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Budget 2018

How greenhouse gas emitters are charged for pollution



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From 2019, large emitters have to pay to pollute, when Singapore rolls out a carbon tax scheme.

Facilities that produce more than 25,000 tonnes of greenhouse gas emissions or more in a year - the equivalent of emissions produced by the annual electricity consumption of 12,500 Housing Board four-room households - will have to pay this tax.

The tax rate has been set at an initial \$5 per tonne of emissions, but will go up to between \$10 and \$15 per tonne of emissions by 2030.

This was announced by Finance Minister Heng Swee Keat in his Budget speech on Monday.

A carbon tax is a type of carbon pricing strategy used to control the amount of earth-warming greenhouse gases being released into the atmosphere.

A total of 67 countries and jurisdictions, including China, the Eu-ropean Union and Japan, have im-plemented or announced plans to implement such carbon pricing strategies.

The Straits Times looks at how carbon is priced around the world.

WHAT ARE CARBON PRICING STRATEGIES?

Essentially, these strategies give facilities the licence to pollute - for a price.

This economic disincentive is what governments around the world hope will curb the amount of earth-warming greenhouse gases being released into the atmosphere.

Such schemes have been adopted from as early as the 1990s, with Finland and Poland leading the pack as the earliest adopters of such strategies.

There are two main types of carbon pricing strategies: A carbon tax, and an emissions trading scheme.

CARBON TAX

A carbon tax puts a price on pollution. In Singapore, the 30 to 40 large emitters - mainly from the petroleum refining, chemical and semiconductor sectors - will pay up to \$15 per tonne of emissions by 2030.

The price of carbon under such a system varies across countries and jurisdictions.

In Japan, which implemented a carbon tax scheme in 2012, the carbon tax is 289 yen (\$3.60) per tonne of emissions.

Finland, the first country to introduce a carbon tax, did so in 1990. In January 2016, the carbon tax rate for light and heavy fuel oil, coal and natural gas increased from €44 (\$72) per tonne of emissions to €54 per tonne of emissions, according to data from the World Bank.

EMISSIONS TRADING SCHEME

Unlike a carbon tax, which puts a price on pollution, an emissions trading scheme puts a cap on the total level of greenhouse gas emissions. This ensures that the required emission reductions will take place to keep total emissions within a pre-allocated carbon budget.

"Such a system caps the total level of greenhouse gas emissions and allows those industries with low emissions to sell their extra allowances to larger emitters," said the World Bank.

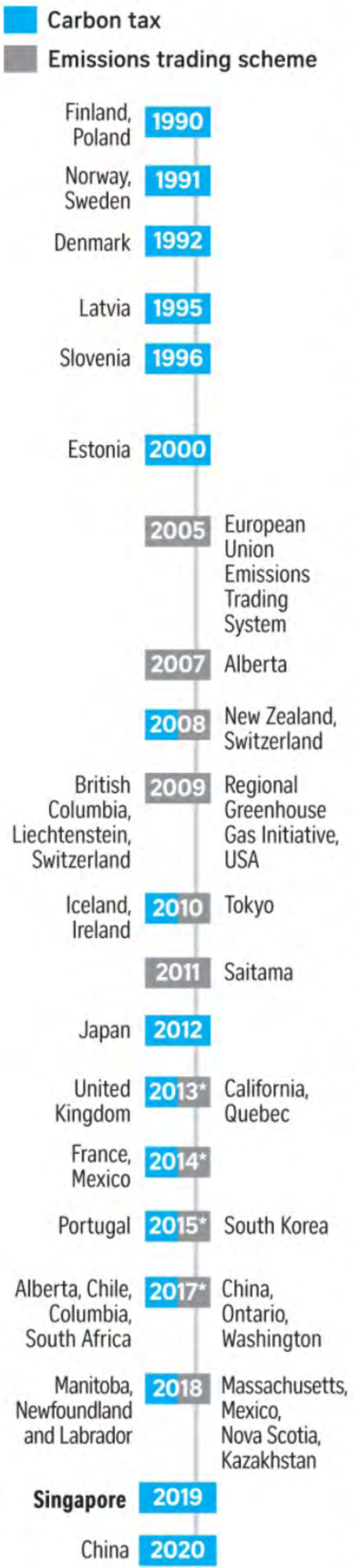
Market forces determine a price for greenhouse gas emissions under such a scheme.

Last December, China announced that it will roll out a nationwide emissions trading scheme.

Trading will be based in Shanghai, involving 1,700 power companies and more than 3 billion tonnes of carbon dioxide annually, according to a Reuters report. That volume would mean the Chinese scheme will eclipse the EU's.

Currently the world's largest, the EU's emissions trading scheme is expected to cover about 1.4 billion tonnes of emissions this year.

Carbon pricing strategies around the world



*China's pilots

Source: NATIONAL CLIMATE CHANGE SECRETARIAT
STRAITS TIMES GRAPHICS

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