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Amendments to Carbon Pricing Act 2018 Come into Force on 1 Jan 2024

Introduction

The Carbon Pricing Act 2018 ("CPA") provides for, among other things, requirements relating to registration as registered persons and reportable facilities, as well as, reporting and payment of tax in relation to greenhouse gas ("GHG") emissions. The Carbon Pricing (Amendment) Act 2022 ("Amendment Act") which amends the CPA, will come into operation on **1 January 2024**. This Update provides you with a summary outline of the upcoming key changes to the CPA and our comments on this development. We have covered the progress of this development in our earlier Client Updates (links are set out in this Update) which set out further background and details.

Key Changes at a Glance

- **Progressive revision of the carbon tax rate and carbon price.**

Presently, the carbon tax rate is \$5 per tonne of carbon dioxide equivalent ("tCO_{2e}"). The carbon tax rate is as follows:

- (a) for GHG emissions in 2023 or any earlier emissions year — \$5/tCO_{2e};
- (b) for GHG emissions in 2024 or 2025 — \$25/tCO_{2e}; and
- (c) for GHG emissions in 2026 or any later emissions year — \$45/tCO_{2e}.

The CPA also sets out the concept and value of a carbon credit and governs how a carbon credit may be dealt with. Currently, each carbon credit has a value of \$5. The Amendment Act recognises two categories of "carbon credits", one which is "fixed-price carbon credits" and the other as "eligible international carbon credits". The Amendment Act also provides for the progressive increase in the carbon price, defined as the value of a fixed-price carbon credit. A fixed-price carbon credit has a value as follows:

- (a) for any fixed-price carbon credit purchased in 2024 or any earlier year — \$5;
- (b) for any fixed-price carbon credit purchased in 2025 or 2026 — \$25; and
- (c) for any fixed-price carbon credit purchased in 2027 or any later year — \$45.

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- **Provisions for the grant of allowances for eligible taxable facilities** to reduce carbon tax payable for an emissions year. This is intended to provide time for emissions-intensive trade-exposed ("**EITE**") companies such as those in the chemicals, electronics and biomedical manufacturing sectors to adjust to a low-carbon economy.
- **Provisions for the surrender of eligible international carbon credits in place of fixed-price carbon credits for the purposes of paying carbon tax.** There are also provisions to establish the International Carbon Credits Registry and the international carbon credit registry accounts, as well as for various related matters. For the purpose of paying carbon tax, a taxable facility will be allowed to use eligible international carbon credits to cover a maximum of 5% of the carbon tax. The Ministry of Sustainability and the Environment ("**MSE**") has indicated its intention to publish a whitelist of acceptable credits highlighting eligible host countries, carbon crediting programmes and methodologies. Pending the publication, recent developments have seen Singapore's National Environment Agency inking Memoranda of Understanding with selected international offset programmes, such as with Gold Standard, Verra, American Carbon Registry and the Architecture for REDD+ Transactions.
- **Revision to the registration and emissions reporting obligations** (in particular, where there has been a transfer of operational control over a business facility), and the basis for liability for carbon tax. The Amendment Act allows the deregistration of a business facility as a reportable or taxable facility if the registered person, despite having operational control over the business facility, ceases to operate the business facility and has no intention of resuming its business activity within the next 36 months after such cessation.
- **Inclusion of nitrogen trifluoride emissions as a reckonable GHG**, covered under the carbon tax. This will largely affect the electronics sector including manufacturers of semiconductors and LCD panels. Business facilities will have to add monitoring of nitrogen trifluoride emissions to their compliant measures.

Our Comments

Within the Southeast Asia region, Singapore is currently the only nation with an implemented carbon tax in place. Companies in the high-emitting sectors have to start adjusting their strategies and operations to reduce escalating carbon tax obligations and take advantage of the grant of allowance over the short term. Particularly due to the incremental carbon pricing, high-emitters could face stiff cost-competitiveness from companies with facilities located in countries without a carbon tax. These create practical implications on where to do business, and businesses must plan for this.

Separately, the inclusion of nitrogen trifluoride under the carbon tax in the Amendment Act is notable, as it shows an alignment with national emissions reporting based on the UN Framework Convention on Climate Change and its Katowice rulebook. Amongst other developments, this reflects how the low-

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carbon economy transition is really part of a whole-of-economy mandate. Businesses will need to be ready to accommodate the transition.

Overall, the Amendment Act brings important and significant developments to the treatment of carbon tax and carbon credits, such as those allowing the use of international carbon credits in a statutory framework. This would lay further foundation for further development of voluntary carbon markets, which is something that businesses can benefit from. Last, as a reminder, businesses need to put in place procedures to ensure timely and accurate submission of emission reports.

Legislative Background

The MSE conducted a consultation in July 2022 on the draft Bill. We covered the main aspects of the consultation in our July 2022 Client Update which you may read more about [here](#). MSE's Response to feedback received on the consultation is available [here](#). The Bill was first introduced in Parliament for First Reading on 3 October 2022, which you may read more about in our October 2022 Client Update [here](#).

If you have any queries regarding the above development, please feel free to contact our team.

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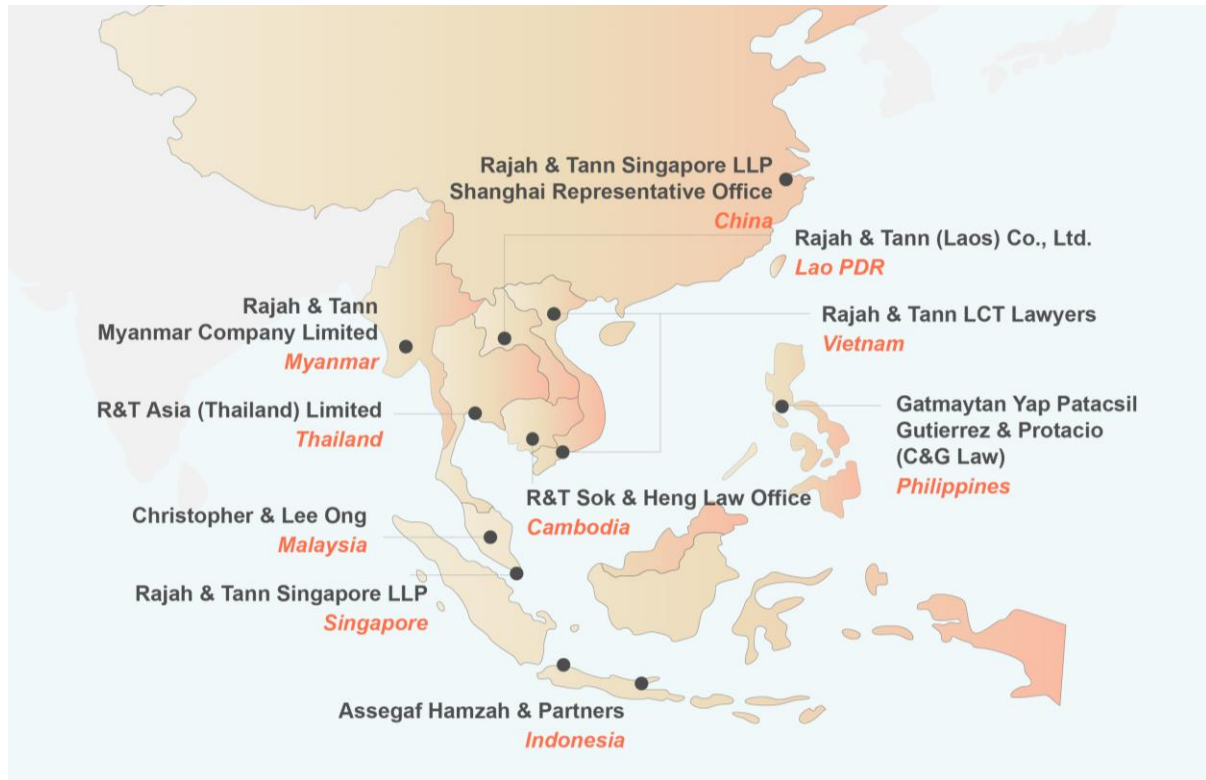
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