

Sustainability

Public Consultation on Legislative Changes to Facilitate Transition to Low-Carbon Generation Sources

Introduction

The Ministry of Trade and Industry ("**MTI**") and the Energy Market Authority ("**EMA**") are conducting a public consultation on the Energy (Resilience Measures and Miscellaneous Amendments) Bill ("**Bill**").

As part of the worldwide movement towards a focus on sustainability, Singapore has committed to reducing carbon emissions as part of its enhanced 2030 Nationally Determined Contribution and Long-term Low-emissions Development Strategy. MTI and EMA are thus embarking on a multi-decade programme to transition Singapore's electricity generation to low-carbon generation sources.

In light of this programme, the Bill sets out proposed amendments to the EMA Act, the Electricity Act, and the Gas Act, to empower EMA to require electricity generation licensees to reduce greenhouse gas emission standards and to introduce provisions that will ensure the sustainability, security, and reliability of the power sector. These changes may affect how businesses in the energy industry will have to operate in the future, and the emission standards that they may be held to.

Feedback on the Bill should be submitted to MTI and EMA by **16 September 2021**.

This Update highlights the key features of the Bill.

Transition to Low-Carbon Energy Sources

The amendments introduced in the Bill aim to facilitate the programme initiated by MTI and EMA to transition Singapore's electricity generation to low-carbon generation sources. This is to be achieved through four supply "switches":

- (a) enhancing the energy efficiency of natural gas power plants;
- (b) accelerating solar deployment;
- (c) tapping on regional power grids for low-carbon electricity imports; and
- (d) developing low-carbon solutions such as hydrogen and carbon capture, utilisation and storage solutions which will enable de-carbonisation in the longer term.

Furthermore, a number of existing natural-gas fuelled power plants will be retiring over the next one to two decades, and EMA will need to manage this transition.

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Requiring Electricity Generation Licensees to Reduce Greenhouse Gas Emission Standards

Natural gas power plants will continue to be needed in the medium term. The Bill addresses this by enabling EMA to implement measures requiring electricity generation licensees to reduce greenhouse gas emission standards. This is intended to function in line with EMA's existing incentive schemes to encourage power generation companies to improve their energy efficiency and shift towards cleaner modes of power generation.

To facilitate this, the Bill seeks to introduce provisions in the relevant legislation to allow EMA to, among other things, specify targets or measures to reduce greenhouse gas emission standards in codes of practice, or other documents, which may be adopted into the relevant regulations issued under the legislation.

These changes would lend greater weight to codes and standards issued by EMA by prescribing them as statutorily enforceable regulations, which may be further fleshed out through advisory guidelines.

Provisions to Safeguard Energy Security and Reliability

The Bill seeks to introduce a provision in the Electricity Act enabling EMA to acquire, develop, manage or operate critical infrastructure if the private market fails to do so. This is to ensure sufficient and reliable electricity supply during the energy transition in light of investors' reduced inclination to the building of new generation capacity. Proposed amendments are included to allow EMA to raise capital by issuing bonds to finance these initiatives.

Other Amendments in the Bill

The Bill also contains, among others, the following proposed technical amendments:

- (a) Streamlining the granting and extension of electricity and gas licences by empowering EMA to approve all applications, rather than the Minister for Trade and Industry; and
- (b) Enhancing the protection of critical electricity and gas transmission infrastructure via the Electricity Act and the Gas Act by making it an offence to damage protective infrastructure housing cables/pipelines, as current regulatory powers only penalise offenders who damage the actual cables/pipelines;
- (c) Clarifying under the Gas Act that the gas transporter, who owns and manages the gas pipeline network for conveying natural gas and town gas in Singapore, is required to establish and implement a programme to ensure that gas installations are inspected at stipulated time intervals and properly maintained.

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Concluding Words

Notably, the proposed amendments in the Bill will grant EMA the power to implement measures requiring the reduction of greenhouse gas emission standards. EMA will also be empowered to incorporate by reference into the respective regulations any codes of practice or relevant standards, which may include standards set out in international agreements or guidelines. It may be anticipated that EMA will exercise these extended powers to enforce compliance with emission standards on the relevant entities.

In light of this, electricity generation licensees should start assessing their strategy to meet their targets to reduce greenhouse gas emission standards which may be imposed by EMA through a formal regulatory framework.

Corporations affected by the proposed changes in the Bill may wish to provide feedback to MTI and EMA. Parties may touch base with our Sustainability team in this regard, and we will be glad to assist with providing feedback on any relevant issue, or with any further queries or guidance.

For more information, the full public consultation is available [here](#), and the full draft Bill is available [here](#).

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Rajah & Tann Sustainability Practice

We are amongst the pioneers in Singapore when it comes to sustainability and ESG issues. On the green and sustainable finance front, our lawyers have worked on transactions covering sectors ranging from real estate and hospitality to energy and agriculture. We have been involved in many "first of its kind" transactions.

With our deep expertise and experience, we can help you unpack and reconcile the different global standards and regulations on ESG factors in green and sustainable finance. We can also advise you on the adaptation of your business to take into account these factors, to facilitate your transition to refreshed modes of operation. We can help you address the commercial aspects and economic objectives of the transactions, and at the same time fulfil the legal and technical requirements set out in the various ESG principles and guidelines.

If you have any questions regarding sustainability, please feel free to contact our team below who will be happy to assist you.

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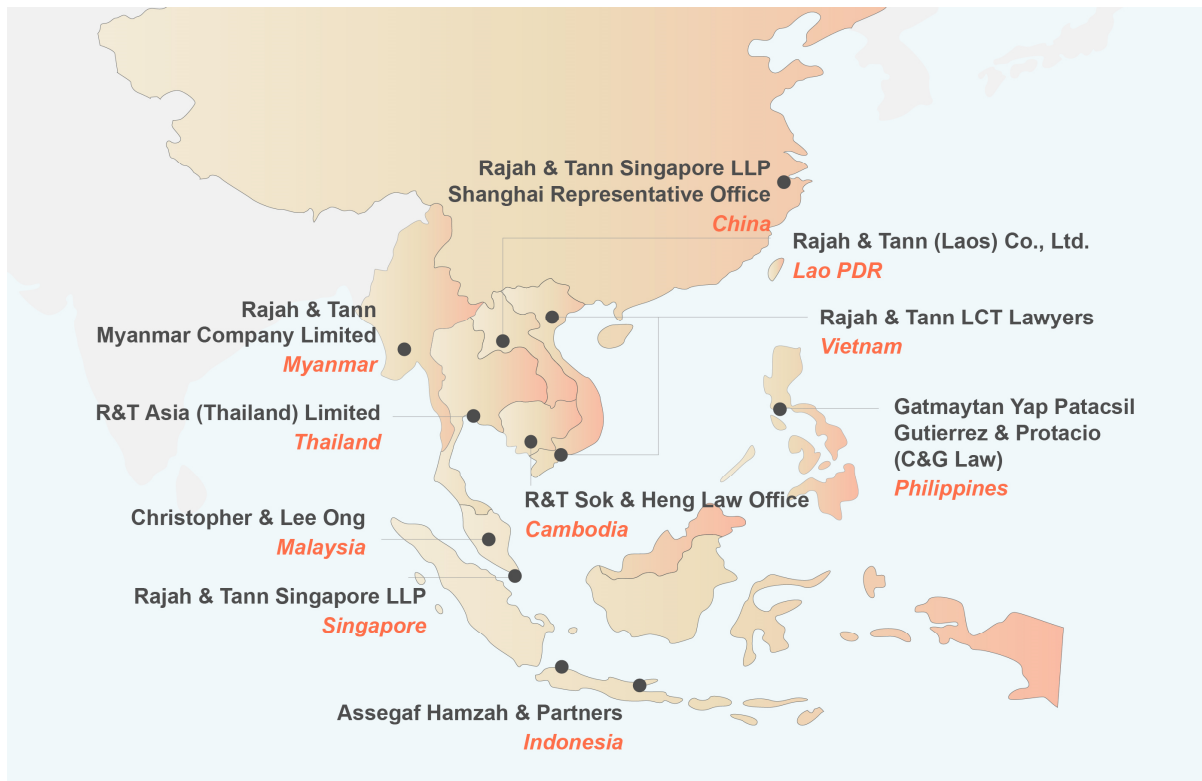
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