



*Smart Energy, Sustainable Future*

## **FORWARD CAPACITY MARKET**

### ***INFORMATION PAPER***

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# FORWARD CAPACITY MARKET (“FCM”)

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### **BACKGROUND**

1 Since Jun 2019, EMA conducted three rounds of public consultation to develop the FCM in conjunction with our consultant The Brattle Group (“**Brattle**”). EMA has also actively engaged stakeholders throughout the consultation process via industry briefing sessions, deep-dive tutorials as well as multilateral and bilateral discussions to help them understand the rationale, intended objectives as well as the potential outcomes of various FCM design elements.

### **UPDATE**

2 EMA has received and reviewed the invaluable feedback from all stakeholders.

3 The power generation sector faces considerable uncertainty and unpredictability. First, there is uncertainty with regard to electricity demand forecasts, exacerbated in part due to the impact of the COVID-19 pandemic on the recovery of the economy. Second, under the Long-term Low-Emissions Development Strategy (“**LEDS**”), Singapore aspires to halve emissions from its peak to 33 million tonnes of carbon dioxide equivalent (“**MtCO<sub>2e</sub>**”) by 2050 with a view to achieving net-zero emissions as soon as viable in the second half of the century. As such, the clean energy sector is expected to grow, with increasing solar deployment and regional power grids. Third, the Government is reviewing the carbon tax rate with a view for it to be increased. This is likely to impact power generation companies (“**Gencos**”) with conventional thermal generation units, which are significant sources of carbon emissions. Fourth, there is uncertainty in respect to when and which low-carbon technologies, e.g., hydrogen and carbon capture utilisation & storage (“**CCUS**”), would be commercially viable alternatives in the power generation sector.

4 As the FCM is auction-based, it may not provide competitive market outcomes and achieve the key objective of maximising economic efficiency, given the high level of uncertainty that the power generation sector faces. EMA will therefore defer the implementation of the FCM. EMA will continue to monitor market conditions and technological developments, and review the introduction of the FCM in the future.

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