

August 2025

Eligible International Carbon Credits under the Carbon Pricing Act: The State of Play and Implications for Businesses

The National Environment Agency (“NEA”) recently announced that carbon tax-liable companies will be allowed to roll over into 2025 their unused limit of eligible international carbon credits (“EICCs”) from 2024. This decision arose out of the current limited supply of such credits. This update explains what EICCs are, how they work under the Carbon Pricing Act 2018 (“CPA”), the process of sourcing and obtaining them, and the key issues these companies should be aware of—including the present constraints, regulatory uncertainties, and implications.

What Are EICCs?

Under the CPA, carbon tax can be paid through fixed-price carbon credits (“FPCCs”) purchased directly from NEA.

EICCs are carbon credits generated outside Singapore. From 2024 onwards, one EICC can be surrendered in place of one FPCC, subject to a cap of 5% of a facility’s total emissions for that year. This in effect gives companies access to international carbon markets, provided the international carbon credits (“ICC”) meet prescribed eligibility criteria and are accepted by NEA as EICCs.

Eligibility Criteria

For a carbon credit to qualify as an EICC, it must satisfy eligibility criteria under the Carbon Pricing (Carbon Tax, Carbon Credits and Registries) Regulations 2020, namely:

- Reductions/removals must occur between 2021 and 2030.
- No double counting.
- Additionality (reductions would not have happened without the project).
- Real, quantifiable, and verified reductions.
- Permanence (not reversible).
- No net harm to local communities or ecosystems (compliance with local laws and international obligations of host countries).
- No leakage (emissions shifting elsewhere).

These standards ensure that credits are robust, credible, and aligned with Singapore’s commitments under the Paris Agreement.

Acceptance by NEA of Use of ICCs as EICCs

For an ICC to be used as an EICC for tax payment, companies must submit a “Notice of ICC Use” with NEA between 1 July of the emissions year and 30 June of the following year.

The application must include:

- Information about the ICCs.
- The “Letter of Positive Examination” from the host country, confirming the issuance of “International Transferred Mitigation Outcomes” (“ITMO”), which authorises Singapore to use the credits to meet its own nationally determined contribution (“NDC”) under the Paris Agreement.
- Documentary evidence of acquisition of the credits.

NEA retains discretion on whether to accept or reject a notice, and has indicated that rounds for rejection of the notice include:

-
- Failure to meet eligibility criteria.
 - Lack of corresponding adjustments by the host country (to prevent double counting of ITMOs for meeting Singapore and the host country's respective NDCs).
 - Fraud or other serious violations.

This discretion creates some uncertainty for companies, as NEA's decisions are final, and the extent of its discretion is not fully defined and may depend on external factors beyond a company's control.

How Companies Can Source EICCs

Companies may source EICCs through:

1. **Eligibility List** – This list is maintained by NEA and specifies approved host countries, carbon crediting programmes, and methodologies. Companies may purchase from developers or intermediaries, credits from projects that satisfy the Eligibility List and are authorised by Singapore and the relevant host country pursuant to Implementation Agreements (“IA”) between the two countries. Singapore has so far signed IAs with eight countries to date – Ghana, Papua New Guinea, Bhutan, Chile, Peru, Rwanda, Paraguay, and Thailand.

The Eligibility List will be updated annually to include the addition of new carbon crediting methodologies and/or programmes and the delisting of carbon crediting methodologies and/or programmes. NEA will publish a “Notice of Delisting” each year before removing them from the Eligibility List on the immediately following 1 July after the notice.

During the period a methodology or programme is on the Notice of Delisting, companies may continue to submit the Notice of ICC Use to obtain NEA acceptance for use as EICCs, credits from projects that are authorised under the methodology or programme to be delisted only if they are able to furnish documents to demonstrate that the credits were sourced before the Notice of Delisting was published.

2. **ICC Project Development** – Companies may also develop their own ICC projects in host countries that have entered into IAs with Singapore. Projects must undergo a multi-stage authorisation process, including concept submission, detailed assessment, validation by third-party auditors, registration of project with the approved carbon crediting programme and methodology, and eventual issuance and transfer of ITMOs. The actual authorisation process will depend on the IA concerned, which in turn depends on the requirements of both parties to the IA.

In this regard, certain Singapore requirements stand out for mention as they are additional to the requirements for the transfer of ITMOs between Party States under the Paris Agreement:

- Project developers must make a monetary contribution equivalent to 5% share of proceeds of the credits generated under its IAs towards the host countries' adaptation actions and/or UN Framework Convention on Climate Change Adaptation Fund.
- In support of an overall mitigation of global emissions (“OMGE”), 2% of credits generated under Singapore's IAs are further required to be cancelled at issuance.
- All credits authorised under its IAs must be sold or transferred first to a Singapore-based “Eligible Entity.” This is designed to grow Singapore's role as a carbon services hub.

Surrender of EICCs

Once a Notice of ICC Use is accepted by NEA, companies must formally retire the EICCs by 31 August of the year following the emissions year and provide the “Evidence of Retirement” (“EOR”) to NEA. The surrender of EICC takes effect upon the acceptance by NEA of the EOR. NEA has discretion whether to accept or reject the notice. Grounds for rejection of the EOR are said to include:

- If it is incomplete.
- If it contains information that was inconsistent with the information submitted in the Notice of ICC Use accepted by NEA.

-
- If the credits were retired prior to the date of the notice of assessment of carbon tax.

There is no indication that these grounds are intended to be exhaustive, and it appears that NEA retains the discretion to reject the EOR on other unspecified grounds. This creates some uncertainty for companies.

If the EOR is accepted, the EICCs offset part of the company's carbon tax liability, with the remainder payable in cash by 30 September.

Current Constraints on Supply of EICCs

Despite the EICC framework being in place, the supply of EICCs remains constrained. This may be due to or aggravated by the following factors:

1. **Time Lag in Project Development** – Projects require lengthy validation and authorisation before credits can be issued and transferred as ITMOs. It was reported in May 2025 that of all its IAs, the one between Singapore and Ghana, which was entered into in May 2024, has made the most progress, with more than 10 projects having received initial approval. For reference, it took 18 months after Switzerland's IA with Thailand in 2022 before the first ITMO transfer occurred under the IA in 2024.
2. **Price Considerations** – EICCs are attractive to companies only if they are cheaper than FPCCs, currently priced at S\$25 per credit (rising to S\$45 in 2026, and S\$50 to S\$80 by 2030). Again, for reference, the first and only ITMO transfer so far was from Thailand to Switzerland in 2024 and transacted at above US\$30 per credit, making the authorisation of projects and sale of credits under Singapore IAs potentially less attractive to developers in the near term.
3. **Additional Requirements** – Singapore has imposed additional requirements for the authorisation of projects and issuance of ITMOs under its IAs, taking reference from international norms and best practice to ensure a high standard of environmental integrity for EICCs, and to grow Singapore as a carbon services hub. These requirements potentially add to the financial and administrative burden of developers seeking the authorisation of projects under these IAs, and include:
 - Contribution to adaptation efforts.
 - Cancellation of credits at issuance for OMGE.
 - Mandatory transfer to "Eligible Entities".
4. **Uncertainties** – Questions remain around how NEA will exercise its discretion to accept the use of ICCs as EICCs, whether acceptance is revocable, and the implications to authorised projects if approved methodologies and programmes are later delisted from the Eligibility List. Questions also remain on how NEA will exercise its discretion on acceptance of the EOR of EICCs. These uncertainties may discourage investment in projects to generate credits for use as EICCs.

Implications for Businesses

For carbon tax-liable companies, EICCs present both opportunities and risks:

- **Cost Management** – As the carbon tax rate rises, EICCs could become an attractive compliance option if priced competitively against FPCCs.
- **Regulatory Uncertainty** – Companies face regulatory risk, as NEA's acceptance of ICCs as EICCs is discretionary and may inter alia depend on the host country of authorised projects meeting their reporting obligations under the Paris Agreement to effect corresponding adjustments to prevent double counting of ITMOs by Singapore and the host country. NEA's acceptance of the EOR of EICCs is also discretionary. Companies should therefore continue to monitor developments in NEA practice and guidance on how it exercises its discretion in these matters.
- **Constrained Supply** – With few authorised projects to date, the availability of EICCs may remain limited in the near term, potentially leaving companies reliant on FPCCs. Over time, as more IAs mature and projects come online, the market for EICCs should expand, offering companies greater flexibility and potentially lower compliance costs. But this is by no means certain as the demand for credits for use as ITMOs to be meet NDCs

and other international mitigation outcomes such as the offsetting of emissions from international aviation may rise as well. Companies should therefore continue to monitor carbon pricing trends.

Conclusion

EICCs provide carbon tax-liable companies with a potentially valuable tool to manage rising carbon costs while supporting international climate action. But the implementation of this tool is still nascent, and practical challenges remain.

While the supply of EICCs may grow and become a more meaningful part of tax compliance strategy in the longer term, in the near term, companies should:

- Plan conservatively, assuming limited EICC availability.
- Track updates to the Eligibility List and NEA practice and guidance on how it exercises its discretion on acceptance of ICCs as EICCs and acceptance of EOR of EICCs.
- Explore opportunities to engage in ICC project development or partnerships in eligible host countries for the generation of ITMOs under Singapore IAs, keeping in mind regulatory uncertainties.

Should you have any queries on this case update or generally, please feel free to contact the undersigned.

For more information, please contact:

Dr Joseph Chun

Partner

T: +65 6439 0759

E: joseph.chun@shooklin.com

Shook Lin & Bok LLP

1 Robinson Road #18-00 AIA Tower Singapore 048542 T +65 6535 1944 F +65 6535 8577 E slb@shooklin.com W www.shooklin.com

Shook Lin & Bok LLP (Unique Entity No. T07LL0924K) is a limited liability partnership registered in Singapore.

This information is provided for general information and does not constitute legal or other professional advice. Specific advice should always be sought in relation to any legal issue. Shook Lin & Bok LLP does not accept any responsibility for any loss which may arise from reliance on the above information.