

## BUILDING CONFIDENCE IN CARBON MARKETS

1. The National Climate Change Secretariat (NCCS), the Ministry of Trade and Industry (MTI), and Enterprise Singapore (EnterpriseSG) jointly issued a draft guidance today on how companies can voluntarily use carbon credits as part of a credible decarbonisation plan. The public is invited to provide feedback.

2. A carbon credit is a certificate representing the reduction or removal of greenhouse gas emissions. Carbon markets, which facilitate the buying and selling of carbon credits, are a critical enabler for the global transition to net zero. They help to (i) channel capital to decarbonisation projects that would have otherwise not occurred, especially in emerging markets and developing economies; and (ii) provide companies a complementary tool to meet their decarbonisation targets in the face of hard-to-abate emissions. Entities may purchase carbon credits for compliance<sup>1</sup> or voluntary purposes. Carbon credits used by companies to meet their voluntary climate commitments are traded on the voluntary carbon market (VCM).

3. However, the growth of carbon markets has been constrained by a few factors. One of the main challenges in the VCM is the lack of standardisation which has led to confusion around various industry-led standards. This has undermined market confidence and companies concerned about reputational risks are holding back from the VCM. From industry engagements over the past year, we have received feedback on the need for the government to provide guidance on the VCM, including how companies can use carbon credits as part of a credible decarbonisation plan and how to determine a high-quality carbon credit.

4. In response to this industry feedback, NCCS, MTI and EnterpriseSG have worked with the [Singapore Sustainable Finance Association \(SSFA\)](#) and industry partners across the carbon credit value chain to draft guidance for companies looking to purchase carbon credits. The guidance:

- (a) aligns to approaches that governments have agreed to adopt as buyers of carbon credits under Article 6 of the Paris Agreement, where relevant;
- (b) emphasises that carbon credits should have high environmental integrity;
- (c) enjoins companies to prioritise all feasible abatement efforts before considering the use of credits to address remaining emissions; and
- (d) clarifies that corresponding adjustments do not apply to credits purchased by companies looking to meet their voluntary climate commitments as these credits are not counted towards Nationally Determined Contributions.

<sup>1</sup> Examples of compliance purposes include meeting regulatory requirements and national commitments under the United Nations Framework Convention on Climate Change.

5. The draft guidance is part of the Singapore government's broader strategy to promote a vibrant, high-integrity carbon market. Key initiatives include:

- (a) allowing carbon tax-liable companies to use eligible [Article 6-compliant carbon credits](#) to offset up to 5% of their taxable emissions;
- (b) requiring companies to disclose the role of carbon credits in their decarbonisation strategy, as part of climate reporting requirements aligned to the International Sustainability Standards Board;
- (c) supporting supply of high-quality Article 6 carbon credits through the Carbon Project Development Grant<sup>2</sup>;
- (d) building a vibrant carbon services and trading ecosystem in Singapore, comprising project developers, traders, advisory firms, and monitoring, reporting and verification (MRV) services;
- (e) rolling out capacity building opportunities for carbon projects in the region; and
- (f) engaging like-minded countries to provide consistent guidance to companies on carbon credits<sup>3</sup>.

6. The industry has also been taking steps to grow the carbon markets. For example, SSFA is surveying companies for a potential Claims Guidance Code to complement the Singapore Government's VCM guidance, and is cooperating with regional carbon market associations under the ASEAN Common Carbon Framework to support high-quality credit supply and demand signals.

7. NCCS, MTI and EnterpriseSG invite businesses and members of the public to provide feedback on the scope and content of the draft VCM guidance by 20 July 2025. The draft guidance can be found in [Annex A](#). Feedback can be submitted via <https://www.go.gov.sg/vcmguidance> from 20 June to 20 July 2025.

## **Annex A: Draft Guidance on Voluntary Carbon Market**

**NATIONAL CLIMATE CHANGE SECRETARIAT (NCCS)**

**MINISTRY OF TRADE AND INDUSTRY (MTI)**

**ENTERPRISE SINGAPORE (EnterpriseSG)**

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<sup>2</sup> At COP29 in November 2024, the Economic Development Board (EDB) launched the Carbon Project Development Grant to provide support for leading project developers to originate early-stage Article-6 carbon projects. The Temasek Trust Foundation Advisors is partnering EDB to crowd in philanthropic capital for projects supported by the grant.

<sup>3</sup> Singapore will be co-leading an initiative to be announced on 24 June 2025 during London Climate Action Week.

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