

The Chairperson  
Select Committee on Finance

For Attention: Zolani Rento

8 March 2019

**Comments on the Carbon Tax Bill**

Engen Petroleum is an African based oil company focused on the refining and marketing of petroleum and petroleum-based products, and the provision of fuel retail convenience services throughout South Africa and many African countries. Engen is a member of Business Unity South Africa (BUSA), where detailed consultation and discussion has occurred regarding the Carbon Tax Bill.

We thank you for the opportunity to comment on the Carbon Tax Bill. Engen supports the need for the country to transition to a lower carbon society and believe that there are mechanisms to achieve that, however there are still many issues with the Carbon Tax system that includes the Carbon Tax Bill, Customs & Excise Act, and Carbon Budgeting that is leading to confusion, uncertainty and an increased burden on business.

**Comments**

The use of the Customs and Excise Act for administration of the act is problematic as it has categorized greenhouse gas emissions as a commercial commodity and treats it the same as other goods. Greenhouse gas emissions are estimated using best available information and (currently) default emission factors. This fact needs to be taken into account. In addition, it seems that licensing will be required for multiple facilities. This is an increased burden on business and is not aligned with the DEA GHG Regulations, which is further problematic since the GHG reporting is meant to be used as a verification for the tax reports by business. Licensing should be at company level. In addition, the GHG reporting regulations do not require emissions to be reported in CO<sub>2</sub>e, while the Carbon Tax Bill does, hence comparison/verification will require a further step.

There is also confusion around contrasting information in the C&E Act vs the Carbon tax bill regarding timelines for payment of tax. It is also not clear how the current allowances will be applied for example, will the tax payer calculate these and submit to SARS, or will SARS perform the calculation. This needs to please be explained to tax payers.

Despite ongoing discussions and assurances by government, alignment between the carbon tax and the carbon budget systems is still uncertain. In addition, assurances were made a few times that there was no intention to have a double penalty in place, however the current information is that there is effectively a double penalty. Uncertainty around the budgets and tax post 2020 and 2022 needs to be addressed and the consultations that were promised need to commence as soon as possible.

We believe there is still opportunity for improvement in the proposed Carbon Tax system, and that the issues raised by business need to be adequately addressed before implementation. We remain committed to working with the relevant authorities in a joint effort to finalise a workable carbon pricing regime.

Yours sincerely

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