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S'pore will decarbonise, but not at the expense of livelihoods, energy security: Tan See Leng

Timothy Goh

Singapore will press ahead with decarbonisation, but not at the expense of livelihoods and energy security.

Decarbonisation must be balanced against Singapore's ambitions and the affordability of energy for the Republic's households and businesses, said Minister-in-charge of Energy and Science and Technology Tan See Leng.

"We must remain adaptable and pragmatic in responding to the prevailing geopolitical zeitgeist... Decarbonisation will come with costs, but we will not pursue decarbonisation at all costs," he said at the voco Orchard hotel on Oct 24.

Dr Tan was speaking at the 17th Singapore Economic Policy Forum, organised by the Economic Society of Singapore and the National University of Singapore. The event was attended by 150 economists, business leaders and academics.

In his speech, he noted that if major economies scale back their climate commitments and Singapore presses on regardless, it could be outcompeted.

For example, one of Singapore's approaches to drive decarbonisation is its carbon tax, which puts a price on emissions and incentivises businesses to cut their carbon footprint.

But the challenge lies in setting it at the right level, said Dr Tan.

Too low, and it fails to spur decarbonisation in line with Singapore's Nationally Determined Contributions, which set out the country's emissions reduction target for 2035. Too high, and it hurts business competitiveness.

"(Singapore's) carbon tax of $25 per tonne of CO_2 emitted is already the highest in our region. If we are not careful, we could end up simply transferring economic activity alongside the emissions from Singapore to another country," he noted.

Dr Tan, who is also Manpower Minister, added that shrinking investments in low-carbon technologies may also disrupt Singapore's plans as promising technologies may take longer to become commercially viable and deployable in Singapore.

"We must be climate realists and tailor our commitments in line with global developments and the trade-offs involved," he said.

Dr Tan cited Singapore's low-carbon electricity imports as an example, noting that the Government has issued conditional approvals and licences for projects with a combined capacity of about 8 gigawatts.

The Republic has a target of importing 6 gigawatts of electricity by 2035 – about a third of its energy needs then.

"Even as we actively seek to facilitate the development of these projects, we must also be sensitive to the price of imported electrons, relative to electricity prices today and potential electricity prices in the future," said Dr Tan.

"We are also exploring all possible pathways to decarbonisation – this is part of our plans to build a diversified and resilient energy portfolio for Singapore, which is currently weighted towards natural gas."

He added: "We are actively building our capabilities to assess the potential of new energy technolo-

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Govt to play key role in de-risking energy transition

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gies such as carbon capture and storage, hydrogen as well as advanced geothermal and advanced nuclear technologies."

Dr Tan said that while Singapore remains pragmatic and responsive to change in balancing the costs and benefits of decarbonisation, its actions must still be anchored in its own principles and interests.

He outlined three ways the Government will step in to support the power sector's transition.

First, the Government will step in to guide when new power plants are built, as boom-bust cycles are common in liberalised electricity markets.

High electricity prices signal tight supply, but because it takes four to five years to build a power plant, this results in periods of insufficient generation capacity.

Uncoordinated building of multiple plants also leads to excess capacity and depressed prices, said Dr Tan.

He said the Energy Market Authority forecasts electricity demand and available generation on a rolling 10-year basis, including the growth of solar and electricity imports.

If the projections show insufficient supply, the authority will invite the private sector to build, own and operate new generation capacity.

Public funding will also be used to support early low-carbon projects that are not yet commercially viable, so that private investment can scale up only after the technologies are proven.

The Government will also play a key role in de-risking Singapore's energy transition.

Dr Tan said first-of-a-kind energy projects come with heightened geopolitical, technological, safety and commercial risks. Renewable energy infrastructure also requires much more upfront capital expenditure compared with conventional gas-fired power plants.

"These uncertainties make it challenging for the private sector to fully finance low-carbon energy projects in Singapore," he said.

"Public funds can be a source of patient capital to catalyse new low-carbon energy projects and crowd in private sector investments."

Dr Tan also said the Government will lead in building capabilities to identify and develop promising technologies to decarbonise the power sector.

"Many low-carbon energy technologies remain highly nascent – if left to the market, we may not see sufficient investments to drive the development of these technologies to a commercially viable stage in a timely manner," he said.

"We will address this gap in the next phase of our Research, Innovation and Enterprise efforts, including exploring if we can establish a 'Grand Challenge' to support a breadth of research and development and pilot projects in promising low-carbon solutions that we believe can help Singapore meet its decarbonisation goals."

Dr Tan said that while Singapore's convictions for a better world continue to drive it forward, it will remain vigilant and responsive to global and regional developments as well as the global pace of decarbonisation.

"We will ensure our national policies are always grounded in pragmatism and practicality," he said.

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