SINGAPORE AND PARAGUAY SUBSTANTIVELY CONCLUDE NEGOTIATIONS ON IMPLEMENTATION AGREEMENT ON CARBON CREDITS COOPERATION

1. Following a meeting on 2 December 2023 between His Excellency President Santiago Pena of the Republic of Paraguay and Senior Minister and Coordinating Minister for National Security Teo Chee Hean on the sidelines of the 28th UN Climate Conference (COP28), Singapore and Paraguay have substantively concluded negotiations on the Implementation Agreement on Carbon Credits Cooperation.

2. This is a framework agreement to enable the bilateral transfer of carbon credits, aligned with Article 6 of the Paris Agreement, and is targeted to be signed by both countries in early 2024. Both countries will cooperate on a work programme to fully operationalise the Implementation Agreement, which can consist of exchanges of information and best practices, identification of potential projects, and mutual efforts to build capacities for Article 6 cooperation.

3. The Implementation Agreement sets out criteria and processes for carbon credit projects to be developed and for carbon credits to be traded, under Article 6 of the Paris Agreement. When signed, this would potentially be Paraguay’s first such agreement and Singapore’s first with a country in Latin America.

4. Companies in Singapore will be able to purchase carbon credits, aligned with Article 6 of the Paris Agreement, from projects in Paraguay under this agreement. These carbon credits can be used by companies to meet up to 5% of their carbon tax obligation.¹

5. Senior Minister Teo Chee Hean said, “We are concluding negotiations on the Implementation Agreement which, when fully operationalised, will allow carbon credits to be traded between Singapore and Paraguay in line with the rulebook for Article 6 of the Paris Agreement. It underscores both countries’ belief in the potential of carbon markets to enable global climate ambition and achieve our climate targets through cooperation.”

¹ Singapore announced at Budget 2022 that our carbon tax will be raised to $25 per tonne in 2024 and 2025, and $45 per tonne in 2026 and 2027, with a view to reaching $50 to $80 per tonne by 2030. We will also allow companies to use up high-quality, international carbon credits to offset up to 5% of their taxable emissions, in lieu of paying carbon tax.
6. Paraguay’s Minister of Environment and Sustainable Development Rolando de Barros Barreto said, “We have laid the foundations for a bilateral agreement with the Republic of Singapore with the aim of advancing the country towards full sustainable development that benefits all Paraguayans. Through opportunities that enhance possibilities and strengthen all sectors, we promote entry into new markets where environmental commitment merges with production through strategies that meet the highest standards of carbon markets.”

7. Paraguay’s Minister of Industry and Commerce Javier Gimenez Garcia said, “The agreement is the highway that connects our two countries to carry out the transfer of carbon assets. It is based on Article 6.2 of the Paris Agreement and is a step towards positioning Paraguay as a ‘lung’ market for the world.”

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Annex

Implementation Agreement factsheet

- Singapore and Paraguay concluded negotiations on the Implementation Agreement on Carbon Credits Cooperation, a framework agreement to enable the bilateral transfer of carbon credits, aligned with Article 6 of the Paris Agreement, at COP-28.

- The Implementation Agreement sets out the processes and criteria for carbon credit projects to be developed and to subsequently generate carbon credits. These carbon credits can then be transferred from Paraguay to Singapore and can be used to meet emission targets set out in countries' Nationally Determined Contributions (NDC).

- A project applicant may register a carbon credit project under this Implementation Agreement, and trade the carbon credits.

- The carbon credits traded under this Implementation Agreement can be used to offset part of companies’ carbon tax liability under Singapore’s carbon tax. The carbon credit can also be used for other purposes, including voluntary corporate targets.

- Singapore aims to achieve net zero emissions by 2050, and Singapore is committed to advancing global climate action through international collaboration with like-minded partners.

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2 At Budget 2022, Singapore announced that companies will be able to offset up to 5% of their carbon tax liability using international carbon credits from 2024 onwards.