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Singapore's Eligibility List for International Carbon Credits (ICCs) published alongside carbon tax increase

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Summary

- The Singapore government published the much-anticipated Eligibility List under the International Carbon Credit (ICC) Framework that took effect on 1 Jan 2024, which sets out the requirements that ICCs must meet for carbon tax-liable companies in Singapore to offset up to 5% of their taxable emissions.
- Papua New Guinea is the only host country in the Eligibility List at present, alongside four carbon crediting programmes and selected methodologies.
- The Eligibility List will be reviewed and updated annually, and can be used as a guide for project developers to develop eligible high-quality projects based on the criteria set out by the Singapore government.
- Eligible ICCs are expected to be priced at a premium because of higher environmental integrity.

Eligible ICCs to meet seven principles under the Eligibility Criteria

Singapore's Ministry of Sustainability and the Environment (MSE) and the National Environmental Agency (NEA) published the Eligibility Criteria under the ICC Framework in Oct 2023. The ICC Framework, aligned with Article 6 of the Paris Agreement, allows carbon tax-liable companies in Singapore to use eligible ICCs to offset up to 5% of their taxable emissions from 1 Jan 2024 onwards. This is alongside the progressive carbon tax increase from S$5/tCO2e to S$25/tCO2e in 2024 and 2025, S$45/tCO2e in 2026 and 2027, with a view to reach S$50 – 80/tCO2e by 2030.

The Eligibility Criteria requires ICCs to meet seven internationally recognised principles (Annex A), such as requiring the certified emissions reductions or removals to be permanent and additional. Following the release of the Eligibility Criteria, the Singapore Government set out the Eligibility List (Annex B) in Dec 2023 to include eligible host countries, carbon crediting programmes and methodologies that adhere to the Eligibility Criteria.

Papua New Guinea: Sole eligible host country on Eligibility List for ICCs

The sole eligible host country on the Eligibility List is Papua New Guinea, as it is the only country that Singapore has signed an implementation agreement with on carbon credits cooperation. The implementation agreement between Singapore and Papua New Guinea was signed on the sidelines of the COP28 conference in 2023, despite a disappointing lack of progress on Article 6 discussions. In addition, Singapore also signed MoUs for collaboration on carbon credits with Costa Rica, Fiji, Rwanda and Senegal at the conference.

The NEA aims to review and update the Eligibility List annually to maintain relevance and uphold high integrity standards based on the latest science-based evidence and market developments. This may include adding or delisting carbon crediting programmes and methodologies. As Singapore is finalising negotiations on implementation agreements with other countries such as Ghana and Vietnam, more eligible host countries may be added to the Eligibility List in the future.

However, more time is required for carbon tax-liable companies in Singapore to be able to use carbon credits from Papua New Guinea to offset their taxable emissions. This is because none of the carbon credits currently available for sale in Papua New Guinea meet the criteria set out by the Singapore Government in its current form. As companies need to inform the NEA by 30 Jun 2025 of the carbon credits they intend to use to offset their taxable emissions, there is still some time for pipeline projects to become eligible.

REDD+[1] projects that adopt a jurisdictional/nested approach are acceptable

The Eligibility List has excluded most methodologies governing forest conservation carbon credits, commonly referred to as REDD+ credits, that have come under scrutiny over the past year regarding the integrity of their emissions reduction claims. This is with the exception of certain REDD+ credits from projects that adopt a jurisdictional[2] approach in countries with historically significant levels of deforestation, such as projects developed using the Jurisdictional and Nested[3] REDD+ (JNR) Framework of the Verified Carbon Standard (VCS) (Annex B). JNR projects consider deforestation on a jurisdictional level and are seen to be subjected to stricter oversight, as compared to the project-level REDD+ methodology which faced over-crediting criticisms.

However, for High Forest Low Deforestation (HFLD)[4] countries with historically high forest cover and low deforestation, REDD+ projects or programmes are not eligible. This is because these credits are still new and will require further assessment of environmental integrity and refining of HFLD methodologies. There is also debate around whether HFLD credits generated from these areas fulfil the principle of additionality as the habitats were not historically under threat.

Eligibility List as a guide for project developers

Project developers can use the Eligibility List as a guide to develop projects that generate eligible carbon credits based on the Singapore government's criteria. Some project developers have already started developing projects in anticipation of the signing of implementation agreements with other countries. For example, an agri-tech start-up called Rize is looking to decarbonise rice cultivation through sustainable rice farming in Vietnam, and potentially generate carbon credits that meet the Eligibility Criteria.

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[1] According to the United Nations Framework Convention on Climate Change, 'REDD' stands for Reducing Emissions from Deforestation and Forest Degradation, where '+' stands for additional forest-related activities that protect the climate, namely sustainable management of forests and the conservation and enhancement of forest carbon stocks.
[2] A jurisdiction is an administrative entity, e.g. national or sub-national level, with the ability to set an emissions target.
[3] Nesting is a set of provisions by which project-level emissions accounting and social and environmental safeguards are aligned with higher-level jurisdictional systems.
[4] HFLD countries are developing countries with more than 50% forest cover and a deforestation rate of less than 0.22% per year.

Other companies looking to purchase high-quality carbon credits to meet their climate targets can also refer to the Eligibility List as a guide.

Moving forward

The uptake of eligible ICCs by carbon tax-liable companies in Singapore is expected to be slow in the beginning, as the option to use ICCs to offset taxable emissions is still new to companies and they may prefer to adopt a wait-and-see approach. ICCs that meet the criteria set out by the Singapore government may command a price premium because they are considered to be high-quality carbon credits.

Sources: Climate Cooperation, EDB, MSE, NEA, S&P, The Straits Times, Verra

Annex A: Eligibility Criteria

Principle	Definition
To comply with Article 6 of the Paris Agreement, the certified emissions reductions or removals must have occurred between 1 January 2021 and 31 December 2030.	
Not double-counted	The certified emissions reductions or removals must not be counted more than once in contravention of the Paris Agreement.
Additional	The certified emissions reductions or removals must exceed any emissions reduction or removals required by any law or regulatory requirement of the host country, and that would otherwise have occurred in a conservative, business-as-usual scenario.
Real	The certified emissions reductions or removals must have been quantified based on a realistic, defensible, and conservative estimate of the amount of emissions that would have occurred in a business-as-usual scenario, assuming the project or programme that generated the certified emission reductions or removals had not been carried out.
Quantified and verified	The certified emissions reductions or removals must have been calculated in a manner that is conservative and transparent, and must have been measured and verified by an accredited and independent third-party verification entity before the ICC was issued.
Permanent	The certified emissions reductions or removals must not be reversible, or if there is a risk that the certified emissions reductions or removals may be reversible, there must be measures in place to monitor, mitigate and compensate any material reversal of the certified emissions reductions or removals.
No net harm	The project or programme that generated the certified emissions reductions or removals must not violate any applicable laws, regulatory requirements, or international obligations of the host country.
No leakage	The project or programme that generated the certified emissions reductions or removals must not result in a material increase in emissions elsewhere, or if there is a risk of a material increase in emissions elsewhere, there must be measures in place to monitor, mitigate and compensate any such material increase in emissions.

Source: MSE, NEA

Annex B: Eligibility List of ICCs

Host country	Carbon Crediting Programme	Methodologies
Papua New Guinea	Gold Standard for the Global Goals (GS4GG)	All active methodologies published before 31 March 2023 except: • Those under the "Land Use and Forestry & Agriculture" category of GS4GG; • Methodology For Animal Waste Management and Biogas Application V1.1; • Methodology For Collection of Macroalgae to Avoid Emissions from Decomposition V1.0; • Carbon Sequestration Through Accelerated Carbonation of Concrete Aggregate V1.0; • Two And Three Wheeled Personal Transportation V1.0.
	Verified Carbon Standard (VCS)	All active methodologies published before 31 March 2023 except (i) VM0044 Methodology for Biochar Utilization in Soil and Non-Soil Applications, v1.1; (ii) methodologies under the "Sectoral Scope 14" category of VCS, with these allowable exceptions: • Scenario 2a and 3 of VCS Jurisdictional and Nested REDD+ (JNR) framework; • VM0012 Improved Forest Management in Temperate and Boreal Forest, v1.2; • VM0022 Quantifying N2O Emissions Reductions in Agricultural Crops through Nitrogen Fertilizer Rate Reduction, v1.1; • VM0026 Methodology for Sustainable Grassland Management, v1.1; • VMD0040 Leakage from Displacement of Grazing Activities, v.1.0; • VM0032 Methodology for the Adoption of Sustainable Grasslands through Adjustment of Fire and Grazing, v1.0; • VM0033 Methodology for Tidal Wetland and Seagrass Restoration, v2.1; • VM0036 Methodology for Rewetting Drained Temperate Peatlands, v1.0; • VM0041 Methodology for the Reduction of Enteric Methane Emissions from Ruminants through the Use of Feed Ingredients, v.2.0; • VM0042 Methodology for Improved Agricultural Land Management, v2.0. Where any VCS methodology is used, the project participant will be required to demonstrate the Sustainable Development contributions or co-benefits of the relevant mitigation activity by submitting to the Joint Committee of the respective Implementation Agreement its verification report under the Climate, Community and Biodiversity Standards (CCB Standards), the Sustainable Development Verified Impact Standard (SD VISta) or another standard recognised by VCS for such purpose.
	American Carbon Registry (ACR)	All active methodologies published before 31 March 2023, except methodologies under "Sectoral Scope 3 (Land Use, Land Use Change and Forestry)" category of ACR.

Host country	Carbon Crediting Programme	Methodologies
	Global Carbon Council (GCC)	All active methodologies published before 31 March 2023, except the following project types or methodologies: • Nuclear energy; • HFC-23 abatement; • Reducing Emissions from Deforestation and Degradation (REDD); • Afforestation & Reforestation (A&R); • Carbon Capture & Storage (CCS); • Activities in the GCC's "Regional Positive List"; • GCCM004 Methodology for Water Grid Connected Renewable Energy Based Desalination Plant, v1.0; • GCCM005 Methodology for Desalinated Water Savings in Buildings, v1.0.

Source: MSE, NEA

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