Sustainability reporting, carbon credits among key concerns
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BUDGET 2025

Sustainability reporting, carbon credits among key concerns

Tax incentives, help with training to handle reporting requirements are on the wish list

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MORE assistance for sustainability reporting and guidance on carbon credit usage are on companies' environmental, social and governance (ESG) wish list for Budget 2025.

Some also expect Prime Minister Lawrence Wong, who is also the finance minister, to speak about infrastructure for adapting to climate change in the Budget speech on Tuesday (Feb 18).

The cost and talent requirements for sustainability reporting are key concerns for companies. All Singapore-listed companies are required to make climate disclosures aligned with the International Sustainability Standards Board from FY2025. Large non-listed companies will also have to do so from FY2027.

These disclosures include a company's direct, or Scope 1, emissions as well as their Scope 2 emissions, which arise indirectly from energy purchase and usage.

Last year, Singapore unveiled the Sustainability Reporting Grant (SRG) to assist large companies with annual revenues of S$100 million and above. It will cover up to 30 per cent of qualifying costs for the preparation of a company's first sustainability report, capped at S$150,000 per company.

Mike Lim, a partner at venture capital firm Trirec, suggested that the SRG could be expanded to cover the cost of sustainability initiatives that are part of the reporting process, while also incorporating incentives for early adopters.

"Companies that voluntarily adopt sustainability reporting ahead of the mandatory timeline could receive additional incentives, such as tax breaks or higher grant amounts," said Lim, whose firm invests in clean energy and climate tech companies.



All Singapore-listed companies are required to make climate disclosures aligned with the International Sustainability Standards Board from FY2025. PHOTO: CMG

Kelvin Lim, managing director of property player LHN Group, said that more support is needed for the technical aspects of emissions reporting.

"One of the challenges we faced was gathering, compiling and computing the data required to translate into emissions data. More support is needed in doing so, and having a national standardised software with data templates could be introduced to reduce the complexity of reporting," he said.

He also believes that the SRG could also be expanded to small and medium-sized enterprises (SMEs) that voluntarily adopt sustainability reporting, to encourage more participation.

Chia Poh Hui, a director at tech investor Vickers Venture Partners, called for structured courses that can upskill employees in sustainability reporting.

"The government can also provide tax incentives for companies that invest in training of employees in sustainability reporting and management, or decarbonisation efforts," Chia said.

The reporting of Scope 3 emissions – which arise from a company's upstream and downstream value chains – is another area where more support is needed, said Mike Ng, chief sustainability officer at OCBC.

Challenges include the sheer complexity of a company's entire value chain and the lack of quality data from company stakeholders, he noted.

"Given these challenges, the processing of reporting Scope 3 emissions has been largely proxy-driven to date.

"We hope to see more support for companies to capture accurate and credible emissions data across their value chains, including their SME suppliers," said Ng.

Carbon markets

The market for carbon credits is another area where companies are seeking more clarity and assistance.

Chia believes that Budget 2025 could provide more details on carbon credit usage and the verification process to encourage more businesses to participate.

Toh Shu Hui, tax services partner at EY, expects to see more guidance for companies on the sourcing and tracking of international carbon credits (ICCs).

From 2024, companies subject to Singapore's carbon tax are allowed to use ICCs to offset up to 5 per cent of their taxable emissions. The country has thus far signed agreements with Papua New Guinea and Ghana on carbon credits cooperation.

Carbon markets "need a policy push for it to gather momentum for the future", said Professor Lawrence Loh, director of the Centre for Governance and Sustainability at the National University of Singapore Business School.

"While the rest of the world may be recalibrating their country and corporate involvements in the carbon market spaces, Singapore may well take this opportunity to double down on invigorating the demand and supply of carbon credits," he said.

To spur the supply of carbon credits, startup incentives could be

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