

## Singapore Carbon Tax Regime: Eligibility Criteria for International Carbon Credits

The Ministry of Sustainability and the Environment and the National Environment Agency (**NEA**) have recently announced the eligibility criteria under the International Carbon Credit (**ICC**) framework (**ICC Framework**). The announcement can be accessed [here](#).

Singapore's carbon tax regime was introduced in 2019 through the Carbon Pricing Act 2018 (**Carbon Pricing Act**), with the aim of incentivising emissions reductions or removals and supporting Singapore's transition to a low-carbon economy. It is the first country in Southeast Asia to introduce a carbon price.

To support Singapore's raised climate ambition of achieving net zero emissions by 2050, the Carbon Pricing (Amendment) Act (**CP(A)A**) was passed by Parliament on 8 November 2022, and will come into force on 1 January 2024. Following the commencement of the CP(A)A, the carbon tax rate under the Carbon Pricing Act will be progressively raised from the current S\$5 per tonne of emissions to S\$25 per tonne in 2024 and 2025, and S\$45 per tonne in 2026 and beyond.

The ICC Framework will be implemented on 1 January 2024 alongside the progressive increase in carbon tax rate. It will allow carbon tax-liable companies to use eligible ICCs to offset up to five per cent of their taxable emissions.

The ICC Framework's eligibility criteria require ICCs to represent emissions reductions or removals that occur within the timeframe specified under article 6 of the Paris Agreement (**Article 6**) and meet seven principles to demonstrate high environmental integrity. The seven principles take reference from the most rigorous and reputable international standards, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). To comply with Article 6, the certified emissions reductions or removals must have occurred between 1 January 2021 and 31 December 2030.

Briefly, the seven principles are:

- (a) **Not double-counted:** Certified emissions reductions or removals must not be counted more than once.
- (b) **Additional:** Certified emissions reductions or removals must exceed any emissions reduction or removals required by any law or regulatory requirement of the host country, and that would otherwise have occurred in a conservative, business-as-usual scenario.
- (c) **Real:** Certified emissions reductions or removals must have been quantified based on a realistic, defensible and conservative estimate of the amount of emissions that would have occurred in a business-as-usual scenario, if the project that generated the certified emissions reductions or removals had not been executed.
- (d) **Quantified and Verified:** Certified emissions reductions or removals must have been calculated conservatively and transparently, and measured and verified by an accredited and independent third-party verification entity.

- (e) **Permanent:** Certified emissions reductions or removals must not be reversible. If there is a risk that they may be reversible, there must be measures in place to monitor, mitigate and compensate for any material reversal of emissions reductions or removals.
- (f) **No net harm:** The project that generated the certified emissions reductions or removals must not violate any applicable laws, regulatory requirements or international obligations of the host country.
- (g) **No leakage:** The project that generated the certified emissions reductions or removals must not cause a material increase in emissions elsewhere. If there is a risk of a material increase in emissions elsewhere, there must be measures in place to monitor, mitigate and compensate for any such material increase in emissions.

As the administrator of the carbon tax regime under the Carbon Pricing Act, the NEA will develop processes to determine which ICCs adhere to the eligibility criteria before carbon tax-liable companies may use the ICCs to offset their taxable emissions. More details on these processes and a list of eligible host countries, carbon credit programmes and methodologies that adhere to the eligibility criteria are expected to be released by the end of 2023.

As part of the ICC Framework, the NEA is also developing a national registry to account for and track the ICCs surrendered by taxable facilities in compliance with Article 6 rules.

If you would like information and/or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:



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