

Carbon tax hits ArcelorMittal

SHARES of ArcelorMittal SA dropped more than 6% yesterday after the government said it would tax carbon emissions from 2015, sparking concerns that heavy polluters' earnings would be hit.

As the continent's biggest greenhouse gas emitter, South Africa is trying to curb emissions, but it also plans some exemptions to protect industry, Finance Minister Pravin Gordhan said in his Budget speech yesterday.

ArcelorMittal finished down 6.1% at R28.83 after the Budget speech,

Sasol stumbles after emissions levy features in Budget

becoming the biggest percentage decliner on the JSE's all-share index.

A carbon tax will add to the woes of the steel-maker, which has been struggling with lower domestic sales, high input costs and a fire at one of its plants.

"They have been spending heavily on curbing pollution in recent years but there's probably still a way to go," said Stephen Meintjes,

an analyst at brokerage Imara SP Reid, Johannesburg.

The tax, set at R120 a ton of carbon dioxide equivalent, has been criticised by carbon-intensive companies such as ArcelorMittal and petrochemicals giant Sasol.

Shares of Sasol fell nearly 2%.

Some of the exemptions proposed by the Treasury include a 60% tax-free threshold until 2020 on annual emissions for all industries.

Companies will also be able to claim additional relief of up to 10% by investing in external green projects to reduce their carbon tax liabilities.

"It is a mixture of the ugly, the good and the uncertain," said Mike Rossouw, chairman of the Energy Intensive Users' Group.

"The ugly is that the announcement took place when industry is not yet ready to implement and a

range of supporting regulatory measures is not in place."

South Africa wants to cut emissions by a third over the next decade but has little flexibility to make fast changes with major employers among the top polluters and its cash-strapped power sector almost fully reliant on coal.

Almost all of South Africa's power is generated by state-utility Eskom's coal-fired plants, making it impossible for companies to choose power from cleaner sources. — *Reuters*