

CARBON TAX

Who coughs up

Eight listed companies could pay more than 90% of SA's potential carbon tax bill, research by specialist asset management house Mergence Investment Managers shows.

Mergence estimates the total carbon tax bill of listed companies from 2015 could top R3,14bn/year.

Mergence estimated the potential carbon tax bill across a sample of 70 of the top 100 JSE companies that disclosed data to the Carbon Disclosure Project over the past four years.

The total tax take will be a lot bigger as Mergence's research excludes power utility Eskom, which (based on rough calculations on 2012 emissions data) would probably cough up another R8,7bn-R11,6bn/year.

Among the JSE players, oil and gas giant Sasol will, on an absolute basis, potentially pay the biggest bill — around R3bn/year.

Other major contributors to the carbon tax bill would be steel maker Arcelor-Mittal SA, cement producer PPC, mining giants Anglo American and BHP Billiton and paper giants Sappi and Mondi.

Mergence also compared the projected tax with consensus forecast pretax profits

to determine which companies would experience the largest impact of the carbon tax charge on their margins. This analysis showed four companies — ArcelorMittal SA, PPC, Sasol and Sappi — were at risk of an impact larger than 2% of pretax profits.

Carbon tax could represent as much as 40% of Arcelor's pretax profits, while PPC could see an impact of 12% of profits, Sasol 7,7% and Sappi 4,5%. Perhaps surprisingly, Mergence estimates that shipping group Grindrod could see an impact of 1,5% and food conglomerate Tongaat Hulett 1%.

Though the additional tax charge might worry investors, Mergence portfolio manager Bradley Preston

notes a reduction in emissions intensity across the JSE in the past four years. He points out BHP Billiton cut greenhouse gas emissions per rand of revenue by more than a third between 2009 and 2012 from 111 t of CO₂/R1m to just 69 t.

Preston says that based on the available information, in 2009 an investment of R1m in the JSE all share index would have been responsible for greenhouse gas emissions of 88 t/year. "In 2012 that had nearly halved to 48,1 t." **Marc Hasenfuss**

hasenfussm@fm.co.za @MarcHasenfuss

WHAT IT MEANS

Handful of firms to pay most of carbon tax

Four companies to feel marked profit impact

Smokestacks Sin tax of billions

