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Reflecting on Singapore's 2025 Climate Policy Package: Reshaping Rules for Value Creation, Capital Access & Competitiveness

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Executive Summary

Singapore's climate policy package of 2025 reshaped both the cost of capital and the licence to operate for investors and businesses. Beyond incremental compliance, 2025's climate policy package – tighter disclosure timelines, a rising carbon tax, European Union ("**EU")** / United Kingdom ("**UK**") Carbon Border Adjustment Mechanism ("**CBAM**")-readiness work, scaled cross-border power imports, operational Article 6 frameworks for carbon credits and sector measures such as the sustainable aviation fuel ("**SAF**") levy and data-centre standards – rewired incentives and market architecture so that demonstrable decarbonisation, resilience and disclosure now determine access to markets, finance and capacity allocations.

In this article, we distil these formative developments on Singapore's climate policy in 2025 and provide actionable recommendations for Singapore businesses and investors.

If you have any queries or matters to discuss, please feel free to contact members of our Sustainability Practice.

Policy Direction: Firmer Targets, Clearer Tools

2025 Developments

2035 NDC

The Government sharpened medium-term ambition by submitting a 2035 Nationally Determined Contribution ("**NDC**") that further lowers expected emissions to 45 to 50 million tonne carbon dioxide equivalent ("**$MtCO_2e$**") from the prior 2030 NDC of 60 $MtCO_2e$. This aims to support Singapore attaining its net zero emissions by 2050. To help finance clean energy and adaptation infrastructure, the Singapore 2025 Budget topped up the Future Energy Fund established in 2024 by S$5 billion and the Coastal and Flood Protection Fund by S$5 billion, respectively.

National Adaption Plan

The 2025 Addendum by the Singapore Ministry of Sustainability and Environment previews a first National Adaptation Plan. The Plan will serve as a long-term roadmap on resilience strategies to address climate change impacts. The Government also emphasised continued focus on climate mitigation levers relating to carbon tax, carbon markets, carbon capture, utilisation and storage ("**CCUS**") and nuclear capability building, with technology partnerships and use of AI/data to improve delivery.

Actionable Recommendations

For corporates and financiers, this translates to two investable theses:

- First, the government has created stable policies for carbon pricing, international carbon credit trading (under Article 6 of the Paris Agreement) and cross-border electricity imports. The effect is to reduce the financial risks associated with regulatory changes, making project financing and M&A deals more attractive.

- Second, dedicated government funding for large-scale decarbonisation and climate adaptation projects is designed to attract private investment. Priority will be given to proposals that demonstrate high standards of integrity and can be reliably verified.

Future Energy Fund	
Objectives	• Support infrastructure investments for Singapore's energy transition towards a net-zero future. • Provide financial support to catalyse energy transition projects to secure low-carbon energy supplies to meet Singapore's decarbonisation ambitions.
Total Funding	S$10 billion in total
Administered by	Energy Market Authority ("**EMA**")
Supported Project	Examples of projects that may be supported: • Undersea cables to import low-carbon electricity. • New hydrogen terminals and pipelines. • Infrastructure supporting deployment of nuclear energy.

Climate Risk Management: From Principle to Operations

2025 Developments

Climate Physical Risk Management

Climate physical risk management, which addresses risks associated with natural disasters and long-term environmental impacts on assets and supply chain, is now operational. This is supported by SEEDS Capital's S$150 million co-investment pool for deep-tech, as well as Singapore Office for Space Technology and Industry's Earth Observation Initiative for environmental data monitoring to inform critical sustainability and humanitarian impact areas.

A national heatwave response plan clarifies temperature triggers – three consecutive days with daily maximum ≥35°C and mean ≥29°C – thereby complementing the National Environment Agency's ("**NEA**") heat stress advisory and the Ministry of Manpower's workplace heat measures.

Flood resilience was strengthened through the Sewerage and Drainage (Amendment) Act 2024, expanding penalties for illegal discharges, tightening controls on drainage works and enhancing PUB powers to protect NEWater and stormwater systems.

Food security goals were reframed toward 2035 output targets - 20% local fiber and 30% local protein.

Actionable Recommendations

Boards of enterprises in Singapore should use these developments as concrete triggers for enterprise risk and continuity planning in the following key aspects:

- Facilities design, shift scheduling and occupational health protocols should incorporate heat/wet bulb globe temperature thresholds into standard operating protocols.
- Procurement, wastewater management and construction contracts must reflect stricter drainage and discharge liabilities. Beyond compliance, developers leveraging integrative flood resilience designs can improve risk allocations and access to sustainable financing.
- Agrifood operators and investors should align their strategies with projected demand trends for 2035 and incorporate new instrumentation/data layers for yield and compliance monitoring.

Singapore Food Story 2			
Diversify Imports	**Grow Local (by 2035)**	**Stockpile**	**Global Partnership**
• Expand food supply networks by partnering with industry and other Governments around the world.	• 20% of local consumption of fiber (fresh leafy and fruited vegetables, beansprouts and mushrooms). • 30% of local consumption of protein (eggs and seafood).	• Build up capability to stockpile essential food items.	• Strengthen Government-to-Government relations to safeguard food flows.

Climate Accountability: Corporate Disclosure, Assurance

2025 Developments

Corporate Reporting

On corporate reporting, the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation ("**SGX RegCo**") confirmed that all listed issuers must report Scope 1 and 2 greenhouse gas (GHG) emissions from FY2025, and introduced a three-tier phasing for broader International Sustainability Standards Board-based disclosures, Scope 3, and limited assurance of Scope 1 and 2, based on market capitalisation and status on the Straits Times Index. SGX RegCo, working with the Institute of Singapore Chartered Accountants, published a roadmap to support issuers in meeting the relevant reporting timelines. An updated Listing Compliance Toolkit for Sustainability Report sets out capability-building expectations. For large non-listed companies, Scope 1 and 2 reporting starts from FY2030 and limited assurance from FY2032. Enterprise Singapore launched an SME Sustainability Hub to centralise support.

Use of Carbon Credits

Singapore also finalised voluntary guidance on corporate use of carbon credits, covering selection of high-integrity credits, claims framing, delivery risk and recommended disclosures, alongside Shared Principles under the new government-led initiative, The Coalition to Grow Carbon Markets. With the Shared Principles, the Government signals potential policy support such as incentives, national guidance, clearer regulations and recognition for adopters.

Postponing limited assurance is not a reprieve but provides a runway to harden data systems, controls and governance so emissions disclosures are audit-ready. Expertise in controls and governance are expected to be built up and matured with the toolkits and support platforms in place. We expect that the consequence would be that due diligence protocols, lenders' environmental, social and governance ("**ESG**") risk management considerations and buy-side engagement would converge into assurance-grade Scope 1/2 data ahead of the regulatory start line.

Actionable Recommendations

The shift towards corporate climate accountability brings about the following impact:

- For businesses, voluntary carbon credit use must be nested within a reduction-first strategy, with claims aligned to the relevant guidance and backed by transparent disclosures. It is important that marketing teams update brand governance and representations to comply with the standards set by the Competition and Consumer Commission of Singapore ("**CCCS**") or Advertising Standards Authority of Singapore ("**ASAS**") to mitigate greenwashing risk. Investors can assess governance quality by testing portfolio companies against these enhanced norms.

- Deficiencies in integrity will be costly as advertisers are now facing stricter scrutiny. For example, ASAS took action against an "eco-friendly" flight promotion. Further, the CCCS guide on quality-related claims now applies to all forms of expression, including words, images and certifications.

- The International Court of Justice's 2025 Advisory Opinion on Obligations of States in respect of Climate Change enables international law principles and climate treaties to be used to require a State to take action to enforce corporate accountability and regulate extra-territorial impacts of business activities with the objective of preventing significant climate harm.

Carbon Pricing: CBAM Readiness

2025 Developments

Carbon Tax

Singapore's carbon tax is set at S$45/t$CO_2$e in 2026, with unused 2024 offsets to be carried over to 2025. The Ministry of Trade and Industry ("**MTI**") has commissioned work to align Singapore's domestic carbon pricing with other trade-related carbon pricing regimes (e.g. EU or UK CBAM) for Singapore exports that are affected.

Implementation Agreements

On Article 6, Singapore expanded its cooperation map, signed Implementation Agreements with nine countries separately, and opened calls for project authorisation with Peru and Bhutan. An eligibility list with Thailand clarifies acceptable programmes and methodologies, while the Article 6.2 Crediting Protocol with Gold Standard and Verra standardises roles, labelling and reporting. NEA appointed three carbon rating providers to support integrity assessments under the International Carbon Credit framework.

Crucially, Singapore is becoming a scaled buyer. The first Request for Proposal ("**RFP**") awarded 2.175 Mt of nature-based credits valued at ~S$27 million (2026–2030) after a heavily subscribed tender. A second RFP was launched on 31 October 2025 which includes both technology-based and nature-based projects generated from countries that Singapore has signed Implementation Agreements with. This second RFP seeks a wider range of emissions reduction and removal efforts, a stricter delivery threshold (i.e. each project has to deliver at least 25,000 tonnes per annum ("**tpa**") of carbon credits) and takes on a portfolio approach (i.e. developers are required to deliver a diverse portfolio of carbon credits from three distinct project types). The Economic Development Board ("**EDB**") and Temasek Trust Foundation Advisors launched a donor-advised fund to mobilise family office capital into high-integrity Article 6 projects. In addition, the Monetary Authority of Singapore ("**MAS**") introduced a Financial Sector Carbon Market Development Grant and is catalysing an industry buyers' coalition aligned to the parameter of the scheme.

Actionable Recommendations

- For exporters, CBAM-readiness is therefore an operational priority, including the constructing of product-level emissions baselines, aligning measurement, reporting and verification to EU/UK methodologies and documenting domestic carbon price exposure, to avoid double charging.

- For developers and financiers, the Article 6.2 Crediting Protocol enhances project bankability. A starting point would therefore be to target jurisdictions with Implementation Agreements, check eligibility lists, design for authorisation and integrity and consider involvement of donor-advise funds and use of MAS-related or backed initiatives to de-risk origination.

Power System: Hydrogen-ready, Efficiency Obligations, Cross-border Renewable

2025 Developments

Hydrogen-ready and Roadmap

EMA awarded what to date, would be the largest (600 MW) hydrogen-ready (operable with ≥30% hydrogen) and the first with integrated battery energy storage system ("**BESS**") combined cycle gas turbine on Jurong Island, slated for operations in 2029. The Energy Conservation Act 2012 now extends minimum energy efficiency standards ("**MEES**") to certain existing industrial systems and requires energy efficiency opportunities assessments for works lodged under Urban Redevelopment Authority's plan lodgment.

On flexibility, EMA's roadmap expands interruptible load, distributed resources and demand response to EV charging and sub-10MW BESS.

Regionally, Singapore has advanced cross-border imports by taking several steps: (a) signing a letter of intent with Vietnam towards approximately 2 GW by 2035; (b) entering into a memorandum of understanding ("**MOU**") with Indonesia to enable policy and commercial frameworks by 2026; (c) securing a 1 GW conditional licence from Indonesia's Rangsang Island targeting 2029; and (d) obtaining 1 GW conditional approval from Sarawak with operations around 2035. The Government appointed Singapore Energy Interconnections Pte Ltd to oversee cross-border infrastructure and commenced a feasibility study for a 2 GW interconnection with Peninsular Malaysia, complementing the existing 1 GW bi-directional link. In parallel, Singapore and Malaysia are working toward a cross-border renewable energy credit ("**REC**") framework, with MTI, EMA and the International Tracking Standard Foundation developing a Southeast Asia-relevant model across physical flows, registries/instruments and residual mix methodologies, supported by regional platforms and intended to complement ASEAN's REC framework.

Actionable Recommendations

The strategic takeaway for large energy users and data-heavy sectors is twofold:

- First, power procurement is becoming a multi-instrument exercise - physical imports, RECs with robust tracking and flexibility service - requiring new contracting and assurance capabilities.

- Second, existing assets, not just retrofits and new builds, will be regulated - MEES and the mandatory energy improvement regime would drive capex toward efficiency, while the hydrogen-ready trajectory and storage services would reshape long-term offtake and hedging.

Coal Exit: Transition Credits, Hard-to-abate Technologies

2025 Developments

Shifting Away from Coal

Domestically, Singapore's only coal-burning plant will shift to 100% biomass by 2028, with an estimated reduction of about 1 Mt of reckonable emissions. On a regional scale, MAS' final report on energy transition credits and the joint Statement of Support position such credits as a market-based solution to enable earlier coal retirement, with a just transition lens.

On technology, EMA awarded grants for carbon capture feasibility studies in the power sector targeting completion by 2026, while Singapore pursues cross-border storage through MOUs with Malaysia and Indonesia. The Maritime Port Authority and EMA commissioned Front End Engineering Design ("**FEED**") studies for ammonia-to-power (55 to 65 MW) and ammonia bunkering (≥100k tpa). In addition, EMA launched a biomethane sandbox which has up to 300 MW capacity, and are testing expanded BESS for inertia on Jurong Island. Nuclear capability building is proceeding deliberately, starting off with a MOU concerning strategic civil nuclear cooperation signed with the United States Department of Energy, a Nuclear Safety Advisory Panel, a study of advanced nuclear energy technologies such as small modular reactors, and a background paper detailing Singapore's assessment framework, with further collaborations indicated.

Actionable Recommendations

For investors, these are signals that will shape projects in the pipeline:

- Transition credits could unlock structured exits for coal in ASEAN portfolios.
- Projects such as early-stage CCUS, and ammonia, biomethane and BESS projects, will benefit from policy sponsorship but demand rigorous integrity, safety and offtake structures.
- Nuclear remains an option under evaluation. Whilst there is no current deployment decision for power generation, the capability building provides options and supply chain opportunities.

Sector Lenses: Data Centres, Maritime & Aviation

2025 Developments

Data Centres

Data centres now operate under a clearer rulebook. The new "*SS 715:2025: Energy Efficiency of Data Centre IT Equipment*" standard launched in August 2025 targets ≥30% IT energy savings and safe operation up to 35°C. Compliance must be balanced with IMDA Advisory Guidelines which address physical and cooling risks. End-users can tap on IMDA's Efficiency Grant meant for the data centre sector to support the upgrade of their IT equipment to meet the energy efficiency baselines. The JTC Corporation of Singapore and EDB announced a 20-hectare low-carbon data centre park on Jurong Island supporting up to 700 MW, while EDB and IMDA's second Data Centre-Call for Application will allocate at least 200 MW (potentially more) to applicants which maximise eligible green energy to ≥50% and achieve the BCA-IMDA Green Mark Platinum certification.

Maritime

Maritime decarbonisation is advancing through new green and digital shipping corridors with India and China, a strategic partnership toward a corridor with South Korea, and an enhanced partnership with France that includes establishing a bio-methane supply chain and certification. Additionally, the Technical Reference 129 on Methanol Bunkering (TR 129) published in March 2025 codifies a framework for the safe and efficient use of methanol for bunkering operations, making Singapore the first in the world to conduct such bunkering pilots.

Aviation

The Civil Aviation Authority of Singapore set up the Asia Pacific Sustainable Aviation Centre for policy and capacity building. The Parliament passed legislative amendments to the Civil Aviation Authority of Singapore Act 2009 to integrate a SAF levy and SAF fund in implementing the Sustainable Air Hub Blueprint, under which departing flights must impose 1% SAF levy from 2026, rising to 3% to 5% by 2030. The levy applies to tickets/services sold from 1 April 2026 with commencement on 1 October 2026. The Singapore Sustainable Aviation Fuel Company ("**SAFCo**"), a new non-profit organization, will centralise procurement and operate a SAF registry.

Actionable Recommendations

These sector-specific rules drive competitive differentiation:

- Data centre operators that can demonstrate efficient IT performance at tropic-friendly operational temperatures, REC integrity and grid-friendly flexibility will gain capacity allocations.

- Maritime operators can look forward to sandboxes and incentives for adopting alternative fuel protocols and achieving efficiencies that align with upcoming green corridor standards.

- Airlines and lessors must factor SAF costs into their pricing and hedging strategies and should engage SAFCo early to secure supply. Airlines as well as corporate purchasers should assess marketing or accounting claims of the environmental benefits related to SAF use to avoid greenwashing.

Bottom Line

Singapore's 2025 climate measures are translating policy into investable infrastructure and enforceable disclosures, creating a nexus with climate impacts and geopolitics to shape resource governance and strategic frontiers. Winners will be issuers and sponsors that: (1) treat integrity and assurance as design constraints, not just reporting outcomes; (2) internalise carbon pricing and CBAM methodologies into their operations; and (3) move early to secure positions in cross-border electricity, Article 6 markets, and sector-specific standards.

The current policy landscape rewards verifiable decarbonisation efforts while penalises performative claims, presenting an opportunity for discerning businesses and investors to leverage this policy shift.

Businesses and investors may reach out to Rajah & Tann's Sustainability Practice for related queries. Singapore-based enterprises can also tap on our ESG legal fee subsidy for environmental or climate related legal advisory under the Sustainability Legal Catalyst Programme with Enterprise Singapore. Terms and conditions apply. You can reach out to us at info.slcp@rajahtann.com.

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