



Ministry of Land,
Infrastructure and Transport

Accelerating the process of carbon neutrality... Contest for this year's transportation transition support project is held

Release Date: May 9, 2022

Contact: Charlotte PARK (044-201-3077, parkeunju@korea.kr)

- 46% increase in budget compared to the previous year ... Inducing eco-friendly rail logistics activation –

- **The Ministry of Land, Infrastructure and Transport** (Minister Noh Hyeong-Ouk, MOLIT) announced that the ministry will be holding a contest **to select candidates for the 2022 project from May 9th to May 19th**. The project is related to **the transportation transition support project** which will provide subsidies to operators or shippers that changed from using road transportation to rail transportation for cargos.
- Contractors will be selected in May after evaluating the candidates' plan on road → railroad **transition volume**.
- Also, contractors who are eliminated from the contract will be selected as a **prospective contractor** (conditional contractor) within the range of 30% of the budget. They will **receive subsidy support** if the balance of execution is expected in the process of project implementation.

□ **Rail transportation is a famous for being an eco-friendly transportation method***; however, improvements had to be made in order to activate railway logistics as **there is an additional cost burden** due to transshipment.**

* Railway's greenhouse gas emission is 4% compared to trucks (Korea Transportation Association, 2009)

** Based on the import/export containers, the cost of rail transport is 10% to 20% higher than that of road

□ Accordingly, **the Ministry of Land, Infrastructure and Transport** has implemented a transportation transition support project (from 2010) that returns **social and environmental benefits*** generated by the transportation transition from road to rail in the form of subsidies to shippers.

* Reduction of greenhouse gases, air pollutants, noise and prevention of road congestion and traffic accident, etc.

※ (Legal basis) Article 21 of the Sustainable Transport and Logistics Development Act

○ Over the past 10 years, 8 billion tons of cargo has been transitioned from roads to railroads **through the transportation transition support project.** The reduction effect in carbon emission of this project in **equivalent to planting 300 million trees.**

□ This year, by expanding and reorganizing the transportation transition support project, **the total amount of support has been increased by more than 40% compared to the previous year.** The social and environmental benefits of rail transportation, which is the standard for calculating the unit price of the subsidy support for transportation transition, were **increased by more than double to enhance the benefits.**

① **Budget increase (2.8 billion won in 2021 → 4.1 billion won in 2022)**

-KRW 4.1 billion is planned to be provided as the subsidy for transition this year, which is a 46% increase from last year's KRW 2.8 billion and 36% from the average of KRW 3 billion for the past 10 years. Based on the result of the support for this year, **the subsidy amount may continue to increase.**

* (Budget Trend) 3.2 billion won (2017-20) → 2.8 billion won (2021) → 4.1 billion won

② **Increase in the unit price of the subsidy support for transition (reduction of social and environmental costs, etc.)**

- **The subsidy for transition** is calculated as the smaller of the fare

difference between the road and the railroad and the social/environmental benefits. It has been pointed out that social and environmental benefits are set **so low** that it does not compensate for **the difference in fares between road and rail**, which means that it is not **a sufficient incentive to induce** rail logistics.

- Accordingly, by **reassessing social and environmental benefits** and realizing subsidies, the foundation for the expansion of railway logistics has been established.

*(before change) 31.9 won/ton km → (after change) 64.7 won/ton km

** Ratio of subsidy to fare difference: (originally) 40-50% → (improved) 80% (varies by item and section)

- However, subsidies will be provided only for volumes that have increased by **more than 5%** compared to the previous year (average rail transport in the previous three years) **to actively induce the increase of new rail transport transition volumes,**

- **To apply for the project**, fill out the project application form by 18:00 on Thursday, May 19th and submit (by visit or post) to **the Transitional Transportation Business Team of Korail Logistics Association (02-793-2931)**.

* Refer to the website of the Ministry of Land, Infrastructure and Transport

(www.molit.go.kr) and the website of the Korail Logistics Association
(www.klaru.co.kr)

- **More details** will be provided for the relevant industry through a **project briefing session** hosted by the Korail Logistics Association. **Q&A session** will be held then as well.

* (Date/Venue) Tuesday, May 10th 2022 10:00 Yongsan Station ITX-6 Conference Room (4th floor)

- **Hee-eop Kang, director of Railway Bureau in the Ministry of Land, Infrastructure and Transport**, said, “Recently, centered around Europe, carbon reduction has been emphasized not only in production process but also in distribution process. Matters such as a **carbon border tax** has been discussed as well.”

- He stated, "In line with the global trend, we expect a lot of logistics companies to participate in **the transportation transition support project** so that they can contribute to the vitalization of rail logistics."