# Singapore Carbon Tax

| Years in operation | 2019-23: S$5/tCO₂e  
With effect from 1 January 2024:  
2024-25: S$25/tCO₂e  
2026 onwards: S$45/tCO₂e  
However, based on official statements, it is expected that:  
2028-30: S$50 to S$80/tCO₂e |
| 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 | CO₂, CH₄, N₂O, 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 |
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/tCO₂e (current) and increasing over time:
- S$25/tCO₂e in 2024 and 2025
- S$45/tCO₂e in 2026 and beyond

Though not presently legislated, Singapore intends to increase the carbon tax rate to between S$50 and S$80/tCO₂e 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/tCO₂e. 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.

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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.

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**SINGAPORE CARBON TAX**

1. **What is it?**
   - Tax on GHG emissions pursuant to Carbon Pricing Act 2018\(^4\)
   - Covers 80% of SG’s total GHG emissions from approx. 50 facilities in the manufacturing, power, waste, and water sectors

2. **What’s interesting about it?**
   - In lieu of tax, can be paid for by surrendering ‘eligible international carbon credits’
   - MSE to promulgate criteria but now intended to include:
     - ‘CORSIA+’
     - With corresponding adjustment (CA)
     - For use towards Singapore’s NDC
   - Likely to ‘tag’ on to Singapore’s existing endeavours towards concluding Art 6.2 arrangements with host countries

3. **What’s the opportunity here?**
   - Purchase ‘eligible international carbon credits’ at a lower price than the price of payable carbon tax for a specific year

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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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