



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Publication of draft amendments to the Carbon Offsets Regulations in terms of the Carbon Tax Act for public comments

The National Treasury today publishes draft amendments to the Carbon Offset Regulations (Gazette No. 42873) prescribing carbon offsetting in terms of section 19(c) of the Carbon Tax Act, Act No. 15 of 2019 for public comment.

The Carbon Tax Act came into effect from 1 June 2019 and makes provision for the carbon offset tax-free allowance in terms of Section 13. The carbon offset allowance provides flexibility to firms to reduce their carbon tax liability by either 5 or 10 per cent of their total greenhouse gas (GHG) emissions through investments in projects that reduce their emissions outside their taxable activities.

The first filing of the carbon tax returns for the 2019 reporting period was required by 31 July 2020, but was deferred by three months to 31 October 2020 as part of the COVID-19 relief mechanisms for taxpayers.

Following the implementation of the Carbon Tax Act, clarification was requested on eligible electrical efficiency projects, the development of a comprehensive framework for inclusion of local standards, and the double dipping limitation on projects qualifying for the energy efficiency savings tax incentive (Section 12L of the Income Tax Act) as eligible carbon offset activities. In addition, comments were raised on the need to update definitions on the Carbon Offset Regulations to allow for cancellations from Kyoto national registries, match the rebranding of the Verified Carbon Standard (VCS) to Verra and include crediting periods for non-AFOLU VCS project activities.

In order to address some of these concerns, the following draft amendments are proposed on the Carbon Offset Regulations:

- make reference to the “certificate of voluntary cancellation” for all projects which is inclusive of cancellation documents from any of the CDM, GS, VCS and national registries;
- include the definition of “national registries” as well as indicating that certificates derived from cancellation of credits from such registries will be acceptable for listing requirements under the Carbon Offsets Administration System (COAS). This will help with liquidity as only project developers can cancel credits in the CDM registry hence other market participants can only transfer or cancel CERs from other Kyoto national registries;



- update the definition of “cancellation of carbon credit” to allow for cancellations and provide for transfer from other registries as credits issued exist in either the CDM, Verra, Gold Standard or national registries;
- make reference to the organisation Verra and the Verra registry has been defined where all information on VCS projects now resides and there is no more reference to the VCS project database as this has been replaced; and
- include the crediting period of either a ten years fixed or seven years, twice renewable for a total of 21 years for non-AFOLU projects in line with the most recent VCS Standard document.

The draft amendments to the Carbon Offset Regulations are available on the National Treasury (www.treasury.gov.za) website. Written comments on the draft amendments to the Carbon Offset Regulations must be submitted to National Treasury at: CarbonTax@Treasury.gov.za by close of business on 30 April 2021.

Issued by National Treasury

Date: 31 March 2021

