

COSATU Submission on the Carbon Tax Bill

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Submitted to:

Standing Committee on Finance

National Assembly

Republic of South Africa

1. Introduction

COSATU would like to thank the Portfolio Committee for the opportunity to share the views of its 1.7 million members, their families and the broader working class on the Carbon Tax Bill.

Climate change and its resulting consequences are a matter of great importance and impact to workers, their families and communities. In fact they are all too often and will increasingly be so, a matter of life and death for workers.

COSATU appreciates the need to change the way we all do things. How we run the economy, how we live etc. all need to change as a matter of the highest urgency if we are to delay, halt and end climate change.

COSATU appreciates for the need for government intervention in a variety of mechanisms to intervene to ensure that society changes how it operates and moves to a green economy and future.

COSATU understands that taxation is a critical tool for government to encourage and force industry and consumers to adapt their destructive behaviour.

COSATU is equally concerned that government is seemingly focused on taxation as the only mechanism available to induce change.

COSATU is distressed that government has no other macro plan to move society towards a green future.

COSATU is tired of government continuously moving with great energy and speed to creatively increase a wide variety of taxes yet moving with distinct lethargy when it comes to saving and creating jobs.

COSATU is adamant that industry and government have allowed our climate change crisis to explode at a rapid rate and now they are both content to allow workers to suffer the consequences and pay the bill.

COSATU is convinced that in climate change, as with many other crises, there is an opportunity to think creatively and develop lasting solutions that can address both the urgent climate change objectives and save and create jobs. All it requires is political will and maturity on the part of both the state and industry.

2. Impact of Climate Change and other Environmental Crises

We will not go into great deal about the many devastating impacts of climate change upon workers, their families, communities and society and the world at large. However we will list some of the lived realities of our members:

- The water crisis threatening millions of people in the Western, Northern and Eastern Cape and to a lesser extent parts of the Free State and KwaZulu-Natal.
- Acid mine water in Gauteng.

- Air pollution in industrial and urban areas, especially in Mpumalanga and Limpopo.
- Asbestos pollution in mining communities.
- Declining agricultural productivity and the resultant loss of farm worker jobs and food security.
- Increased levels of exposure to skin cancer as climate change rises.
- Increased risk to floods, storms and related consequences of climate change.
- Long term threats to coastal cities due to rising sea levels.
- Increased fiscal burdens to the state to deal with climate change, drought, acid mine water, impacts upon the health of workers etc.

COSATU will not enter the dangerous and lunatic politics of environmental denialism. Climate change is here. It is a living reality. It is literally killing thousands of workers. It will get worse unless we all act decisively to arrest it and change towards sustainable living. It hits working class and poor communities the first and the hardest.

3. Eskom and State Capture

COSATU has long supported efforts to combat climate change.

Our energy sector affiliate, the National Union of Mine Workers, NUM, in particular has been at the forefront calling for the expansion of renewable energy as a key measure to halt climate change, create jobs and healthier communities and working conditions.

However NUM and its coal members have been the direct victims of state capture. Whilst NUM was championing renewable energy, it was rewarded with the threat by Eskom to retrench 5000 coal workers in Mpumalanga on the basis that coal was being replaced by renewable energy. This was later quietly cancelled for the time being.

COSATU and NUM then met with senior Eskom officials and were then informed confidentially that the retrenchments threats had been done by Eskom leaders deliberately to provoke NUM into calling for the cancellation of renewable energy contracts. Eskom's motivation was simply to protect the Gupta family's Tegeta and Optimum lucrative coal contracts.

To make matters worse, the previous Minister for Mineral Resources acted as an unashamed shop steward for the business interests of the Guptas.

We are now equally appalled that the new chairperson of Eskom's board has already announced plans to cut Eskom's work force by 10% within the next year and his intention to cut it by half in the long term.

This is the same man who led the charge that saw Telkom cut its staff by 90% including by outsourcing and sub-contracting its employees whilst paying its CEO R8 million per annum.

4. Carbon Tax

COSATU notes government's tabling of the Carbon Tax at Parliament.

COSATU accepts the painful fact that tax is one of government's powerful tools of influence and coercion.

COSATU does believe that industries which have polluted and caused climate change need to adopt green methods and technologies. We accept that those who can but do not wish to change can face tax penalties for not doing so.

We appreciate that this bill is intended to establish a framework and that the initial tax thresholds in many cases are set at moderate levels.

We appreciate that large exemptions have been given to agriculture. Agriculture is the largest employer of workers outside of the public sector. It is an extremely fragile and vulnerable sector whose workers have low levels of education and few alternative means of employment. Workers' lives and homes depend upon the sustainability of agriculture.

Whilst we acknowledge the mining industry as a heavy polluter, we are concerned that it is in an extremely fragile state and has shed over 70 000 jobs in the past two years.

However we are concerned that the Carbon Tax is seemingly government's only macro tool to address the crises of climate change. This is far from enough to address this global crisis.

We are concerned that it is being introduced in addition to increases in the VAT, fuel levies, health promotion levy and below inflation income tax bracket adjustments as well as reductions in state expenditure and public sector employment.

We are worried that government is introducing a raft of new taxes but has no plans to soften their blows to the poor and the working class. These taxes treat the rich and the poor equally and are thus all regressive and not progressive.

COSATU is distressed by a government that does not have or implement a jobs protection and creation plan. Only 5 out of 35 national departments provided job creation targets in government's 2018/9 budget. Their tiny targets will not help turn the tide of 36% long term unemployment in a job shedding economy.

5. COSATU Proposals for a Just Transition

COSATU is angry and exasperated by how little effort or attention government pays towards the unemployment crisis.

We cannot emphasise enough how badly government, across every single department at all levels of the state have failed workers. Ten years after the 2008 economic crisis and 36% of workers are unemployed. Thousands of jobs are being shed across virtually all economic sectors.

Public sector jobs are being slashed. Provincial and municipal jobs are being outsourced as cheap labour to public works programme. Yet government has to date not said or shown how it will create the magical 11 million jobs by 2030 target of the National Development Plan.

The one area government has shown great passion for is to look at new ways to tax workers and society.

COSATU does applaud and take hope from President Ramaphosa's commitment to hold the long called for presidential jobs and investment summits. We hope that organised labour will be included in the planning for these make or break summits in order to ensure we have serious plans of action arising from them. We will not go there simply to clap for politicians.

We expect the jobs and investment plans to flesh out the President's SONA calls for macro and sectoral plans, targeting in particular job intensive industries.

5.1 COSATU Just Transition Proposals:

COSATU believes that climate change represents a unique opportunity to both halt global warming etc., to create jobs and to set humanity on a sustainable path. We would want the jobs and investments plans to include the following:

- Macro and sectoral goals and targets.
- Reskilling and direct planned absorption of affected workers. E.g. coal workers in Mpumalanga should be placed in renewable energy factories and plants etc. where they live.
- The entry of Eskom as a producer of renewable energy.
- The massive expansion of renewable energy to ensure that the majority of South African electricity is renewable and that we can once again export large volumes of electricity to the continent.
- Preparing the auto-manufacturing industry to produce electric cars for local use and exports.
- Rapidly expanding our electricity supply to prepare for the onset of electric cars in the near future.
- Investing in expanding renewable energy e.g. solar roof tiles, solar roads etc.
- Requiring every building, private and public, to have renewable energy, grey and rain water facilities within the next five years.
- Require that all such renewable and rain and grey water technology be locally made.
- Requiring the painting of all roads white as part of efforts to reduce global warming.
- Investing in mass environmentally friendly public transport.
- The expansion of our agricultural, aquaculture, forestry and environmental sectors and ensuring that they are assisted to move towards sustainable methods and technologies.
- Expansion and support for biofuel and electricity cogeneration.

- Systematic and macro plans to ensure recycling at all levels and in particular in waste management.
- Engagement with the PIC and other key investors to invest in the green economy and require their investment recipients to adopt green methods and technologies.

5.2 COSATU Revenue Proposals:

COSATU notes that government says the carbon tax is not intended to raise funds but rather to affect industry and consumer behavior. It is often difficult to believe governments when it comes to taxation.

COSATU thus proposals the following with regard to government's planned carbon tax in addition to the above job creation proposals:

- Any carbon tax revenues generated must be invested in green economy jobs targeting workers who may have or may lose their jobs as a consequence of the transition.
- Government provide incentives e.g. rebates, lower taxes, subsidies, support etc. to industries that invest in and create new, permanent and decent green economy jobs.
- Eskom tariff hikes be limited to inflationary levels and not allowed to continue with the above inflation massive continuous hikes exploiting the poor.
- Government unveil a mitigation plan for the poor to cope with expected increase in prices as a consequence of the carbon tax, e.g. expanding VAT exempt goods to include other essential foods and beverages, medicines, sanitary pads, toiletries and school supplies.

6. Way Forward

COSATU believes all South Africans need to work together to halt climate change and move to a sustainable green future. We believe that government needs to act and lead and that it must have serious multi-pronged plan.

We accept that errant industries that can but refuse to change must pay and play their part and that this may include penalising them financially.

However COSATU is deeply concerned that the carbon tax is government's only plan.

We are concerned that once again workers are being made to pay for the sins of the looters who have threatened the state with bankruptcy and polluters who threaten the planet with catastrophe.

COSATU is thus calling upon government to engage with organised labour, organised business and progressive civil society at Nedlac and Parliament to develop a serious and inclusive plan to fight climate change and protect and create jobs.

This must be part of the Presidential Jobs and Investment Summits. These must be implemented and in effect before any implementation of a carbon tax in 2019 or 2020.

All government departments need to be part of these plans. The usual fragmented way that cabinet and all other parts of the state operate merely serves to exacerbate the crises.

COSATU is willing to play its part. We hope that government and industry will come to the party and accept their failures to lead and their need to show leadership.

Thank you.

Yours comradely,



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