

Working Together:
Saving Tomorrow Today



South Africa's Proposed Carbon Tax Policy

—
*Reducing GHG emissions &
facilitating the transition to
a green economy*



Mitigation & MRV Workshop – Hanoi, Vietnam



Climate Action Now!
Save the future



Outline

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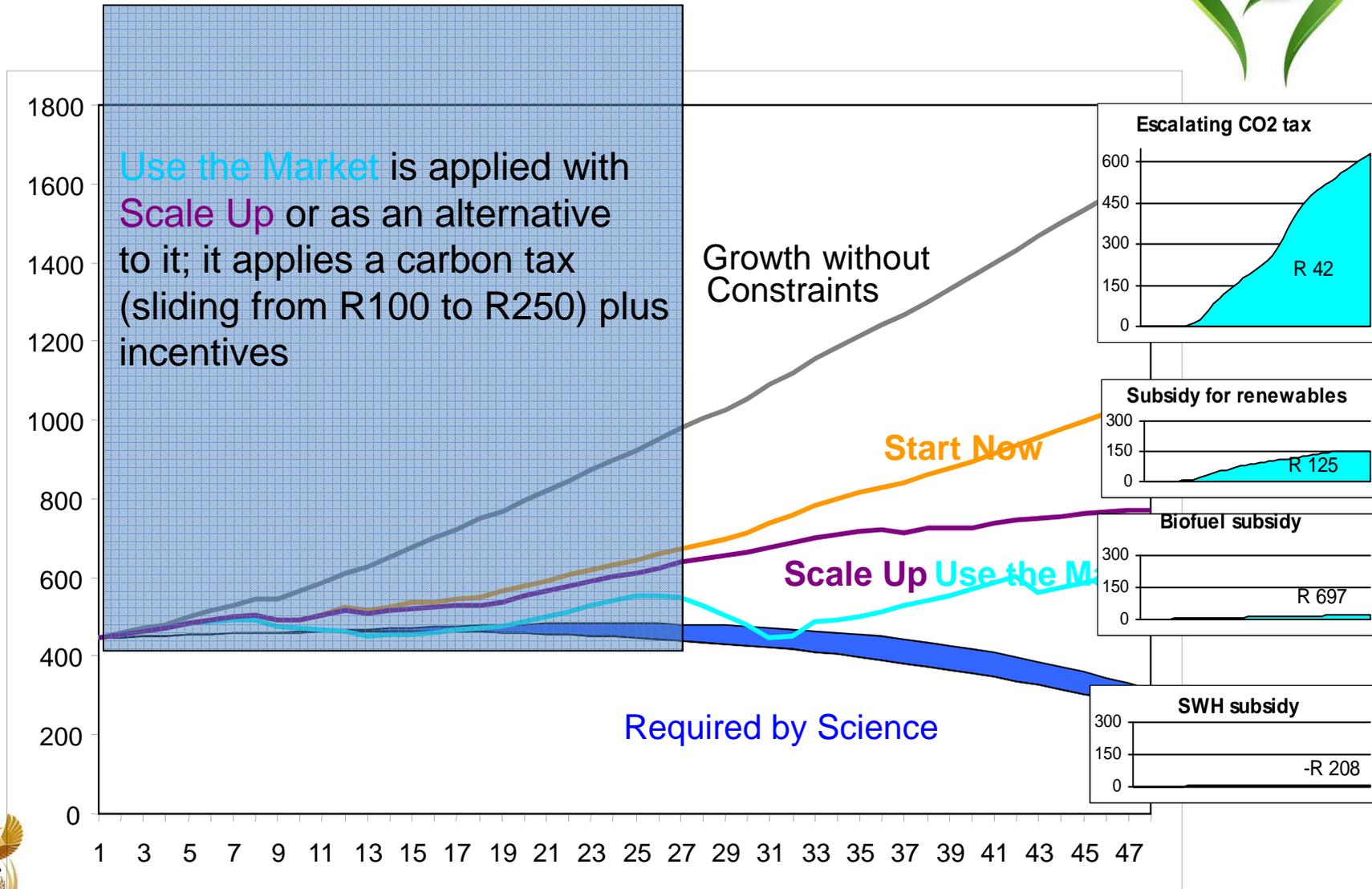
- LTMS results on carbon tax
- Carbon tax in the National Climate Change Response Policy
- Proposed Carbon Tax policy – published for public comment
 - Rationale and Objectives
 - Carbon tax design features
 - Revenue recycling and transitional support measures





LTMS Results on Carbon Tax

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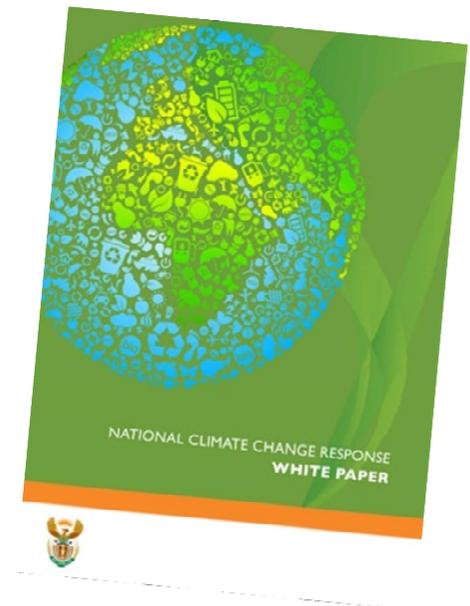


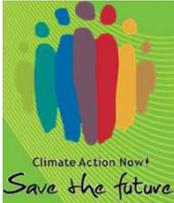
Carbon Tax in the Climate Change Response Policy (NCCRP)

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- South Africa's approach to climate change mitigation will include developing & implementing a **wide range and mix of measures** that optimize mitigation, as well as other SD benefits
- **Using the market:** Developing a range of economic instruments... including
 - appropriate pricing of carbon
 - economic incentives
 - use of emissions offsets





Proposed Carbon Tax Policy

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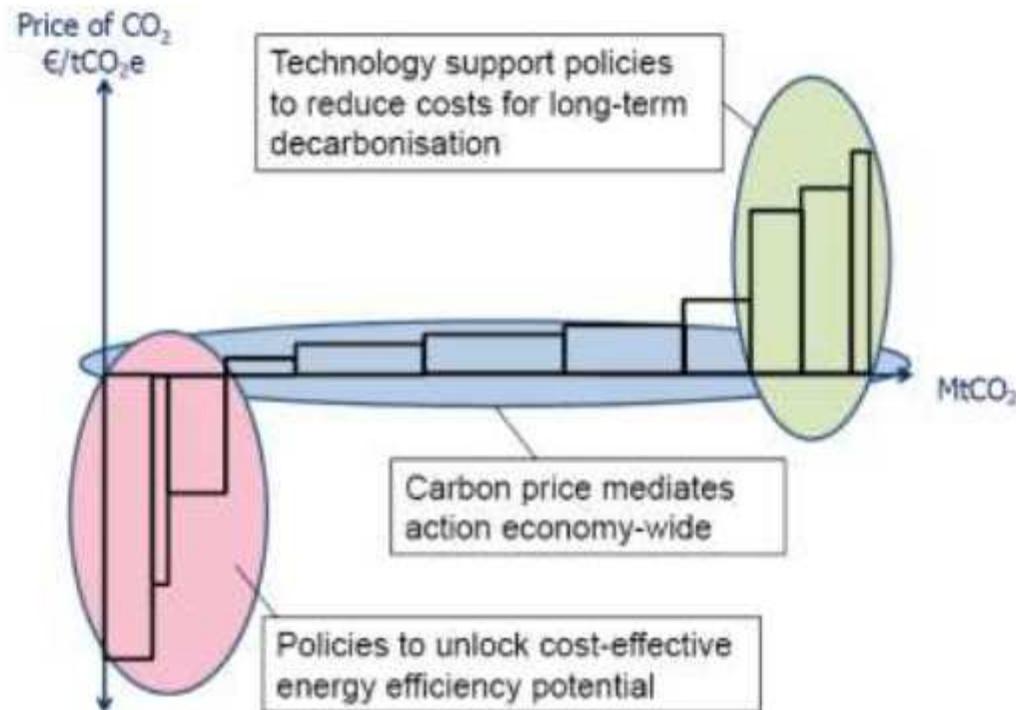
- Currently the draft Carbon Tax Policy paper is out for public comment
- Government initiative, led by the National Treasury
- Draft policy based on various studies and results of various modelling exercises
- Envisaged to come into effect from 1st January 2015





- To Facilitate a fair and viable transition to a low carbon economy

Source: IEA (2011: 8).





Rationale and Objectives

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- To correct market failure, because costs of pollution are not reflected in costs of goods
- Carbon tax can drive changes in producer and consumer behaviour, hence address CC
- Carbon tax preferable over ETS in the short-term
- Models show that **carbon tax, coupled with revenue recycling options**, will have a limited negative impact on economic growth, while hugely assisting transition to a sustainable and low-carbon growth path





Carbon Tax Design Features

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- Self-assessment, verified by government
- %-based thresholds, below which tax is not payable for the first 5 years
 - 60% basic threshold across the board
 - special considerations will be given sectors with structural anomalies
 - Limited use of offsets to reduce company tax liability
 - AFOLU & Waste sectors excluded for first 5 years
- Introduced @ R120 per ton (12 USD) in 2015.
increasing at 10%/yr to 2019



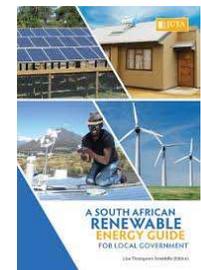
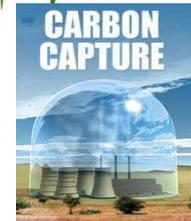


Revenue Recycling and Transitional Support Measures

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- **Tax Rebates:** Rebates to Carbon capture and Storage installations by carbon-intensive firms
- Free-basic electricity to poor households
- Supporting climate change Flagship programmes:
 - Energy Efficiency & DSM
 - Renewable Energy programme
 - Public transport & shifting freight from Road to Rail
- Other Environmental tax incentives
- Effective carbon pricing and potentially regulations to overcome market failures





Thank You!

