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REPUBLIC OF SOUTH AFRICA

OVERVIEW OF CARBON OFFSET ADMINISTRATION SYSTEM

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27 March 2019

PRESENTATION STRUCTURE

1. OVERVIEW OF DEVELOPMENT OF CARBON OFFSETS ADMINISTRATION SYSTEM

2. CARBON OFFSETS ADMINISTRATION SYSTEM'S STEPS AND PROCESSES

3. SUMMARY

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OVERVIEW OF THE DEVELOPMENT OF THE CARBON OFFSET ADMINISTRATION SYSTEM

The Department in light of its delegation of being carbon offsets administrator developed a carbon offsets administration system and the following milestones were achieved –

❖ The Standard Operating Procedure (SOP) which is a set of written instructions that document a routine or repetitive activity followed by an organisation has been developed. It contains in the main four steps that should be followed for the process of using carbon offsets to offset against carbon tax to be successful:

  • Approval of projects;

  • Listing of projects;

  • Transfer of ownership; and

  • Retirement of credits.

❖ A fully functional Information Technology (IT) system has been developed and programmed. The system was tested and is hosted in the dedicated server in the Department. The users will have to register and they can register as participants (credit owners and credit buyers) and as observers (members of public).

❖ The system contains project database and ownership repository is developed and the outstanding issues is around outsourcing hosting of the ownership repository .

❖ Procurement of a service provider to assist with reviewing the current developed system and recommending how outsourcing of the ownership repository should be addressed is at advanced stages.

❖ The Organisational Development Plan recommending how the unit within the DoE should be structured and capacitated has been developed and it is being used to inform the process that will restructure the unit to effectively support the Director General in administering carbon offsets programme.

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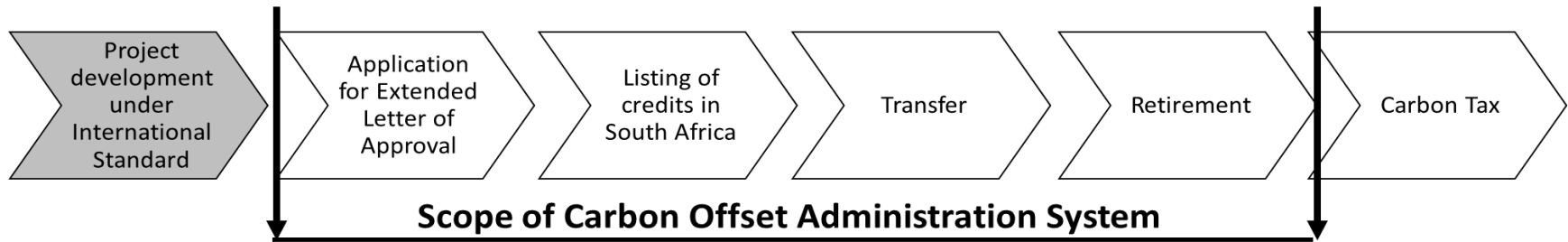
COAS stakeholder Consultation Workshops

- The main purpose of the COAS stakeholder consultation workshop sessions was to provide participants with progress report made on the development of the Carbon Offset Administration System, and seek inputs/comments from interested and affected parties.

o **The COAS provincial workshops were held as follows:**

• Tshwane, Pretoria, Gauteng Province - 12 October 2016

• eThekhwini, Durban, KZN Province - 14 October 2016

• Cape Town, Western Cape Province - 19 October 2016

• Port Elizabeth, Eastern Cape Province - 26 October 2016

o Additional Carbon Offsets System Consultation workshop with BUSA was held on the 22 November 2016, BUSA's offices in Rivonia; Gauteng.

o COAS stakeholder workshop held on the 25 November 2016 at National Treasury.

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Summary of the key issues raised during the COAS stakeholder consultation workshops

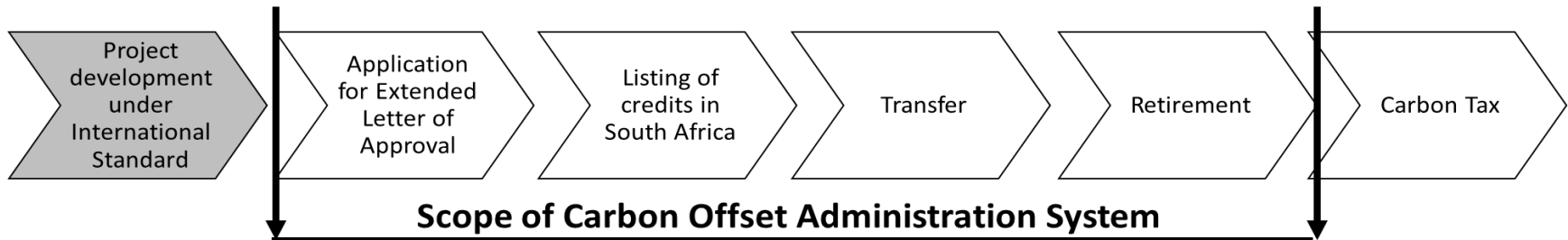| INPUTS RECEIVED	GOVERNMENT'S RESPONSE
1. The design and operation of the system cannot introduce additional requirements and should be confined to the requirements set out in the regulations	The system designed is aligned with the draft regulation
2. Approach contemplated in the system articulates the concept of purchase which implies sales and therefore trading. The draft regulations does not clearly state that trading is contemplated	The carbon trading is outside the regulation, it is based willing buyer/seller bases.
3. The principles guiding carbon offsets must be clearly set out in the regulations and cannot be introduced through the implementation system	Manual will be developed based on the Standard Operating Procedure Manual
4. The draft regulations currently require compliance with one of three approved carbon standards. Sustainable development aspects should only be required in so far as they are required in terms of these standards.	The three standards are internationally based and not country specific. Sustainable development will be addressing government objectives. For in stance , SD is envisaged to align NDP and SDG
5. It is agreed that Standard Operating Procedure should be developed and once finalised should be used as the basis of an IT system.	The SOP was indeed developed and formed basis for IT system developed and the SOP was also revised accordingly taking into account issues that were picked whilst developing the IT system.

REGISTRATION OF PROJECTS

| Project development under International Standard | Application for Extended Letter of Approval | Listing of credits in South Africa | Transfer | Retirement | Carbon Tax |

Scope of Carbon Offset Administration System

❖ The Project Owner will register a project under one of the approved international standards (CDM, VCS and GS).

❖ Credits are issued to the Project Owner in the registry of the approved standard.

❖ The Project Owner cancels the credits from the registry of the approved standard to enable listing in South Africa registry and an application must be submitted through COAS.

❖ The approved standard when credits are being cancelled on their register will issue an Attestation of Voluntary Cancellation.

APPLICATION FOR EXTENDED LETTER OF APPROVAL

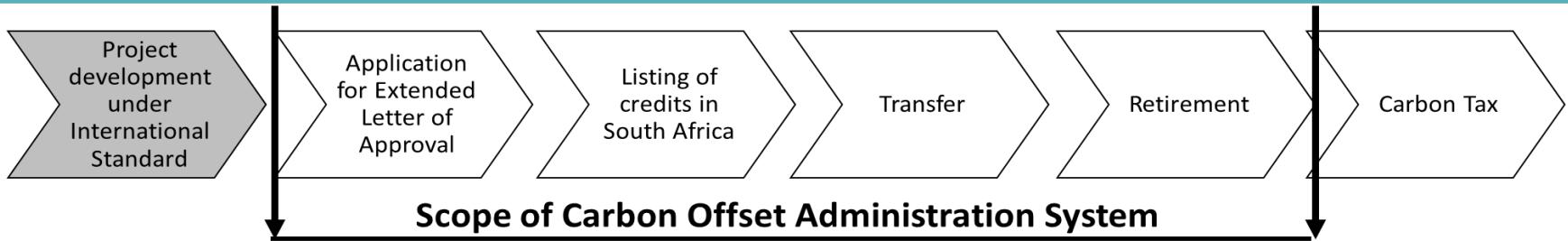| Project development under International Standard | Application for Extended Letter of Approval | Listing of credits in South Africa | Transfer | Retirement | Carbon Tax |

Scope of Carbon Offset Administration System

❖ The Extended Letter of Approval (ELoA) application requires the Project Owner to complete an online form and uploads supporting documentation (project design document and validation report).

❖ The Carbon Offset Administrator (COA) assess the request mainly against the Eligibility Criteria.

❖ The Director General issues the ELoA on recommendation of the COA.

❖ Turnaround time – 45 days.

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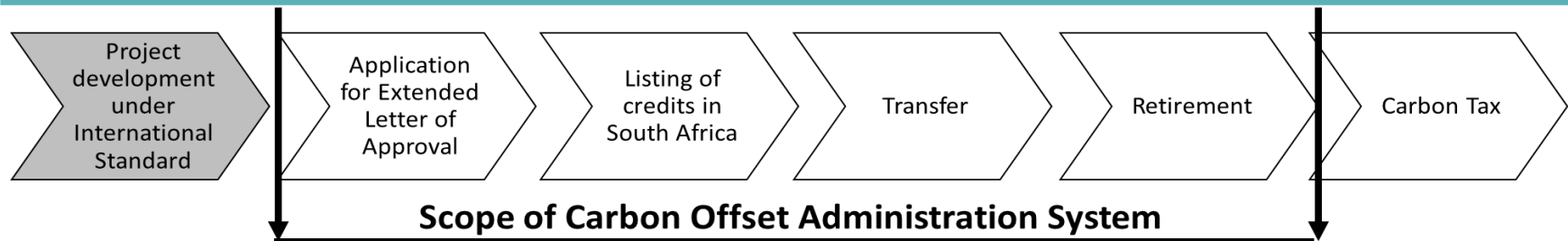**REPUBLIC OF SOUTH AFRICA**

LISTING OF CARBON CREDITS
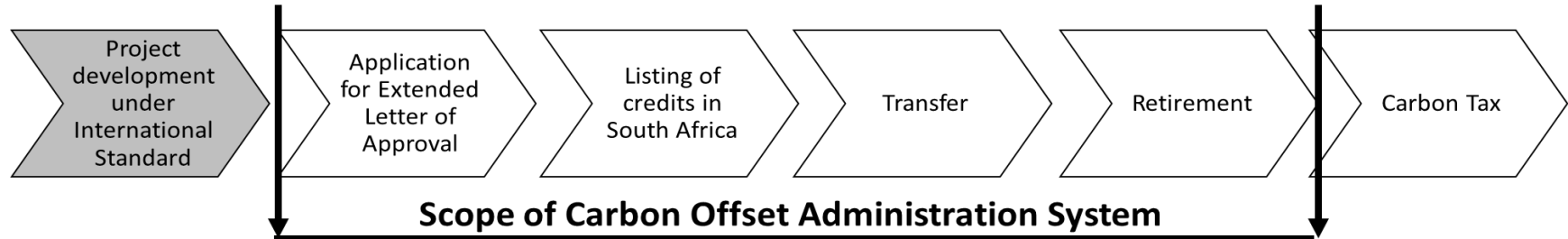
❖ The listing application requires the project owner to complete an online form and submit supporting documentation:

➤ Extended Letter of Approval; and
➤ Voluntary cancellation certificate from international standard.

❖ The Carbon Offset Administrator (COA) evaluates the request against the validity of the supplied documents.
❖ The credits are listed in the Ownership Repository which forms part of the South African Registry.
❖ Turnaround time – 12 days

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TRANSFER OF CARBON CREDITS

Scope of Carbon Offset Administration System

Process flow: Project development under International Standard → Application for Extended Letter of Approval → Listing of credits in South Africa → Transfer → Retirement → Carbon Tax

❖ Listed carbon credits may be transferred to participants in the system through a transfer request.

❖ Carbon credit may only be transferred to participants registered on the Carbon Offset Administration System.

❖ Turnaround time – 2 days.

RETIREMENT OF CARBON CREDITS

| Project development under International Standard | Application for Extended Letter of Approval | Listing of credits in South Africa | Transfer | Retirement | Carbon Tax |

Scope of Carbon Offset Administration System

- ❖ SARS will require the submission of a retirement certificate for carbon tax offset purposes.
- ❖ Only carbon credits listed on the Carbon Offset Administration System can be retired and generate a retirement certificate.
- ❖ Carbon credits can be retired through a retirement request on the COAS.
- ❖ If carbon credits are not retired, they do not expire.
- ❖ Turnaround time – immediate.

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SUMMARY

❖ COAS system is based on the draft regulation, and it has been developed in such a way that it can be adjusted when necessary.

❖ COAS system is designed to be resilient with respect to a dynamic regulatory environment.

❖ Standard Operating Procedure and the IT system which are key to the operationalization of carbon offsets have been completed.

❖ The COAS IT system is hosted in a secured dedicated server in the Department.

❖ The system will be reviewed with the aim of identify any shortcomings and addressing them in preparation of full implementation.

❖ The restructuring process of the unit that will be supporting the Director General in administration of COAS is being discussed.

❖ Procurement of service provider to assist with the development of framework that will guide assessment, approval and inclusion of other eligible standards is underway as per Regulation.

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END OF PRESENTATION

Thank You

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