

SUSTAINABILITY | TAX

Feedback Sought for Draft Voluntary Carbon Market Guidance by 20 July 2025

Introduction

The National Climate Change Secretariat (NCCS), the Ministry of Trade and Industry (MTI), and Enterprise Singapore has jointly issued a [Draft Voluntary Carbon Market Guidance](#) ("**Guidance**") to guide companies on how to determine a high-quality carbon credit and how to voluntarily use carbon credits as part of a credible decarbonisation plan. This Guidance is a live document, which may be updated when deemed necessary.

A carbon credit is a certificate representing the reduction or removal of one tonne of greenhouse gas ("**GHG**") emissions. Carbon markets facilitate the buying and selling of carbon credits to channel capital into decarbonisation projects that would not have otherwise occurred in the absence of revenue from the sale of carbon credits. Entities may purchase carbon credits for compliance or voluntary purposes. Carbon credits used by companies to meet their voluntary climate commitments are traded on the voluntary carbon market ("**VCM**"). The Guidance intends to address the key challenges that limit the growth of VCMs, for instance the lack of standardisation across various industry-led standards.

Comments should be submitted **by 20 July 2025** via <https://www.go.gov.sg/vcmguidance>. You may reach out to our team to help with the submission of your comments. This Update provides a summary of the key points in the Guidance.

How to Choose High Quality Carbon Credits

To ensure the credibility and effectiveness of carbon markets, carbon credits must possess high environmental integrity. Singapore's International Carbon Credit ("**ICC**") framework outlines seven principles, which we have outlined below, to evaluate the environmental integrity of a carbon credit, in alignment with Article 6 of the Paris Agreement. Although carbon credits for voluntary use are not obligated to adhere to Article 6 and Singapore's ICC Framework, these principles still provide valuable guidance on the characteristics of high-quality carbon credits in the VCM.

In its assessment, companies should refer to global meta-standards that have published lists of carbon crediting methodologies and/or programmes that have been assessed to meet their quality criteria. Examples include the Integrity Council for Voluntary Carbon Market (ICVCM)'s Core Carbon Principles (CCP), and the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**")'s Eligible Emissions Unit Eligibility Criteria. That said, companies should do their due diligence to ensure they are purchasing high-quality credits. This is because while meta-standards can indicate environmental integrity at the programme or methodology level, carbon credit quality

and the risk of failure can differ across projects due to various project-level factors, such as business risks faced by the project developer.

The Guidance 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. In addition, as best practice, companies should purchase and retire credits issued within their commitment periods.

Seven Principles under Singapore's ICC framework

Table reproduced from the Guidance

Principle	Definition in the context of VCM
Not double-counted	The certified emissions reductions or removals must not be counted more than once. Examples are when the same credit is claimed by multiple organisations or multiple times by the same organisation (double-claiming), or when the same project has issued credits under multiple carbon crediting programmes for the same mitigation outcome (double issuance).
Additional	The certified emissions reductions or removals must exceed any emissions reduction or removals required by law or any regulatory requirement of the host country, and that would otherwise occur in a business-as-usual scenario.
Real	The certified emissions reductions or removals must have been quantified based on a realistic, defensible, and conservative estimate of the amount of emissions that would have occurred in a business-as-usual scenario, assuming the project or programme that generated the certified emissions reductions or removals had not been carried out.
Quantified and verified	The certified emissions reductions or removals must have been calculated in a manner that is conservative and transparent, and must have been measured and verified by an accredited and independent third-party verification entity before the carbon credit was issued.
Permanent	The certified emissions reductions or removals must not be reversible. If there is a risk that the certified emissions reductions or removals may be reversible, there must be measures in place to monitor, mitigate and compensate any material reversal of the certified emissions reductions or removals.
Do no net harm	The project or programme that generated the certified emissions reductions or removals must not violate any applicable laws, regulatory requirements, or international obligations of the host country.
No leakage	The project or programme that generated the certified emissions reductions or removals must not result in a material increase in emissions

Principle	Definition in the context of VCM
	elsewhere. If there is a risk of a material increase in emissions elsewhere, there must be measures in place to monitor, mitigate and compensate any such material increase in emissions.

How to Use Carbon Credits

The Guidance covers a few main areas: (i) credible corporate decarbonisation plan, (ii) risk management and (iii) disclosures. We address this in turn.

1. Carbon credits as part of a credible corporate decarbonisation plan

To effectively implement decarbonisation plans, companies should identify feasible abatement measures. They can use publicly available tools, resources, and professional carbon services, such as:

- Sector and Country-Level Tools to identify mitigation potential.
- Marginal Abatement Cost Curve Tools to prioritise cost-effective measures.
- Energy Audits to find opportunities to improve energy efficiency.
- Benchmarking Studies to understand industry norms and best practices.

After prioritising all feasible emissions abatement efforts, companies should consider using carbon credits to address remaining emissions and meet interim net emissions targets.

2. Risk management

Besides individual credit quality, companies should also consider the quality and risk of credits as a portfolio. Carbon credit projects originally identified as high quality could still underdeliver due to various factors. Companies can consider: (i) labels and carbon project ratings when assessing the quality and risk of credits at the project level; and (ii) the use of insurance to derisk their portfolio of carbon credits or projects, as they become more available.

3. Disclosures

Companies are encouraged to transparently disclose their use of carbon credits. This includes the volume of credits, type of credits, project location, where the credits were held (e.g., which registry), purpose of use, and third-party ratings if available.

Singapore is implementing phased and proportionate climate reporting requirements aligned to the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board ("ISSB"). Under this standard, companies are to disclose any decarbonisation targets and their strategy to achieve such targets, including the planned use of carbon credits, such as: (i) their voluntary and compliance climate targets, their strategy and performance towards their climate targets, and provide analysis of trends or changes in this performance; (ii) the extent to which, and how, achieving any net GHG emissions target relies on the use of carbon credits; and (iii) the type of carbon credits (e.g., technology-based or nature-based), which third-party scheme(s) will verify or certify the credits, and any other factors necessary for users to understand the credibility and integrity of the credits.

Companies can look to various governmental support schemes, such as: (i) Enterprise Singapore's Enterprise Sustainability Programme (ESP) and EDB's Resource Efficiency Grant for Emissions (REG(E)) to help companies measure, plan for and adopt decarbonisation solutions; and (ii) EDB and Enterprise Singapore's Sustainability Reporting Grant (SRG) to help companies with their first climate-related disclosures aligned to the ISSB.

Our Comments

SMEs and mid-sized enterprises considering legal assistance in environmental or climate-related initiatives including carbon markets can tap on our ESG legal fee under the Sustainability Legal Catalyst Programme with Enterprise Singapore ([link to website](#)). Terms and conditions apply. You can reach out to us at info.slcp@rajahtann.com.

If you have any queries on the above, please reach out to our Team members set out on the Contact page.

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