



# Carbon Offsets

## National Treasury

25 November 2016

# About SAPIA

*The South African Petroleum Industry Association (SAPIA) represents the collective interests of the South African petroleum industry. The Association plays a strategic role in addressing a range of common issues relating to the refining, distribution and marketing of petroleum products, as well as promoting the industry's environmental and socio-economic progress. SAPIA fulfils this role by contributing to the development of regulation in certain areas of South African policy; proactively engaging with key stakeholders; sharing research information; providing expert advice; and communicating the industry's views to government, members of the public and the media.*

# Positions on climate change

- The major integrated member companies of SAPIA positions on climate change
  - BP / Royal Dutch Shell / Total : ...climate change is a critical challenge for our world...we recognize...the importance of the climate challenge...(and) Our companies are already taking a number of actions to help limit emissions ...<sup>1</sup>
  - Chevron: ...shares the concerns of governments and the public about climate change risks...we must create solutions that achieve environmental objectives without undermining global economic growth and our aspirations for a better quality of life for all...<sup>2</sup>
  - Sasol - ...the challenge of climate change is one of our material sustainability issues...we have a responsibility and an opportunity to contribute to finding appropriate solutions that balance economic development, job creation and energy security with lower-carbon technologies...<sup>3</sup>

1. Letter to UNFCCC Executive Secretary. 29<sup>th</sup> May 2015 – signed by six oil majors

2. <https://www.chevron.com/corporate-responsibility/climate-change>, accessed 17 November 2016

3. <http://www.sasol.com/sustainability/environment/climate-change>, accessed 17 November 2016

# General comments

- SAPIA supports carbon offsets as a mechanism to allow for least cost mitigation efforts
  - Part of the design of holistic mitigation policy aimed at reducing GHG emissions and transitioning South Africa to a lower carbon economy
  - Balancing economic, social and environmental development in a sustainable manner
  - Can provide the opportunity for flexible mitigation opportunities
- SAPIA supports and has contributed to the BUSA position
- For projects to be developed certainty is required on an overall integrated climate change policy
  - Critical that rules be established early to provide business certainty especially for those projects having lengthy lead times
  - Uncertainty still exists with respect to legislation / regulation developed both by National Treasury and the Department of Environmental Affairs
    - Examples include clarity on the development of carbon tax, interrelationship between tax and budgets, development of the post 2021 environment (allowances)

# General comments

- Use of existing international offset standards and associated infrastructure
  - Recognition that in the short term there is a need to utilise established standards which favour quicker incorporation
  - Development of a local scheme overtime is welcomed but should not be more onerous (“...requirements specific to the South African scheme pertaining mainly to additionality criteria”- note 4)
- Administration seems to add a layer of complexity
  - Strict time limits required for bureaucratic procedures - delays can materially affect a tax payer’s financial position
  - Within projected carbon tax timeframe there is concern about the appointment and training of suitable personnel for effective operations
  - Time lines must be regulated and suitable recourse allowed if not adhered to , for example offset allowed if time lines not adhered to

# General comments

- Eligibility
  - Geographical scope is limited – climate change is a global issue and due consideration should be given to expanding the geographical scope
  - Positive list – expand scope of eligible projects but simplify procedures – e.g. NT identified projects always eligible, include residential sector, projects developed under REIPPP
  - Eligibility of scope 2 projects?
  - Timing – propose that the time based restrictions be significantly relaxed both for offsets in existence and for the duration period
  - Suggest the harmonisation of eligibility criteria with other international jurisdictions

# Specific comments

- Definitions
  - Inclusion of definitions is inconsistently applied – for example definition for the VCS project database included but not equivalent definitions from the GS or CDM
  - Terminology should be aligned across the documents to avoid confusion. Furthermore alignment required with other pieces of legislation and with international standards
  - The notes refer to ‘certificate’, ‘letters of approval’ and ‘extended letters of approval’ which are not properly defined
- Eligibility S2
  - Clarification is required as to the meaning of ‘in existence’ and ‘not in existence’. Strict time limits required for bureaucratic procedures since delays can materially affect a tax payer’s financial position.
- Offset Duration Period S3
  - Does not appear correct that an offset should be subject to a limited time period. Even if extended the administrative burden created comes with risks

# Specific comments

- Administration S5 to S10
  - S6 (1) Unsure why the administration needs to satisfy themselves that an offset project is compliant when that function has been already satisfied
  - S6 (3) Unsure why the administrator needs to be satisfied that the project represents an accurate reflection of the reduction or sequestration of CO<sub>2e</sub> when this already performed
  - S8 / 9 / 10 requires corrections / redrafting – reference to clauses that do not deal with what is intended
  - S10 – contents of the certificate: in some cases insufficient detail is required (10(b) – geographical location) or too much (10(c) – the manager's name)
  - S10(e) – definition of the commencement of activity is not given – likelihood for (mis)intepretation

# End

Thank you  
Dankie  
Ngiyathokoza  
Ke a leboha  
Ke a leboga  
Ke a leboga  
Siyabonga  
Inkomu  
Ndo livhuwa  
Enkosi  
Ngiyabonga