Sustainable Finance and Carbon Markets

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Sustainable finance came late to Singapore. For most of the period covered by the earlier parts of this book, the city-state treated climate change as a matter of physical survival for a low-lying island, while its financial centre concentrated on wealth management, trade finance, treasury operations and capital markets. That changed within a few years. Between 2019 and 2026 the Monetary Authority of Singapore published two action plans, a taxonomy with a category for transition activities, supervisory guidelines on environmental risk and transition planning, and a series of blended finance vehicles intended to draw private capital into the decarbonisation of Asia. The government introduced the first carbon tax in Southeast Asia and built a network of bilateral agreements for international carbon credits. Green finance became, in the official vocabulary, a strategic field for the centre.

This chapter examines that strategy and its limits. It begins with the action plans of 2019 and 2023 and the market they helped to create. It then turns to the classification and disclosure rules that are supposed to make green claims comparable, to the carbon tax and the trade in carbon credits, and to transition finance, the field in which Singapore has tried to set itself apart. A section on

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greenwashing and liability examines the legal risks that come with the new products. The chapter ends with practical consequences for institutions and advisers and with a comparison with Geneva.

The parallel volume on Geneva describes a financial centre that sees sustainable finance as an extension of an old moral economy of credit and of the presence of the international organisations responsible for climate and development. Singapore approaches the same subject from a different starting point. Its justification is regional and practical: Asia produces about half of the world's greenhouse gas emissions, its power systems still depend heavily on coal, and its transition requires capital on a scale that only private markets can supply. Where Geneva emphasises norms and convening, Singapore emphasises definitions, pipelines of bankable projects and the role of the state as catalyst.

Essentials

MAS launched its Green Finance Action Plan on 11 November 2019, with a US$2 billion Green Investments Programme as its first major instrument, and extended it to transition finance through the Finance for Net Zero Action Plan of 20 April 2023. The Singapore-Asia Taxonomy of 3 December 2023 classifies activities in eight sectors as green, amber (transition) or ineligible and includes criteria for the early phase-out of coal-fired power plants. SGX-listed issuers report Scope 1 and 2 emissions from financial years beginning on 1 January 2025, with fuller climate disclosures phased in, while large non-listed companies follow from FY2030. The carbon tax rose from S$5 per tonne (2019–2023) to S$25 (2024–2025) and S$45 (2026–2027), with up to 5 per cent of taxable emissions offsettable by eligible international carbon credits. Retail ESG funds have been subject to disclosure guidelines since 1 January 2023, and misleading sustainability claims are actionable under the general law on misstatement and consumer protection.

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