CARBON TAX POSTPONED TO 2016

South African industrial giants, including Sasol, ArcelorMittal and Eskom, could relax after finance minister Pravin Gordhan in his 2014 national budget speech in Parliament postponed implementation of a carbon tax by a year. The South African government was planning to introduce the carbon tax on 1 January 2015. The objective of this form of taxation was to support South Africa’s commitment of reducing greenhouse gas emissions by 34% by 2020 and 42% by 2025 against a business as usual curve. It is anticipated that 60% of emissions will be tax-exempt for certain industries until 2020 to allow for a smooth transition for business.

Gordhan said that although a bundle of measures was necessary to combat climate change and decrease emissions, more discussion on the structure of the tax was necessary. “To allow for further consultation, implementation of the carbon tax is postponed by a year to 2016,” he said.

Government has proposed a carbon tax of R120 per ton of CO₂ and would increase by 10% a year until 2020. The carbon tax will be designed to create incentives for companies, businesses and individuals to change their behaviours and consumption patterns to reduce the reliance on fossil fuels. Steps to limit climate change would include the proposed carbon tax, environmental regulations, and renewable energy projects.

Based on the written comments received by the National Treasury, the tax on dirtier forms of energy will be lowered when the carbon tax is introduced, allowing the tax to be near neutral. While the tax would not be spent on purely environmental projects, some of the revenue would be aimed at funding the newly started energy-efficiency tax initiative. This will give tax breaks to projects that lower energy use.

Commenting on the energy, Gordhan endorsed fracking of shale gas in the medium term, which would provide an additional source of energy for the SA economy.