented, to conduct a site visit of entities, emission sources or other relevant sites for the purposes of inspecting an Emission Source's operation, emission related facilities, carbon footprint labels, GHGs or related product manufacturing, importation, storage, sell, use, capture and use, capture and storage, and requesting provision of relevant information. The inspected entities may not evade, interrupt or refuse such request.

## Article 41

Examination and measurement bodies shall acquire permits from central competent authority before the operation of business related to GHG emissions, emission efficiency and environmental examination and measurement pursuant to the Act.

The central competent authority shall determine the required conditions, facilities, prerequisite for dedicated personnel, application of the permits, review procedure, certified matter, cancellation, issue/reissue of the permits, suspension of business, resuming of business, audit, procedure of evaluation, management and other binding matters.

The central competent authority shall determine all GHG emissions, emission efficiency and environmental examination and measurement method.

## Chapter 5. Education and Grants

### Article 42

All levels of government shall promote public awareness and education regarding response to climate change mitigation and adaptation among citizens, organizations and entities, and proactively assisting non-governmental organizations in the following matters:

1. Develop and promote educational plans on response to climate change mitigation and adaptation.
2. Provide the public with easy access to relevant information about climate change.
3. Engage industries and the public in developing relevant adaptation response strategies based on local environmental characteristic conditions.
4. Education and training for climate change relevant science, technology and management personnel.
5. Encourage research, in connection with environmental education measures, to compile environmental education materials on climate change.
6. Promote energy saving and enhance energy efficiency among the general public.
7. Other matters officially announced by all levels of governments.

### Article 43

All levels of governments, public educational institutions and government-run enterprises shall promote energy saving and use energy-efficient products or services to reduce GHG emissions.

### Article 44

Electricity suppliers and distributors shall promote and encourage energy conservation and energy efficiency improvement amongst consumers.

### Article 45

The central industry competent authorities may reward agencies, institutions, enterprises, schools, organizations or individuals who perform well in climate change adaptation or GHG reduction and management with grants or subsidies.

The central industry competent authorities shall determine regulations regarding conditions, criteria, selection processes and other binding matters for the grants or subsidies pursuant to the foregoing paragraph.

## Chapter 6 Penalty Provisions

### Article 46

Entities in any of the following circumstances shall be fined NT\$200,000 to NT\$2 million and notified to make improvements within a prescribed period of time. Failure to correct within the prescribed period of time will result in monetary penalty, fined each time an offense occurs. Under severe circumstances, the entity may be charged with suspension of operation or business, and be constrained or pro-

hibited from trading.

1. Violation of Article 21 (1) by providing false information known to be false accounting and registration.
2. Violation of Article 36 (2) by providing false information known to be false registration.

For those in the two circumstances of the preceding paragraph, the false registered amount of allowances shall be subtracted from the next renewal allocation by the central competent authorities.

#### Article 47

Those who evade, impede, or refuse investigation or information request pursuant to Article 40 shall be subject to a fine from NT\$200,000 to NT\$2 million by competent authorities or industry competent authority. The competent authorities may fine each time an offense occurs and enforce inspection.

#### Article 48

Entities in violation of Article 21(2) regarding emission accounting, reporting elements, frequency, verification process and other management requirements, and have been notified to make corrections or improvements within a prescribed period of time, failure to correct or improve within the prescribed period of time will be fined NT\$100,000 to NT\$1 million and notified to make corrections or make improvements within a prescribed period of time, failure to correct or improve within the prescribed period of time will be fined each time an offense occurs.

Verification bodies in violation of Article 22(1) or (2) regarding the required qualification conditions, prerequisite for dedicated personnel, permit elements and other binding matters shall be subject to a fine from NT\$100,000 to NT\$1 million and notified to make improvements within a prescribed period of time. Failure to correct within the prescribed period of time will result in monetary penalty, fined each time an offense occurs.

#### Article 49

Those in any of the following circumstances shall be fined NT\$100,000 to NT\$ 1 million and notified to make corrections or improvement within a prescribed period of time, failure to correct or improve within the prescribed period of time will be fined each time an offense occurs. Under severe circumstances, the entity may be charged with suspension of business, and be closed down by order or cancellation of permits if necessary.

1. Examination and measurement bodies conduct examination and measurement in violation of Article 41(1) regarding the acquirement of permits.
2. Examination and measurement bodies in violation of Article 41(2) regarding the required conditions, facilities, prerequisite for dedicated personnel, application of the permits or other regulations.

#### Article 50

Those in any of the following circumstances shall be fined NT\$100,000 to NT\$1 million and notified to make improvements within a prescribed period of time. Those who fail to complete improvements by the prescribed period of time shall be constrained or prohibited from trading.

1. Violation of Article 25(5) regarding the targets, methods, and other binding matters for transfer, trade, and auction.
2. Violation of Article 36(3) regarding the targets, methods, and other binding matters for transfer, trade, and auction.

#### Article 51

Those in any of the following circumstances shall be fined NT\$100,000 to NT\$1 million and notified to make corrections or declaration. Failure to correct or declare within the prescribed period of time will be fined each time an offense occurs.

1. Violation of the regulations determined pursuant to Article 24(1) regarding the offset of increased GHG emissions.
2. Violation of the regulations determined pursuant to Article 38(1) regarding the announced prohibitions.
3. Violation of the regulations determined pursuant to Article 38(1) regarding the announced restrictions, or the manufacture, import, export, sell, use or emission without request for approval pursuant to 38(2) of the designated high global warming potential GHGs and products that use such GHGs pursuant to 38(1).
4. Violation of the regulations determined pursuant to Article 38(3) regarding the contents of approval, record keeping, reporting or management for the manufacture, import, export, sell, use or emission.

#### Article 52

Those in any of the following circumstances shall be fined NT\$100,000 to NT\$1 million and notified to make corrections or declaration. Failure to correct or declare within the pre-scribed period of time will be fined each time an offense occurs.

1. Entities in violation of the regulations determined pursuant to Article 39 (2) for permits to capture and sequestration of carbon dioxide.
2. Entities in violation of the regulations determined pursuant to Article 39 (4) for failure to comply with the contents of approval.
3. Violation of 39(5) for management regulation regarding monitoring, recordkeeping, reporting or management of capture and storage of carbon dioxide.

#### Article 53

Those in any of the following circumstances shall be fined NT\$100,000 to NT\$1 million and notified to make improvement within a prescribed period of time by competent authorities. Failure to complete improvement within the prescribed period of time will result in monetary penalty, fined each time an offense occurs.

1. Violation of Article 37(1) regarding the deadline to acquire approval for carbon footprint or failure to mark the label within specified period.
2. Violation of Article 37(3) regarding the calculation, classification, labeling, use and other relevant binding matters.

#### Article 54

If carbon fee required to be paid in accordance with Article 28(1) or intentionally underreport or fail to report any information that is related to the calculation of carbon fee, the central competent authority may calculate the carbon fee at double the carbon fee rate based on the audited emission.

If entity evade carbon fee through the methods stated in the preceding paragraph, the central competent authority shall not only calculate and collect any evaded carbon fee based on the calculation pursuant to article 59, but also recalculate the payable amount backward for up to five years. However, for entity that have been subject to carbon fee for less than five years, the payable amount shall be calculated from the initial fee charge date.

For the backdated fee in the preceding paragraph, interest shall be accrued daily, from the day following the date of payment deadline notified by the central competent authority or the day when the fee evasion started, to the date of payment, based on the fixed annual interest rate for a one-year time deposit with the Directorate General of the Postal Remittances and Savings Bank as of the date of payment.

#### Article 55

Entities that fail to surrender the specified amount of emissions allowances within deadline, in violation of Article 36 (1), will result in monetary penalty at three times the carbon market price per metric ton.

The central competent authority shall in consultation with the central industry competent authorities, to determine the carbon market price mentioned in the foregoing paragraph, taking into consideration domestic and international carbon market trading price, with regular review and announcement.

#### Article 56

The period for making corrections, making improvements or reporting for those notified pursuant to the Act to make corrections, make improvements or report within a limited period shall be limited to ninety days. Those unable to complete improvements by the improvement deadline due to natural disaster or other force majeure shall continue to make improvements after the reason applies and shall, within 15 days, apply to competent authorities for the approval of an improvement deadline by submitting a written explanation of cause and relevant information.

Those entities that are unable to complete improvements by the deadline in the preceding paragraph may, within 30 days after receiving notification, submit specific improvement plans to competent authorities in order to apply for extensions. Competent authorities shall approve the improvement deadline based on actual conditions. The maximum extension may not exceed one year; if necessary, it may be extended for another one year. Competent authorities may terminate immediately the improvement deadline of those that are verified to have failed to strictly carry out implementation in accordance with the improvement plan, and may punish the violators severely.

#### Article 57

Unless other regulations apply, the penalties determined in this Act shall be assessed by the central competent authority.

#### Article 58

The central competent authority shall determine the criteria regarding penalty determination and other relevant matters pursuant to the Act.

### Chapter 7 Supplementary Provisions

#### Article 59

For those that fail to pay the fee pursuant to the fee collection regulations determined pursuant to Article 24 (2), Article 28 (4), and Article 31 (3) by the deadline, an overdue fine, which shall be assessed at a rate of 0.5% of the overdue amount for each day the fees are overdue, shall be paid together with the overdue fees. Those that still fail to pay fees 30 days after the deadline shall be fined NT\$100,000 to NT\$1 million which shall be paid by the deadline provided.

For the fees and overdue fines that shall be required to be paid in the preceding paragraph, interest shall be accrued daily from the day after the overdue deadline to the date of payment based on the fixed annual interest rate for a one-year time deposit with the Directorate General of the Postal Remittances and Savings Bank on the date of payment.

#### Article 60

The central competent authority shall collect such official fees as review fees, testing fees and certificate fees for the performance of testing, the issuance of permits and certificates, and the review of and permitting for all applications accepted pursuant to the Act.

The central competent authority in consultation with relevant agencies shall determine the fees collection standards stated in the preceding paragraph.

#### Article 61



The central competent authority shall determine the enforcement rules of the Act.

Article 62

The Act shall be effective as of the date of promulgation.