

# South Korea

82%

of business leaders expect that electrifying their operations would make their firms more competitive.

**South Korea's dependence on fossil fuel imports to power its economy makes the country vulnerable to external price shocks, such as those experienced after the Strait of Hormuz extended closure in March 2026.**

## What Business Needs

Senior executives want the government to invest more ambitiously in grid expansion and digitalisation in order to meet their requirement for more secure and affordable electricity over the long term.

## Policy Context

South Korea's current government has repeatedly presented clean energy as a solution to three separate problems: energy security, industrial competitiveness and decarbonization. The first of these has taken on new significance in the wake of the conflict-driven restriction on shipping through the Strait of Hormuz that began in March 2026. As a major fossil fuel importer, South Korea has found itself vulnerable to the consequent energy price shocks. This is reflected in business concerns, with a substantial proportion of executives citing energy security (46%) and more stable energy prices during geopolitical shocks (32%) as among the chief outcomes of switching to electricity-powered equipment.

Meanwhile, the second strand of government policy—industrial competitiveness—is tied to the promotion of digital technologies and low-carbon solutions; President Lee Jae Myung even described renewable energy and net-zero businesses as the country's "second semiconductor industry". This position has the support of businesses, with a large majority of executives associating the switch away from fossil fuel-powered equipment with greater competitiveness (82%) and business growth (85%).

Delivering on these goals will require investment. At present, only 26% of South Korea's final energy use comes from electricity, indicating a large base demand that the power system could help fill were its transmission and generation capacity to be expanded. The government is prioritising grid connections to major industrial centres—as exemplified by projects such as the West Coast Energy Expressway and the Korean Peninsula Energy Speed Highway.

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Business leaders welcome such moves, with executives citing grid expansion and digitalisation (39%) as among the policy options with greatest impact. In parallel, President Lee’s administration has pledged to expand the capacity of renewable power generation to 100GW by the end of its current term in 2030. Again, measures like this are supported by business, with 87% of executives saying that the energy system should be based mainly on renewables rather than fossil fuels. Any sustained increase in investment will require a broader reform of the energy sector, however, with making electricity pricing more competitive a top priority.

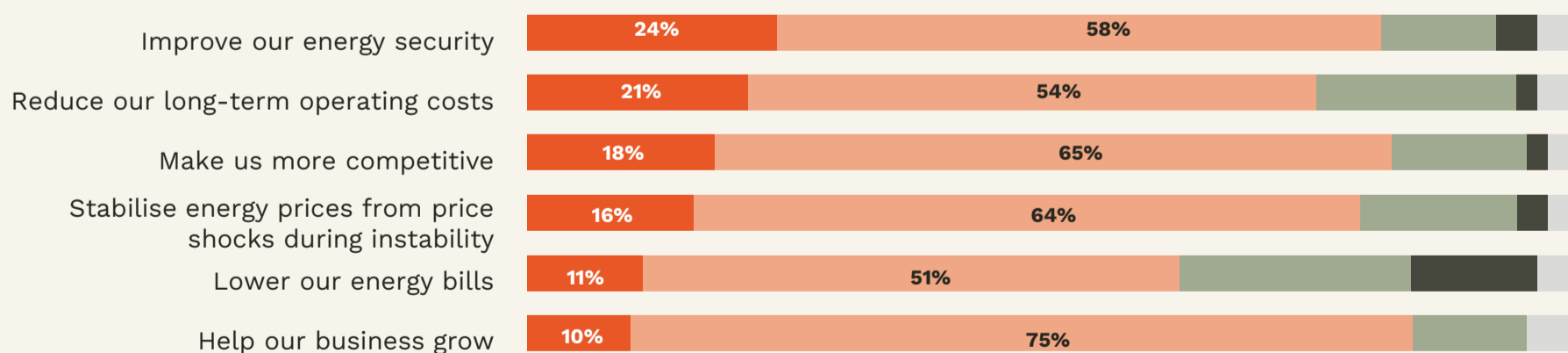
## Business Viewpoints

Business welcomes the stimulus that clean electrification will give to the development of advanced, digitised industries, as per the government’s industrial strategy.

Most executives (71%) say that the government is actively helping their companies electrify. However, this general positivity is tempered. Reliability of supply is a notable concern, for instance, in part because of the need to maintain the productivity of the country’s export sectors and to protect its overall reputation as a global supply chain hub. If government support is not forthcoming to help companies electrify, nearly one third (32%) of executives say they would consider relocating. A substantial proportion (44%) also pick out clearer long-term policy planning as an effective policy intervention. That said, South Korean businesses have a broad confidence in the stability of government policy; at 26%, for instance, the proportion of business leaders who flag frequent changes to government policies or incentives as a problem is the lowest among the 18 countries surveyed, 28 percentage points below the average.

### South Korean business leaders expect electrification to strengthen business resilience

■ Definitely ■ Probably ■ Probably not ■ Definitely not ■ Don't know



*Thinking about your business switching from fossil fuel-powered equipment to electric alternatives, to what extent do you think this would do the following?*

