National Climate Change Response Policy: Carbon Tax Stakeholder Consultation Process in South Africa

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National Climate Change Response Policy (NCCRP)

• Climate change is already a measurable reality and along with other developing countries, South Africa is especially vulnerable to its impacts.

• South Africa (SA) committed to curb GHG emissions by 34% by 2020 and 42% by 2025 below the BAU trajectory (subject to provision of adequate financial, technological and capacity-building support)

• All sectors of the South African society will take part in the effort to mainstream climate-resilient development.
GHG emissions: Peak, Plateau and Decline Trajectory

The desired South African climate change mitigation outcome - the "Peak, Plateau and Decline" (PPD) greenhouse gas emission trajectory – comparison with other popularised conceptions of PPD

- BaU Upper & Lower Limits
- The BaU Emission Range
- PPD Upper & Lower Limits
- The PPD Emission Range

The 2009 Copenhagen Undertaking based on LTMS GWC
The July 2008 PPD Illustration
The LTMS "Required by Science" (RBS)

Mt CO₂eq (annum)

Year


1997;398 2010;547 2020;494 2020;583 2025;614 2025;506 2035;614 2035;398 2050;428 2050;212
National Climate Change Response White Paper (NCCRWP) Overview

• The White Paper sets out South Africa’s climate change response strategy to achieve the National Climate Change Response Objective

• Key policy areas to achieve this objective are
  – Adaptation
  – Mitigation
  – Near-term priority flagship programmes
  – Job Creation
  – Resource Mobilisation
  – Monitoring and Evaluation
Key elements in the overall approach to mitigation include:

- Defining desired emission reduction outcomes;
- Requiring companies and economic sectors to prepare and submit mitigation plans;
- Deploying of a range of economic instruments;
- Developing a national system of data collection to provide detailed, complete, accurate and up-to-date emissions data in the form of a Greenhouse Gas Inventory.
National Climate Change Response Policy: Layers of Stakeholder Engagement (1)

- Reaching Government Position
  - Department of Environmental Affairs – Focal Point for Climate Change Response Policy and Stakeholder Engagement
  - Inter-governmental Committee on Climate Change (IGCCC) - A forum for discussion on progress towards meeting national climate objectives.
  - ICTS cluster
  - Cabinet
National Climate Change Response Policy: Layers of Stakeholder Engagement (2)

• Engaging External Stakeholders
  – National Climate Change Committee (NCCC)
  – Key businesses and business associations
  – The importance of the role of civil society
  – Academia and scientists – play a role of informing government and the public of climate change-related socio-economic challenges and opportunities.
  – Labour Unions

• Media Communication
Response to climate change challenges and enactment of climate change strategy devised in the NCCRP requires a coordinated action.

A number of technical working groups, consisting of multiple government departments as well as representatives from civil society, labour, business and research institutes have been established.

- Technical Working Group on Mitigation
- Technical Working Group on Adaptation
- Technical Working Group on Monitoring and Evaluation
Technical Working Group on Mitigation

Objective

• To coordinate and align the mitigation work, including the generation and provision of the best mitigation options for key economic sectors

• Manage overall design and development of the national MRV system

• To coordinate sectoral technical work, through the establishment of a task team per sector
Carbon Tax Policy Progression

2006 Environmental Fiscal Reform Policy Paper

December 2010
Carbon Tax Discussion Paper

February 2011
1st round of comments

Legislation Process

2 August 2013
2nd round of comments

1 January 2015
Implementation of the tax

2 May 2013
Carbon Tax Policy Paper
Proposed Carbon Tax Policy Design Features

• A carbon tax at R120 ($13 or €10) per ton of CO$_2$e above the suggested thresholds with annual increases of 10 per cent until 2019/20 is proposed as from 1 January 2015.
• A basic tax-free threshold of 60 per cent is proposed.
• Additional tax-free allowance for process emission (10%)
• Additional relief for trade-exposed sectors (max 10%)
• Carbon offsetting allowed to reduce carbon tax liability (max 5% or 10%)
• The overall tax-free allowance for an entity will be capped at 90 per cent of actual verified emissions.
Carbon Tax External Stakeholder Consultation – Process followed

• Official public comment period
• Analysis of written submission & identification of key issues for review
• Public Stakeholder Workshops
• Bi-lateral meetings with key stakeholders
• Legislation stage – further round of public comments on a draft legislation
Media Campaign/Issues

• High degree of media interest/coverage
• Stakeholders voicing concerns – Large GHG emitters & Business Association
• Misinformation regarding key principles, objectives and design features
• Lack of understanding of economic principles
Stakeholder Consultation – Lessons Learned

• Co-ordination between government agencies in policy development can be a challenge - A risk of misalignment within broader government policy – divide and conquer

• Danger of Information asymmetry between government and industry/business

• Education regarding carbon pricing principles is important

• International Dimension
  – International experience – key trading partners/competitors
  – Follow or lead the pack
  – South-south information exchange
Any Questions?

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