The Climate Change Bill and why it's important for agribusiness

After two years at Nedlac and as many redrafts, the Climate Change Bill was officially tabled in Parliament on the 18th of February 2022. The Climate Change Bill sets out a suite of mechanisms that South Africa must take to meet its commitments under the United National Framework Convention on Climate Change (UNFCCC). Once enacted, it will become the single, framework legislation under which all climate change regulatory mechanisms will fall. Needless to say, it's an important piece of legislation.

Few sectors understand the importance of climate change quite as well as agriculture does. Meteorological estimates indicate that South Africa's interior and western edge are set to become hotter and drier whilst the eastern coastal belt is set to become hotter and wetter. This could have an impact on the geographic spread of our production areas but the one constant being predicted is volatility. Climate scientists seem to agree that Southern Africa will experience a more volatile climate with the frequency of extreme weather events increasing as a result of climate change. This poses a significant threat to agriculture directly but also to agribusinesses such as finance and insurance.

Recognising this threat, the Bill makes provision for listed sectors of the economy to draft "sectoral climate change adaptation plans". Agriculture is a listed sector and as such the Department of Agriculture, Land Reform and Rural Development will need to develop a national adaptation strategy in partnership with the sector. The Bill does not prescribe the content but it does place a time limit on the plan. Within two years of the Bill entering into force, the Minister responsible for the Environment, Forestry and Fisheries must publish a national climate change adaptation strategy (a draft was already published some years back). Within a year of the generic being published, each sector must develop a sector plan that builds on the steps that the sector can take to build resilience. In essence, the sector will have 3 years to work on a plan once the Bill comes into operation.

In addition to adaptation, the Bill also contains a series of measures to reduce South Africa's greenhouse gas emissions. The agricultural sector, along with forestry and other land uses (AFOLU) account for just over 10% of South Africa's greenhouse gases and we are the fourth largest emitter after electricity generation, petrochemicals and transport. What makes AFOLU unique is that it consists of a few, large entities as well as thousands of smaller entities that are harder to measure. The Bill makes provision for both.

The Bill's primary mitigation measure is the concept of a 'carbon budget'. A carbon budget is emission-equivalent that will be allocated to larger entities that exceed the prescribed threshold for installed capacity to produce emissions. Taken over five years, companies will be allocated an emission target and if they stay within that target (based on the emissions they report), the ordinary carbon tax rate will be payable. However, if a company exceeds their budget, a much higher rate will be payable. This is a highly controversial proposal as carbon budgets were originally conceptualised to be incentive-based, hence rewarding companies that stayed within their budgets. However, the latest version is clearly punitive and it is for this reason that Business is taking a strong stance against a punitive regime for carbon budgets in its comments.

Carbon budgets will likely apply to many agro-processors, milling, paper and energy-intensive pulp companies. That being said, it is worth noting that the thresholds are measured per entity and not per site. Hence, companies that have multiple sites throughout the country may be pushed over the threshold and be allocated a carbon budget if the sum of all their sites exceeds the prescribed threshold (For example, all of the silos belonging to a single company). Although the carbon budget mechanism will only come into operation once the Bill is passed, the obligation to report

Finally, the Bill also makes provision for the concept of Sector Emission Targets (SETs). Unlike Carbon Budgets that are punitive and directed at specific companies, SETs are broad, sector-wide targets. To promote the achievement of SETs, each line department will be tasked with implementing policies and measures designed to promote lower emissions. In the agricultural sector, this could take the form of awareness programmes for conservation agriculture, eco-friendly manure management, drip irrigation or research and development into biotech. To a large extent, the sector has already taken the lead by implementing these initiatives. However, if there is a statutory obligation to develop 'policies and measures', then perhaps it can provide room for policy changes that give greater recognition and reward to those that have embraced climate change mitigation.

Agbiz was part of the BUSA team that negotiated the Bill at Nedlac and will continue to provide inputs into the Parliamentary process. Judging from the above, the 'real' work may only start once the Bill is promulgated!