

## 1 Country Sheet South Africa

Table 1: Status Quo of Carbon Pricing in South Africa (According to Current Proposal “Draft Carbon Tax Bill”)

Characteristics	
Name of instrument	Carbon Tax
Date of entry into force	Envisaged for 1st January 2017 (according to current proposal; legislation has not been adopted yet)
Scope	
- Sectors covered	Envisaged sectors to be covered: <ol style="list-style-type: none"> <li>1. Fuel combustion in energy industries, transport, and other non-specified sources</li> <li>2. Fugitive emissions from fuels in solid fuels, oil, and other fugitive emissions from energy production</li> <li>3. Industrial processes and product: mineral industry, chemical industry, metal industry</li> <li>4. Agriculture, forestry and land use: livestock</li> <li>5. Others (this category covers any entity that perceives that it does not fall under any of the other categories) (Republic of South Africa, 2015).</li> </ol>
- Gases covered	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, PFCs, HFCs and SF <sub>6</sub> (Republic of South Africa, 2015).
- Point of regulation	Envisaged downstream for stationary direct and processes, upstream for non-stationary emission sources through integration into the current fuel tax regime (Morden, 2015).
- Treatment of imports and exports	n.a.
Price / cap level	R120 (7,88 EUR <sup>1</sup> ) per tCO <sub>2e</sub> , according to current plans for the first phase up until 2020. Including tax-free allowances, the effective carbon tax ranges between R6 (0,39 EUR) and R48 (3,15 EUR) per tCO <sub>2e</sub> for different sectors and is nullified for residential and livestock (Republic of South Africa, 2015).
Cost containment mechanisms	
- Offsets	Option to use offsets is envisaged as a cost containment instrument.
Reporting and verification	According to current plans: <ul style="list-style-type: none"> <li>• Tax paying entities are to self-report their carbon emissions and tax liability to South African Revenue Service (SARS).</li> </ul>

<sup>1</sup> Amounts in Euro are calculated on the basis of the exchange rate of 2 November 2015 (date of release of current proposal “Draft Carbon Tax Bill”).

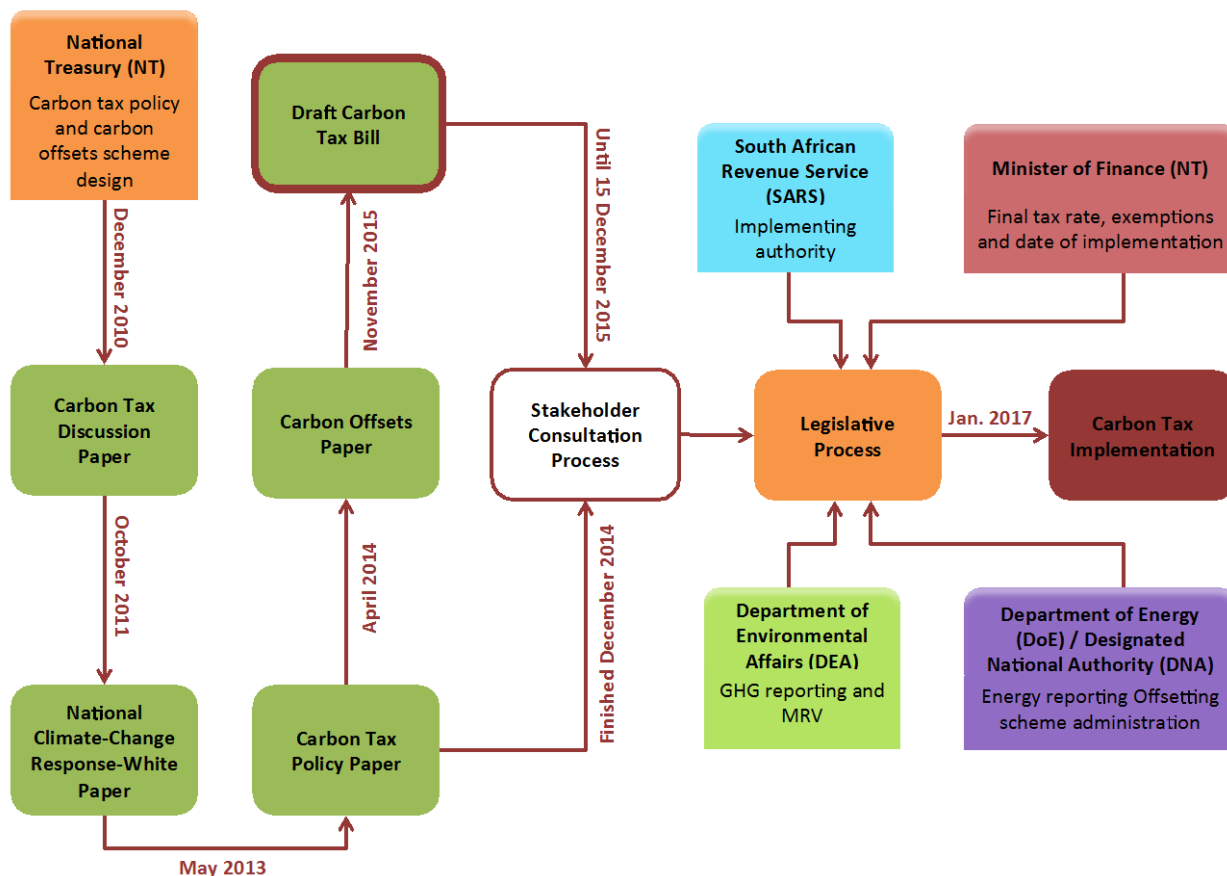
	<ul style="list-style-type: none"> <li>• The DEA is to lead the MRV process, collecting the GHG process emissions information. In the following, the Department of Environment (DoE), which is developing the Central Energy Database, is to supply energy combustion data to the National Atmospheric Emissions Inventory System (NAEIS – part of the South African Air Quality Information System, SAAQIS).</li> <li>• The DoE currently hosts the Designated National Authority (DNA) who is expected to be responsible for administering the carbon offsets (Republic of South Africa, 2015).</li> </ul>
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**Table 2: Details of Offsetting Regulation in Carbon Tax in South Africa (According to Carbon Offsets Paper Published for Public Comment April 2014) (National Treasury, 2014)**

<b>Eligibility</b>	
- Eligibility criteria	<p>Proposed list of eligible project types:</p> <ul style="list-style-type: none"> <li>• Energy and energy efficiency</li> <li>• Transport</li> <li>• Agriculture, forestry and other land uses (AFOLU)</li> <li>• Waste</li> </ul> <p>Proposed eligibility criteria:</p> <ul style="list-style-type: none"> <li>• Projects that generate carbon offset credits must occur outside the scope of activities subject to the carbon tax.</li> <li>• Only South African based credits are eligible for use within the carbon offset scheme. Carbon offset projects registered and / or implemented before the introduction of the carbon tax regime to be accepted subject to certain conditions and within a specific timeframe to be elaborated.</li> <li>• Lists of both eligible and ineligible projects to be introduced.</li> <li>• Development of a South African specific carbon offsets standard/scheme could occur in the medium term to facilitate certain project types.</li> </ul> <p>Proposed negative list for projects:</p> <ul style="list-style-type: none"> <li>• Projects that receive benefits from other government incentives, such as projects that benefit from the Energy Efficiency Tax Incentive or the Renewable Energy Independent Power Producers Purchase Programme (REIPPPP)</li> <li>• Energy efficiency, cogeneration of renewable energy, and fuel switch projects implemented on activities owned/controlled by companies covered by the tax.</li> </ul>
- Standards	Clean Development Mechanism (CDM), Verified Carbon Standard (VCS), Gold Standard (GS) and Climate Community and Biodiversity Standard (CCBS) are being considered for use in the carbon offset scheme.
- Quantity limits	Reduction of carbon tax liability by up to 5-10%.
- Sectoral limits	tbd

Price tbd

Figure 1: Political Process Relating to the Introduction of Carbon Pricing in South Africa Including Involved Actors (Legislative Process as Envisaged in Current Proposal “Draft Carbon Tax Bill”)



Source: Own illustration.

## 2 References

Morden, C. (2015). *Carbon Tax Proposals*. Portfolio Committee on Environmental Affairs. Retrieved from <http://pmg-assets.s3-website-eu-west-1.amazonaws.com/150526carbon.pdf>

National Treasury. (2014). *Carbon Offsets Paper. Published for Public Comment. April 2014*. South Africa. Retrieved from <http://www.treasury.gov.za/public%20comments/CarbonOffsets/2014042901%20-%20Carbon%20Offsets%20Paper.pdf>

Republic of South Africa. (2015). *Draft Explanatory Memorandum for the Carbon Tax Bill, 2015*. Retrieved from <http://www.treasury.gov.za/public%20comments/CarbonTaxBill2015/EM%20-%20Carbon%20Tax%20Draft%20Bill.pdf>

Republic of South Africa. (2015). *Draft Carbon Tax Bill*. Retrieved from <http://www.treasury.gov.za/public%20comments/CarbonTaxBill2015/Carbon%20Tax%20Bill%20final%20for%20release%20for%20comment.pdf>