July 2025

SINGAPORE CARBON TAX AT A GLANCE

Years in operation	2019-23: S$5/$tCO_2e$ With effect from 1 January 2024: 2024-25: S$25/$tCO_2e$ 2026 onwards: S$45/$tCO_2e$ However, based on official statements, it is expected that: 2028-30: S$50 to S$80/tCO_2e
Emissions reduced to date	In 2009, Singapore pledged to reduce its emissions by 16% below BAU levels by 2020 ahead of the Copenhagen Summit. Singapore achieved this pledge with a 32% reduction below BAU levels in 2020.
Target(s)	Singapore's updated NDC (published in Feb 2025) sets an economy-wide absolute emissions reduction target to reduce emissions to between 45 and 50 MtCO2e by 2035. Singapore maintains its Long-Term Low Emissions Development Strategy (LEDS) to reach net-zero emissions by 2050.
Sectors covered	The carbon tax applies to all taxable facilities with annual GHG emissions of 25,000 tCO_2e or more. Key sectors covered are: Energy, Industrial Processes and Product Use, Agriculture, Land Use, Land-Use Change and Forestry (LULUCF) and Waste.
GHGs covered	It currently covers 7 GHGs. Carbon Dioxide (CO_2), Methane (CH_4), Nitrous Oxide (N_2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur Hexafluoride (SF_6), Nitrogen Trifluoride (NF_3).
Number of covered entities	Presently, the carbon tax covers about 50 facilities in the manufacturing, power, waste and water sectors. This represents approx. 70% of the country's emissions.
Use of offsets and linking	From 1 January 2024, taxable facilities are allowed to use high quality eligible International Carbon Credits (ICCs) to offset up to 5% of their taxable emissions. Eligible ICCs are subject to corresponding adjustments following the rules of Article 6 of the Paris Agreement. Singapore has entered into several bilateral Article 6.2 cooperative approach arrangements with other countries to facilitate the supply of ICCs. These include implementation agreements with Ghana, Rwanda, Bhutan, Peru, Chile, Paraguay and Papua New Guinea. The Singapore-Ghana implementation agreement is now in force.
Penalties for non-compliance	A financial penalty of 5% of the amount of tax assessed and remaining unpaid is payable in addition to the tax that remains unpaid. If the outstanding tax remains unpaid within 60 days after the imposition of the financial penalty, an additional financial penalty of 1% of the amount of tax remaining unpaid is payable for each completed month that the tax remains unpaid, but not exceeding triple the amount of tax remaining unpaid in total.[1]

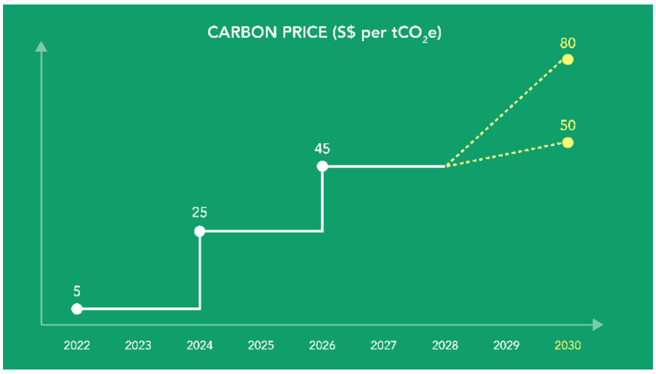
[1] Section 17(4) of the Carbon Pricing Act 2018

Use of revenue	Tax revenues are used to fund measures that support decarbonisation efforts and the transition to a green economy and cushion the impact on businesses and households.
Other key facts	A transition framework with certain exemptions for emissions-intensive trade-exposed (EITE) sectors has been introduced to minimise carbon leakage and impact on industry competitiveness.

OVERVIEW, KEY FEATURES AND MAJOR DEVELOPMENTS

Overview

Singapore introduced its Carbon Pricing Act in 2018 (as amended on 1 January 2024) ("the Act") implementing a progressively increasing carbon tax. The tax, covering about 70% of the country's emissions, is currently set at S$25/t$CO_2$e and will increase over time to S$45/t$CO_2$e in 2026 and beyond. Though not presently legislated, Singapore intends to increase the carbon tax rate to between S$50 and S$80/tCO_2e by 2030.



The tax is currently implemented through a fixed-price credit-based mechanism. Liable companies have to apply and pay for such fixed-price credits at a fixed price and then surrender such credits to the government to satisfy their tax obligations under the Act.

Eligible ICCs and Cooperative Approaches

From 1 January 2024, taxable facilities are allowed to use high quality eligible International Carbon Credits to offset up to 5% of their taxable emissions. The criteria for such ICCs were announced on 4 October 2023 by The Ministry of Sustainability and the Environment (MSE) and the National Environment Agency (NEA). The criteria require ICCs to represent emissions reductions or removals that occur between 2021-2030, in order to comply with Article 6 of the Paris Agreement. In addition, ICCs must align with seven overarching principles: no double-counting, additional, real, quantified and verified, permanent, no net harm, and no leakage. These criteria are explained in more detail on the website.

An International Advisory Panel for Carbon Credits (IAPCC) consisting of six high-level members has been established to advise the Government on Singapore's policies relating to carbon credits, including matters on environmental integrity and carbon market development. As part of the framework, the National Environment Agency is also developing a national registry to account and track the ICCs surrendered by taxable facilities in compliance with Article 6 provisions.[2]

[2] https://www.mse.gov.sg/resource-room/category/2023-10-04-eligibility-criteria-for-international%20carbon%20credits

An Eligibility List has also been published, setting out the requirements that ICCs must meet to be accepted for taxable facilities to offset their taxable emissions: see Overall Eligibility List.

The government has already signed MOUs with five carbon crediting programmes, including Gold Standard, VERRA, the Global Carbon Council, American Carbon Registry and ART Trees.[3] The ICC regime is expected to leverage off Singapore's Article 6.2 bilateral cooperative approaches with other Paris Agreement countries. Singapore has already signed at least 7 implementation agreements (as well as at least 14 memoranda of understanding), with such countries for the purposes of creating bilateral cooperative approaches under Article 6.2 of the Paris Agreement for internationally transferred mitigation outcomes (ITMOs).[4]

Some key features of Singapore's bilateral cooperative approaches under the Paris Agreement are:

(1) a requirement for carbon credit developers to provide a monetary contribution of 5% of the share of proceeds (SOP) from Art 6 authorised carbon credits generated under the implementation agreements towards the host countries' adaptation actions and/or UNFCCC Adaptation Fund; and
(2) 2% of Art 6 authorised carbon credits are required to be cancelled at issuance, for contribution to an overall mitigation of global emissions (OMGE).

The Singapore Carbon Market Alliance (SCMA) has been established as a collaboration between the Singapore Economic Development Board and IETA, to provide a platform for service providers, prospective sellers and buyers of Article 6 credits and government agencies in Singapore.[5]

Rollover of unused ICC offset limit for Emissions Year 2024

The Government has observed that there may be a constrained supply of ICCs for emissions year 2024, partly as a result of delays in Article 6 implementation. Therefore, taxable facilities will be allowed to roll over their unutilised ICC offset limit, of up to 5% of taxable emissions in 2024, to emissions year 2025.[6] By way of an illustration:

- If taxable facility A emits 100 kilotonnes (kt) of CO2e annually, it can use up to 5% of 100 kt of ICCs to offset its tax liability (i.e. up to 5 kt of ICCs).
- If taxable facility A only uses 2 kt of ICCs to offset its tax liability for emissions year 2024, it will need to pay carbon tax for the remaining 100 kt - 2 kt, i.e. 98kt.
- The 3 kt of unutilised ICCs from emissions year 2024 can be rolled over to emissions year 2025; for use together with taxable facility A's offset limit for *2025* emissions (i.e. the available offset for 2025 emissions, assuming 2025 emissions are 100 kt, will be 5 kt + 3 kt, i.e. 8 kt).

Transition Framework

Additionally, a transition framework with allowances has been introduced to give established companies in emissions-intensive trade-exposed (EITE) companies further time to adjust to a low carbon economy, as well as to avoid carbon leakage. The number of allowances awarded to eligible facilities will only be provided for a proportion of a company's emissions; and this will be based on its performance, and its decarbonisation targets.[7]

---

[3] https://www.mse.gov.sg/resource-room/category/2023-10-04-eligibility-criteria-for-international%20carbon%20credits

[4] Memoranda of Understanding; Implementation Agreements; Carbon Tax

[5] Singapore Carbon Market Alliance

[6] Carbon Tax

[7] Carbon Tax; Carbon Tax

This Transition Framework arises from the recognition that EITE sectors face a higher risk of carbon leakage. These sectors include chemicals, electronics and biomedical manufacturing. The EITE sectors may face higher costs than their counterparts in jurisdictions with lower, or no, effective carbon prices. In providing a Transition Framework, the Government aims to alleviate the near-term impact on business competitiveness, as well as minimising carbon leakage.

REFERENCES

Carbon Pricing Act 2018

Carbon Tax (nccs.gov.sg)

Overview of Singapore's Climate Targets (nccs.gov.sg)

Does the Singapore Carbon Tax Help Facilitate Demand for International Carbon Credits in Singapore (hfw.com)

Singapore's Updated (2nd) NDC with targets for 2035 (UNFCCC.int)

AUTHORS

Björn Fondén
International Policy Manager – APAC Lead
IETA
fonden@ieta.org

Peter Zaman
Partner
Holman Fenwick Willan Singapore LLP
Peter.zaman@hfw.com

Farah Majid
Partner
Holman Fenwick Willan Singapore LLP
farah.abdulmajid@hfw.com