Carbon Tax Bill introduced into the National Assembly

On Tuesday the 20th of November, the Minister of Finance formally introduced the Carbon Tax Bill into the National Assembly. The Speaker will outline the process that is to be followed from here. A number of changes has been made to the Bill, reportedly as a result of comments received during the public participation process.

One of the principle points raised by the Businesses community during the public participation process was the non-alignment between carbon budgets and the carbon tax. A carbon budget is a voluntary process proposed by the Department of Environmental Affairs in the draft Climate Change Bill that will see a company who submits data on its greenhouse gas emissions agreeing to an emissions target. The idea, as it has been implemented globally, is that a company should receive a reward for staying within its target, or 'budget'. In a draft policy document outlining the post 2020 climate change regulatory framework, the consultant appointed by DEA recommended a link between carbon budgets and the carbon tax in that companies should either: 1. Be exempted from carbon tax if they stay within their budget, or 2. Pay a reduced rate if they stay within their budget.

Business previously passed the comment that this alignment was not clear in the text of the two Bills. The amendment that has subsequently been made does address it to an extent, although questions can be asked as to whether or not it will make any real difference. The Bill introduced to Parliament this week makes provision for a 5% allowance if companies remain within their budget. When considering the capital investment required to reduce emissions and stay within a budget, one must ask the question as to whether this 5% reduction in the carbon tax payable will outweigh the costs associated with investing in carbon reduction technologies. If the 5% does not off-set this cost, then it becomes a zero-sum game as it could be more or equally capital intensive to simply waive the 5% reduction and opt out of a carbon budget. Such an outcome must be prevented at all costs since it would defeat the overall object of moving to a greener economy.

Whilst the Bill will still be scrutinised in detail over the coming weeks, it is vital that the carbon budget allowance sufficiently incentivises companies to invest in emission reducing technology. If not, the Bill could impose an additional cost to business without achieving the central object of transitioning to a greener economy.