Singapore Green Economy Agreement

Submission to the Department of Foreign Affairs and Trade
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Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide input to the Department of Foreign Affairs and Trade consultation on the proposed Green Economy Agreement (GEA) between Australia and Singapore.

ACCI is supportive of free trade and investment, and welcome efforts to remove barriers to trade including tariffs on environmental goods and services. While the GEA promises to support trade and investment in environmental goods and services by ensuring tariffs don't stand in the way of the exchange of technology, positive action is required to secure any additional benefits from its implementation.

Australia has outlined goals and set out a suite of actions to support investment in the green economy through the Technology Investment Roadmap. Australia already has a number of bilateral and regional agreements with Singapore and is involved in multilateral efforts to reduce tariffs on environmental goods which may have a more substantial impact than a bilateral format. There is risk of adding to the 'noodle bowl' of Australia's agreements on trade and investment unnecessarily.

Should the Australian Government pursue the GEA, effort should be undertaken to align it with Australia's existing agreements to reduce overlap and create an efficient and supportive trade landscape. The potential and global push for carbon pricing should also be taken into consideration in the formation of the agreement to retain Australia's commitment to a technology driven approach to addressing climate change. Further, green financing should be reviewed as both a potential obstacle and opportunity.

Australia's 'Green' Goals and Actions

Investment in low-emission technology

The Australian Government has publicly stated its goals for Australia to be a leader in technological developments to reduce emissions and to be a major hydrogen exporter. The 'First Low Emissions Technology Statement 2020' outlines this goal, indicating Government will focus its efforts on emerging technologies with the potential for revolutionary domestic and global economic and emissions outcomes to position Australia as a global technology leader. The intended steps to achieve this include:

- *"Accelerating technology development through an investment and incentives framework that spans from research and development to pre-commercial deployment*
- *Enabling our agencies to invest in the next generation of technologies through a legislative and regulatory reform package*

- *Working together with our trading partners, because delivering global outcomes requires international collaboration."*[1]

We are seeing activity to achieve these goals with a suite of projects aimed at supporting renewable energy including:

- Snowy 2.0 – which is Australia's largest committed renewable energy project. This will increase the reliability and reduce the volatility of renewable energy, meeting peak demand of up to 500,000 homes.
- Hunter Power Project – which will fill the gap created by the closure of the Liddell power station in 2023. The Government is investing up to $600 million on the new gas-fired power station at Kurri Kurri.
- The Alinta Fortescue Solar Gas Hybrid Project – which will service major mining operations in the Pilbara region with reliable renewable energy solutions
- Several Waste to Energy projects in WA including the East Rockingham and Kwinana projects to process 330,000 and 400,000 tonnes of waste into 28.9 and 36MW of power respectively.
- The Kidston Pumped Hydro Energy Storage (PHES) project – to produce 250MW baseload power for export to the electricity grid via the pumped hydro energy storage facility.
- Several large-scale solar projects including the Darling Downs Solar Project costed at $195 million, Moree Solar Farm at $200 million and AGL Solar Project at $439 million.
- In addition to existing wind, solar, hydro, and bioenergy projects, there are 105 new renewable energy projects and 23 battery storage projects under construction (or soon to be started) in Australia including pumping stations, wind farms and solar farms.

In addition, Australia is prioritising low-emission technology where it involves foreign direct investment, with $7.5 billion investment opportunities for renewable energy and hydrogen generation. Existing investments in Australia's traditional low-emission landscape[2] include businesses from a range of countries:

- French renewables company Neoen building Australia's largest solar farm - Western Downs Green Power Hub,
- Korea Zinc's investment in the MacIntyre Wind Farm
- Japan-based Sumitomo Forrestry's investment in the Building 4.9 Cooperative Research Centre
- Mitsubishi Heavy Industries' investing in the developer of the $250 million Eyre Peninsula Gateway Project.

Hydrogen provides newer opportunities for low emission technology and energy generation so it's no surprise that it has taken a spotlight for many countries aiming to reduce their net emissions and support global climate action. Among them is Australia, which has the goal of being a major hydrogen exporter alongside the UK. Efforts in this space include the Australian Clean Hydrogen Trade Program which provides $150 million to support hydrogen supply chain projects to secure investment in Australia. A practical example is the Hydrogen Energy Supply Chain project between industry and the Australian, Victorian and Japanese governments to produce and transport clean liquid hydrogen from Australia's Latrobe Valley to Kobe, Japan. The world-first project is now awaiting approval to proceed to commercial phase after a pilot from 2020-2021.

[1] Technology Investment Roadmap: First Low Emissions Technology Statement 2020 https://www.industry.gov.au/data-and-publications/technology-investment-roadmap-first-low-emissions-technology-statement-2020/ministers-foreword

[2] Traditional renewable energy sources include solar, wind and hydro energy sources. Hydrogen is considered a new and emerging technology.

We are seeing substantial private sector investment in green energy projects, both domestic and international, without formal international agreements. There is a strong appetite for private investment in green energy projects, and the government can best support these by reducing regulation rather than adding to it. The GEA needs to be clear and quantify how it will reduce regulatory barriers to better facilitate investment in environmental goods and services between the two countries.

Recommendation: Continue to expand Australia's efforts on low-emission technology and hydrogen exportation through research and development and investment initiatives without regulatory barriers.

Existing Collaboration between Singapore and Australia

Singapore's population and small land area provides few opportunities for renewable energy generation, forcing reliance on imported energy. Solar power technology research and regional power grids are a priority for Singapore, aligning well with Australia's solar and renewable energy capabilities and our history of energy and fuel exportation. Consequently, Australia has a strong relationship with Singapore on renewable energy matters including energy supply, trade digitalisation and shipping.

The Australia-Asia Power Link project led by Sun Cable, is a flagship project supplying solar energy harnessed and stored in Australia to Singapore and Asian markets via underwater cables. The project, which is expected to be operational by 2027, will inject $8 billion into the Australian economy and provide up to 15% of Singapore's energy needs. This project is foundational to Australia's renewable energy export goals and did not require a regulatory agreement.

Australia and Singapore share an exponentially growing list of bilateral and regional agreements:

- Four trade agreements (Singapore-Australia FTA, ASEAN-Australia-New Zealand FTA, Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and Regional Comprehensive Economic Partnership),
- Australia-Singapore Digital Economy Agreement,
- Memorandum of Understanding on Low-Emissions Solutions
- Memorandum of Understanding on Innovation and Science, and
- Memorandum of Understanding on Hydrogen and Maritime Shipping.
- Both countries are also party to the APEC List of Environmental Goods and negotiating parties of the WTO Environmental Goods Agreement.

These agreements have been used as the foundation for bilateral collaborative efforts such as the Intergovernmental Ledger which successfully piloted blockchain Certificates of Australian Origin to Singapore after the 2020 Australia-Singapore Digital Economy Agreement was signed. ACCI support the advances in digital trade and blockchain interoperability which were obtained on the back of this agreement; however, they are not mutually exclusive. Nor should we be limited by a bilateral approach.

Recommendation: Continue to strengthen and support relations between Australia and Singapore through open means without the restriction of a regulatory agreement.

Bilateralism vs Multilateralism

ACCI supports the removal of tariffs including those on environmental goods and services which the GEA sets out to achieve however the mechanism through which these efforts are conducted is important.

Australia is not shy from the international platform or collaborative agreements. We are party to several multilateral agreements and treaties on a range of topics under the umbrella of environmental sustainability. Some of which Singapore is not party:

- At COP26, Australia joined the steering committee for the Green Grids One Sun One World Grid, which will create a global network of renewable energy infrastructure. Singapore is not a member or endorser of the committee.
- Australia signed on to the Clydebank Declaration which will set up green shipping corridors (zero-emissions shipping routes between major ports) this decade. Singapore did not sign.
- Australia is co-leading the Net Zero Industries Mission; however Singapore is not a member.
- Australia is a signatory of the Energy Charter Treaty, which promotes cooperation on energy and energy efficiency and encourages non-discriminatory trade in energy materials. Singapore is not among the fifty-three signatories and contracting parties to the Treaty.

With wide ranging support for multilateral efforts, it begs the question should the Australia-Singapore Green Economy Agreement be added to the lengthy list of bilateral agreements or would Australia's attention be better devoted to the same efforts in the WTO – which Australia Chairs? ACCI supports an open multilateral approach. As set out in the CACCI policy statement 'Achieving a Successful World Trading System' which was favourably received by Minister Tehan and two WTO Deputy Director Generals[3], the multilateral trading system Australia strongly defends is eroded by bilateral agreements. A multilateral approach may prove the more effective and efficient pathway to achieving global action on environmental goods and sustainability rather than forming a bilateral agreement. This is especially relevant with the intention for the GEA to be replicated by other countries until there are enough two-way agreements to make a global impact.

Contributing to the Noodle Bowl

ACCI regularly raise concerns over the 'noodle-bowl' effect occurring in the trade and investment landscape. Bilateral and regional agreements can provide benefits to trade and investment, but they often overlap with existing agreements and add layers of complexity. The Australian and Singaporean Governments hope the GEA will serve as a pathfinder for future international agreements on trade and environmental sustainability. However this creates the potential for layering international agreements upon one another where existing agreements and global efforts already provide for avenues to support sustainability.

The Australian Government has deemed the Singapore Australia Free Trade Agreement (SAFTA) as *"one of Australia's most successful free trade agreements"*[4]. The 2017 amendment to better support legal services, qualification recognition and Government procurement was further celebrated as a major outcome in strengthening Australia and Singapore's comprehensive partnership. Key relations between Australia and Singapore may therefore be better heightened by rolling the intended outcomes of the GEA into SAFTA through a second amendment or an addendum. In its current form SAFTA does not differentiate rules of origin or include a specific chapter on environmental goods and services, though it does eliminate all tariffs on goods. The GEA aims to remove tariffs on environmental goods and services and may therefore be better positioned

[3] CACCI, 'Achieving a Successful World Trading System' https://www.cacci.biz/wp-content/uploads/2021/10/CACCI-policy-statement_P24.pdf

[4] https://www.dfat.gov.au/trade/agreements/in-force/safta/Pages/singapore-australia-fta

as an extension to our existing FTA to achieve the outcomes without complicating the regulatory environment.

In the event the GEA is brought into the trade landscape as a standalone agreement, several processes are needed. First, independent analysis of the economic, environmental, and overall benefit of the new agreement should be conducted. Second, the unique benefits provided above and beyond existing bilateral and regional agreements must be clearly outlined. Third, effort should also be taken to harmonise commonalities with existing agreements such as the Australia-Singapore Digital Economy Agreement. Older agreements which no longer provide unique benefit following introduction of newer agreements should be reviewed and modernised into a more cohesive framework to ensure the most efficient and trade-supportive regulatory environment.

Recommendation: Reduce regulatory barriers to trade by clearly highlighting the unique benefit of each agreement. Overlapping agreements should be reviewed and harmonised to ensure an efficient and trade-conducive environment.

Non-Tariff Barriers and Opportunities to Consider

Should the GEA continue, it will be important to consider the obstacles and opportunities of carbon pricing and green financing.

Carbon Pricing

Australia is not new to the prospect of a carbon tax, but carbon border pricing is a relatively new development in the global trading space. Pioneered by the European Union, the Carbon Border Adjustment Mechanism (CBAM) threatens to place a price on the import of carbon intensive goods. Australia and ACCI share the mindset that a carbon border price is protective and prohibitive to trade with the term ‘technology not taxes’ garnering support.

International trade negotiations have however seen an influx of ‘green’ chapters with aims to increase emission reduction commitments and compliance measures beyond multilateral agreements. The Australia-UK FTA was not immune to these aims however Australia took a strong position that the place for these commitments was not a bilateral trade agreement. Similarly, the Australian Government has been strong in statements concerning the application of carbon pricing, favouring investment in technology and R&D to incentivise emissions reduction rather than penalise. Singapore, however, was the first Southeast Asian nation to apply a carbon tax and may seek to impose stronger commitments and regulations from Australia.[5] Australia should reinforce our stance on carbon pricing in the GEA to ensure it is facilitative of trade and emissions reduction through viable means.

Green Finance

Trade finance has been a focal topic for many countries through ‘green’ labelling and the integration of Environmental, Social and Governance (ESG) criteria in investment decisions. Efforts in sustainable trade finance have been somewhat overshadowed by the growing trade finance gap however there is opportunity for Australia and Singapore to explore green financing.

The Asian Development Bank (ADB) calls for greater finance partnerships between the public and private sectors, global trade finance standards to drive interoperability, greater inclusion of women throughout the global financial system, and greater transparency throughout global trade and supply chains. In addition, the ADB strongly promotes climate financing and integration of Sustainable Development Goals (SDG). One aspect of the obstacle to green finance has been the trade finance

[5] https://www.mse.gov.sg/policies/climate-change/cpa

gap and calls to shorten the divide before pursuing climate policies, however the International Chamber of Commerce (ICC) do not support these divisive views, instead working to unite the finance areas. The ICC Standards for Sustainable Trade and Sustainable Trade Finance provides a roadmap for industry, policymakers, and traders to define and set implementable standards for sustainable trade and trade finance.[6] Policy tools such as this should be used in the formation of the GEA to produce a robust and effective agreement which facilitates growth in collaborative green trade finance.

Recommendation: Should Australian and Singaporean Governments elect to pursue a Green Economy Agreement, it should take into consideration the risk and restrictiveness of carbon pricing. The agreement should also consider the opportunities of green finance.

Summary

The Australian Chamber of Commerce and Industry strongly supports the removal of tariffs on environmental goods and services. However, this submission highlights several potential issues in the net benefit of the Australia Singapore Green Economy Agreement (GEA). Australia is actively pursuing low-emissions technology and export opportunities through collaborative means without the need for bilateral regulatory agreements. Where international agreements are the most effective mechanism, we are involved in multilateral efforts to generate the biggest impact. We question whether the addition of a bilateral agreement which provides no unique additions will facilitative to trade or a green economy. Efforts may be better focused on expanding low-emission technology creation and hydrogen exportation through research and development and investment initiatives without the restriction of agreement rules.

Should the GEA be pursued, effort should be taken to clearly define its benefits, and harmonise and modernise areas of overlap with existing agreements to ensure an efficient and trade-conducive landscape. The potential risk of calls for carbon pricing should also be taken into consideration in the formation of the agreement as well as the opportunity to explore green financing.

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