Carbon tax discussion paper

BUSA submission to National Treasury Workshop

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Departure point

- Climate change is a risk that needs to be addressed
- Long term competiveness dependant on transition to a lower carbon economy
- Policy needs to be supportive of vulnerable sectors during transition
- Complexity of transition needs to be understood
- Recognition of historical mitigation effort
- Analysis of risks, costs and opportunities needs to be undertaken

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Carbon tax as instrument

- Recognised as one potential instrument within a holistic greenhouse gas reduction strategy
- Recognition of potential negative impacts and unintended consequences
- When applied in isolation, it will not achieve emission targets
- Must be revenue neutral

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Prerequisites for implementation of carbon tax

- Understanding of national emissions profile critical on a sectoral basis
- Understanding of short and longer term potential for mitigation in each emitting sector (LTMS not accurate in this respect)
- Understanding of socio-economic impact, especially competitiveness of sectors
- Consideration of all potential instruments (economic and regulatory)

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Status of some mitigation actions

- Electricity: Integrated Resource Plan (which results in a subsidy being paid for renewable energy)
- Liquid fuel: Integrated Energy Plan
- Consumption: National Energy Efficiency Strategy; Co-generation rules, Solar water heater program
- Transport: Passenger and freight modal shift strategies

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Way forward

- BUSA currently working with government on better understanding of potential mitigation options, including constraints and opportunities
- Tax should not be introduced in the absence of:
  - a coherent GHG reduction strategy based on a comprehensive inventory
  - analysis of all potential instruments and their impacts

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