

Status of project components

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| Country: | South Africa |
| Grant Executed By: | National Treasury, Ministry of Finance |
| Grant Amount (USD): | USD 5, 000, 000 |

| Project Component | Status | Est. date of completion |
|---|---|--------------------------------|
| Component 1: Supporting the refinement of the design of the carbon tax through analytical work | Review of Emissions Intensity Benchmarks <ul style="list-style-type: none">• An emissions allowance of 5 per cent of the total GHG emissions of an entity is provided under the carbon tax for entities that perform better than a benchmark.• Several industrial sectors have submitted industry emissions intensity benchmarks to the National Treasury (NT) for approval.• An independent review of the industry proposed benchmarks will be conducted under the PMR. This will include an assessment of the robustness of the proposed methodology and the suitability of the benchmark value.• TOR and EOI will be finalised by the end of October 2018. | May 2020 |



Status of project components continued

| Project Component | Status | Est. date of completion |
|---|---|-------------------------|
| <p>Component 2:</p> <p>Strengthening the capacity of government to enhance the data management and reporting (GHGs) and measurement / monitoring, reporting and verification (MRV) system</p> | <p>2.1 NAEIS Modification</p> <ul style="list-style-type: none"> • A full technical and financial proposal was submitted by the service provider in July 2018, evaluated by the National Treasury (NT) and Department of Environmental Affairs (DEA) in September and approved by the Bank in October 2018. • The NT legal team is currently drafting the contract for the appointment of the service provider. This activity is expected to commence in early November. • The Vessels Under Pressure Registry activity will no longer be conducted by the DEA. The funds amounting to US\$ 400 000 has been reallocated to the NAEIS modification activity. <p>2.2 Strengthening the DoE Central Energy Database (CED)</p> <ul style="list-style-type: none"> • This activity will enhance the design capabilities of the existing Central Energy Database managed by the Department of Energy (DOE), and facilitate testing and implementation of a web-based energy efficiency monitoring system. • The TOR was submitted to NT by the DOE on 27 September and will be finalised by the end of October. | <p>May 2020</p> |

Status of project components continued

| Project Component | Status | Est. date of completion |
|---------------------------|--|-------------------------|
| Component 2: Continued | <p data-bbox="486 339 1709 386">2.3 NAEIS-CED institutional set-up and business case</p> <ul data-bbox="486 454 2002 843" style="list-style-type: none"><li data-bbox="486 454 2002 672">• A workshop was held in September 2018 between NT, DEA, DOE and the South African Revenue Services (SARS) to discuss the key design features of the carbon tax administration system, linkages between respective systems and to finalise the TOR.<li data-bbox="486 682 2002 843">• The updated TOR including infrastructure and human resource requirements for emissions verification at the DEA and the SARS was completed and has been submitted for Bank approval. <p data-bbox="486 911 1429 958">2.4 Capacity building on Carbon Tax MRV</p> <ul data-bbox="486 1025 2002 1239" style="list-style-type: none"><li data-bbox="486 1025 2002 1129">• A draft TOR for the hiring of 2 MRV specialists and a Tax Admin expert has been developed by the DEA and SARS.<li data-bbox="486 1139 2002 1239">• The TOR will be submitted for Bank consideration and approval by the end of October. | June 2020 |

Status of project components continued

| Project Component | Status | Est. date of completion |
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| <p>Component 3:</p> <p>Supporting the design of the carbon offset scheme</p> | <p>3.1 Review and technical assessment of the Carbon Offset Administration System (COAS) and Offsets Registry</p> <ul style="list-style-type: none"> • Companies are allowed to use carbon offsets to reduce their carbon tax liability - capped at 10 per cent of the total greenhouse gas emissions of a firm. • The Designated National Authority (DNA) within the Department of Energy (DoE) will be the implementing agency of the carbon offset allowance. The DoE has developed a Carbon Offset Administration System (COAS). • This activity involves a review and technical assessment of the COAS, and the options for hosting the offsets registry. • TOR, EOI and RFP have been approved by the Bank. The EOI was published 6 July, proposals received on 10 August and evaluated on 17 August. • The RFP was submitted for bank approval on 27 September and issued to shortlisted companies on 10 October. | <p>May 2020</p> |

Status of project components continued

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|-------------------------------|--|-------------------------|
| Component 3: Continued | <p>3.2 Framework for local standard and manual for offset scheme</p> <ul style="list-style-type: none"> • This activity will develop a technical guideline which will serve as a guide to all role players including project developers on how the offset program will be implemented and operated. • The ToR for the technical guidelines was revised to include the development of a framework and pilot testing of a local standard. • The TOR and EOI will be submitted for Bank approval in October. <p>3.3 Capacity building of the Offsets Programme</p> <ul style="list-style-type: none"> • A TOR and EOI for this activity has been completed. • The procurement process for the offsets experts will commence in January 2019. | May 2020 |

Status of project components continued

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|---|--|-------------------------|
| <p>Component 4: Communication, stakeholder engagement and project administration support</p> | <p>4.1 Design and implementation of a communication, media & stakeholder engagement plan (CMSEP)</p> <ul style="list-style-type: none"> • A CMSEP is required to support the finalization of the carbon tax policy. • The process of hiring an Individual Consultant (communication specialist) has commenced with interviews to be scheduled for end October. <p>4.2 Project Administration</p> <ul style="list-style-type: none"> • The procurement process for a dedicated programme coordinator was finalised in September 2018. • The Coordinator will drive the procurement process, support project & financial management as well as administration. | <p>June 2020</p> |

Key achievements since last ISR

Key Achievements

- Terms of References (ToRs) have been completed for almost all activities, and the procurement processes for the priority activities have commenced.
- An updated implementation plan has been developed to expedite the procurement process to ensure that all major activities can be completed by 30 June 2020 to align with the ending of the PMR program.
- A Programme Coordinator joined the NT in September 2018 on a full time basis and will help to drive the procurement process, support project and financial management as well as administration.
- The first withdrawal application was processed and an initial disbursement of US\$ 98 643 or R1.35m was made by the Bank.
- **Policy developments:**
 - The revised **Carbon Offset Regulations** taking into account stakeholder comments have been completed and will be published for further consultation by early Nov 2018.
 - The revised **Draft Carbon Tax Bill** was published for public comment in December 2017, and presented to the Joint Parliamentary Standing Committee on Finance and Portfolio Committee on Environmental Affairs in February. Public Hearings on the bill were held by the Joint Committee in March, and the NT and DEA presented a response to the comments in June 2018. The Bill is expected to be tabled later this year.

Key Challenges Going Forward

Key Challenges

- Due to delays in the legislative process, the proposed date of implementation of the carbon tax scheduled for 1 January 2019 may be slightly delayed.
- To complete the procurement for all major activities by January 2019 to ensure activities can be finalized by the end of 2020.
 - The hiring of the program coordinator has helped to improve and strengthen the capacity of the NT supply chain management team and address bottlenecks in the system.

Key Lessons Learned

Key Lessons Learned

- **Having a dedicated programme coordinator and focal point at the World Bank together with a clearly defined implementation plan is critical for the effective implementation of activities.**
- **For recipient executed grants, regular meetings of the oversight body that is, the Project Steering Committee comprising representatives of key project partners is critical to support and expedite implementation of activities.**
- **Appropriate training interventions in STEP and Client Connection in-country are essential for the smooth implementation of project activities.**