

Singapore carbon tax revenue projected to have tripled in 2024

Amount collected is lower than expected after big jump in the tax rate last year

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The revenue collected from Singapore's carbon tax in 2024 – the year the tax rate went up to five times from before – is projected to be about \$642 million, The Straits Times has learnt.

This is up from the roughly \$200 million in yearly revenue collected when the tax rate was \$5 per tonne of emissions from 2019 to 2023.

In 2024, the tax rate rose to \$25 per tonne of greenhouse gas emissions. Assuming emissions that year remained at levels similar to previous years, the total tax revenue should be about \$1 billion.

One expert has suggested the lower-than-expected carbon tax revenue is likely due to allowances given to trade-exposed emitters to help them stay competitive.

There are roughly 50 facilities in Singapore liable for the carbon tax, mainly from the manufacturing, power, waste and water sectors. These emitters are responsible for about 70 per cent of total national emissions.

Singapore's total national emissions ranged between 53.87 million tonnes and 58.59 million

tonnes annually from 2019 to 2022.

The revenue from carbon tax collected has also been consistent. In response to queries, a Singapore government spokesperson told ST the \$642 million was estimated based on several factors.

The higher revenue reflects the higher carbon tax rate, but also takes into account several other factors, said the spokesperson.

“(This includes) the projected emissions by taxable facilities, the use of international carbon credits to offset carbon tax liabilities, and transitory allowances for eligible companies in the emissions-intensive, trade-exposed sectors,” the spokesperson added.

The \$642 million estimate was reflected in the Budget 2025 revenue and expenditure estimates document. The tax is expected to be collected by end-September.

Transitory allowances refer to the “carbon tax relief” given to eligible companies here that face strong competition globally.

Such companies may come from the chemicals, electronics and biomedical manufacturing sectors, and allowances may be offered to help them adjust to the higher tax rate and safeguard their business competitiveness.

It is not clear how many firms have received this reprieve.

The quantum of the allowances was also never revealed, although Reuters reported in 2024 that refiners and petrochemical companies were offered rebates of up to 76 per cent for the carbon tax for 2024 and 2025 to help them ease cost strains and remain competitive.

In 2024, then Second Minister for Trade and Industry Tan See Leng said the Government will, at an appropriate time, release aggregated information on the amount of allowances provided.

On the use of international carbon credits, major emitters are allowed to use eligible credits to offset up to 5 per cent of their emissions each year.

ST earlier reported that the Government was allowing firms to roll over their unused offset limit in 2024 to 2025, owing to a constrained supply of quality carbon credits in 2024.

To date, no tax-paying company has notified the authorities of its intent to use carbon credits to offset its tax, the Ministry of Sustainability and the Environment and the National Environment Agency told ST.

This means none of the emitters has used carbon credits in 2024.

Firms that wish to roll over their offset limit must pay their full carbon tax in 2024. If they plan to roll

Collection over the years

Here is the revenue from the tax since 2019, and a projected collection for 2024 with the higher carbon tax rate, according to Budget 2025 documents.

Year	Carbon tax rate	Revenue
2019	\$5 per tonne of emissions	\$207.5 million
2020		\$197.9 million
2021		\$211.6 million
2022		\$200.2 million
2023	\$25 per tonne of emissions	\$196 million
2024 (projected)		\$642.1 million



Source: MINISTRY OF FINANCE REVENUE AND EXPENDITURE ESTIMATES STRAITS TIMES GRAPHICS

over the limit, they can offset 5 per cent of the total quantum of 2024's emissions in 2025, on top of offsetting 5 per cent of 2025's emissions.

By making fossil fuel use costlier, a carbon tax incentivises large emitters to switch to cleaner energy, improve efficiency or adopt low-carbon technologies.

The government spokesperson said: “The carbon tax provides an economy-wide price signal and impetus to improve energy and carbon efficiency in all sectors, and enhances the business case to invest in low-carbon solutions. It is a key part of Singapore's comprehensive suite of mitigation measures, and underpins the implementation of other decarbonisation initiatives.”

The carbon tax rate will go up to \$45 a tonne in 2026 and 2027, with a view to reaching between \$50 and \$80 a tonne by 2030.

The tax revenue is used to fund expensive decarbonisation solutions, help businesses be more energy-efficient, and cushion the impact of higher costs on households, Minister for Sustainability

and the Environment Grace Fu said in a parliamentary reply in 2024.

Singapore Management University associate professor of finance Liang Hao said it is reasonable to conclude that the allowances were a major contributor to the lower-than-expected tax revenue projection for 2024.

“While other factors like emissions levels do play a role, the scale of the shortfall – roughly \$350 million to \$400 million – strongly suggests that transitional allowances are the primary factor,” he added.

Climate policy observer Melissa Low said: “The Government would have likely assessed that the loss of competitiveness from the higher carbon tax is greater than the loss of carbon tax revenue. So, this is an example of a trade-off being decided within the Government.”

Senior research fellow Kim Jeong Won from the NUS Energy Studies Institute noted that other countries with a carbon tax regime have also been offering similar allowances.

For example, Sweden's manufac-

turing companies that face tough competition have enjoyed a discount of more than 50 per cent on carbon tax for around two decades.

When asked how allowances impact the carbon tax regime, Dr Kim said such rebates can weaken the emissions-reducing effect of a carbon tax because companies can choose to just pay the tax if that is easier and less costly than decarbonising.

She added that the allowances might be unavoidable in the early stage of carbon tax implementation. But there are countries with a longer carbon tax history that have phased out or plan to reduce such “discounts” on emitters.

Prof Liang, who is also co-director of the Singapore Green Finance Centre, added: “Going forward, greater transparency around the volume and recipients of transitory allowances could help build public trust and reinforce the credibility of Singapore's climate commitments.”

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