

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 154 [CW191E]

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Mr K A Sinclair (COPE-NC) to ask the Minister of Finance:

Whether the National Treasury will ensure that businesses will not pass down carbon tax to the end user; if not, what is the position in this regard; if so, (a) how and (b) what are the further relevant details?

CW191E

REPLY:

There is no pure carbon tax currently imposed in South Africa, as no corporate or household is currently paying such a pure carbon tax. As the Honourable Member is undoubtedly aware, the National Treasury has published a discussion document for public comment entitled *"Reducing Greenhouse Gas Emissions: The Carbon Tax Option"* on 13 December 2010 on whether, and how, to implement carbon taxes, and is currently assessing 79 comments received.

The Honourable Member is also aware that though we do not have any pure carbon tax as yet, we do have a number of taxes that directly or indirectly tax carbon emissions, like the electricity tax and the general fuel levy. From a policy perspective, it should be noted that contrary to the concern raised by the Honourable Member, any carbon tax should not, and will not, shift the incidence of the tax away from the emitter – the underlying principle is that the polluter must pay, so the carbon tax aims to incentivise

changes in the behaviour of both producers and consumers through the price mechanism and encourage them to shift towards more energy efficient, low carbon alternatives. In economic terms, the carbon tax seeks to internalise the “external costs” of climate change imposed on society. Accordingly, the tax burden ought to be shared by producers and consumers depending on the structure and competitiveness of the market. The National Treasury discussion paper does not intend to prescribe to businesses the exact pass-through of the tax. However, as part of the design of the carbon tax, the carbon tax discussion paper recommends measures that could address potential distributional and competitiveness concerns to help ease the tax burden. The paper argues that the gradual phasing in of the carbon tax will help to deal with competitiveness issues and distributional impacts need to be dealt with in a transparent manner through measures such as the improved provision of free basic electricity and public transportation.