Carbon tax and carbon credits

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The Carbon Pricing Act and the rising price path

Singapore introduced Southeast Asia's first carbon tax on 1 January 2019. The legal basis is the Carbon Pricing Act 2018 and its regulations. The Act requires facilities above a reporting threshold to register and report their emissions, while facilities that emit at least 25,000 tonnes of carbon dioxide equivalent a year are liable to the tax.[1] The tax is levied on about 50 facilities, mainly in refining, petrochemicals, power generation and semiconductors, and covers around 70 per cent of national emissions. Together with fuel excise duties, about 80 per cent of emissions are priced.[2]

The price path is the instrument's main signal. The tax was set at S$5 per tonne from 2019 to 2023 and raised to S$25 for 2024 and 2025. It stands at S$45 for 2026 and 2027, with a view to reaching S$50 to S$80 per tonne by 2030. Parliament passed the amendments to the Act that implement this path on 8 November 2022, and the amended regulations came into effect on 1 January 2024.[3]

The increase was accompanied by protection for trade-exposed industry. Under a transition framework, emissions-intensive and trade-exposed companies receive allowances for part of their emissions, determined by their performance against

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internationally recognised efficiency benchmarks. New investments do not qualify for the framework.[4] The refineries and petrochemical complexes on Jurong Island, whose role in Asian oil markets is described in Chapter G.II, would otherwise face a cost that their competitors in neighbouring countries do not bear. The allowances limit carbon leakage while keeping a marginal price signal on additional emissions.

Singapore's own emissions are small in global terms. They amounted to 53.25 million tonnes in 2022, or 8.9 tonnes per inhabitant, and represent about 0.1 per cent of the global total.[5] The carbon tax matters less for its effect on world emissions than for what it creates: a domestic price, a compliance demand for carbon credits and a legal framework within which carbon markets can operate.

International carbon credits and Article 6

Since 1 January 2024, taxable facilities may use high-quality international carbon credits to offset up to 5 per cent of their taxable emissions. The credits must comply with the rules under Article 6 of the Paris Agreement and meet seven principles of environmental integrity. Article 6 allows countries to transfer emission reductions between them, provided that the host country authorises the transfer and makes a corresponding adjustment so that the same reduction is not counted twice. Singapore, which ratified the Paris Agreement on 21 September 2016, has become one of the most active buyers in this system.[6]

The government has concluded implementation agreements with host countries in Africa, Asia and Latin America. The official portal lists operational agreements with Ghana, Bhutan, Peru, Rwanda, Thailand and Mongolia. It also records new agreements with the Philippines, signed on 8 June 2026, and with Laos, signed on 4 September 2026. The National Environment Agency speaks of eleven implementation agreements signed in total, a figure that includes agreements not yet listed as operational on the portal. Calls for projects have followed under several agreements, most recently with Mongolia on 8 October 2026.[7]

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The government also buys credits on its own account. In October 2025 it launched a second request for proposals for high-quality carbon credits, and in November 2025 the National Environment Agency appointed carbon rating service providers to support its assessments of environmental integrity. Purchases of this kind are intended to help Singapore meet its national targets, given that a small island with limited renewable resources cannot reach them through domestic abatement alone. Unused offset quota is subject to detailed transitional rules. Quota carried from the emission year 2025 into 2026 is converted at the ratio of the old to the new tax rate, S$25 to S$45.[8]

Carbon exchanges and the voluntary market

The compliance market sits beside a voluntary one. Companies that buy credits to meet their own climate commitments, without any legal obligation, need venues, standards and ratings. Singapore set out to host them. Climate Impact X, a carbon exchange and marketplace, was founded in 2021 by DBS, Singapore Exchange, Standard Chartered and Temasek.[9] Other platforms for trading carbon credits have also established themselves in the city.

The voluntary market has suffered a crisis of confidence in recent years, after investigations by journalists and researchers questioned the integrity of many forest protection credits. Singapore's response has been to tie its own system to high standards. MAS has published guidance on the use of carbon credits as part of decarbonisation plans, and a coalition of buyers, the Action for a Resilient Climate (ARC) Coalition, was launched at the Ecosperity conference in 2026. In October 2025 MAS introduced a Financial Sector Carbon Market Development Grant to support the development of carbon market activities by financial institutions.[10]

Carbon markets as a business of the financial centre

For the financial centre, carbon markets combine several of its established businesses. Commodity traders, many of whom have their Asian headquarters in Singapore as described in Part G, bring skills in origination, logistics and risk management to an asset class that behaves in many respects like a commodity. Banks

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provide trade finance and hedging, lawyers draft purchase agreements and project documentation, and verification and rating firms supply the assessments on which buyers rely. The Article 6 framework adds a layer of public law, because each transfer requires the authorisation of a sovereign host state. Singapore's experience as a neutral venue for cross-border contracts, examined in Part F, is an advantage here.

The risks are equally familiar. Carbon credits are intangible, their quality depends on counterfactual assumptions and their value can collapse when confidence fails. The frauds in the physical commodity trade of 2020, discussed in Chapter H.II, show what happens when documents replace verification. The same lesson applies to an asset whose existence depends on measurement and registry entries. The emphasis on ratings, corresponding adjustments and government-to-government agreements is a deliberate attempt to anchor the market in verifiable facts.

Notes

1. Carbon Pricing Act 2018 (Act 23 of 2018), provisions on the registration of reportable and taxable facilities (reporting threshold reportedly 2,000 tCO2e a year) and on the carbon tax. ↩
2. Wikipedia, "Climate change in Singapore" (accessed November 2026): Singapore introduced Southeast Asia's first carbon tax on 1 January 2019, initially S$5 per tonne of carbon dioxide equivalent. — National Environment Agency, "Carbon Tax", nea.gov.sg (accessed November 2026): the carbon tax was introduced through the Carbon Pricing Act and its regulations on 1 January 2019. — National Climate Change Secretariat, "Carbon Tax", nccs.gov.sg (accessed November 2026): facilities that directly emit at least 25,000 tCO2e annually are taxed; "around 70% are covered by the carbon tax levied on about 50 facilities"; "About 80% of our total greenhouse gas (GHG) emissions are covered by carbon tax and fuel excise duties". ↩
3. NCCS, "Carbon Tax", cited above, and NEA, "Carbon Tax", cited above: S$5 per tonne for 2019 to 2023, S$25 in 2024 and 2025, S$45 from 1 January 2026 for 2026 and 2027, "with a view of reaching $50 to $80 per tonne by 2030". —

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NEA, “Carbon Tax”, cited above: the Carbon Pricing Act was amended and passed in Parliament on 8 November 2022; amended regulations published on 6 October 2023 came into effect on 1 January 2024. ↩

4. NCCS, “Carbon Tax”, cited above: allowances under the transition framework are determined by performance against “internationally-recognised efficiency benchmarks”; “New investments will not qualify for the transition framework.” ↩

5. Wikipedia, “Climate change in Singapore”, cited above: total emissions of 53.25 million tonnes in 2022 and 8.9 tonnes of CO2 per capita; Singapore contributes about 0.1 per cent of global emissions. ↩

6. NCCS, “Carbon Tax”, cited above, and NEA, “Carbon Tax”, cited above: high-quality international carbon credits may offset “up to 5% of their taxable emissions from 2024”. — NCCS, “Carbon Tax”, cited above: eligible credits “will need to comply with rules under Article 6 of the Paris Agreement, and meet seven principles”. — Wikipedia, “Climate change in Singapore”, cited above: Singapore adopted the Paris Agreement on 22 April 2016 and ratified it on 21 September 2016. ↩

7. Singapore Carbon Market Cooperation, carbonmarkets-cooperation.gov.sg, home page and newsroom (accessed November 2026): operationalised implementation agreements with Ghana, Bhutan, Peru, Rwanda, Thailand and Mongolia; implementation agreement with the Philippines signed on 8 June 2026 and with the Lao People’s Democratic Republic on 4 September 2026. — NEA, “Carbon Tax”, cited above: the government has signed “11 Implementation Agreements (IAs)”. — Singapore Carbon Market Cooperation, newsroom, cited above: calls for projects with Peru (24 October 2025), Bhutan (20 November 2025), Rwanda (30 January 2026), Thailand (31 March 2026) and Mongolia (8 October 2026). ↩

8. Singapore Carbon Market Cooperation, newsroom, cited above: second request for proposals for high quality carbon credits launched on 31 October 2025; NEA appointment of carbon rating service providers on 7 November 2025. — NEA, “Carbon Tax”, cited above: unused EY2025 quota may roll over

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to EY2026 using the conversion factor "(A – B) x ($25/$45)", while quota carried over from EY2024 to EY2025 expires. ↩

9. Climate Impact X, founded in 2021 by DBS, SGX, Standard Chartered and Temasek. ↩

10. MAS, *Sustainability Report 2025/2026*, "Strategy", cited above: MAS guidance on the use of carbon credits as part of decarbonisation plans; industry-led buyers' coalition culminating in the Action for a Resilient Climate (ARC) Coalition launched at Ecosperity 2026. — MAS, *Sustainability Report 2025/2026*, "Strategy", cited above: MAS launched the Financial Sector Carbon Market Development Grant in October 2025. ↩

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