

**NATIONAL COUNCIL OF PROVINCES**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 543 (CW638E)**

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**Mr. M.W. Makhubela (COPE – Limpopo) to ask the Minister of Finance:**

Whether the Department has any meaningful plans in place to mitigate the effect of (i) climate change, (ii) biodiversity loss, (iii) ecosystem degradation and (iv) ageing populations so far as it impacts on the South African Economy; if not, why not; if so, what are the relevant details? CW638E

**REPLY:**

1. Climate change has emerged as one of the greatest environmental and socio-economic challenges of our time, with the potential for major disruption to the livelihoods of millions of people, including future generations. According to one authoritative estimate, policy inaction could result in a permanent 14.4% loss in average world consumption per capita (Stern, 2007), when both market and non-market impacts are included. South Africa is not exempt from this impact and in at least some respects is more vulnerable than “average”.
2. Government is committed to preserving our environmental assets and is cognisant of the detrimental effects of climate change as can be seen through the hosting by South Africa of the Conference of the Parties (COP 17) meeting in Durban in November this year; following on from the announcement and commitments made by President Zuma at COP 15 in Copenhagen to reduce our carbon footprint by 42% by 2025. COP 17 is meant to help forge global consensus on climate change mitigation and adaptation.
3. Government has taken active steps to mitigate South Africa’s contribution to climate change and at the same time has put in place adaptation measures to prepare the economy against any possible adverse changes in global temperatures. Most of these initiatives fall under the Department of Environmental Affairs (DEA), which recently published the National Climate Change Response White Paper, with support from other

departments, including the National Treasury. The White Paper outlines the first iteration of South Africa's coordinated response to climate change and its contribution to the global mitigation efforts. One of the big achievements has been to institute sectoral desired emissions reduction outcomes and carbon budgets, which signifies South Africa's sincere and responsible commitment to the environment. Indeed, South Africa has taken a leadership role globally with respect to climate change and the environment.

4. Following the lead by DEA, the National Treasury has initiated a number of policy interventions aimed at reducing carbon emissions and ensuring climate resilient growth. These include a variety of tax instruments such as the electricity generation tax, a tax incentive to promote energy efficiency among firms, a tax on incandescent bulbs, vehicle emissions tax, accelerated depreciation allowance for plant equipment and machinery used in the production of biofuels and energy produced from renewable sources. All of these aim to reduce the consumption of carbon intensive goods and services while at the same time encouraging the production of cleaner energy.
5. The department is currently considering the implementation of a carbon tax, which will put a price on the carbon emissions, to ensure that producers internalize the cost of environmental damage into their day-to-day activities. The tax will be complemented by a variety of measures which include programmes to support project development and capacity building in green initiatives.
6. In addition, the Government has significantly increased the expenditure on economic affairs and environmental protection from R38.5 billion in 2008/09 to R52.4 billion in 2011/12. Funding has been committed on national, provincial and local government level to support environmental protection not only in the area of climate change but also waste management, water and sanitation and energy. We are committed to developing climate resilient infrastructure.
7. At this point, South Africa does not have the problem of an aging population. Demographic data from Statistics South Africa (2011) shows that only 5% of South Africa's population are in the 65+ years category, and this rises to 15% of total population if we consider ages 50 years and above. Clearly, aging population is not a problem at present or in the near term. Our major challenge as a country today is youth unemployment and we need to do all we can to address this. We will nonetheless remain forward looking. Our approach to reform of the retirement funding and savings industry and broadening of Social Security recognises that in the long term South Africa will also have to adapt to an ageing population.