

Stakeholder workshop on the Carbon Offset

Revised Draft Regulations on the Carbon Offset

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national treasury

Department:
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REPUBLIC OF SOUTH AFRICA

Key issues raised by the stakeholders (1)

Part I – Definitions

1. Definitions

- a. Approved project
- b. Carbon tax net
- c. Emissions reductions
- d. Carbon credits
- e. Registered project
- f. Date of registration
- g. Issuance

Key issues raised by the stakeholders (2)

- **Part II - Eligibility:**

- 2. Allowance of offset in respect of an approved project against carbon tax liability**

- a. Suggest expansion of the geographical scope, allow taxpayers access to offsets beyond South Africa;
- b. Clarify meaning of “activities within the tax net”;
- c. Clarify period of use of existing or in the pipeline offset credits;
- d. Request for the inclusion of a positive list in the regulations;
- e. Inclusion of existing CERs e.g. destruction of N₂O from nitric acid production as eligible offsets.

- 3. Offset utilisation period**

- a. Recommend outlining the offsets utilisation period as the crediting period is not required as this is already provided by the standard;
- b. Clarify period of use of offsets from project activities that become taxable in the future;
- c. Proposed increased flexibility on timeframes for offset utilisation so as not to limit opportunities and projects.

Key issues raised by the stakeholders (3)

- **Part III - Non-eligibility**

- 4. **Limitation on allowance**

- a. Clarity sought on whether generation capacity refers to net or gross generation capacity;
- b. Support for inclusion of renewable energy projects BUT cap of projects under 50MW too restrictive;
- c. Request for a review of energy efficiency, co-generation and fuel switch projects for companies with activities covered by the carbon tax;
- d. Recommend that energy efficiency should be separated into fuel efficiency (taxed) and electrical efficiency (non-taxed);
 - a. Request for a review of the blanket exclusion of co-generation - electricity production from co-generation reduces indirect emissions and should be allowed as offsets;
- e. Recommend giving companies the flexibility to choose between claiming the 12L energy efficiency savings tax incentive or using the carbon offset tax-free allowance;
- f. Proposed review of the definition of renewable energy taking into account continuous developments in the field;
- g. Suggest that criteria to address non-permanence, including potential reversal of issued or retired credits be included in the regulation.

Key issues raised by the stakeholders (4)

- **Part IV – Administrator**

- 5. Designation of administrator**

- a. Recommend that the DoE should be sufficiently resourced for the duties of the administrator.

- **Part V – Offset registry**

- 6. Creation of offset registry**

- a. Suggest having a functioning registry system at the start of the carbon tax.

- 7. Maintaining, overseeing of offset registry and access to offset registry**

- a. Recommend registry should be outsourced to a local host / service provider;
- b. Submit that the offset registry should form part of a larger climate change repository, publicly accessible with different levels of access for stakeholders.

Key issues raised by the stakeholders (5)

- **Part VI – Claiming of allowance**

8. Procedure for claiming allowance by taxpayer

- a. Clarify the procedure to be followed for claiming the allowance by a taxpayer for offsets already listed in the SA registry;
- b. Propose that the regulation should include guidance on how to calculate the carbon offset allowance in monetary terms;
- c. Recommend inclusion of a provision allowing for some form of recourse for applicants who are aggrieved about the outcome of their application;
- d. Clarify timeframes to govern administrative processes and approval of offsets – should outline in the regulation timelines within which the administrator responds to the taxpayer.

9. Duties of administrator for purpose of claiming of allowance by taxpayer

- a. Submit that sections dealing with listing and claiming of allowance duties of administrator should be separated;
- b. Recommend that the reason for getting the attestation of voluntary cancellation as per the definition should also be reflected in section 9(e)ii of the regulation;

Key issues raised by the stakeholders (6)

- **Part VII – Requirements for documents**

10. Requirements for extended letter of approval

- a. Suggest that the unique serial number on the offset certificate should correspond to the number provided by the VCS/GS or CDM registry.

11. Content of certificate

- a. Propose that the certificate should indicate the expiry date for “temporary credits” and their period of eligibility for use against tax liabilities.

12. Retaining of certificate

- a. Submit that the retention of records be for at least the duration of the project or the credit eligibility, whichever is longer.

13. Short title and commencement

- a. Recommend the date of operation should reflect the start date of the Carbon Tax Bill which is 1 June 2019.

Thank you

