Carbon tax implementation article – January 2019

HIGH HOPES. Tyler Miller with Legal Eagle, who's jockey, Lyle Hewitson, will ride with patience at today's Sun Met at Kenilworth and could turn in a much-improved performance. Picture: Liesl King

Carbon tax: firms 'aren't prepared'

WARNING: BILL WILL BE IMPLEMENTED ON JUNE 1

→ **Requires corporates minimise greenhouse gas emissions and adopt clean tech.**

Gcina Ntsaluba

With less than six months left before the Carbon Tax Bill is implemented on June 1, the majority of corporates are not ready for it, an expert says.

Franz Rentel, the South African director of Climate Neutral Group, which works with organisations to help minimise their carbon tax liability, said companies should determine which activities are generating tax liable greenhouse gas emissions. They should also develop a carbon offset strategy that addresses crucial questions, such as how and when to purchase carbon tax offsets.

"Purchasing carbon tax offsets can reduce carbon tax payable by up to 20%. The majority of SA corporates are not ready for the carbon tax. There is less than six months to go," he said.

Buying offsets can reduce carbon tax payable.

Carbon tax is a fee imposed for the burning of carbon-based fuels (coal, oil, gas) and is globally recognised as a core policy instrument for reducing and eventually eliminating the use of fossil fuels, the combustion of which is destabilising the climate.

If set high enough, the tax is a powerful incentive to switch to clean energy, because it is economically rewarding to move to non-carbon fuels and energy efficiency.

The SA carbon tax stipulates that carbon emissions from industrial processes, such as cement production and from various industrial activities including mining, will also attract carbon tax.

Rentel said ordinary citizens would not be directly affected by the carbon tax. Eskom was not allowed to pass the additional cost on to consumers and it would not affect fuel prices.

"The most likely way the man on the street will be affected is that certain commodities increase in price as the big emitters pass on the additional costs to consumers. For example, cements, steel, glass, paper. But as the carbon tax is quite low and the allowances very generous in the first phase, the additional costs will not be significant," said Rentel.

Companies must report on their greenhouse gas emissions before March 31. The SA greenhouse gas emission reporting regulations came into effect on April 3 last year to assist the national department of environmental affairs to get information from businesses to update the national greenhouse gas inventory.

This is a requirement of the Paris Climate Agreement, which SA ratified in November 2016.

The first phase will run until December 2022 and the initial tax rate will be R120 per ton of carbon dioxide equivalent.

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- Companies can reduce their carbon tax liability by investing in carbon tax offsets from eligible South African offset projects.
- Carbon offsets are essentially a form of trade in which an offset is purchased that funds projects that reduce greenhouse gas emissions elsewhere.