Final Market Readiness Proposal (MRP)

South Africa's - Carbon Tax Proposal

PMR PA 11 London, UK

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BB1: Country and Policy Context

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National Climate Change Response White Paper, (NCCR-WP)2011

- South Africa's response to climate change has two objectives:
  - Effectively manage inevitable climate change impacts through interventions that build and sustain South Africa's social, economic and environmental resilience and emergency response capacity.
  - Make a fair contribution to the global effort to stabilise greenhouse gas (GHG) concentrations in the atmosphere at the level that avoids dangerous anthropogenic interference with the climate system within a timeframe that enables economic, social and environmental development to proceed in a sustainable manner.
- One of the elements in the overall approach to mitigation is: The deployment of a range of economic instruments to support the system of desired emissions reduction outcomes (DEROs), including the appropriate pricing of carbon and economic incentives, as well as the possible use of emissions offsets or emission reduction trading mechanisms …

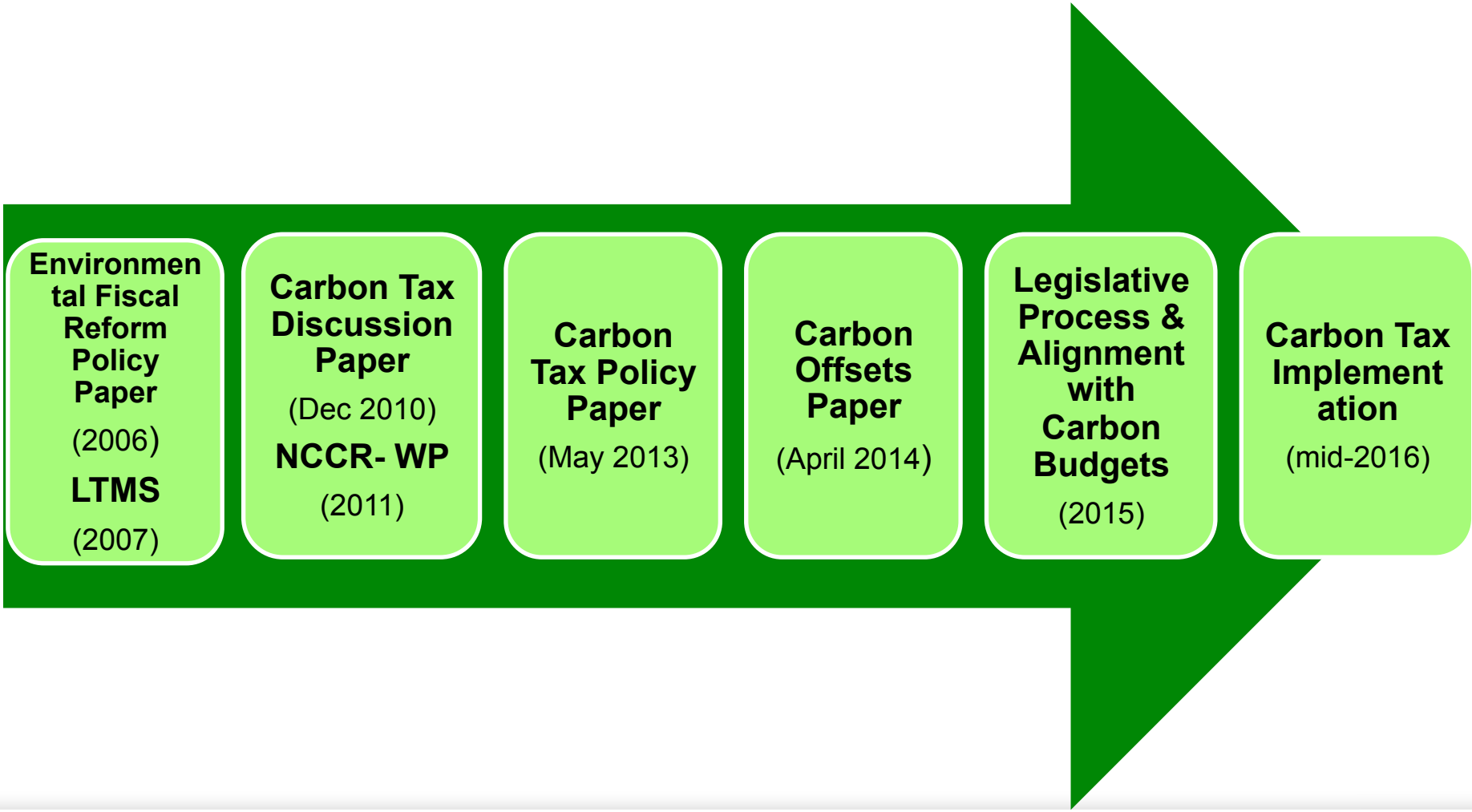
Climate Change Response Policy Package – Mitigation Instruments

- A carbon tax and tax incentives such as the energy efficiency tax incentive will provide appropriate price signals to help nudge the economy towards a more sustainable growth path.

- The design of these interventions will not compromise the competitiveness of the South Africa economy and will minimise any potential negative impact on households

- The White Paper refers to setting limits on future emissions (in the form of DEROs by sector and / or carbon budgets)

Progressions of Carbon Tax Policy Proposal



Feedback on the MRP and Revision

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Feedback on the MRP and Revision (1)
Tax free thresholds & Effective tax rate

What is the policy rationale for the tax free thresholds and why South Africa proposes to adjust this overtime rather than to change the tax rate? A further question was raised about the expected relationship between the tax rate, tax free thresholds and the emissions outcome. Clarification was also sought on the basis for the annual increase in the tax rate.

- The tax free thresholds allow for the gradual phase-in of a carbon price in order to mitigate any possible negative impact on households and the competitiveness of local businesses.
- Consideration has been given to trade exposed and emission intensive sectors and those with process emissions.
- A combination of the tax free thresholds and an annual increase of the carbon tax rate provides a clear carbon price signal.

Has the modelling that has been undertaken used the effective tax rate assuming the proposed tax free thresholds?

- The outlined modelling used the effective tax rate incorporating the thresholds.

Feedback on the MRP and Revision (2)
Carbon tax revenue

Carbon tax revenue: more information was requested about the expected revenue from the carbon tax.

- South Africa's total greenhouse gas emissions in the 2016/17 fiscal year is estimated at approximately 610 Mt CO_2e
- As most of GHG emissions will be in the carbon tax net and the marginal tax rate of R120 tCO_2e, the amount of revenue collected from the carbon tax is likely to be between R7.3 and R29.0 billion (approximately US$650 million and US$2.5 billion) for the 2016/17 fiscal year, with the most likely amount of revenue collected being around R18 billion (US1.55 bn).
- This estimated range is linked to the tax free thresholds that can vary between 60 and 90 per cent. The middle estimate is based on an average tax free threshold of 75 per cent.

Feedback on the MRP and Revision (3)
Coverage of the carbon tax

A question was raised about the coverage of the MRV system and carbon tax and whether South Africa has considered expanding the system in the future to those sectors not planned to be covered initially.

- The National Atmospheric Emissions Information System, which will cover the majority of national GHG emissions (around 75%), is a key MRV tool for the carbon tax.
- There are currently some challenges with the measurement of GHG emissions in certain sectors.
- The AFOLU and waste sectors will be exempt during the first phase of implementation (2016-2020) due to measurement difficulties.
- It is envisaged that the carbon tax will in the future cover all sectors.
- However the MRV system (GHG reporting) is intended to cover all sectors.

Feedback on the MRP and Revision (4)
Use of offsets

Policy rationale for accepting offset projects that have been registered before the start of the carbon tax?

- There is a considerable lead time between when the project idea is submitted to the relevant offset administrator and when a project will generate credits. Early offsets will generate liquidity in the market once the carbon tax is implemented.

The possibility for South Africa to consider allowing the use of international offsets.

- South Africa could consider international offsets at a later stage when an international agreement on a carbon pricing mechanism has been reached.

Clarification was also sought regarding the price projections of offsets from the uncovered sector and how this relates to the proposed effective tax rate.

- The price of carbon is expected to range between the effective tax rate (ranging between R12 and R48 tCO_2e) and the marginal tax rate (R120 tCO_2e). A supply and demand analysis has been conducted to understand liquidity in the market.

Feedback on the MRP and Revision (5) Competitiveness and social concerns

The interaction between competitiveness concerns and other social impacts: What are the considerations for revenue sharing between industry and households?

- Revenue recycling proposals (and the initial tax free thresholds) aim to address both competitiveness concerns and social impacts.
- The proposals considered contain a mixture of incentives for the industry to transition to low carbon technologies and production processes (e.g. Energy Efficiency Savings Tax Incentive; Tax Incentive for Solar PV) and social spending (e.g. expansion of the Free Basic Electricity/Energy subsidy for the indigent and better public transport for all).

Does additional analysis on competitiveness measures under the MRP indicate a change to the current arrangements? How easily can this change to core design of the tax be accommodated?

- The carbon tax modeling paper is still a work in progress and will help with additional analysis. This analysis will evaluate the effectiveness of tax free thresholds for EITE sectors and consider alternative designs. Amendments can be accommodated in the final tax legislation.

Feedback on the MRP and Revision (6) Relationship with carbon budgets and DEROs

Clarification was sought regarding the interaction between the carbon tax and the proposed carbon budgets or DEROs.

- The DEA is still developing the methodology and procedures to determine the desired emission reduction outcomes (DEROs) and Carbon Budgets.
- An alignment between the proposed carbon tax design and the proposed carbon budgets will be finalized during the next few months.
- The transition to absolute thresholds could be considered at the end of the first phase (by 2020).

Feedback on the MRP and Revision (7) Timeline, Budget and MRP's Milestones

A question was raised about the planned timing of the MRP activities, likely time it would take for the grant agreement to be signed and potential delays in this regard. Participants also requested more information on the proposed budget under the MRP.

- In order to address challenges associated with the approval of the grant agreement, a dual implementation of the allocated MRP funding is being explored with the PMR.
- Part of the implementation could be conducted through a World Bank administered Bank Execution process and the second part through a grant agreement.
- Details of activities, timelines, milestones and proposed budgets under the MRP are provided is subsequent slides.

BB2: Carbon Tax Policy Landscape

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Overview of the proposed carbon tax policy package

Revenue

- Carbon tax at R120 per ton of CO_2e from 2016.
- 90% maximum tax free allowance
- 60% basic tax free threshold
- 10% tax free allowance for trade exposure
- 10% tax free allowance for process emissions
- 5-10% allowance for Carbon Offsets – to reduce the carbon tax liability

- Tax free allowance of 60-90% - effective tax rate of R12-R48 t/CO_2e
- Tax free thresholds phased down after 2025
- Largely neutral impact on GDP over the medium term

Revenue Recycling

- Energy Efficiency Savings tax incentive
- Tax incentives for green technology
- Credit against Eskom's carbon tax liability for the renewable energy premium built into the electricity tariffs
- Phasing-down of the electricity levy
- Income tax exemption for carbon offset projects
- Support for the installation of solar water geysers
- Enhanced free basic electricity / energy for low income households
- Improved public passenger transport

Revenue Recycling, International Competitiveness and Carbon Leakages

- A package of policy measures will be used to soften the impact of the carbon tax on the economy as well as protect the international competitiveness of local businesses.
  - Firstly, trade exposure allowance provided for qualifying entities has been proposed – in the form of an additional 10% tax free threshold.
  - Secondly, revenue recycling measures will included tax incentives for energy efficiency savings and renewable energy.
  - Further analytical work is envisaged to evaluate the effectiveness of alternative transitional support measures to address competitiveness concerns.

International Competitiveness and Carbon Leakage

- Instead of taking the {complex?} route of BCAs in South Africa, a trade exposure allowance (providing an additional maximum 10 percent tax-free threshold for EITE sectors) has been proposed.
- This concession will be structured as graduated relief. Firms will have the option to use either, exports only or exports plus imports as a percentage of output or sales as an indication of their trade intensity.
- The measure however primarily focuses on the trade exposure of businesses and does not examine their emissions intensity and marginal cost impacts of carbon tax.
- Further analysis might therefore be sensible to ensure an optimal provision for international competitiveness relief for emission intensive (scope 1 direct emissions) and trade exposed sectors
- Firms that are energy intensive (scope 2 emissions) should be accommodated through the energy efficiency savings tax incentive

Further analytical work – revenue recycling

- Complete the carbon tax modelling research project

- Evaluate the effectiveness of the proposed revenue recycling measures.
- International competiveness - assess the appropriateness of the additional proposed 10% tax free thresholds hold for trade exposed sectors and consider alternatives to provide transitional support to EITE sectors.
- Consider how private and international climate finance can complement domestic sources of climate finance.
- Review the carbon budget approach and alignment with the carbon tax

Alignment between DEROs / Carbon Budgets and the Carbon Tax Design

- A process of aligning the carbon tax design and the DEROs/CBs is under way and should be completed within the next few months.
- It is envisaged that during the first phase of the carbon tax (2016-2020) the DEROs will be close to the business-as-usual (BAU) emissions level.
- During this period, the total taxable emissions (and relative tax free thresholds) envisaged in the carbon tax design could be based on carbon budgets that are the same as actual taxable emissions (BAU).
- During the subsequent tax phases (from 2021 onwards), the alignment could be designed around carbon budgets as absolute thresholds (absolute units of MtCO2-eq.), with the carbon tax possibly applying to the emissions above that level.
- The proposed relative thresholds as per the current carbon tax design will accordingly have to be reviewed for sectors and or companies that will be subject to carbon budgets.

Additional analytical work: Deliverables

Deliverable(s)	Party Responsible for Ensuring Action	Source of funding (PMR, government, other)
Examine the effective mix of revenue recycling and tax shifting measures.	NT	National Government/ PMR
Assess existing international competitiveness measures.	NT	National Government/ PMR
How private and international climate finance can complement domestic sources of climate finance (which will primarily be represented by the carbon tax).	NT	PMR
Review of the adequacy of the carbon budget approach to achieve South Africa's emission reduction objectives and the effectiveness and appropriateness of the carbon budget alignment with the carbon tax.	DEA	PMR

Additional analytical work: Timelines

Deliverable(s)	Time Required for Completion (days)	Completion Date	Source of funding (PMR, government, other)
Examine the effective mix of revenue recycling and tax shifting measures.	180 days	June 2016	PMR
Assess existing international competitiveness measures.	180 days	June 2016	PMR
How private and international climate finance can complement domestic sources of climate finance (which will primarily be represented by the carbon tax).	120 days	June 2016	PMR
Review of the adequacy of the carbon budget approach to achieve South Africa's emission reduction objectives and the effectiveness and appropriateness of the carbon budget alignment with the carbon tax.	60 days	June 2015	PMR

BB2: Policy Landscape & Carbon Tax

Activity BB2	Estimated Cost (in USD)					Source of funding
	2015	2016	2017	> 2017	Total	
Examine effective mix of revenue recycling and tax shifting measures	$50,000	$125,000			$175,000	SA Government/ PMR
Assess existing international competitiveness measures.	$100,000	$125,000			$225,000	SA Government/ PMR
Analysis of how private and international climate finance can complement domestic sources of climate finance (which will primarily be represented by the carbon tax).	$75,000	$125,000			$200,000	PMR
Review of the adequacy of the carbon budget approach to achieve South Africa's emission reduction objectives and the effectiveness and appropriateness of the carbon budget alignment with the carbon tax.	$75,000			$75,000	$150,000	PMR
TOTAL BUDGET					**$750,000**	

BB3: Design and development of the Carbon Tax MRV

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Measurement Reporting & Verification (MRV) Overview

- The carbon tax liability will be determined with respect to the (scope1) emissions at an entity level, resulting directly from fuel combustion and gasification and from non-energy industrial processes.
- Tax paying entities will be required to self-report their carbon emissions tax liability to the South African Revenue Service (SARS).
- Mandatory reporting requirements will follow two separate reporting paths, depending if they relate to energy or process emission sources.
  - Energy-related data will be reported and verified according to guidelines outlined and managed by the DoE.
  - Process emissions data will be reported and verified within the National Atmospheric Emissions Information System (NAEIS) system and managed by the DEA.
- The energy and process emissions data will be combined in the NAEIS system, which will be used to verify the emissions that are self-reported by entities liable for the carbon tax. SARS will request DEA assistance to undertake audits.

MRV – Deliverables (1)

Deliverable(s)	Description	Party Responsible for Ensuring Action	Source of funding (PMR, government, other)
DEA assistance with development of the DoE Central Energy Database	A web-based platform with database developed with the purpose to facilitate energy reporting by companies to DoE.	DEA	PMR
NAEIS-DEA data exchange protocols	Automated procedures to ensure that the NAEIS and the DoE-CED are linked such that it is easy to share energy data between the two departments.	DEA	PMR
Development of the Atmospheric Emissions Licensing System	A tool to ensure that verification of companies that need to report for tax liability, air pollution, GHG emissions and energy data is achieved.	DEA	PMR
Review and developments of IT solutions and support for SARS	IT solutions, support and training for SARS to ensure effective usage of emissions data from NAEIS (and other systems) for CT purposes.	DEA	PMR

MRV – Deliverables (2)

Deliverable(s)	Description	Party Responsible for Ensuring Action	Source of funding (PMR, government, other)
NAEIS+DoE-CED Institutional set-up design (Business Case)	This exercise is meant to design the institutional set-up that is needed to manage the NAEIS-AELS and the DoE-CED. It will also determine the operational costs associated with managing these systems	DEA	PMR
Capacity building on Carbon Tax MRV	This exercise involves capacity building mainly to industry assisting them with all the MRV aspects of not only the carbon tax but reporting for the national GHG inventory	DEA	PMR
DEA staff – capacity support	This exercise will be done after the business case has been developed and staffing done. DEA staff will then be capacitated based on capacity building needs identified in the business case.	DEA	National Government
DEA assistance with development of DoE staff capacity support	This exercise will be done after the business case has been developed and staffing done. DoE staff will then be capacitated based on capacity building needs identified in the business case.	DEA	National Government

MRV - Timelines (1)

Deliverable(s)	Time Required for Completion (days)	Completion Date	Deliverable(s)
DEA assistance with development of the DoE Central Energy Database	730 days	December 2016	DEA assistance with development of the DoE Central Energy Database
NAEIS-DEA data exchange protocols	90 days	December 2016	NAEIS-DEA data exchange protocols
Development of the Atmospheric Emissions Licensing System	850 days	December 2016	Development of the Atmospheric Emissions Licensing System
Review and developments of IT solutions and support for SARS	240 days	December 2016	Review and developments of IT solutions and support for SARS

MRV Timelines (2)

Deliverable(s)	Time Required for Completion (days)	Completion Date	Deliverable(s)
NAEIS+DOE-CED Institutional set-up design (Business Case)	590 days	December 2015	NAEIS+DOE-CED Institutional set-up design (Business Case)
Capacity building on Carbon Tax MRV	510 days (continuous process)	December 2016	Capacity building on Carbon Tax MRV
DEA staff – capacity support	280 days	September 2016	DEA staff – capacity support
DEA assistance with development of DoE staff capacity support	280 days	September 2016	DEA assistance with development of DoE staff capacity support

BB3: Measurement Reporting & Verification (MRV) - Budget

Activity: BB3	Estimated Cost (in USD)					Source of funding
	2015	2016	2017	>2017	Total	
Development of the DOE Central Energy Database	$345,000	$345,000			$690,000	PMR
NAEIS-DEA data exchange protocols	$40,000	$40,000			$80,000	PMR
Development of the Atmospheric Emissions Licensing System	$400,000	$400,000			$800,000	PMR
Review and developments of IT solutions and support for SARS	$65,000	$45,000			$110,000	PMR
NAEIS+DOE-CED Institutional set-up design (Business Case)	$90,000	$190,000			$280,000	PMR
Capacity building on Carbon Tax MRV	$85,000	$155,000			$240,000	PMR
DEA staff – capacity support		$135,000			$135,000	National Government
DOE staff – capacity support		$135,000			$135,000	National Government
TOTAL BUDGET					**$2,470,000**	

BB4: Design and development of the Carbon Tax Offset scheme

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Policy intent of carbon offsets scheme

The carbon offset component of the carbon tax has a dual purpose:

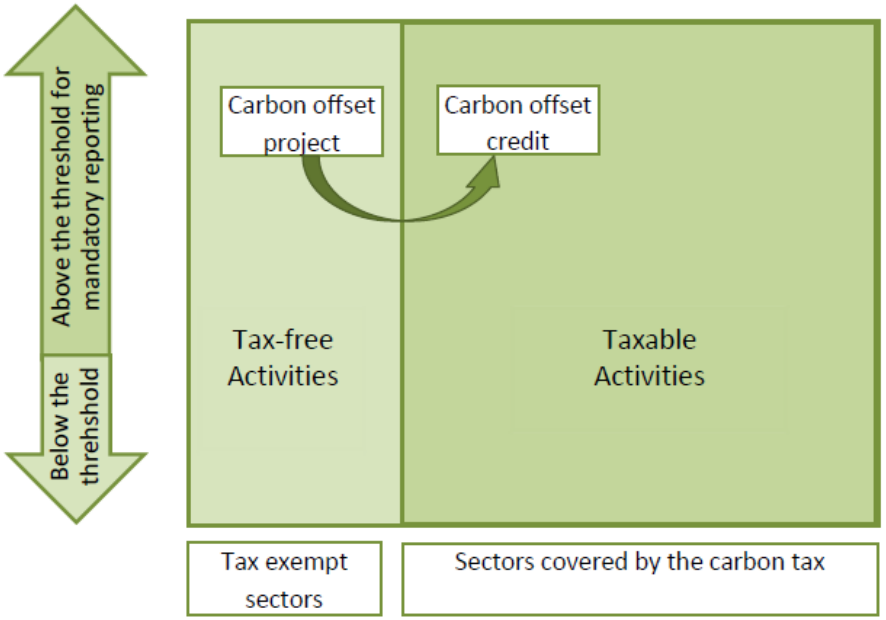
- To serve as a flexibility mechanism that will enable industry to deliver least cost mitigation, i.e. mitigation at a lower cost to what would be achieved in their own operations, and thereby lower their tax liability; and
- To incentivise mitigation in sectors or activities that are not directly covered by the tax and/or benefiting from other government incentives, especially, transport, AFOLU, waste.

- Carbon offset projects can potentially generate considerable sustainable development benefits within South Africa (including channelling capital to rural development projects, creating employment, restoring landscapes, reducing land degradation, protecting biodiversity).

Carbon offsets role under the carbon tax policy

- A carbon offset is an (external) investment through which a firm can access additional GHG mitigation options that are cheaper than what can be achieved by investment in its own operations.
- Purchase of offsets will enable entities to cost effectively lower their carbon tax liability.

Carbon offsets originating outside the tax net



Carbon offset projects eligibility (1)

- A specific set of **eligibility criteria for carbon offset projects** has been devised to ensure effective implementation of the offset mechanism.
  - It is proposed that initially carbon credits developed under certain internationally recognised carbon offset standards be permitted.
  - Development of a South African specific carbon offsets standard/scheme could occur in the medium term to facilitate certain project types.
- The following eligibility criteria for carbon offset projects are proposed to ensure environmental effectiveness of the scheme:
  - **Outside the scope of activities subject to the carbon tax**.
  - **Only South African based credits** will be eligible.
  - Carbon offset projects registered and / or implemented before the introduction of the carbon tax regime.
  - **Lists of both eligible and ineligible projects should be introduced**.

Carbon offset projects eligibility (2)
Proposed positive (eligible) project types list

- Energy and Energy Efficiency
  - Energy efficiency in the residential and commercial sector; Energy efficiency in buildings; Community based and municipal energy efficiency and renewable energy; Fuel switching projects; Small scale renewable energy projects; Electricity transmission and distribution efficiency
- Transport
  - Public transport; Transport energy efficiency
- Agriculture, forestry and other land uses (AFOLU)
  - Restoration of sub-tropical thicket, forests and woodlands; Restoration and management of grassland; Small scale afforestation; Biomass energy; Anaerobic biogas digesters; Reduced tillage
- Waste
  - Municipal waste projects

Carbon offset projects eligibility (3)
Proposed negative (disallowed) projects list

- Projects that receive benefits from other government incentives
- Energy efficiency for projects that benefit from the Energy Efficiency Savings Tax Incentive.
- Cogeneration of renewable energy for companies owned or controlled operations that are covered by the carbon tax.
- Fuel switch projects in companies owned or controlled operations that are covered by the carbon tax.
- Renewable energy projects developed under the Renewable Energy Independent Power Producers Purchase Programme (REIPPPP).

Carbon Offsets Consultation: Key issues raised by the stakeholders (a)

1. Carbon Offsets Scheme policy design features in relation to the Carbon Tax;
   a. Why limiting the offsets to 10% of total emissions
   b. Offsets will undermine the efficacy of the carbon tax
   c. Need for alignment with other policies – e.g. DEROs
2. Supply and Demand Analysis;
3. Eligibility Criteria;
   a. Positive and negative lists
   b. Standardised baseline & project based approach
   c. Geographical restrictions
   d. Tax net (activities & entities) : Scope 1 vs. Scope 2 & 3
   e. REIPPPP
   f. Concurrent benefits – exclusions
   g. Industrial gas reduction projects
   h. AFOLU & Waste

Carbon Offsets Consultation: Key issues raised by the stakeholders (b)

4. Definitions, Clarification of Terminology and Principles;
   a. Terminology
   b. Double counting
   c. MRV
5. Administration of the Carbon Offsets Scheme;
   a. General Administration
   b. CDM - project life cycle
   c. VCS – project life cycle
   d. International standards
   e. Role of DNA
   f. Independent GHG verification
   g. Develop a South African Carbon Offset Standard
   h. Develop a South African Registry
6. Carbon Offsets - Income Tax and VAT Implications

Eligibility Criteria: Eligibility of carbon offset credits from Renewable Energy (REIPPPP)

Issues raised by stakeholders

- Renewable energy developers compete with each other during the bidding rounds. There is no direct incentive like a predetermined tariff or extra charge (kind of a premium) over and above the current regulated tariffs.
- REIPPPP project developers indicate that they always relied on carbon market support to recover investment. So, now this restriction appeared, the whole community of REIPPPP pioneers and REIPPPP project developers feel hugely disappointed.
- As REIPPPP incentives are being allocated under a tendering process, the revenue from selling carbon offsets will effectively lower the bids offered by investors and thus contribute to lowering the resulting tariffs which is a benefit for society.

NT's initial response

- Renewable energy projects that are part of the REIPPPP have been selected to provide renewable electricity based on their competitive bid. The IPPs are guaranteed a cost covering price for generated electricity as bided for. Allowing additional income from carbon offset credits would therefore represent a double benefit.
- Allowing IPPs to benefit from carbon offset credits is currently not considered.
- **We were requested to review our position on this issue.**

Eligibility Criteria : Eligibility with respect to the tax net - Scope 1,2 & 3 offsets (a)

Issues raised by stakeholders

- Carbon Tax applies only to a covered entity's Scope 1 Emissions or 'Activities'. An offset project implemented on covered entity's Scope 2 or 3 Emissions, should be eligible because no double counting would occur.
- South Africa should also adopt an "Early Action Projects" approach to allow for projects in covered areas to supply offsets.
- Allowing offset projects from existing taxable activities implies a risk in that the system will not deliver any new investment in SA.
- Projects outside of the scope of the carbon tax should not only ensure avoidance of double counting but also to focus opportunities on smaller projects and companies below the carbon tax threshold.

NT's initial response

- The objective of the carbon tax policy is to incentivise reduction of direct (or scope 1) GHG emissions.
- Early action will enable entities to lower their tax liability once implemented. The Z-factor (and not offsets) was designed as a reward mechanism for early action.
- Eligibility of projects based on entities' scope 2 & 3 GHG emissions will need to be further analysed, but other mechanism are in place to incentivise scope 2&3 emissions.
- Only certain (additional) energy efficiency and renewable energy should be included because electricity generation covered.
- To avoid double counting scope should be limited to those emission sources not covered by the carbon price. Is this a correct view?

Carbon Offsets Scheme - deliverables (1)

Deliverable(s)	Description	Party Responsible	Source of funding
A. i. Regulations and guidelines for the offset mechanism	Written documentation for the operation of the offset scheme: - Regulation to provide legislative basis of the scheme - Agreements and MoUs with existing international standards - Guidelines to outline roles and responsibilities by domestic and international institutions, procedures and project lifecycle to be followed - Templates to establish procedures for pre-screenings and issuance of carbon-offset certificates	NT/DNA-administrator	National Government/ Other International Funding
A.ii. - Technical assessment for a tool (data management and registry)	- A technical assessment (by a service provider) of the current status in terms of data management and requirement to operationalise domestic offset scheme relying on international standards (i.e. identification of data to record, assessment of international registry arrangements, tracking information of ownership, amending records of credits in registries, transfer of credits to SA, record issuance/retirement/cancellation of credits).	NT/ DNA-administrator	National Government/ Other International Funding
- Specifications for a new tool	- Written specifications for the development of a new data management and registry tool (general + registry), building on the systems currently in place and expanding to cater for international platforms.	NT/ DNA-administrator	PMR
- Development, testing and launch of the new tool/amendments to the existing tools	- A functional tool for the administrator (data management and registry)		

Carbon Offsets Scheme - deliverables (2)

Deliverable(s)	Description	Party Responsible	Source of funding
B.i. - Needs assessment for capacity building - Recruitment and training plan	- A report assessing the current capacity of the DNA/future administrator and highlighting the human resources and training needs - A recruitment and training plan, building on the findings from the need assessment report	NT/ DNA-administrator	National Government/ Other International Funding
Short term advisory support or secondments of international experts	- Contracts/secondments of international experts to assist with development and kick starting of the scheme in the early phases 2 X International Experts for 2 years (secondment)		PMR
- Recruitment of new staff	- New staff recruited as per the recruitment plan 2 X Carbon Offset Managers (Level 13) 3 x Project Coordinators (Level 10) 1 X Project Administrators (Level 8)	NT/ DNA-administrator	National Government/ Other International Funding
B.ii. - Training for administrator and IEC members - Help desk for users - Training for (future) verifiers	- Workshops and on-the-job training for the existing and new administrator's staff to fully understand the functioning of the offset scheme (including rulebook and IT tool) - Help desk run by the administrator to train users via workshops and answer their queries (e.g. phone and internet based) - Training sessions for entities wishing to get accredited under one or several of the international carbon offset standards	NT/ Other International Funding/ DNA-administrator	National Government/ PMR

Carbon Offsets Scheme - deliverables (3)

Deliverable(s)	Description	Party Responsible	Source of funding
C.i Communication campaign	Targeted stakeholder engagement sessions, including guidebooks for the scheme	NT/DNA-administrator	PMR (included in BB5)
D.i Carbon offset scheme evaluation and planning of next steps	- Evaluation of carbon offset scheme and recommendations for next steps (including a possible domestic scheme)	NT/DNA-administrator	National Government

Carbon Offsets Scheme - timeline

Deliverable(s)	Time Required for Completion (days)	Completion Date
A. i. Regulations and guidelines for the offset mechanism	365 days	Before the launch of the carbon tax and its offset scheme (during 2016)
A.ii. - Technical assessment for an IT tool (data management and registry) - Specifications for a new tool - Development, testing and launch of the new tool	90 days 90 days 270 days	Before the launch of the carbon tax and its offset scheme (during 2016)
B.i. - Need assessment for capacity building - Recruitment and training plan -Advisory support/secondments - Recruitment of new staff	60 days 60 days 120 days for recruitment + 2 years in post On-going/Permanent	Before the launch of the carbon tax and its offset scheme (during 2016)
B.ii. - Training for administrator - Training for IEC members - Help desk for users - Training for (future) verifiers	240 days 240 days 365 days 240 days	6 months after the start of the carbon offset scheme (1 year for the help desk)
C.i Communication campaign	180 days	June 2016
D.i - Carbon offset scheme evaluation and planning of next steps	270	1.5 years after the start of the carbon tax and its offset scheme

BB4: Carbon Offsets Scheme - Budget (1)

Activity: BB4	Estimated Cost (in USD)					Source of funding
	2015	2016	2017	> 2017	Total	
A. i. **Regulations and guidelines for the offset mechanism**	$150,000	$150,000			$300,000	National Government/ Other International Funding
A.ii.					$890,000	
- Technical assessment for (a) data management and registry tool(s)	$40,000					National Government/ Other International Funding
- Specifications for a new tool	$100,000	$200,000				PMR
- Development, testing and launch of the new tool/amendments to the existing tools		$550,000				

BB4: Carbon Offsets Scheme – Budget (2)

Activity: BB4	Estimated Cost (in USD)					Source of funding
	2015	2016	2017	> 2017	Total	
B.i.					$1,140,000	National Government/ Other International Funding
- Need assessment for capacity building	$30,000					
- Recruitment and training plan	$30,000					
- 2 Short term consulting contract/ secondment of international experts for 2 years	$238,000	$238,000				PMR
- 2 Carbon offset managers (Level 13)	$180,000	$180,000				National Government/ Other International Funding
- 3 Project coordinators (Level 10)	$100,000	$100,000				
- 1 Project administrator (Level 8)	$22,000	$22,000				
B.ii .					$570,000	National Government/ PMR
- Training for administrator/ IEC members	$95,000	$95,000				
- Help desk for users	$95,000	$95,000				
- Training for (future) verifiers	$95,000	$95,000				
D.i **Carbon offset scheme evaluation and planning for next steps**			$50,000	$50,000	$100,000	National Government
TOTAL BUDGET					**$3,000,000**	

BB5: Communication, Consultation and Engagement

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Communications & Strategic Stakeholder engagement approach

The communications and strategic stakeholder engagement work will focus on the following:

- establishing a unified message on the carbon tax by government,
- ensuring public buy-in, and
- managing the ‘losers’ under a carbon tax.

A. Establish and communicate a unified and coherent government approach to the carbon tax

Sub-activities include:

- A workplan for NT on the development and dissemination within government of a clear story on the benefits of the carbon tax.
- A programme to engage Parliamentarians on the climate change challenge, economics of carbon pricing and design of the carbon tax.
- The *IGCCC* as a forum to ensure increased integration and co-ordination of mitigation policy instruments as they evolve.
- Identify champions and existing mechanisms within the large *metropolitan municipalities* to work towards the carbon tax objectives.

B. **Strategic engagement with key stakeholders**

Specific sub-activities include:

- *Mapping* key stakeholders, identifying their interests, concerns, attributes and perspectives.
- *Designing engagement strategies for specific stakeholders*, including various methods of engagement.
- Identify and design *support for the emergence of institutional capacity* to support the tax.
- Design an approach for *utilising external supportive stakeholders* to undertake analysis, and to communicate the benefits of the tax and the costs of maintaining the status quo.

C. Media Communications

Specific sub-activities include:

- Design a *Media Engagement strategy*, including a plan for its feasible execution and on-going management by NT.
- The possibility of an *advertising campaign* will be assessed, and costed, and a TOR written up if this is considered to be a useful approach.
- *Provision of a set of written and visual resources* for the strategy, including draft op-eds, brochures, advertorials and advertisements, media round ups to provide rapid reactions. Hold press briefings, producing factsheets and undertake 'before the headlines' analyses for release to the press.
- A strategy to encourage the development of *offset projects* for use in the offset scheme.

BB5: Communication, Consultation and Engagement

Activities BB5 (communication)	**Estimated Cost (in USD)**					**Source of funding**
	2015	**2016**	**2017**	**> 2017**	**Total**	
Activity 1: Intra-government	$60,000	$40,000	$25,000	$25,000	$150,000	SA Government/ PMR
Activity 2: Strategic Engagement with Stakeholders	$100,000	$150,000	$90,000	$80,000	$420,000	SA Government/ PMR
Activity 3: Media Communications	$10,000	$200,000			$210,000	SA Government/ PMR
TOTAL BUDGET					**$780 000**	

Summary of Total PMR Funding Request for Implementation Phase

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Proposed Budget

Sources of Funding	Total BB2 (USD)	Total BB3 (USD)	Total BB4 (USD)	Total BB5 (USD)	Grand Total (USD)
National Government	$200,000	$270,000	$1,200,000	$330,000	$2,000,000
PMR	**$550,000**	**$2,200,000**	**$1,800,000**	**$450,000**	**$5,000,000**
GRAND TOTAL	$750,000	$2,470,000	$3,000,000	$780,000	$7,000,000