

ArcelorMittal SA questions carbon tax

■ Policy would have severe impact on steel maker, costing it 'an estimated R650m a year'

Dineo Faku

ARCELORMITTAL South Africa would present its comments to the National Treasury by next month on the 2015 implementation of the carbon tax policy, the firm's environmental general manager, Siegfried Spanig, said yesterday.

The carbon tax policy, which aims to reduce greenhouse gas emissions, would have a severe impact on Africa's biggest steel producer as it would cost an estimated R650 million a year, Spanig said.

The tax, which intends to discourage pollution blamed for global climate change, would be introduced at a rate of R120 a ton of carbon dioxide equivalent emissions from January 1, 2015, Finance Minister Pravin Gordhan said in his Budget speech in February.

However, Spanig said times were tough for steel producers as they continued to struggle with low demand and falling prices and the company was aiming to argue for a revision of the tax.

"It is important to get the

message across that we need measures to protect the industry," he said.

ArcelorMittal SA planned to reduce the figure by trying to qualify for higher exemptions and would make submissions to the National Treasury next month, Spanig said.

"For us, as a steel maker, we will suffer severe losses of between R600m and R650m a year at this stage," he said.

Spanig added that the initial cost of the carbon tax had been R2 billion and the company was hoping it would be able to

convince the National Treasury to revise the tax.

"It will also pose an inflationary threat to the economy as it could be used as an excuse for state-owned power utility Eskom to further increase electricity prices."

Eskom spokeswoman Hilary Joffe said it was expected that a carbon tax would be a "pass through", in other words, the regulator would allow Eskom to pass the cost of the tax to customers through tariffs.

The National Energy Regulator of SA allowed Eskom an

8 percent increase in each of the next five years, after the company originally requested a 16 percent annual increase.

The government planned a phased approach to the implementation of the carbon tax for five years from 2015, followed by a second phase from 2020 to 2025.

During the first phase of implementation, a basic 60 percent tax-free threshold and a 10 percent relief to allow emission-intensive industries to invest in projects outside normal operations will help

reduce carbon tax liabilities.

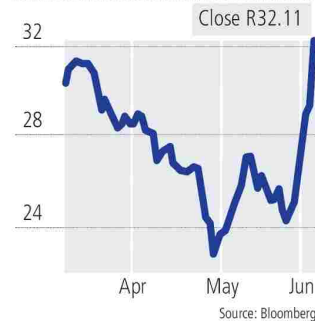
Spanig noted that as a developing country, South Africa was struggling to deal with water pollution and emissions instead of paying the tax.

He questioned whether the implementation of the carbon tax policy was simply a "hand-some" revenue source for the government.

However, the Treasury has argued that the objective of implementing carbon taxes was primarily to change future behaviour, rather than to raise revenue.

ArcelorMittal SA

Share price, rand Mar 4-Jun 4



ArcelorMittal SA's share price jumped 9.97 percent to close at R32.11 yesterday.