Legal Update

Trading in Trust: What Singapore and the Philippines' New Carbon Deal Means for the Region

Article 6 of the Paris Agreement opened a pathway for global climate control: countries could finance emissions cuts in other nations and count those reductions towards their own climate targets. Carbon credits are the mechanism that makes this work in practice. One country can fund a project that cuts emissions elsewhere, and count those savings towards its own goal. The problem is that there is not a readily available market for trading these credits. On 30 April 2026, on the sidelines of ASEAN Climate Week in Manila, Singapore and the Philippines signed an agreement to help build one.

The agreement between Singapore and the Philippines creates a framework for carbon credit projects in the Philippines and their transfer to Singapore. For the Philippines, it is a first. For the region, it is one more sign that carbon has quietly become something that can be measured, priced and traded across multiple borders.

A. What the two countries actually signed

The agreement was signed by Grace Fu, Singapore's Minister for Sustainability and the Environment, and Juan Miguel T. Cuna, the Philippines' Secretary of Environment and Natural Resources. The agreement creates a legally binding framework for building carbon credit projects in the Philippines and moving the resulting credits to Singapore, all under Article 6 of the Paris Agreement. This was something that had never been agreed to before between the two nations.

Think of the agreement as laying tracks before trains can run. With the agreement in place, developers can now build projects, have the credits signed by both governments, and transfer them across the border with legal certainty. The finer details, including the exact approval process and the list of project types that will qualify, are still being determined by both countries. Singapore's Ministry of Trade and Industry has said it will publish those details in due course.

B. What is Article 6 of the Paris Agreement

Article 6 of the Paris Agreement is the part that lets countries team up to reach their own respective climate targets. Instead of every nation working on their own climate targets, one can pay for emissions cuts where they are cheaper or easier to achieve, then count them towards its own pledge.

There are two rules to keep such transfer mechanism honest. First, when the Philippines sells a tonne of reductions to Singapore, it takes that tonne off its own books. This prevents the same saving being counted twice. Second, both governments have to permit and authorise the transfer, which is exactly what this agreement is built to do.

For Singapore, the demand is real rather than theoretical. Under its carbon tax, companies can use eligible international carbon credits to cover up to 5 percent of their taxable emissions, provided those credits meet strict integrity standards. And the tax keeps climbing. It rose to S$45 per tonne in January 2026 and is on track to reach S$50 to S$80 by 2030. The higher the tax goes, the more a credible carbon credit is worth.

C. What it means for the Philippines and the region

For the Philippines, the agreement is a pipe for climate finance. It points investment at projects that might otherwise struggle to get off the ground, from renewable energy to forests and wetlands. The government has been clear about what it wants in return from such projects: new jobs, stronger energy security and cleaner air and water for the communities across the country.

Zoom out, and a pattern emerges. The Philippines is now the eleventh country to sign a binding agreement of this kind with Singapore, joining Ghana, Papua New Guinea, Bhutan, Chile, Peru, Rwanda, Paraguay, Thailand, Vietnam and Mongolia. Piece by piece, Singapore is assembling one of the demanding carbon credit networks in the world, and turning Southeast Asia into a serious place to develop climate projects.

D. Why quality of carbon credits matter

That integrity does not build itself. It rests on the standard setters and registries that decide how emissions savings are measured and recorded. One such organisation in the region is the **Asia Carbon Institute (ACI)**, an independent, non-profit carbon crediting standard and registry established in 2022, with offices in Singapore and Hong Kong. Its purpose is to raise the credibility of carbon credits generated from projects across Asia. Its own position is refreshingly clear. Regulation alone will not cut emissions fast enough, and markets will not deliver unless what they trade is genuinely high quality.

ACI writes methodologies - the rulebooks that set out how a project's emissions savings are calculated and verified. It also operates an independent registry that issues and tracks credits, each one representing a tonne of carbon dioxide kept out of the atmosphere. Its methodology work covers project types the region needs, from the early retirement of coal-fired power plants to cleaner urban transport, developed together with national agencies and standards bodies across Asia. This is voluntary carbon market infrastructure. It sits alongside bilateral state-to-state arrangements rather than inside any one of them.

Under Article 6 agreements, the crediting programmes and methodologies eligible for a given pair of countries are approved by the two governments and published separately. For the Singapore-Philippines framework, that list has not yet been issued.

E. The bottom line

Governments have built the framework for international carbon credit trading. Now the private sector has to fill it with real projects and money. The rules are still being formalised, the list of eligible projects has not yet been published and the market is only beginning to form. For businesses across the region, there is a window of opportunity. Those who understand the landscape now, who know which standards carry weight and which projects will qualify under the implementation agreement, will be positioned ahead of the curve when others rush to enter the market later.

Further information

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