Sustainability Solutions: Preparing for Carbon Tax

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The South African government is proposing a carbon tax effective 1 January 2015 in response to the country's global commitment to reduce greenhouse gas emissions by 34% by 2020 and 42% by 2025.

The global commitment alarmed the South African business community who feared that carbon tax would place too heavy a burden on an already strained economy. Energy, mining and manufacturing sectors are already under commercial competitive pressure from increased labour, energy and transportation costs.

A carbon tax, put simply penalises companies in an already burdened business regulatory domain. Carbon emissions occur from a variety of sources however the most common contributors are electricity usage and transport.
Nevertheless, balancing the effect business carbon consumers and emitters have on climate change is critical to the sustainable success of Port Elizabeth, South Africa and beyond.

It is set against this climate change-sustainability backdrop that high carbon emissions contributors have been adapting operating best practice and mitigating carbon emissions since increased energy costs in 2009/2010. It is questionable whether carbon adaption has arisen from a business moral- climate-change objective or simply an operating-profitability objective. The net result however is sustainable jobs and local manufacture in the city.

The above point can't be lost in context to the impending carbon tax as these very same economic drivers are tested further.
Eskom provides a case study on the effect of Carbon Tax on business and the consumer. The impending carbon tax sets a 60% tax-free threshold of the R120 per Tonne CO_2e (emitted) with additional relief of at least 10% to 'minimise the adverse impacts on industry competitiveness'. Eskom is classified as a Scope 1 contributor to business and government proposes a benchmark of 0.91 tonnes of CO_2e per megawatt hour of electricity consumed. Based on the proposed carbon taxation rate and design, the carbon tax could result in an increase of approximately R43.00/MWh to business.

There is only one loser in this equation and it is the consumer who will in most likelihood bear any increased cost that cannot be absorbed by the supplier of products and services.

Ironically, concerns are now materialising in countries such as Germany, the United Kingdom and Australia who have all adopted a Carbon Tax mechanism and are revisiting the effectiveness and impact to their competing global businesses and national consumers.

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Calls for comment on the Carbon Tax Policy Paper were completed in May this year with the Nelson Mandela Bay Business Chamber taking a proactive role in garnering business concern. The paper successfully demonstrated the theory and practical considerations leading to the design of the carbon tax but fell woefully short on detail.

Business responses called for an unrushed carbon tax commencement date, if any at all, and documented requests for further clarifications on critical issues such as:

- Double taxation in the automotive industry set against the 2010 new car sales carbon tax
- Removal of the words “for general expenses” of government in order that taxed businesses can benefit from green innovation projects
- Identification of the organisational mechanism to accountably implement green innovation projects
- Relief for trade exposed sectors competing against low carbon economies
- Specific rebate centres, and
- Limitations on carbon off-set programmes

The Nelson Mandela Bay Business Chamber has been at the forefront of carbon tax since the National Treasury confirmed that carbon tax will be a reality.

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The critical aspect lost on business is the need to complete a comprehensive GHG assessment before 31 December 2013 in order to recognise any recorded GHG reductions. The GHG assessment prescribed by international standards is conducted to present businesses a Rand value in regards to their emissions. The assessment also allows offset processes, or carbon improvements to take place where so-called low hanging fruit can be identified, corrected and recorded to positively impact pecuniary demands. Energy-intensive businesses need to consider the various rebate programmes on offer to help offset carbon tax over and above the internal carbon improvements already completed.

The Chamber is now aiding and guiding its membership in preparation for carbon tax through a series of Green Leaf Sustainability Services sponsored Carbon Planning workshops. The aim of the carbon tax workshops are to provide small, medium and large business consumers with the knowledge on how to complete a GHG assessment in line with international standards drawing on assessment criteria, data recording, information analysis, supporting documentation and carbon calculations.

Reserve your seat at either of the Carbon Planning Workshops to be held on 31 October and 7 November at the Nelson Mandela Bay Business Chamber, KPMG House, Norvic Drive, Greenacres, Port Elizabeth by contacting Lesley Domingo on 041 373 1122

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