Introduction of a Carbon Tax in Singapore

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Singapore’s National Circumstance

- Small, low-lying island city-state of about 719 km²
- Alternative energy disadvantaged
- 95% electricity generated from natural gas
- Export oriented and open economy
Singapore’s Emissions Profile

49 MT GHG emissions in 2012 (0.1% of global)
Singapore’s Climate Change Mitigation Strategy

Singapore’s NDC

Reduce Emissions Intensity (EI) by 36% below 2005 levels by 2030 and stabilize our emissions with the aim of peaking around 2030

Climate Action Plan sets out four strategies:

• Improving energy efficiency
• Reducing carbon emissions from power generation
• Developing and deploying low-carbon technologies
• Encouraging collective action

More details can be found at:
https://www.nccs.gov.sg/resources/publications
Singapore’s Climate Change Mitigation Strategy

SINGAPORE’S CLIMATE ACTION PLAN

HOW A CARBON TAX WORKS

1. INTRODUCE A TAX ON EMISSIONS
   - Carbon tax will generally be applied upstream, for example, on power stations and other large direct emitters.
   - Businesses can choose to reduce emissions or pay a carbon tax.

2. ENCOURAGE ENERGY EFFICIENCY & SUPPORT MORE GREEN ACTIONS
   - Businesses are motivated to improve their energy efficiency.
   - Consumers are encouraged to use less electricity and save energy.
   - Carbon tax revenue will help to fund measures by industry to reduce emissions and provide appropriate measures to ease the transition.

3. LOWER CARBON, GREENER ECONOMY
   - Lower emissions lead to a greener planet.
   - Businesses become more resource-efficient and sustainable.
   - More opportunities in green growth sectors, such as clean technology.

- REDUCE CARBON EMISSIONS FROM POWER GENERATION
- DEVELOP AND DEPLOY LOW-CARBON TECHNOLOGY
- IMPROVE ENERGY EFFICIENCY
- ENCOURAGE COLLECTIVE CLIMATE ACTION
Coverage and threshold

- Balance between maximising coverage to reduce distortions and directly affecting only the largest emitters
- Proposed 25 ktCO$_2$e threshold covers ~30-40 companies

Price level

- Indicative range of S$10-20/tCO$_2$e (US$7-14/tCO$_2$e)
- Provide sufficient price signal to incentivise behavioural change and energy efficiency improvement
- Maintain Singapore’s international competitiveness
Key Considerations

Mechanism

• Carbon tax - start with mechanism that is simple to implement and will minimise burden on companies

• Open to linking our carbon tax framework to external carbon markets where feasible

Consultations

• Important to consult widely and seek feedback
• Understand concerns of companies
• Understand capability gaps and help companies with compliance
Thank you