

# Update on the MRP Preparation & Carbon Tax Policy consultation

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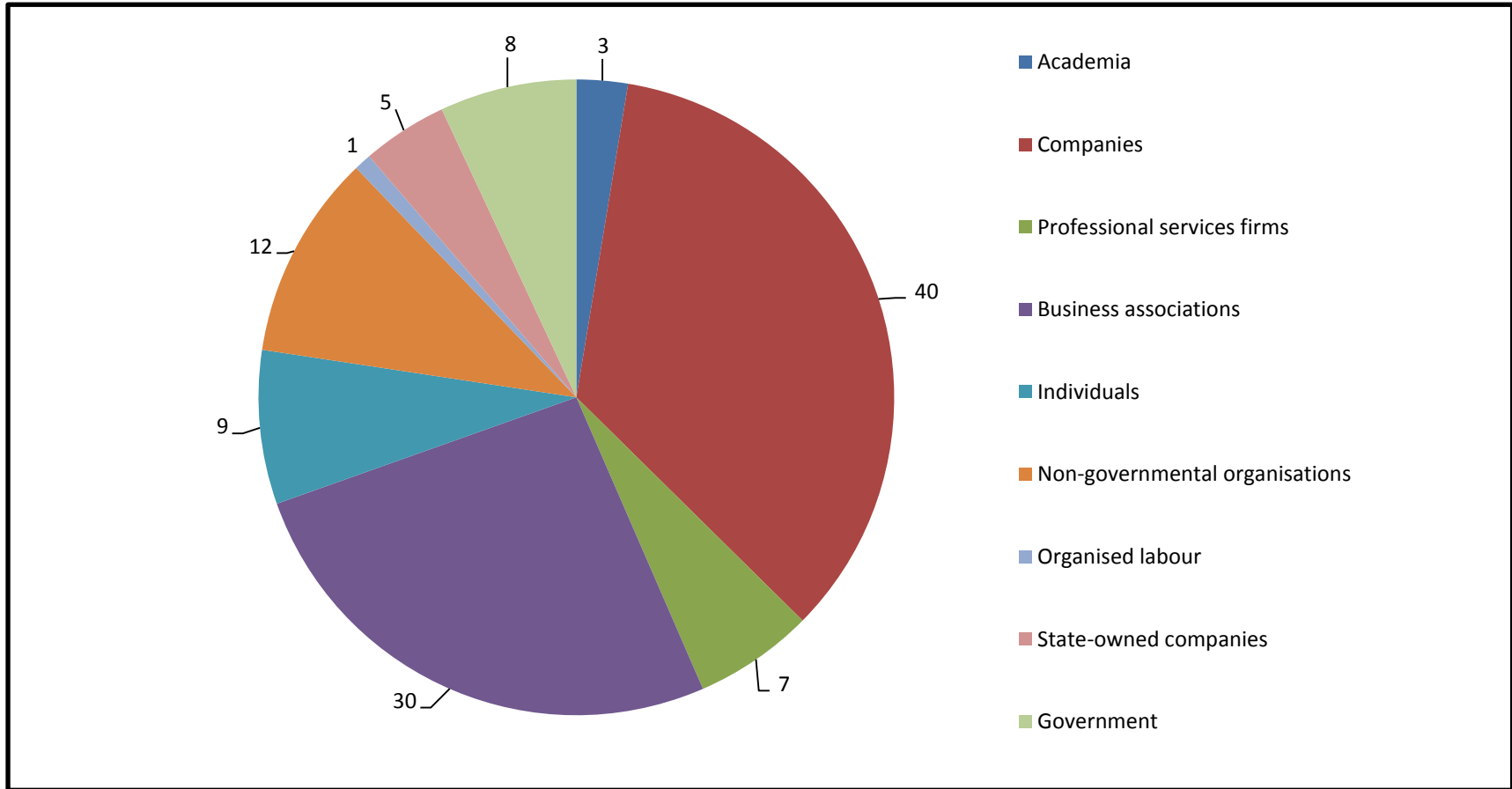


**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Number of responses and who commented?

- 115 submissions classified into nine groups:



# Responses categorised – in support or not for a carbon tax

Commentators' response to carbon pricing was classified as:

- **Yes** – support for the proposed carbon tax as an appropriate carbon pricing instrument;
- **Yes, but** – support the proposed carbon tax as a carbon pricing mechanism but suggest that proposed design features be tweaked to improve its effectiveness and minimises the potential negative consequences;
- **No, but** – support the need for a carbon pricing mechanism but did not propose a specific measure or suggested that other market based instruments should be pursued along with command and control measures to achieve an effective reduction in GHG emissions, e.g. the implicit carbon price in the IRP-2010, an emissions trading scheme, etc. ;
- **No** – argue that climate change cannot be justified on the basis of increases in concentration of anthropogenic emissions hence there is no need for carbon pricing to mitigate this increase in GHG emissions.

# Support or not for a carbon price in general and a carbon tax in particular (2)

Organisation	Yes	Yes, but	No, but	No	Total
Academia	33.3%	0.0%	33.3%	33.3%	100.0%
Companies	12.5%	30.0%	52.5%	5.0%	100.0%
Professional services firms	57.1%	14.3%	28.6%	0.0%	100.0%
Business Associations	20.0%	23.3%	56.7%	0.0%	100.0%
Individuals	22.2%	11.1%	33.3%	33.3%	100.0%
Non-governmental Organisations	66.7%	25.0%	0.0%	8.3%	100.0%
Organised Labour	0.0%	100.0%	0.0%	0.0%	100.0%
State-owned companies	0.0%	40.0%	60.0%	0.0%	100.0%
Government	50.0%	37.5%	12.5%	0.0%	100.0%
<b>TOTAL</b>	<b>26.1%</b>	<b>26.1%</b>	<b>41.7%</b>	<b>6.1%</b>	<b>100%</b>
<b>CUMULATIVE TOTAL</b>	<b>26.1%</b>	<b>52.2%</b>	<b>93.9%</b>	<b>100.0%</b>	

# High level summary of support or not for the carbon tax

- **52.2%** support a carbon tax as a carbon pricing mechanism;
  - **26.1%** gave a yes and **26.1%** a qualified yes (the Yes, but group) and propose that elements of the proposed carbon tax design be tweaking to improve the effectiveness of the tax and reduce potential negative consequences;
- **41.7%** (the No, but group) acknowledge the need for a carbon price, but either did not propose a specific measure to that end or felt that command and control measures and other instruments should be pursued (e.g. the implicit carbon price in the IRP2010, an emissions trading scheme, etc.) to achieve an effective reduction in GHG emissions;
- **94%** of the submissions (Yes, Yes, but & No, but groups) acknowledged the need for a carbon price;
- **6%** felt climate change cannot be linked to anthropogenic emissions and hence there was no need for carbon pricing.

# Key issues raised by stakeholders

## General comments on the proposed carbon tax:

- Better alignment of the carbon tax policy with the National Climate Change Response Policy (NCCRP) and other government policies / plans
- Long term certainty – tax free thresholds and increase tax rate post 2019
- **Need for additional modelling of the economic & social impact of the tax**

## Specific comments on the carbon tax design features centred on:

- Energy sector - Impact on electricity prices → Credit against implicit price of existing policies
- **Emission intensities, benchmarks & the Z-factor;**
- Revenue recycling
- Competitiveness – review nature of relief for emission intensive and trade intensive (EITI) sectors
- Offsets; why the need for the 5% or 10% limits and for additionality

# MRP Preparation & Carbon Tax

## Carbon Tax Modelling

- Initiated in November 2013
- First round of modelling concluded in March 2014
- Final report finalised in July 2014

## Benchmarking

- Study commenced in December 2013
- Expected to be concluded in May 2014

## MRP Proposal – completion after July 2014

- Will take into account specific studies conducted as a part of the MRP preparation phase
- Additional research carried out independently of PMR will also be taken into account