

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 1637 [NW1842E]
DATE OF PUBLICATION: 17 JUNE 2011

Dr D T George (DA) to ask the Minister of Finance:

- (1) Whether the National Treasury is looking at other mechanisms besides the renewable energy feed-in tariff (Refit) programme to encourage investment in renewable energy; if not, why not; if so, what (a) mechanisms and (b) are the further relevant details;
- (2) whether he will make a statement on the status of developments of financial mechanisms to promote renewable energy investments considering that he had previously set February 2011 as the target date for the release of procurement documentation; if not, why not; if so, when?

NW1842E

REPLY:

- 1(a) Yes, National Treasury (NT) has looked at other incentives to encourage investment in the renewable energy industry and these incentives are:
 - Depreciation allowance: A three year depreciation allowance of 50:30:20 per cent for biofuels production.
 - Biodiesel fuel tax concession: Biodiesel is taxed at a lower rate than conventional fossil based diesel to reflect environmental benefits of the fuel.
 - Electricity generation levy: A levy is charged at a rate of 2.5 c/kWh on electricity generated from non-renewable sources, whilst renewable based electricity generation is exempt from the levy.
 - Electricity generation levy: A proposal to exempt renewable based cogeneration from the electricity levy is being considered.
 - Broader carbon tax reforms: NT is developing a carbon tax policy to price carbon and internalise the external costs of climate change. The tax will help create incentives to shift to low carbon, cleaner alternatives such as renewables. The options being explored are a tax on actual emissions and a proxy carbon tax on the fossil fuel inputs used.
 - Tax incentives for investment in the manufacturing capacity to run from 2011 to 2015, which includes points for energy savings.
- (b) Please see 1(a) above.
- 2 As I stated in my response to the question asked by Honourable Mrs H Lamoela in November 2010, the NT is part of an inter-governmental task team developing a “bankable” Power Purchase Agreement (PPA) as well as the procurement documentation for the REFIT program. All the departments are acting in a support role to the Department of Energy which is the lead

department and responsible for the delivery of the REFIT program. However, having said the above, the Minister of Energy is in the process of obtaining concurrence from the National Energy Regulator of South Africa (NERSA) Board in terms of section 34 of the Electricity Regulation Act (ERA) to launch the procurement of the 3 725 MW Renewable Energy program. According to section 34 of ERA the Minister of Energy, in consultation with NERSA, has to determine when and how new capacity will be procured. The procurement documentation has been finalised and sent to NERSA, Eskom and other Departments for approval and notification.