

Industry Briefing for Carbon Tax-liable Facilities

Use of International Carbon Credits (ICC) for Carbon Tax Compliance

28 February 2024

Presented by: Andrew Saw
Carbon Mitigation Division (CMD)

1 Introduction

Publication of Guidance Document

- Taxable Facilities (TFs) could use ICC to off-set up to 5% of their carbon tax, starting from their 2024 taxable emissions onwards
- NEA published an **ICC Guidance Document in Dec 2023** with information on:
 - ICC surrendering process
 - Supporting documents to be submitted
 - Key timelines for submissions
- The Guidance Document is accessible at <https://www.nea.gov.sg/our-services/climate-change-energy-efficiency/climate-change/carbon-tax>
- A series of engagement sessions will be conducted in 2024 to guide TFs on the process:

Date	Engagements
28 Feb 24	<ul style="list-style-type: none">• Session to address TFs clarifications on ICC surrendering process and timelines
2 nd half of 2024	<ul style="list-style-type: none">• Webinars by Carbon Crediting Programmes (CCPs) on use of their registry for ICC sourcing, setting up accounts for procurement of ICC etc. The session(s) will be communicated to TFs when the date(s) is finalized.• Circulars to TFs

2 Matters to Take Note by TFs

Key Timelines

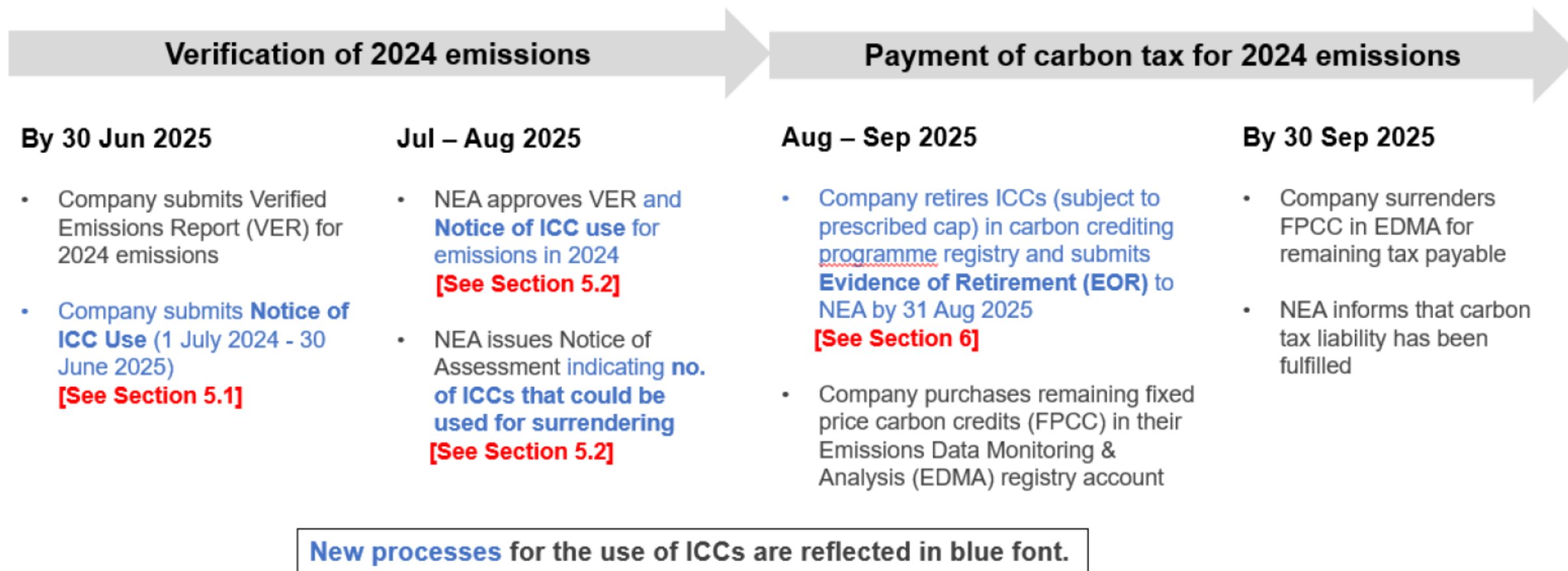


Figure extracted from page 6 of the ICC Guidance Document

Key Areas and Notable Points

Areas	Key Points	Other Important Remarks
Sourcing for eligible ICC	<ol style="list-style-type: none"> 1. Refer to Project Register for source of ICC https://www.carbonmarkets-cooperation.gov.sg/project-register/overall-register/ 2. Obtain Letter of Positive Examination (LOPE) or equivalent from the project developer. 3. TFs to set-up an account with the relevant CCP registry e.g. Gold Standard Impact Registry, Verra Registry to procure ICC. 	<ul style="list-style-type: none"> • Pending on project developer, LOPE may only be made available upon purchase of the ICC. • If the company chooses to make the purchase before NEA's acceptance of the Notice of ICC Use, the onus is on the company to ensure that the purchased ICC are eligible. Companies can arrange to consult NEA prior to purchase of ICC any time. • Webinars will be arranged with CCPs in 2H 2024 if necessary to guide TFs on setting up CCP accounts for ICC procurement.
Submitting Notice of ICC Use ("Notice")	<ol style="list-style-type: none"> 1. Application window is from 1 Jul 2024 to 30 Jun 2025 for emissions year 2024. 2. Form will be made available to TFs online 3. Taxable Facility to submit to NEA the completed "Notice" via EDMA. 	<ul style="list-style-type: none"> • NEA will inform on outcome of the Notice via the EDMA. Generally NEA will respond within 1-2 working weeks subject to any further clarifications as needed on the applications received • Applications received after the window period will be Notice for the following emissions year (i.e. year 2025 in this case).
Surrendering of ICC	<ol style="list-style-type: none"> 1. Submit the Evidence of Retirement (EOR) to NEA no later than 31 August 2025 via EDMA. 2. TF will receive an email notification from NEA that the surrender of ICC has been reflected in company's EDMA account. 	<ul style="list-style-type: none"> • TFs are encouraged to retire the ICC from their CCP account(s) after receiving the NOA from NEA. • For over-retired ICC, NEA will not refund, compensate and allow carrying over for carbon tax off-set.

Key Areas and Notable Points

Areas	Key Points	Other Important Remarks
ICC that are delisted	<ol style="list-style-type: none"> Carbon credit methodologies and programmes that no longer meet SG's Eligibility Criteria (EC) based on latest available science/evidence will be delisted by NEA. NEA will publish a Notice of Delisting before removing them from the Eligibility List on the immediate 1 July. See below for illustration on timeline. 	<ul style="list-style-type: none"> Before the Notice of Delisting is published, methodologies, programmes and/or projects will be indicated as 'under review' in the EL and/or IA project register. During the notice period, TFs may continue to submit the Notice of ICC Use for the delisted ICC only if they are able to furnish additional documents to demonstrate that the ICC were sourced before the Notice of Delisting was published.

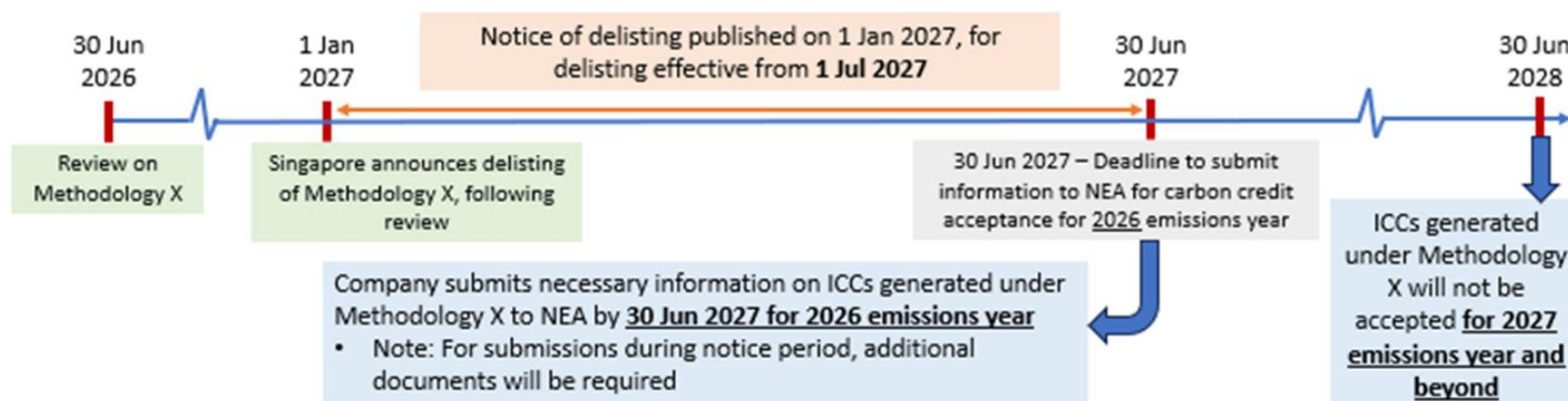


Figure extracted from page 9 of the ICC Guidance Document

3 Q&A

Eligibility Criteria

1. What is the regulatory framework governing the issuance, trading, and retirement of carbon credits, including any standards or certifications required?

Under the ICC framework, carbon tax-liable companies have the option to tap on eligible ICC to fulfil part of their carbon tax liability. For an ICC to be eligible, it is required to meet seven internationally recognised principles to demonstrate high environmental integrity and represent emissions reductions or removals that occur within the timeframe specified under Article 6 of the Paris Agreement.

On 19 December 2023, the Government published the Eligibility List for ICC under the carbon tax regime, which was a list of eligible host countries, carbon crediting programmes and methodologies that adhere to Singapore's Eligibility Criteria. **ICC which are issued from an eligible carbon crediting programme, methodology and host country would be considered eligible.**

Carbon tax-liable companies which wish to use eligible ICC for carbon tax offset would need to retire the eligible ICC in the relevant carbon crediting programme registry and have the evidence of retirement submitted to NEA as part of surrendering. Details on how to perform ICC retirement can be found in section 6.1 of the guidance document.

Eligibility Criteria

2. Can we purchase carbon credits from other countries other than those countries that have signed implementation agreements with the Singapore government to offset carbon tax?

No. Carbon credits from projects hosted in countries without an implementation agreement with SG are not eligible under the SG ICC Framework.

Notice of Delisting

3. Based on the illustration for notice of delisting, carbon credits under delisted methodology(ies) will not be accepted for retirement pertaining to emissions in that relevant year and beyond. Is there a scenario where NEA issues Notice of Delisting on any other days besides 1st Jan, effective 1st Jul?

NEA may issue a Notice of Delisting on other days besides 1st January but Delisting always occurs on the immediate 1st July after the notice.

However, before the Notice of Delisting is published, methodologies, programmes and/or projects will be indicated as 'under review' in the EL and/or IA project register. So companies will have ample advance notice of a potential delisting.

During the notice period, taxable facilities may continue to submit the Notice of ICC use for the "to-be-delisted ICCs" only if they are able to furnish additional documents to demonstrate that the ICCs were sourced before the Notice of Delisting was published.

Notice of Delisting

4. Can credits accepted by NEA for 2026 emissions year be used for retirement in 2027 when it was included in the Notice of Delisting on 1 Jan 2027 and subsequently delisted on 1 July 2027?
5. Can excess of such credits be retired in 2028 for 2027 emissions?

If the ICC was accepted by NEA for emissions year 2026, you may use it for payment of carbon tax for emissions year 2026 when retiring in 2027, even if the methodology had been delisted on 1 July 2027.

After the methodology has been delisted, NEA will no longer accept submission of Notice of ICC Use for ICC that uses the delisted methodology. The surplus credits for the delisted methodology will not be accepted for 2027 emissions. Companies may use or trade them in the voluntary market.

Notice of ICC Use

6. Must carbon tax-liable entities decide on the project for retirement during the submission of the Notice of ICC Use? Will changes to project selection be possible after submission has been made?

Yes, the taxable facility will need to provide information on the project(s) (e.g. project ID) when submitting the Notice of ICC Use. Multiple projects may be submitted for each application.

For emissions year 2024, the taxable facility may submit the Notice of ICC Use from 1 July 2024 to 30 June 2025. Submissions after 30 June 2025 will be considered for emissions year 2025.

The onus of ensuring that a company correctly acquires eligible ICCs rests with the company. Consultations with NEA prior to acquisition can be arranged any time. The purpose of the Notice of ICC Use is for the company to affirm to NEA on acquisition of eligible ICCs that will be retired for carbon tax offset.

Notice of ICC Use

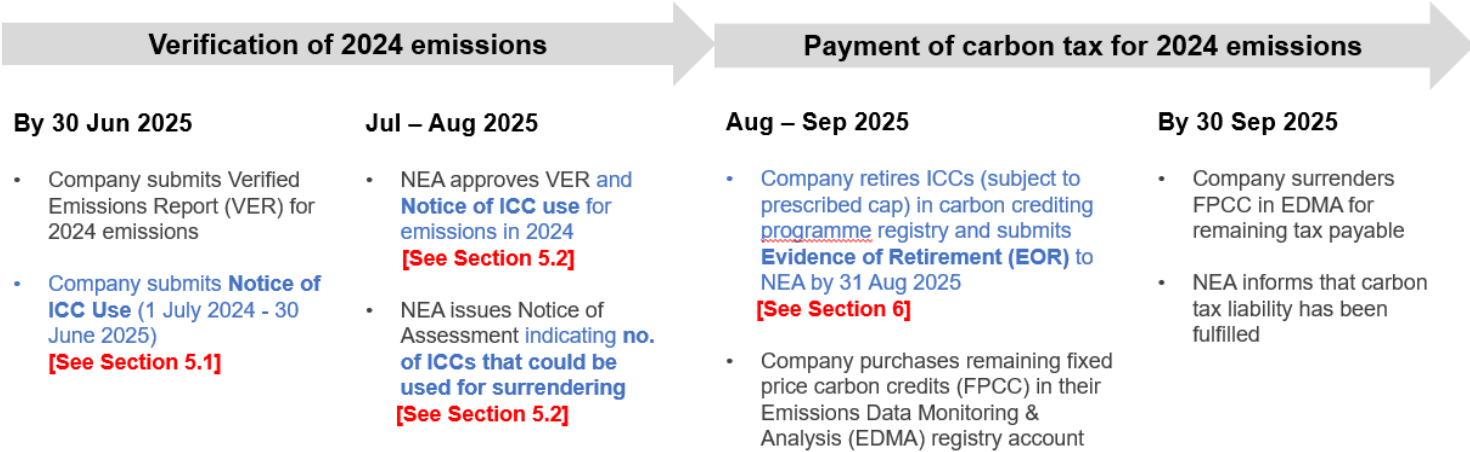
7. Can carbon tax-liable entities submit a Notice of ICC Use earlier e.g. in Apr 2024 if it wishes to start procurement? Or is it necessary to wait until after 1st Jul 2024 to submit.

For emissions year 2024, the taxable facility may submit the Notice of ICC Use from 1 July 2024 to 30 June 2025. In the meantime, should companies have any queries on ICC eligibility, you may reach out to NEA separately at NEA_ICC@nea.gov.sg

Notice of ICC Use

8. If carbon tax-liable entities submit Notice of ICC Use on Jul 2024, when will NEA be able to provide the approval?

NEA will respond within 1-2 weeks subject to any further clarifications as needed on the application.



New processes for the use of ICCs are reflected in blue font.

Notice of ICC Use

9. In the Guidance Document, the LOPE (Letter of Positive Examination) needs to be submitted together with the Notice of ICC Use, & after NEA accepts the Notice, TF can then procure the relevant ICCs. Yet, LOPE is only issued when the ICCs are purchased. This seems to suggest that we have to purchase the ICCs first (& get the LOPE) before submitting the Notice, & not after when the acceptance from NEA comes in.

The Notice of ICC Use is for TF to inform NEA if there is intention to use ICC, the secondary aim (if applicable) is also for TF to check in with NEA on the acceptability of the ICC before purchase. However, we understand that some Project Developer (PD) may ask for payment before sharing the LOPE. TFs should negotiate business arrangements directly with the PD.

Notice of Assessment

10. Per section 3.3 of the guidance document, the latest date that taxable entities will receive the NOA is 31st Aug but at the same time, the submission of EOR by taxable entities to NEA is also 31st Aug. Will NEA be able to provide the NOA by Mid July to allow time for the execution of retirement and submission of EOR?

Companies should receive their NOA by mid August after NEA approves the verified emissions reports. Thus, companies have about 2 weeks to (i) retire the ICC in the CCP registry; and (ii) submit the EOR to NEA.

Notice of Assessment

11. Can the payment of ICC and fixed price carbon credits (FPCCs) be done co-currently once NOA is issued (that we know how much need to be purchased for each type) to avoid delay and penalty?

12. If Taxable Facilities (TFs) hold on to the “excess” ICCs purchased for 2024, are they able to use it for 2025?

Payment for ICC is not done to NEA.

Once the NOA is issued (in August) it may be too late to begin the process of acquiring ICCs, that is why NEA only accepts the Notice of ICC Use up till 30 June. Companies are advised to estimate the amount of ICCs based on past years' verified emissions. Any excess eligible ICCs may be used up to 2030, on condition there is no notice of delisting (i.e. the Notice of ICC Use for the subsequent emission years will be accepted)

While Taxable Facilities (TFs) may sequence the purchase as necessary as long as full payment is performed by 30 September, TFs are encouraged to surrender the remaining FPCCs after ICC offset. This is because the system is designed to reflect the number of ICC successfully surrendered in your EDMA registry account, such that you will know the number of remaining FPCC that you will need to buy and surrender.

Recourse after Retirement of ICC

13. On page 13 of the Guidance Document, it is stated that “There will be no recourse in the event ICC is inadmissible due to incorrect information.” Can we have an example on how strictly this is implemented?

We are referring to cases where companies have retired the wrong credits (i.e. those that we did not accept per the Notice of ICC use) or where companies have retired in excess of the 5% limit.

We will not be able to recognise the wrong credits or what had been retired in excess. In cases where companies have made a typo (e.g. company name, RA account number, NOA number), NEA will seek clarification before making an assessment. Companies must be vigilant in making their ICC retirement on the CCP registry as retirement cannot be reversed to ensure environmental integrity.

Registry Linkages & API

14. Which registries are linked to the ICC Registry via API? Does the API pick up retirements performed by third parties/different entities on behalf of the taxable facilities?

Inter-registry API linkages between the ICC Registry and carbon crediting programmes' registries are still in development. NEA will provide updates in due course.

Registry Linkages & API

15. For non-API linked registries, is any other Evidence of Retirement (EOR) required besides what is stated in Annex D “Step-by-step Guide on Retirement and Retrieval of EOR from CCP Registry”?

No, although NEA will reach out if additional documents or information are required.

Restrictions on Specific Methodologies and Project Types

16. It is noted that Carbon Capture and Storage (CCS) methodologies were excluded. Does this mean the government does not intent to recognize technology removal and reduction credits from decarbonization activities like Direct Air Capture (DAC), Bioenergy with Carbon Capture and Storage (BECCS) or CCS?

Singapore's eligibility criteria minimally reference CORSIA standards. The Eligibility List will be reviewed annually to maintain relevance and uphold high environmental integrity standards, based on the latest science and evidence.

As the CCS landscape develops, we will evaluate and consider these emerging methodologies. We welcome companies to inform us of any methodologies that are of interest.

In proposing new methodologies, companies should minimally ensure that they have been accepted by a carbon crediting program in the Eligibility List for the particular host country.

Engaging Third Party Service Providers

17. If a third party (e.g., a brokerage firm) is used to facilitate the purchase and retirement of ICCs, is it the government's expectation that information regarding the company purchasing/ surrendering the credits be accessible to the public?

The visibility is subject to the company(ies) preference. Information that will be publicly accessible (e.g. identity of retiring entity) is dependent on what is provided when following the steps in Annex D of the guidance document. For some carbon crediting programmes (GCC, Gold Standard, Verra), there are optional checkboxes to control the visibility of retirement information.

Engaging Third Party Service Providers

18. Are there any deviations to the published process should third parties or different entities perform the retirement on behalf of taxable facilities?

No, there are no deviations for the ICC retirement process. Please refer to Annex D for the step-by-step ICC retirement process with the five different carbon crediting programmes.

Do note that the registered person of the taxable facility under the CPA will still be responsible for the submission of all ICC-related documentation (e.g., Notice of ICC Use, EOR) to NEA, and will be held liable should any required documents be lost, damaged, submitted after the deadline, or found to be fraudulent.

Furthermore, where manual submission of EOR is required in the absence of API linkage, NEA will not accept EOR submitted by third-party service providers in any circumstance on behalf of the registered person. The third-party service provider may not sign any documents or attestations in any circumstance on behalf of the registered person and may only communicate with NEA in conjunction with the registered person.

Role of GHG Manager

19. What is the GHG manager's roles and responsibilities in this ICC work process?

There is no prescribed role for GHG managers in the ICC workflow.

ICC from Revoked Projects

20. If an eligible project is revoked in a host country where an Implementation Agreement is in place between Singapore and the host country, how would the government treat the ICCs from this project that have been retired to offset taxable emissions and any ICCs that we have contracted to use for offset in the future?

Projects authorised under an Implementation Agreement to generate eligible credits could have their authorization revoked by Singapore and the host country for reasons such as environmental integrity concerns etc.

Should the authorisation of a project be revoked, NEA will continue to accept credits for carbon tax offset if NEA had already accepted the Notice of ICC Use for that particular emissions year, or if the credits had been retired and surrendered for previous emissions years.

The eligibility of credits that have not yet been accepted as part of the Notice of ICC Use will be assessed on a case-by-case basis.

Status of Implementation Agreements and Carbon Credit Projects

21. What is the government's plan to increase the number of implementation agreements with countries?

Singapore most recently signed an implementation agreement with Papua New Guinea in December 2023.

In addition, we have substantively concluded negotiations with Ghana, Paraguay, Vietnam and Bhutan. There are also ongoing advanced discussions with some countries that have MOUs like Chile, Mongolia and Peru.

Please refer to the website: <https://www.carbonmarkets-cooperation.gov.sg/our-article-6-cooperation/singapores-art-6-cooperations/implementation-agreements/> for latest updates on the implementation agreements established with countries

Status of Implementation Agreements and Carbon Credit Projects

22. What is the status of ICC Whitelist project(s) approved by NEA? Can we have a view of the Credit Prices and Credit Inventory of the whitelist project(s)? Does NEA regulate the inventory and cost of the credits of each project?

There are currently no ICC that companies can purchase for offsetting. Information on the application and authorisation processes will be on the Carbon Cooperation Website. Authorised projects will also be listed on the Register on the website <https://www.carbonmarkets-cooperation.gov.sg/project-register/overall-register/>.

NEA does not regulate the price of the ICC as that is based on the market between the seller and the buyer.

Guidance on Submissions for EOR and Notice

23. Will there be any workshop to guide taxable facilities on how to perform the steps for submitting Evidence of Retirement (EOR), and relevant notice(s) via EDMA?

User guides on the new steps will be shared with Taxable Facilities in time for the submissions.

There are currently no plans to hold such workshops. We will inform Taxable Facilities if there are plans to conduct them.

Our Environment

Safeguard • Nurture • Cherish