Updated October 2023

Singapore Carbon Tax

Years in operation	2019-23: S$5/t$CO_2$e With effect from 1 January 2024: 2024-25: S$25/tCO2e 2026 onwards: S$45/tCO_2e However, based on official statements, it is expected that: 2028-30: S$50 to S$80/tCO_2e
Overall cap and trajectory	N/A
Target(s)	In October 2022, Singapore announced a raise of ambition in its national climate targets. Singapore's updated NDC sets a target to peak emissions before the end of this decade and to reduce emissions to 60 million tCO2e by 2030. In addition, Singapore's revised Long-Term Low Emissions Development Strategy (LEDS) states an ambition reach net-zero emissions by 2050.
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.
Sectors covered	The carbon tax applies to all facilities with annual GHG emissions of 25,000 tCO2e or more.
GHGs covered	CO_2, CH4, N_2O, SF6, certain HFCs and certain PFCs The coverage will be expanded to also include NF3 and a wider number of HFCs and PFCs from 2024 onwards.
Number of covered entities	Presently, the carbon tax covers about 50 facilities in the manufacturing, power, waste and water sectors.
Allocation method	N/A
Trading rules	N/A
Use of offsets and linking	Companies will be able to surrender eligible international carbon credits to offset up to 5% of their taxable emissions from 2024.
Other features	N/A

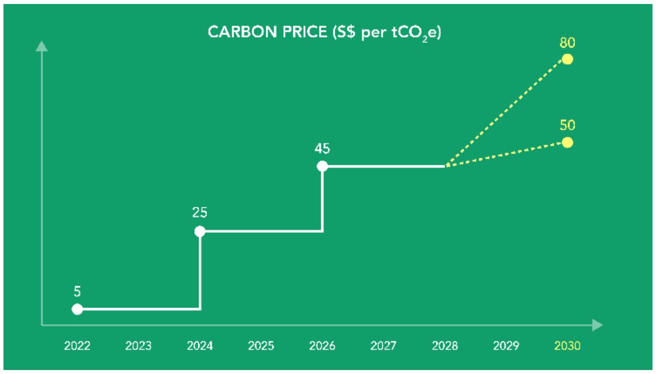
Penalties for non-compliance	A financial penalty of 5% of the amount of tax assessed and remaining unpaid is payable in addition to the tax that remains unpaid. If the outstanding tax remains unpaid within 60 days after the imposition of the financial penalty, an additional financial penalty of 1% of 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]
Use of revenues	Tax revenues are used to support decarbonisation efforts and the transition to a green economy and cushion the impact on businesses and households.

Major Developments

The Carbon Pricing (Amendment) Act 2022, which was enacted on 7 March 2023 but comes into force on 1 January 2024, amends the previous Carbon Pricing Act from 2018 in order to advance Singapore's transition towards net-zero. The amendment progressively increases tax levels, starting from S$5/t$CO_2$e (current) and increasing over time:

- S$25/t$CO_2$e in 2024 and 2025
- 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.



For context, Singapore had introduced a carbon tax in 2019 covering about 80% of the country's emissions. 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 fixed-price credits to the government to satisfy their tax obligations under the Act. Between 2019 and 2023 the credits cost S$5/t$CO_2$e. This price will, broadly, be revised to align with the revised carbon tax rates as discussed above.

In 2023, consultations have been held with relevant stakeholders on the eligibility criteria for the international carbon credits (ICCs) that can be used to offset up to 5% of a business facility's taxable emissions from 2024.

The criteria for 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.

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

In addition, ICCs must align with seven overarching principles: no double-counting, additional, real, quantified and verified, permanent, no net harm, and no leakage. 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]

While the list of eligible programmes and methodologies are still to be announced, they are expected to build on 'CORSIA+', ie, to be based on the criteria established by the TAB for CORSIA but with additional requirements or exclusions.[3] 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.[4] The ICC regime is expected to leverage off Singapore's Article 6.2 arrangements with host countries. Singapore has already signed more than 13 memoranda of understanding or letters of intent with host countries for the purposes of creating bilateral frameworks for internationally transferred mitigation outcomes (ITMOs) under Article 6.2 of the Paris Agreement.[5] The detailed lists of eligible crediting standards and host countries are expected to be announced later this year.

Details on the eligibility criteria are expected to be forthcoming.

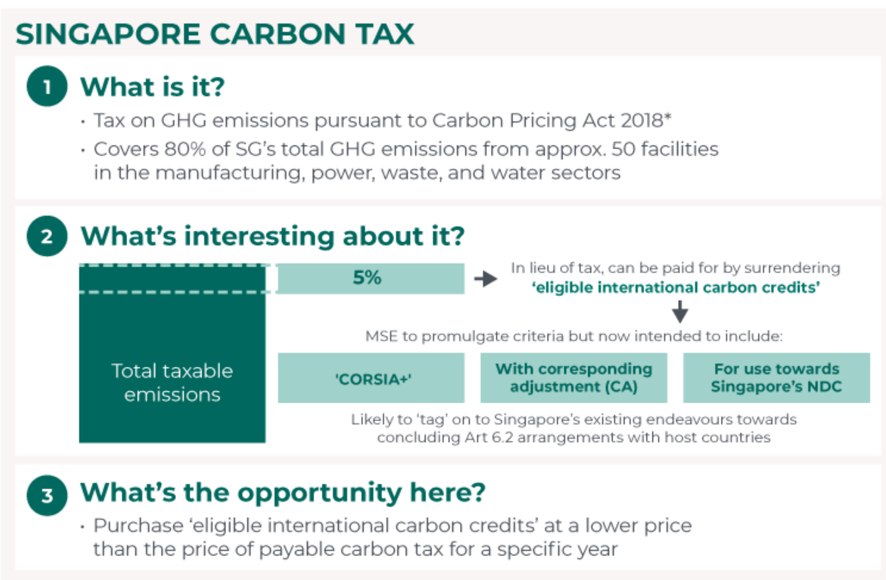


Figure 2: Snapshot of the Singapore Carbon Tax.

Source: HFW

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

[3] See e.g., https://www.mse.gov.sg/resource-room/category/2022-11-08-the-closing-speech-by-minister-grace-fu-carbon-pricing-amendment-2nd-reading. See also https://www.hfw.com/Does-the-Singapore-carbon-tax-help-facilitate-demand-for-international-carbon-credits-in-Singapore

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

[5] https://www.mti.gov.sg/Newsroom/Press-Releases/2023/08/Singapore-and-Chile-sign-Memorandum-of-Understanding-to-collaborate-on-Carbon-Markets

Additionally, a transition framework with allowances had been announced to reduce carbon leakage and assist established companies in emissions-intensive trade-exposed (EITE) sectors as they strive to decrease their emissions and embrace cleaner technologies whilst balancing their international competitiveness in the near term. The number of allowances awarded to eligible facilities will be based on their performance and is expected to be reviewed on a regular basis.[6]

Useful Links

The World Bank's Carbon Pricing Dashboard

References

Carbon Pricing (Amendment) Act 2022 - Singapore Statutes Online (agc.gov.sg)
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 and Chile sign Memorandum of Understanding to collaborate on Carbon Markets (mti.gov.sg)

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[6] https://www.nccs.gov.sg/faqs/carbon-tax/