GREENPEACE AFRICA

Greenpeace Africa submission on

Tax Law Amendment Bill

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THE CLIMATE IMPERATIVE

The sixth assessment of the Intergovernmental Panel on Climate Change (IPCC) found that the climate crisis is unequivocally caused by anthropogenic emissions and warned that the widespread and rapid changes in the atmosphere, ocean, cryosphere, and biosphere have already occurred (IPCC, 2021).

Estimates we will exceed the 1.5oC target by 2030, at which point major environmental changes will be locked in. requesting ineffective carbon pricing indicates that Carbon majors have conceded in the fight against climate change

THE CLIMATE IMPERATIVE

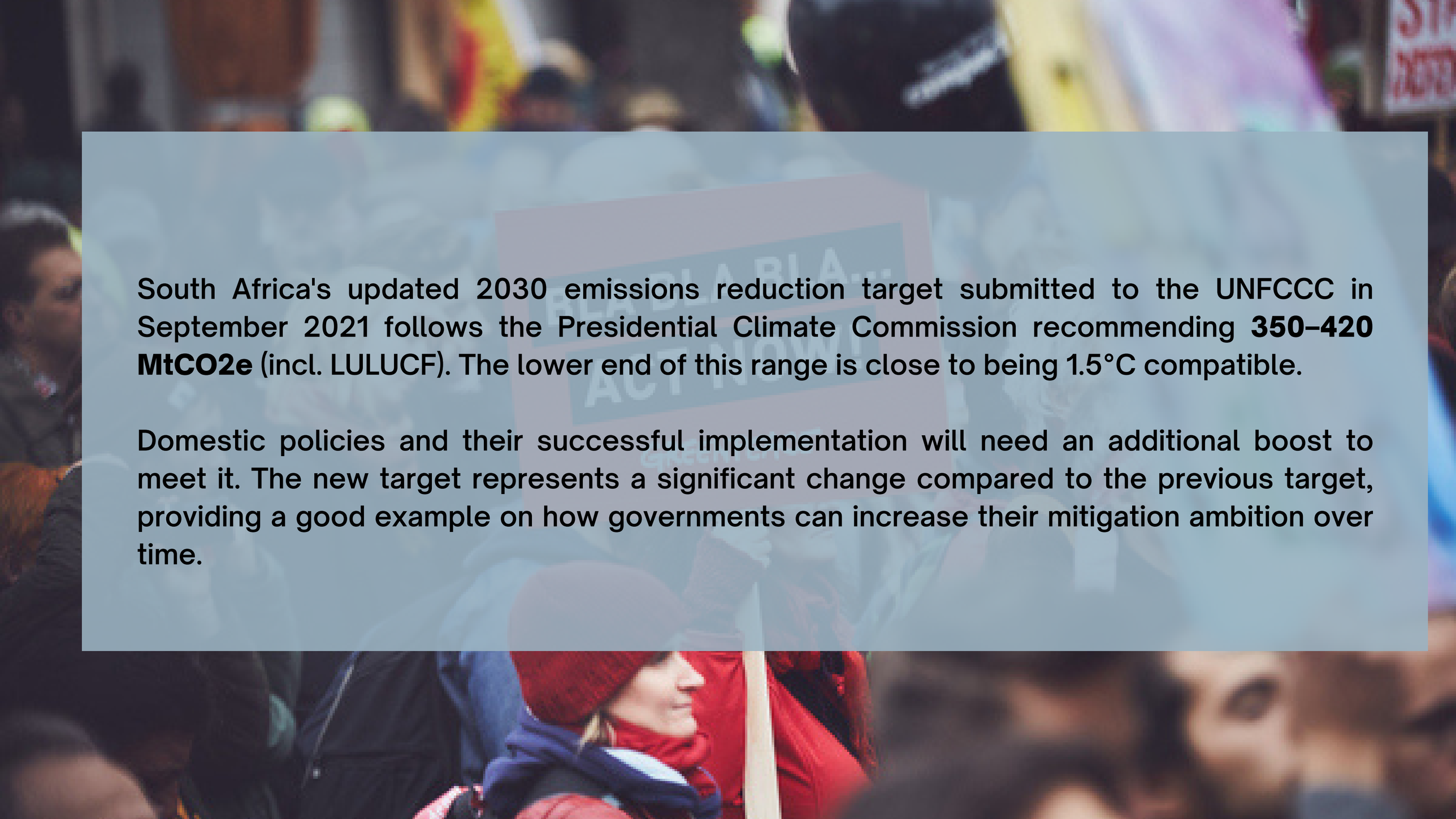
“climate change will have devastating consequences for people in poverty. Even under the best-case scenario, hundreds of millions will face food insecurity, forced migration, disease, and death. Climate change threatens the future of human rights and risks undoing the last fifty years of progress in development, global health, and poverty reduction.” - IPCC, Working Group II, Impacts, Adaptation and Vulnerability

Given that South Africa is the largest CO2 emitter in Africa, and carbon emissions are driving climate catastrophe on our continent, we cannot afford to take measures that are so incremental as to be only marginally effective.

For context the price of a tonne of carbon is equal to the price of a cup of coffee

One practical example is the carbon price support in the United Kingdom, which increased effective carbon rates in the electricity sector from EUR 7 per tonne of CO_2 to more than EUR 36 between 2012 and 2018. Emissions in the electricity sector in the country fell by 73% in the same period,2 suggesting a strong response of UK utilities to higher effective carbon rates.

EUR 30 per tonne of CO_2, a historic low-end price benchmark of carbon costs in the early and mid-2010s. A carbon price of EUR 30 in 2025 is also consistent with a slow decarbonisation scenario by 2060 according to Kaufman et al (2020).



South Africa's updated 2030 emissions reduction target submitted to the UNFCCC in September 2021 follows the Presidential Climate Commission recommending **350–420 MtCO2e** (incl. LULUCF). The lower end of this range is close to being 1.5°C compatible.

Domestic policies and their successful implementation will need an additional boost to meet it. The new target represents a significant change compared to the previous target, providing a good example on how governments can increase their mitigation ambition over time.

BUSA, Minerals Energy Council of South Africa have cited in its submission the "closure of businesses, job losses and the exacerbation of poverty and other negative socio-economic impacts."

All these negative externalities exist under a scenario where we exceed the 1.5oC target. A carbon tax enables the government the opportunity to take a measured approach to the climate crisis.

SOCIO-ECONOMIC BENEFITS OF A JUST TRANSITION

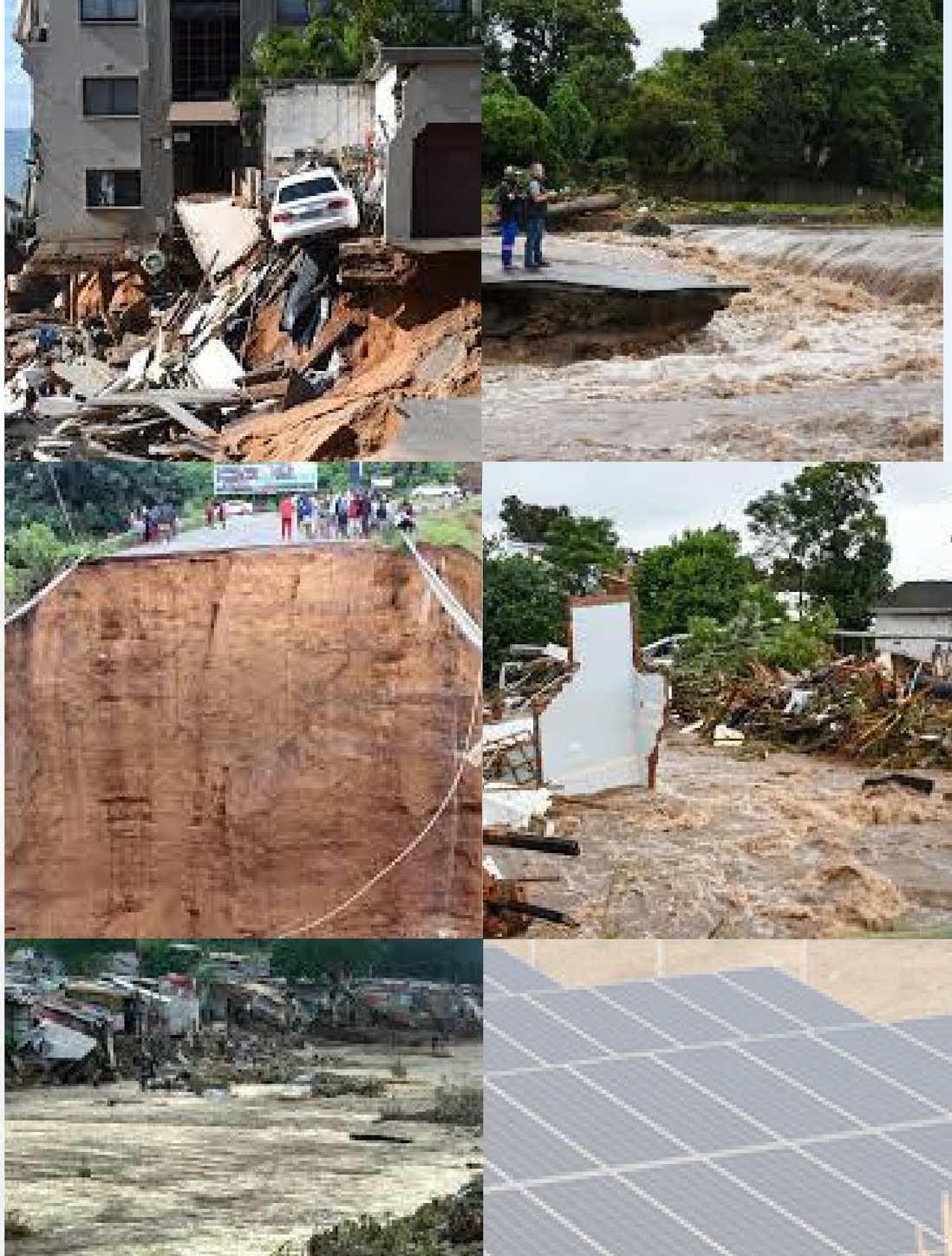
- An ambitious energy transition scenario in line with the Paris Agreement's 1.5C target is projected to generate about 60% more energy-sector jobs globally. This would mean around 48 million jobs created in the 1.5°C scenario compared with around 30 million jobs in the 5C scenario (ISF, 2019).

- Direct employment in projects under South Africa's Renewable Energy Independent Power Producer Procurement Programme rose from 17 800 job years in 2014 to 45 450 by mid-2019- 82% of these jobs were in construction, the remainder in operations (IPPPP, 2020)

- Plant and machine operators and assemblers would see the largest job increase – over 300% – with electricians and labourers close behind (more than 200%) (Greenpeace, 2019)

THE COST OF INACTION

- Damages to KZN business estimated at **R7 bn**
- The KwaZulu-Natal government has revised its estimated total cost of flood damage to approximately **R17bn.**
- The cost estimate for resumption of service is **R955.4m** and long-term rehabilitation work is estimated at **R1.68bn.**
- Prasa, which lost about 300km of its rail infrastructure in the KwaZulu-Natal floods, has estimated its recovery costs to be between **R2.8bn** and **R3bn,**



KEY CONSIDERATIONS

the decision to extend *Phase 1* of the carbon tax to 31 December 2025, enabling carbon majors such as Sasol to continue their
polluting practices and evade their tax liability. The allowances provided for in the Carbon Tax Act, have enabled carbon majors to avoid 90% of its tax obligation, saving them R6.5 billion in 2019.

In their policy brief, *The Role of Subsidies in South Africa's Coal-Based Liquid Fuel Sector,* IISD experts estimate that coal-based fuels produced by Sasol's Secunda Plant received in excess of **ZAR 8 billion** in total government support during 2019. The Secunda plant is South Africa's second-largest greenhouse gas emitter after Eskom and the single-biggest point source of greenhouse gases in the world.
Of this support, Sasol received approximately **ZAR 1.55 billion** in direct subsidies through the Basic Fuel Price, a regulated price paid to producers of petroleum and synthetic fuels. **This subsidy is responsible for 3.7% of Sasol's total revenue from energy operations.**

KEY CONSIDERATIONS

Section 6 (2) (c)

the purchasing of renewable energy should not result in an incentive for carbon majors when considerable tax benefits are already reaped by these companies.

The type of company that generates immense profits from fossil
fuels – at the expense of health, the environment, and the viability of our planet in the future should not receive this reduction in tax liability in addition to the tax benefits they already
receive.

Effective Carbon Pricing

- The High-level Commission on Carbon Prices recommends that an effective rate of carbon is **R292.55 – R585.10**
- Greenpeace Africa proposes South Africa maintain the rate of **R120/ tCO2** and not extend Phase 1 of the carbon tax, and reduce allowances.

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