

Kyoto Protocol brings investment opportunities

Manufacturers here can earn carbon credits to sell to other countries

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BUSINESSES here are unlikely to face increased costs from Singapore's accession to the Kyoto Protocol on climate change, but may benefit from new investment opportunities, it emerged yesterday.

The Kyoto Protocol is a treaty signed by 161 nations to reduce carbon and greenhouse gas emissions. Dr Yaacob Ibrahim, Minister of the Environment and Water Resources, announced in Parliament on Tuesday that Singapore would be joining the protocol this year.

'It is not going to adversely affect industries and will only contribute to the economy', said Vinod Kesava, CEO of Asia Carbon Singapore, a company which helps implement Kyoto Protocol mechanisms.

Under the protocol, developed countries listed in Annex I of the agreement are required to reduce carbon emissions by more than 5 per cent from 1990 levels by 2010. There is no obligation for Singapore or companies here to comply with emission constraints under Kyoto, as the Republic is not named in the Annex.

However, companies can undertake projects that reduce carbon emissions below a baseline, thereby generating carbon credits that can then be sold to companies in Annex I countries, which would use the credits to meet their own compliance targets, said Mr Kesava, who is also chairman of the IE Singapore Greenhouse Gas Emissions Reduction Group.

A spokesman for the Singapore Manufacturers' Federation said: 'With Singapore acceding to the Kyoto Protocol, many manufacturing companies can look forward to being credited with carbon credits that they can sell to developed countries.'

Rising electricity prices mean that some manufacturers have cut down on their use of power, and the sale of credits could bring a double-dividend for companies which have invested in energy efficiency improvements. 'Many major manufacturers and high energy consumers will therefore benefit from a double bottom line boost from Singapore signing the protocol', the federation said.

Asia Carbon Singapore has arranged four such carbon credit trades in the region, at prices between four to 11.75 euros (S\$7.79 to S\$22.89) per tonne of carbon dioxide. Although the credits are usually sold at about 26 euros per tonne in Europe, there is as yet no price-setting mechanism in Asia, Mr Kesava said.

Others think the protocol will have little effect on the economy. DBS Bank economist Chua Hak Bin said the effect would be negligible, as local companies have already implemented many of the upcoming standards; however, the process might benefit trade, as Singaporean companies that meet global standards will have an advantage over those companies in other countries that do not, he said.

Speaking for smaller companies, Kurt Wee, vice-president of the Association for SMEs, said: 'The heavy emissions industries are quite large scale. I cannot say it will not affect small businesses, but it is probably larger companies that will be affected.'

Paul Yap, CEO of Hazelberg, a company involved in converting coal ash into a cement substitute, said: 'There are a lot of opportunities to look at our own technology and help companies in China, India or the region develop projects that would entitle them to get carbon credits.'

Still, an industry executive from the chemical sector said the Kyoto Protocol 'has been a controversial issue, as some companies here are US companies that are not in line with the Kyoto standards'.