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Dear Sir / Madam,

Singapore-Australia Green Economy Agreement

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to the proposed Singapore-Australia Green Economy Agreement (GEA).

KPMG supports the proposed GEA, noting that it will facilitate trade and investment in environmental goods and services between Australia and Singapore, strengthen environmental governance, and contribute efforts to build global capacity to address climate change. However, there are two areas, voluntary carbon markets and alignment to government policy, where we consider the GEA could be strengthened to further support economic growth and job creation in green sectors and drive new investments, including in hydrogen.

Background

KPMG supports scientific consensus that human activity is the primary cause of climate change and acknowledges our responsibility in limiting warming to less than 1.5° above pre-industrial levels. Under our Climate Action Plan to 2022, we have committed to be a net zero emissions business, an enabler of the circular economy and transparently managing our climate risk and ongoing contribution to the UN Sustainable Development Goals.

KPMG's Climate Change & Sustainability team also works with organisations to help them manage the risks and opportunities associated with non-financial issues, and to enhance all aspects of reporting and communication. We also provide assurance services over all non-financial disclosures to enhance the credibility of reported climate related information.

Voluntary Carbon Markets

KPMG recognises that a key part of the Australian green economy agreement with Singapore is about a partnership to reduce emissions globally as the world seeks to decarbonise. Carbon markets will play a role in achieving this objective.

In a recent KPMG report, Carbon Credits: Australia's Next Big Sunrise Industry, KPMG explains how Australia enjoys a comparative advantage in the removal of carbon over smaller, more densely populated countries.

The report also notes that with the integrity of ACCUs provided by the Clean Energy Regulator, agreements could be negotiated by the Australian Government with regional neighbours such as Japan, Korea and Singapore. Carbon credits such as ACCUs could be traded directly to reduce the cost of emission reduction and to enhance liquidity in the markets. In addition, gains from carbon trade could be facilitated by trading zero emissions fuels, with Australia's domestic regulatory settings being used to underpin their carbon-neutral claims.

In terms of advancing cooperation on voluntary carbon markets with Singapore and for the South East Asian region, KPMG is not aware of any bilateral agreement in place that allow trading of carbon units between Australia and any countries in the South East Asia Region.

Future developments that can be leveraged to address the lack of a bilateral carbon trading agreement include:

- The Australian Clean Energy Regulators (CER) proposed Australian Carbon Exchange, with a proposed launch date sometime in 2023;
- The proposed Singapore-based global exchange for high-quality carbon credits, which is planned to be launched by the end of 2022. The exchange, Climate Impact X, or CIX, is a joint venture from Asia's largest lender DBS Group, British bank Standard Chartered, Singapore state investor Temasek and market operator Singapore Exchange; and
- The operationalistion of Article 6.2 of the Paris Agreement at COP26, establishing the rules for global carbon markets.

The new rules for international transfer and trade of carbon units agreed at COP26 will underpin international cooperation and carbon markets, providing a platform for high integrity, transparency and comparability. There is now work underway across jurisdictions to ensure the 'plumbing' is in place for such cooperation, such as standards for emissions reporting, carbon unit creation and interoperable registries.

KPMG recommends that the Australian Government assess options to progress a carbon trading market between Singapore and Australia as part of the GEA and consider the inclusion of other countries in the South East Asian region.

Alignment to Government Policy

Given the objectives of the GEA there is an opportunity to ensure that existing Australian Government policy and regulatory settings are in fact aligned with the GEA objectives and the technologies and green investments that the Government is seeking to attract inbound investment flows into.

For example, the GEA can support the implementation of the Australia-Singapore partnership on low emissions technologies, and further the goals of the Australian Government's Low Emissions Technology Statement including achievement of the priority technology stretch goals that include commitments to clean hydrogen, energy storage, low carbon materials, CO2 compression, hub transport and storage and soil carbon.

The GEA could involve collaboration to identify new opportunities for, and barriers to, the flow of capital, research collaboration, expertise and information between the jurisdictions. Such an agreement could then implement any broader measures that can ensure opportunities from collaboration are maximized. This will ensure that private capital in Singapore and Australia is free to flow into the green investments in both jurisdictions.

Should you have any additional questions or would like to discuss the contents of this letter further, please do not hesitate to reach out.

Yours sincerely,

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