

Business lobby lashes carbon tax

Formal submission to National Treasury policy paper notes that SA contributes less than 1% of the world's greenhouse gas

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There is no reason for South Africa to "take a lead" with climate change mitigation, according to Business Unity SA (Busa).

South Africa contributes less than 1% of the world's greenhouse gas (GHG), Busa noted this week in its formal submission on National Treasury's policy paper on carbon tax, suggesting that the country's efforts to reduce emissions simply aren't particularly important in the greater scheme of things. "Business sees no reason for

South Africa (to be) the first developing country to introduce a carbon tax," they add.

Busa's formal position is that government should hold off on the carbon taxes until an array of other local and global climate change projects and agreements materialise. But the bulk of their submission argues for exceptions and keeping the option of eventually scrapping the tax altogether open.

The submission was released this week in response to the Treasury's long-awaited policy paper on carbon tax, which was released in May.

The crux of Busa's argument is that much of the South African economy literally

cannot reduce its emissions and should be exempted from the tax if they achieve what little is possible.

"Business believes it makes no sense to tax unavoidable emissions," reads the submission. "The 10% maximum offset for efficiency is therefore nonsensical and should be restructured to allow companies to avoid the carbon tax if they outperform their peers or global benchmarks."

Busa claims that the tax will achieve next to nothing except a steep increase in electricity prices.

The organisation also says the policy paper "belies" the repeated insistence that the tax is really meant to reduce

carbon emissions – as opposed to simply gathering more tax revenue.

This echoes one of the private sector's largest carbon tax targets, ArcelorMittal SA (Amsa).

Amsa claims the tax would make local steel mills practically impossible to run at a profit.

The company also claims that, should the Treasury actually go ahead with carbon taxes in 2015 as planned, South Africa will be the first country in the world where an ArcelorMittal unit pays carbon taxes.

Busa also calls it "inappropriate" to impose a carbon tax before South Africa actually sets a target for GHG reductions as part of the global negotiations around the issue.

The country is expected to make a commitment by 2015 and implement it in 2020.

The Treasury's proposal is to introduce the tax in 2015 at a rate of R120 per ton of CO₂, increasing by 10% per year in a transition phase to 2019.

This rate is counteracted by large exemptions, on paper sometimes up to 90%, to make it a "modest" initial burden.

According to Busa, South Africa already effectively has a carbon price via two levies that form part of the electricity price – one to fund the country's renewable energy projects and the separate nonrenewable electricity levy.

These practically make power users pay R151 per ton of carbon emitted by Eskom, according to Busa's calculations.

Busa bemoans the lack of "concrete proposals" that would allow companies to offset their carbon tax – and the absence of specific proposals for "revenue

recycling" to mitigate the tax impact.

Eskom accounts for the bulk of emissions in the country and will very likely pass the tax on to customers via the electricity price, Busa argues.

Eskom produces 39% of local GHG, according to the somewhat dated 2000 "GHG inventory" included in the Treasury's policy.

The future of any climate change intervention will largely revolve around the state power monopoly and the price it charges for electricity.

The Treasury itself admits that "the scope for the electricity sector to pass on the carbon tax to final customers is quite high".