

Singapore's hidden bill: From the Middle East oil shock to your wallet

The Iran war impact shows how fuel underpins our logistics, transport and services. It's a wake-up call to speed up the shift to clean energy.

Alberto Salvo

Oil disruptions are often discussed in macro terms such as prices, inflation and the effect on gross domestic product. But the reality for Singaporeans ranging from working families to retired seniors is that the Iran conflict's oil shock is a series of hits to the wallet and logistical inconveniences. These inconveniences keep adding up as businesses try to recover higher fuel costs.

Supermarkets adjust deliveries; service providers introduce or raise transport surcharges – a ticket on the Singapore-Batam ferry now carries a \$6 fuel surcharge; parents and operators negotiate school bus routes, pickup windows or fees; and leisure and short-haul travel options quietly thin as fuel and insurance costs rise.

Lower-income and shift-worker households, who spend a larger share of their incomes on energy-intensive essentials, including food that Singapore largely imports, feel these shocks most.

While the pain of these cumulative individual blows is very real, there is a bigger picture involved. It is reminding us how embedded fossil fuels remain in logistics, transport and services. It also highlights the need to accelerate the shift from centralised fossil fuel supplies, vulnerable to geographic choke points and political brinkmanship, to decentralised distributed energy, produced closer to where it is used.

THE SHOCK RIPPLES

The latest oil market shock comes just a few years after that other war in seemingly distant Ukraine sent natural gas prices soaring.

In the first half of 2022, the price of natural gas, the fossil fuel that generates most of Singapore's electricity, nearly tripled as liquefied supplies were diverted to Europe. Singapore's electricity prices surged in turn.

Today, as shipping through the Strait of Hormuz remains stalled, oil prices, on which Singapore's land, sea and air transport all depend, have nearly doubled. It is unclear when the crisis will ease.

Prices for local goods and services typically adjust with a

few months' lag to international oil and gas prices. Singapore's electricity tariffs, for example, are set in arrears and guided by gas prices from the previous quarter. Transport operators must still honour contracts priced before bombs began falling on Iran.

In a fossil-fuel-wired economy like ours, the hidden bill is not just at the pump. Oil and gas shocks inevitably ripple through to the prices of almost everything, since production depends on fossil energy.

The impact is in groceries, as farming, shipping, warehousing and food manufacturing absorb higher diesel, electricity and fertiliser costs. The shocks also impact everyday goods, as oil-derived plastics raise the cost of packaging, toys, kitchenware and some medical supplies.

Online shopping is caught in the web too, as courier surcharges climb. In home renovations and construction, rising cement and copper costs feed into contractor bills. Utilities and cooking gas are also affected as imported energy costs flow into household and hawker bills.

The shock lays bare how deeply fossil fuels remain woven into not just the way we move, but how we eat, shop, cool our homes and run everyday services.

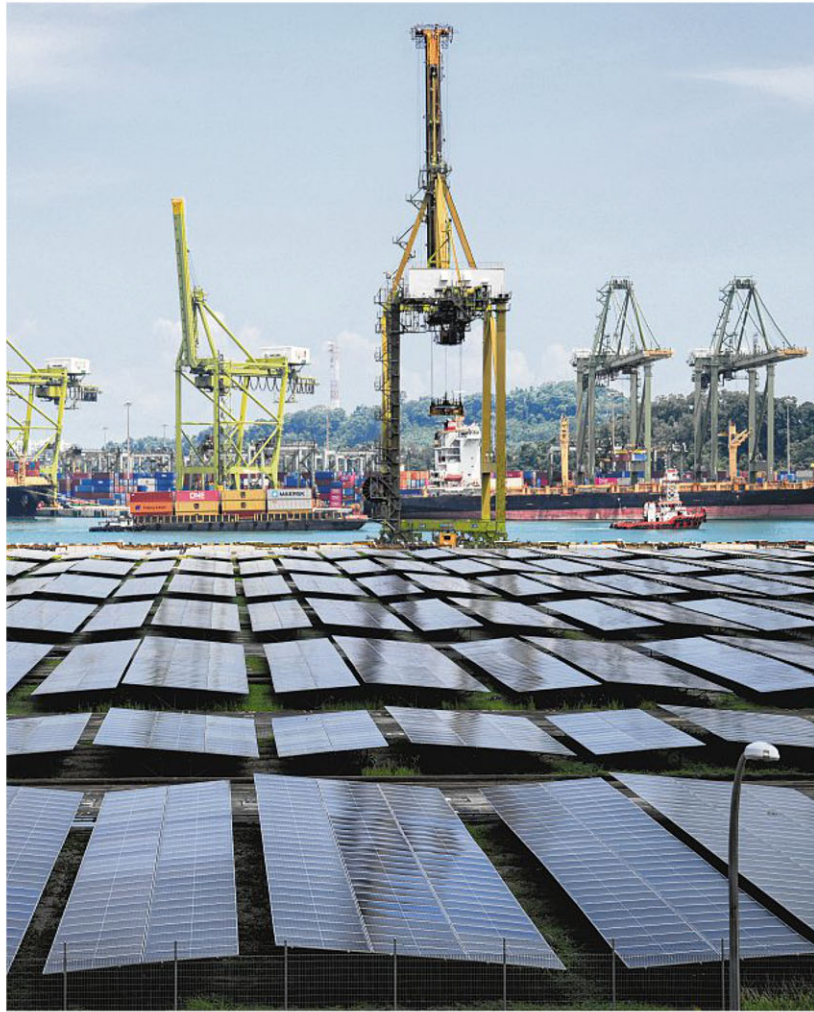
The Government is stepping in to cushion the pain incurred by lower-income households and small businesses from rising diesel and petrol prices with targeted relief.

Acting Minister for Transport Jeffrey Siow is right to caution against broad fuel subsidies that blunt incentives to use energy more efficiently or to innovate towards renewables. Also, fuel and electricity subsidies, unlike targeted cash support, tend to benefit those who consume the most energy, typically higher-income households and large businesses.

But the harder work lies beyond the immediate relief.

THE SENSIBLE, URGENT SHIFT TO REGIONAL COOPERATION

Across the region, governments and businesses are similarly worried about delivery drivers who cannot work, farmers who cannot run water pumps or afford oil-based fertiliser, and air-conditioned offices closing early, all because oil supplies are tight or unaffordable.



Solar panels in a solar farm at PSA Singapore's Keppel Terminal. The silver lining in this crisis is that Singapore and its neighbours increasingly see a shared interest in building nationwide renewable power generation and transmission, rather than remaining exposed to political whims in far-flung places, the writer says. ST PHOTO: MARK CHEONG

The silver lining in this crisis is that Singapore and its neighbours increasingly see a shared interest in building nationwide renewable power generation and transmission, rather than remaining exposed to political whims in far-flung places.

This was the signal when ASEAN economic ministers, on May 7, pledged to move on the ASEAN Power Grid – a plan to connect electricity networks in the member countries to a regional grid.

Decentralised solar-plus-storage systems, and renewables-powered hydrogen electrolysis, hold enormous promise for regional cooperation. After all, the sun shines year-round across South-east Asia and Oceania, and a China-driven clean-tech revolution has pushed the levelised cost of clean energy towards parity with fossil fuels.

The newly signed Agreement on Trade in Essential Supplies between Singapore and New Zealand is a concrete step to safeguard supplies of energy, food and medical goods in times of

crisis.

As Singapore looks ahead to its 2027 ASEAN chairmanship, this legally binding pact could offer a template for stronger regional integration, including through the ASEAN Power Grid.

In a world unsettled by geopolitics, pandemics, artificial intelligence and climate change, Prime Minister Lawrence Wong spoke of the need to expand "a network of trusted partners" and noted New Zealand's expertise in green energy.

FROM CENTRALISED FOSSIL DEPENDENCE TO CLEAN RESILIENCE

Singapore's carbon emissions, driven mainly by fossil fuels, are expected to peak around 2028, and like New Zealand, Singapore has pledged to reach net zero by 2050. That deadline is closer than it sounds.

It makes policies that help households and businesses shift faster to cleaner energy not just desirable, but urgent.

One way to move faster is to

align incentives across the region. Cooperation should not only safeguard supply, but also reduce dependence on fossil fuels by strengthening cross-border power trade, coordinating cleaner-energy investment, and giving investors clearer price signals to back low-carbon infrastructure, from grid links to the electrification of regional ferry services.

Singapore's role in advancing the ASEAN Power Grid could help do exactly that. The good news is that clean technology is becoming more competitive with fossil energy.

In road transport, electric options can already compete with petrol and diesel on price, performance and convenience. China's electric vehicle (EV) maker BYD now leads Singapore's new-car market, with nearly one in four registrations in the first quarter of 2026.

In harder-to-abate sectors such as manufacturing and maritime shipping, policy matters more: carbon pricing, public

procurement, infrastructure investment and targeted support for clean technologies can supercharge innovation, create jobs and strengthen competitiveness in the industries of the future.

To be sure, electrification is no instant fix: EVs still draw from the grid, so drivers feel higher electricity prices too, and clean energy has not yet scaled enough to displace fossil fuels. Yet EVs use substantially less energy per kilometre.

And the direction of travel matters. Once road vehicles – and ferry vessels – are electrified, they green automatically as a regional power grid shifts to renewables over the coming decades.

Singapore's carbon tax began in 2019 at a symbolic \$5 per tonne of CO₂e (carbon dioxide equivalent), applying only to large emitters. As the price rises beyond today's \$45 per tonne and coverage expands, it will increasingly shape the long-term investment and innovation choices of more emitters across more sectors.

STAYING THE COURSE

Pursuing energy and climate resilience means staying the course on policies that will, over time, make fossil fuels reflect their full costs, including supply insecurity and climate externalities.

Today's seemingly isolated frictions across the economy are a signal that these costs are still not priced in, and that fossil fuels remain too cheap relative to their true cost to society.

Rather than a threat to jobs, gradually raising carbon prices, and recycling the revenues as lump-sum support to help businesses and households pivot to decentralised renewable energy, is an investment in Singapore's long-term well-being.

Singapore is one of the world's wealthiest societies, and among Asia's biggest energy users and carbon emitters per person. That comes with responsibility, but also opportunity.

The latest bout of energy-market volatility is another reminder that Singapore should move faster to cut its reliance on imported fossil fuels: Stay the course on the planned carbon tax trajectory beyond 2030 and step up efforts including developing a sustainability-literate workforce and judiciously providing green subsidies to develop diversified and regionally integrated energy supplies.

The rewiring of everyday systems away from fossil fuels is not simply a matter of "green virtue" – it is plain risk management in the face of recurring fossil-fuel shocks, and a project of national competitiveness and resilience.

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