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National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

CONSULTATION PAPER: DEVELOPING THE SOUTH AFRICAN CARBON CREDIT MARKET

National Treasury has today published the consultation paper: *Developing the South African Carbon Credit Market*. The consultation paper's recommendations seek to modernise carbon credit infrastructure, clarify legal and financial regulations, and stimulate investment in South Africa's low-carbon projects. By reducing administrative barriers and enhancing the role of financial institutions and regulatory bodies, these reforms aim to develop a resilient and high-integrity secondary market for carbon credits.

The following are the key recommendations:

1. Defining the Legal Nature of Carbon Credits

- **Clear Legal Status:** Offer legislative clarity on the legal attributes of carbon credits, confirming their intangible, incorporeal status and enabling ownership and transferability.
- **Alignment with Financial Sector Requirements:** Recognise carbon credits as capable of forming part of recognised financial instruments, aiding banks and financial intermediaries to conserve less regulatory capital when holding or trading them.

2. Reforming the Registry Architecture

- **Transforming COAS:** Revisit the design and operation of the Carbon Offset Administration System (COAS) to reduce bottlenecks and provide robust functionality for listing, transferring, and retiring offsets. This includes:
 - Improving processing speeds and reducing manual intervention.
 - Enhancing security protocols and user support.
 - Enabling a clearer link between compliance and voluntary markets (and potentially Article 6 credits).
- **Specialised ITMO/Article 6 Repository:** Consider dedicating COAS or another improved national system to track and approve credits as an Internationally Transferred Mitigation Outcome (ITMOs) in line with Article 6.2 of the Paris Agreement.
- **Promoting Interoperability:** Ensure domestic registries can operate with international crediting standards and central securities depositories, improving cross-border liquidity and trading.

3. Introducing Appropriate Standards & Local Capacity



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- **Local Crediting Standards:** Develop cost-effective certification standards tailored to South African conditions, reducing reliance on purely international methodologies that may exclude viable local project types.
- **Accredited Validation and Verification Bodies:** Empower the South African National Accreditation System (SANAS) to accredit local validators and verifiers, lowering certification costs and delays for project developers.

4. Adjusting Financial Market Regulation

- **Enhanced Role of Financial Regulators:** Encourage active oversight by financial sector regulators (e.g., the Financial Sector Conduct Authority) to strengthen market integrity, improve transparency, and protect participants.
- **Regulatory Capital Requirements:** Engage with international standard setters (such as the Bank for International Settlements) to lower risk weightings for carbon credits, encouraging banks to participate without incurring disproportionate capital charges.
- **Classification of Carbon Credits:** Treat carbon credits as “unlisted securities” under the Financial Markets Act, thereby allowing over-the-counter trading, clearing, and settlement through regulated infrastructure. This approach aims to:
 - Facilitate broader financing for carbon projects, including participation from banks and asset managers.
 - Enable optional listing for greater visibility while still permitting off-exchange transactions.

5. Developing an Exchange Control Framework

- **Cross-Border Transfers:** Establish clear exchange control provisions for voluntary carbon credits, enabling South African and international entities to invest, trade, and hedge carbon credit positions without undue administrative barriers.
- **Harmonised Regulatory Approach:** Ensure consistency in how carbon credits or associated derivatives—such as futures and options—fall within existing exchange control rules.



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6. Ensuring Market Integrity and Efficiency

- **Market Architecture Alignment:** Align new carbon market developments with established principles from the financial sector, including fair access, transparent price discovery, robust clearing, and settlement processes.
- **Encouraging Domestic and International Participation:** Foster an environment where both domestic and international participants can trade carbon credits, benefiting from sufficient liquidity and robust governance.

7. Linking to Broader Climate Policy Objectives

- **Carbon Tax Discussion Paper Coordination:** Coordinate these recommendations with the ongoing carbon tax policy process, ensuring consistency in offset rules and compliance obligations.
- **Supporting Nationally Determined Contribution (NDC):** Use a well-regulated carbon market to meet South Africa's emission reduction commitments under the Paris Agreement and secure international recognition for high-integrity credits.

STAKEHOLDER QUESTIONS

Stakeholders are encouraged to provide feedback on the Consultation Document by filling in an online questionnaire by no later than 1 December 2025.

This is available here: <https://forms.office.com/r/dfUdeeu5Ee>

Additional questions can be directed to Vukile Davidson Financial.Policy@treasury.gov.za

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Note to Editors

South Africa has committed to reducing carbon emissions. The country has adopted a market-based strategy, setting a notable international precedent. Market-based economic instruments, such as the carbon tax introduced in 2019, have incentivised businesses to reduce carbon emissions by imposing financial penalties on greenhouse gas emissions.

Carbon offsets are an important part of the carbon tax framework and support the market-based strategy. This consultation paper outlines steps to improve the carbon tax offset market with the objective of assisting companies to reduce their emissions.



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Following the publication of the Phase 2 Carbon Tax Discussion Paper and the announcements made in the 2025 Budget, there is increasing certainty regarding the path for the carbon tax. This provides a basis for taking forward work on developing a robust complementary carbon market.

This consultation paper highlights several challenges that hinder the effective operation of the South African carbon market, both in the voluntary and compliance sectors. These challenges encompass policy and regulation, market architecture, and the financial regulatory framework. Finally, the paper makes recommendations to overcome the key identified challenges. Overall, the paper's recommendations seek to modernise carbon credit infrastructure, clarify legal and financial regulations, and stimulate investment in South Africa's low-carbon projects. By reinforcing policy certainty, reducing administrative barriers, and enhancing the role of financial institutions and regulatory bodies, these reforms aim to develop a resilient and high-integrity secondary market for carbon credits.

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