

ArcelorMittal may be forced to pay carbon tax

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If the Treasury starts levying carbon taxes by January 2015 as planned, South Africa will be the first country to actually make the global steel giant ArcelorMittal pay for its emissions.

Even though Europe, where Mittal's largest steel operations are based, has had a cap and trade scheme in place since 2005, it "hasn't cost the company a cent", the steel giant's group manager for environment, Siegfried Spänig, told City Press this week.

The generous awarding of free emission allowances, especially for steel makers and cement manufacturers, has meant that companies have actually managed to profit from selling the excess carbon allowances in Europe rather than paying for them.

South Africa will also beat the US as well as several eastern European and

The cost

R600m

THE AMOUNT ARCELORMITTAL SAYS THE
CARBON TAX WOULD COST IT EVERY YEAR

South American countries to the point of making the company pay for carbon.

"South Africa will be the first place we pay carbon tax. In the EU there could, maybe, be a cost by 2017," said Spänig after a presentation on the tax by the treasury's chief director of economic tax analysis, Cecil Morden, on Tuesday.

Environmental activists have condemned the surplus allocations in

Europe as proof that the steel industry there has lobbied the climate change agenda into submission.

Mittal's local subsidiary, ArcelorMittal South Africa (Amsa), has been the most vocal critic of plans to introduce a carbon tax, saying it will set the company back R600 million per year while it actually has no feasible way of reducing its emissions except by reducing its production.

The plan, published for comment in May, involves a tax of R120 per ton of CO₂, subject to initial allowances that would push the rate down to as little as R24 per ton, which will increase over time.

The R600 million figure is based on a 70% exemption and the group's relatively low 2012 level of steel production of 5 million tons. About 1.2 million tons of Amsa's capacity is sitting idle and, according to Spänig, is unlikely to be used again any time soon.

"The reality is that South Africa is de-industrialising," he said.

According to Morden's presentation at a breakfast organised by the National Business Initiative, there is still a long process. "We are very far from implementing," said Morden.

If the country is not ready to implement the tax by the beginning of 2015, it will be postponed, he said.

"We might push it out one, two or three months. It is possible."

During a Q&A session, he rejected out

of hand Spänig's suggestions that the carbon tax is no more than a revenue-raising initiative.

"The so-called transition to a low carbon economy should be taken with a pinch of salt," said Spänig.

"The steel industry does not have an option. You can tax us to death, it will not change our behaviour," he said.

Morden replied that the "principles are undoubtedly sound". If the Treasury wanted to raise revenue it would do so through VAT or corporate tax, he said.

Representatives from other large carbon emitting companies, including Sasol, questioned how the tax would be offset by so-called "soft earmarking" and revenue recycling.

The Treasury has indicated that it might cushion the blow of carbon taxes by cutting other levies, for instance.

According to Morden, this will take time to clarify. "It is an uncertain time. I can't give all the answers," he said.

The period for commenting on the carbon tax policy ends in August.