Carbon Tax Bill

CAIA presentation to the Select Committee on Finance National Council of Provinces

12 March 2019

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

CAIA
Chemical & Allied Industries' Association

25th YEARS ANNIVERSARY
1994 - 2019

THE CHEMICAL INDUSTRY

- One of 20 sectors recently identified as crucial to accelerating GDP growth
- Chemicals are essential to health, quality of life, all development
- Chemicals contribute to almost all value chains and are supplied even to upstream sectors such as the mining industry
- Economic contribution is strong – 3% to GDP and 23% to manufacturing
- Strong multiplier effect – employment 12x; GDP 5,5x
- Contribution falling. Reasons include increasing regulatory and economic instruments, the cost of doing business and decreasing competitiveness

CAIA

- Represents the chemical industry in South Africa across its value chain

- Custodian of the Responsible Care® initiative in South Africa
  - Global reach
  - Voluntary commitment
  - External auditing and verification

- Commitment to sustainability

BACKGROUND

- Carbon Tax Bill places liability on greenhouse gas emissions resulting from industrial processes, the combustion of liquid fuels, waste and fugitive emissions
- CAIA has been involved since initial consultations on the draft Carbon Tax Bill
- From as early as 2010, both business and state economic departments have argued against the tax - economic and technical challenges
- Davis Tax Committee (2015): CAIA strongly opposed the introduction of the Tax
- Although delayed since 2016, CAIA still cannot support the implementation of a carbon tax for South Africa
- What are the main concerns given its progression, and outstanding matters?
- The Select Committee on Finance should consider these when deliberating the matter and its intended to be implemented from 1 June 2019

CONCERNS

Potential impact of the Bill and associated legislation not fully determined

- Assessments and modelling do not fully consider, and are not able to fully consider, the potential negative impacts of the tax on the economy and society (through inflation)
- The Deputy Director-General: Tax and Financial Sector Policy has recognised the importance of companies to the economy, the need for growth and long-term planning, and the difficulty in assessing the impact of the tax given the uncertainty also posed by the carbon budget process that needs to be finalised by the DEA
- The full suite of climate change-related policy and legislation has not yet been comprehensively considered – NT- and DEA-related
- The need for two instruments is still not understood
- Even within the proposed legislation of the NT, the full suite of legislation is still not available in draft format, further contributing to lack of impact analysis and policy certainty even in the short-term

CONCERNS…cont.

- Punitive nature of the tax in certain cases
- Lack of ring-fencing of revenue
- Need for policy certainty
- Lack of mitigation opportunities

CONCERNS…cont.

- Administration through the Customs and Excise Act
- Deductibility of the tax
- Effect on competitiveness
- Waste sector emissions

CONCERNS…cont.

- Carbon Offsetting
  - Could be the most viable opportunity to least-cost mitigation

- SCoF Report: Democratic Alliance reservations on the tax

CONCLUSION

- Many outstanding matters that need to be considered and finalised
- Legislation by the NT
- Legislation by the DEA
- Intention of the NT to finalise the Bill on 19 March 2019.
- CAIA believes that this is premature given the consideration that is still due by the NCOP.
- Important to work on mechanisms that can more effectively balance social, economic and environmental imperatives, without the need for taxes.

Thank you for your attention

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