

Singapore Says S\$5 Carbon Tax 'A Start' as It Eyes Higher Levy

Selina Xu

Bloomberg, 16th July 2021

Singapore is reviewing the planned increase in its carbon tax for businesses with a view to possibly raising the levy higher than earlier indicated, according to Minister for Sustainability and the Environment Grace Fu.

"We think there's room to move," said Fu on Friday in an interview with Bloomberg Television's Haslinda Amin and Rishaad Salamat. "We have some trajectory in mind and we think it's time to review that." The tax would likely be a "higher amount," she added after the interview.

Singapore was the first Southeast Asian nation to introduce a carbon tax in 2019, which is currently set at S\$5 (\$3.69) per ton of greenhouse gas emissions. The nation, which has laid out a blueprint to peak emissions by the end of this decade, has said this level and any potential hikes of the levy would be reviewed post-2023.

The industry can expect a revision "shortly" with details on this unveiled at the next budget in February, the country's top environment official said. Fu added the nation may set higher price targets, though at a pace that's acceptable to businesses.

"S\$5 is a start, it may not be sufficient to really tilt in favor of newer technologies," she said.

Ravi Menon, head of the country's central bank, signaled this week that the nation must boost the levy at a faster rate to meet its commitments to tackling climate change.

The original plan to gradually raise the tax to S\$10 to S\$15 a ton by 2030 may no longer be a sufficient impetus for emissions reduction and a restructuring to a greener economy, he said Wednesday in a speech to the Institute of Policy Studies at the Lee Kuan Yew School of Public Policy.

"We think it's necessary so as to put the right incentive for industries and for companies to look at the way they're making things and the way they're producing things," Fu said of the levy. "It is an important signal to the market that the carbon tax is being reviewed and we will announce it shortly."

Achieving zero-waste is also a key part of Singapore's green economy transition. The use of disposables has jumped amid the Covid-19 pandemic, turbo-charged by the surge in delivery orders during lockdowns. Yet, recycling rates remain low -- the country only recycled 4% of its plastic waste last year, according to data published by the National Environment Agency. That's down from 7% in 2016, and less than half the recycling rate from a decade ago.

Singapore won't ban single-use plastic bags, Fu said, pointing out that "plastic earns its bad reputation because of poor disposal". The island-state plans to invest in more capabilities to harness the value of plastics and recycle it "much much better" than what's currently done through investments in recycling infrastructure and technologies.

In 2020 alone, around 200,000 tons of disposables such as carrier bags and takeaway containers were discarded in Singapore -- enough to fill 400 Olympic-size swimming pools. The government has introduced a scheme to place the responsibility of collecting and recycling waste on the producers, Fu said. The first plan came into force on July 1 to help deal with the 60,000 tons of electronic waste generated by Singapore annually -- equivalent to every person in the city throwing away 70 mobile phones.

Energy Reset

Energy security is also a key concern for the city-state, which has been ramping up its solar deployment as it seeks to diversify and reduce its reliance on energy imports -- over 90% of its electricity is from imported natural gas.

"We want to quadruple our solar energy deployment," said Fu. Singapore is broadening its international collaboration efforts and looking into "potentially importing some of the renewable energies from the region."

Last year, Singapore announced its commitment to initiate a cross-border power trade of up to 100 megawatts with Laos, Thailand and Malaysia, which would allow the island-state to access hydro power from Laos starting from around 2022 to 2023. While the idea of connecting power plants and customers across Southeast Asia has been pursued for more than 20 years, it has been stymied by issues including lack of government coordination and infrastructure funding.

On Wednesday, the country opened one of the world's largest inland floating solar photovoltaic systems -- about the size of 45 football fields -- at Tengeh Reservoir. But despite having one of the highest densities of solar deployment in the world, only 2.3% of Singapore's total electricity capacity was from solar as of March 2020.

— *With assistance by Anand Menon, Joyce Koh, Siraj Dato, and Derek Wallbank*