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Five State-Owned Power Generation Companies to Merge into ‘Korea Power Generation’

- Integrated company to become a global Top 10 power generation company
- Launch targeted for October 2027 following enactment of a special act and advance integration preparations

The Ministry of Climate, Energy and Environment (MCEE, Minister Kim Sungwhan) will hold a meeting on Friday, September 4 at Korea Electric Power Corporation (KEPCO) Namseoul Headquarter to discuss a plan to integrate the five power generation companies* into a single company, establish Korea Power Generation as a wholly owned subsidiary of KEPCO, and announce future implementation plans.

* Korea South-East Power, Korea Midland Power, Korea Western Power, Korea Southern Power, and Korea East-West Power.

Since February this year, the government has conducted a research project and gathered a wide range of views from stakeholders, including experts, labor unions, and the five power generation companies. The final findings of the research recommended that integrating the five companies into a single entity would be the most appropriate structure, taking into comprehensive consideration the need to strengthen the implementation of the energy transition and a just transition, as well as improve management efficiency.

The five power generation companies currently own approximately 53 GW of generation capacity. Upon integration, the new company will become a large-scale power generation company ranking among the global Top 10*. The integrated company will go beyond simply combining the existing five companies, consolidating their fragmented capital and workforce to lead the expansion of renewable energy and systematically pursue a just transition during the phase-out of coal-fired power generation.

* Eighth in the world based on installed generation capacity (14th when China is included)

The management efficiencies resulting from the integration are also expected to help ease the burden on electricity consumers. By streamlining the organizations and functions currently dispersed across the five companies, and centralizing fuel procurement and investments in power generation facilities, the integrated company will be able to reduce costs. In addition, large-scale integrated development of renewable energy and energy storage systems (ESS) will enhance economic efficiency by achieving economies of scale, ultimately helping reduce factors that could drive up electricity rates for future generations.

< **Establishment of an Integrated Headquarter and three to four Regional Renewable Energy Headquarters** >

Korea Power Generation will establish three to four separate regional renewable energy headquarters alongside the construction of its integrated headquarter. The integrated headquarter will consist of four divisions: Renewable Energy Division, Just Transition Division, Safety and Technology Division, and Planning and Management Division, each headed by an executive director. Accordingly, the current structure of five presidents, five auditors, and 10 executive directors will be streamlined to one president, one auditor, and four executive directors, while the combined workforce at the headquarters of the five companies will be reduced from approximately 2,400 to approximately 1,800 employees. Based on an integrated decision-making system and dedicated organizations for each area of expertise, the company plans to pursue large-scale renewable energy projects, including offshore wind power, and a just transition more swiftly and systematically.

* (Five power generation companies) Five headquarters (Jinju, Boryeong, Taean, Busan, and Ulsan) / Regional thermal power generation headquarters
→ (Korea Power Generation) One headquarter + three to four regional renewable energy headquarters / Regional thermal power generation headquarters

The newly established three to four regional renewable energy headquarters will be staffed with approximately 600 of the remaining employees from the current headquarters workforce of around 2,400, operating as hub organizations dedicated to regional renewable energy projects such as solar power and onshore wind power. The regional renewable energy headquarters will lead the expansion of renewable energy in line with local conditions, including site suitability and community acceptance.

The existing regional thermal power generation headquarters will maintain their current structure, taking into consideration the stable operation of power plants and on-site safety. As coal-fired power plants are phased out or converted in the future, the company will reassign personnel in accordance with a just transition and consider establishing additional regional renewable energy headquarters where necessary.

< **Location of the Integrated Headquarter** >

The five headquarters buildings of the power generation companies, currently located in Jinju, Boryeong, Taean, Busan, and Ulsan, are each designed to accommodate approximately 500 employees, making it difficult to house the roughly 1,800 employees of the integrated headquarter in a single location. In addition, it was determined that physically dispersing the organization could limit the synergies expected from the integration, such as centralized decision-making and collaboration among different departments. Accordingly, the construction of a new headquarter building capable of accommodating the integrated headquarter is considered necessary.

However, the specific location of the integrated headquarter will not be determined as part of the current integration plan. Instead, it will be decided at a later stage by comprehensively considering factors such as the current locations of public power companies, the impact of the just transition, living and working conditions, and alignment with the government's second-phase relocation policy for public institutions.

< **Enactment of a Special Act and Operation of an Integration Preparatory Committee** >

The government plans to enact a special act to ensure the stable and swift integration of the five large state-owned enterprises. The special act will establish the legal basis for the creation of Korea Power Generation and include provisions on deemed approvals and permits related to power generation businesses, the succession of the rights and obligations and employment contracts of the existing companies, simplified merger procedures, and reduced tax burdens. In particular, the government will also consider establishing a legal basis for exempting the integration from corporate merger review to facilitate a swift and smooth integration. The government plans to enact the special act during this year's regular session of the National Assembly.

In parallel with the enactment of the law, preparations necessary for the actual integration will also be carried out. First, in September, the government plans to establish the "Power Generation Public Enterprises Integration Preparatory Committee," chaired by the Second Vice Minister of the MCEE, and operate a working-level support team comprising representatives from the five power generation companies, KEPCO, and experts in various fields. The Integration Preparatory Committee will discuss and decide on key matters, including the organizational structure, personnel allocation, operating systems, integration procedures, and overseas businesses of the integrated company, while the working-level support team will review the necessary materials and carry out detailed integration work in each area. In addition, the five power generation companies will jointly commission a Post-Merger Integration (PMI) project to conduct specialized reviews in areas such as accounting, legal affairs, taxation, and IT.

* The five power generation companies currently operate 575 systems and software applications. Sufficient advance preparation is required to integrate core systems such as Enterprise Resource Planning (ERP) and transition organizational management, human resources, accounting, contracts, and other functions to a unified system.

Following the enactment of the special act, the Integration Promotion Committee established under the law will take over the work of the Integration Preparatory Committee and begin the full-scale integration process. The government plans to proceed with approximately one year of intensive preparations for the integration, with the goal of completing the registration of the integrated corporation and appointment of executives in September 2027 and officially launching Korea Power Generation on October 1, 2027.