



# **Feedback to Consultation Paper on the Draft Carbon Pricing Bill**

### SICC Feedback on consultation paper on the draft Carbon Pricing Bill

No.	Rational on the Bill	Feedback
1	Will the Bill meet Singapore's emission reduction targets?	<p>There are two opinions on this question.</p> <p>Some people believe that the Bill will not help meet Singapore's emissions targets because this is merely a tax which can be passed on. It is much like a consumption tax to the end consumer and there is no incentive for the targeted sectors to show actual emission reductions. What is required is merely reporting their expected emissions for the ensuing year and being taxed before their plants even emit.</p> <p>There is also no guarantee that the tax revenue collected will not simply go into the Government's consolidated accounts, even if the tax collected is to help industries apply for grants to consider optimization within their facilities. There does not seem to be any mention of that in the Bill unless there will be amendments to the Bill in due course.</p> <p>The other view is that the proposed Carbon Tax structure will help Singapore meet its emissions but much of this depends on what the tax revenue is used for. It is difficult to estimate what the effect of grants and sustainability funding will have to create demand reductions and, thus, reduce emissions. However, the ability to deploy tax revenue into international initiatives would help Singapore to generate offset credits against its own liabilities via UNFCCC credits.</p>
2	What is the purpose of the Bill?	<p>The Bill can lead to a flexible carbon pricing mechanism coming into play by the time the Paris Climate Agreement comes into force in 2020, taking advantage of clause 6 of the Paris Climate agreement. Singapore has the potential to set up a global carbon hub and countries in the region are already looking to Singapore to provide that lead.</p>

3	Use of the term 'Carbon Credit' in the Bill	<p>Overall, the use of the term "carbon credit" for tax paid upfront is a misnomer and the structure unnecessarily complex.</p> <p>Tax paid is not a credit. It is simply a tax or a permit to continue to pollute, much like an allowance. So why call it a "carbon credit" which has the potential to confuse the global carbon markets. These define an "allowance" as permission to continue to pollute and a credit is a credit for acknowledging that some good eventually comes out of the allowance provided earlier to give time for industries to adjust their emissions profile.</p>
4	Regulatory certainty and timing of the Bill	<p>Regardless of what structure the Carbon Tax will eventually take, experiences in other countries such as Australia shows that regulatory certainty and timing is paramount. The current proposed start date of 1 Jan 2019 must not be moved as end use customers, retailers, gencos, traders, SGX pricing, banks and lawyers are already acting on that start date via fixed price contracts and hedging decisions. The SGX Electricity curve has already priced in the cost of carbon. The Australian experience showed the negative effect on investment in energy assets was significant when goal posts were shifted. A clear and transparent time frame for the implementation of Carbon Tax legislation is recommended.</p>
5	Credit for pioneering initiatives which pre-date the Carbon Tax	<p>Credit against existing initiatives is also important as some entities have voluntarily exercised a level of carbon consciousness prior to the Carbon Tax implementation. For example, an existing electricity retailer's clean energy product enabled Dulwich College to become Scope 2 emissions carbon neutral until the end of 2020. Such an achievement should enable this retailer to avoid paying the Carbon Tax, given their pioneering initiative.</p>
6	Proposed tax structure	<p>Any proposed structure must be simple, transparent and flexible. Creating a unique, complex and tailored "Singapore specific" structure will result in something which is not adaptable or linkable to other schemes in the world in the future. It is difficult to predict what global carbon policy will look like in near future, hence the need to stay flexible.</p>

7	To allow the use of carbon offset credits	It would be detrimental to companies if carbon offset credits (domestic or international) are not allowed to minimize liabilities. This presumably would mean that offsets couldn't be generated by implementing abatement projects either. Not allowing offsets would go against the principle of allowing companies to meet their compliance obligations in the most cost-effective way possible and wouldn't necessarily promote the implementation of the lowest cost abatement. Without flexible compliance mechanisms, the carbon price then has the outward appearance of just being a revenue raising mechanism for the Government.
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