

Agbiz presentation on Climate Change Bill

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Who are we?

- Voluntary, dynamic and influential association of agribusinesses operating in South and southern Africa.
- Key constituents include the major banks in South Africa, Development Finance Institutions, short term and crop insurance companies, agribusinesses, commodity organisations and co-operatives providing a range of services and products to farmers, and various other businesses and associations in the food and fibre value chains in the country.
- Agbiz's function is to ensure that agribusiness plays a constructive role in the country's economic growth, development and transformation, and to create an environment in which agribusinesses of all sizes, can thrive, expand and be competitive.
- Agbiz is an active member of Business Unity South Africa (BUSA) and participated constructively in the Nedlac deliberations on the Climate Change Bill



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Background and general comments

- Agricultural value chains both contribute to climate change and is affected by climate change.
- According to the National Greenhouse Gas Inventory (2017), the Agriculture, Forestry and Other Land Uses (AFOLU) sector accounts for 52 Mt of emissions, accounting for nearly 10% of South Africa's Greenhouse Gas Emissions making it the 4th largest contributor in the economy. However, it also sequesters approximately 30mt annually, thereby offsetting 60% of its emissions through carbon sinks.
- Aside from AFOLU, agro-processing accounts for roughly 25% of South Africa's manufacturing output.
- Between agriculture and agro-processing, the sector employs in excess of 862 000 people, just in primary agriculture.
- The number is even higher when the jobs in the secondary sector are included, where 524 000 people are employed.
- It is an internationally competitive sector with a positive trade balance.

Background and general comments

- The sector therefore acknowledges that it needs to take steps to reduce its GHG emissions and to reach carbon neutrality but the transition must be just.
- According to Chapter 5 of the Just Transitions Pathways Project, 75% of the AFOLU sector's emission are attributable to livestock.
- Through better manure management and enteric fermentation there is significant mitigation potential.
- However, the impression should not be created that the sector has an unlimited mitigation potential as a ceiling will be reached after which the only way to continue reducing GHG emissions will be by shrinking down the sector.
- There are also vast areas of South Africa where extensive livestock grazing is the only viable land use. Only 13% of South Africa's land mass is suitable for crop production and much of this has been lost to sprawling urbanisation and competition with extractive industries.

Background and general comments

- The sector's GHG emissions must therefore be balanced with the economic and employment opportunities it creates, as well as the lack of viable alternatives.
- Climate change will have significant impacts on agriculture.
- These implications include the effect of heat waves, storms, floods, changes to rainfall pattern, water availability, bush encroachment, desertification and soil degradation which will all impact on agricultural production and the agricultural value chain.
- It is not only the primary agricultural producers who are vulnerable to the impact of climate change, but also other components of the agricultural value chain.
- An increase in climate variability will in addition impact the agricultural insurance companies and financiers.

Background and general comments

- Agbiz acknowledges that there is a need to find cost-effective ways to address agricultural emissions.
- This needs to be done in a way that does not compromise other objectives, such as food security, competitiveness and poverty alleviation.
- Possible mitigation measures in agriculture include a wide range of issues, such as improved farming techniques, using “cleaner” energy, carbon sinks, etc.
- However, many mitigation options entail additional costs to farmers, calling for cost-effectiveness to be given the highest attention.
- Innovation will need to play a key role in mitigating emissions from agriculture.
- Adaptation options in agriculture on the other hand can involve a range of actions, such as investment in flood protection, planting different crops, early warning systems, etc.

Background and general comments

- Preparing agriculture for adaptation should therefore go hand in hand with pro-active mitigation measures.
- Research is already being carried out in order to improve seed resistance to drought, heat and higher levels of water and soil salinity, as well as to diseases and pests.
- For example, genetically engineered crops, which are designed to make efficient use of scarce resources like water and nutrients and which contribute to higher yields and better product quality, can lead to savings in the area of water, soil, and energy, thereby contributing to the development of best practices for environmental sustainability.
- It is critical that the carbon budget and carbon tax instruments should be fully aligned. Whilst most primary agricultural entities are unlikely to qualify for carbon budgets or direct GHG reporting but many companies in the agro-processing sector will;
- Factors such as historical mitigation, forward-looking mitigation potential, national circumstances, export competitiveness and the financial status of the sector and agribusiness must be considered in tax level and budget setting.

Specific comments

- **Clause 16:** Adaptation objectives: It is recommended that the Minister should consult, at least with the Climate Commission before determining these objectives and indicators.
- **Clause 19:** Sector Adaptation Strategy and Plan: We propose that the Minister should be required to consult with the stakeholders in the sector before finalising a sector strategy and plan.
- Whilst clause 28 requires prior consultation in respect of subclauses 1(b) and (c), it should also apply to 19(a).
- Stakeholders should also be involved in the five-year review process of the adaptation strategy and plan.
- **Clause 22:** Sectoral emissions targets: Sectoral Emission Targets will be vitally important for the AFOLU sector due to its structure. In sectors that are dominated by a number of identifiable, large entities, carbon budgets and the carbon tax will be the primary mechanism behind mitigation.
- However, the AFOLU sector comprises of tens of thousands of small and medium entities that collectively, given the nature of agriculture, contribute to South Africa's GHG Emissions

Specific comments

- When SETS are calculated, the Department should consider the feasible expansion plans and trajectories of different sectors within the economy.
- As South Africa develops and moves from an emerging market economy towards a developed nation, the economic contribution of different sectors towards our total economy will not remain static.
- The SETS must likewise anticipate these changes and avoid a situation where the domestic and international competitiveness of an economic sector is artificially influenced by the carbon space allocated to that industry.
- **Clause 23:** Listed greenhouse gasses and activities: The requirement that the decision to list a particular gas or activity should be based on scientific evidence should be included in this clause.
- **Clause 24:** Carbon budgets: As mentioned above, some of the companies involved in the manufacture of agricultural inputs, storage and agro-processing are likely to exceed the threshold for GHG reporting and be subjected to a Carbon Budget.

Specific comments

- The manner in which the Bill is written makes Carbon Budgets a punitive measure in the sense that a company remains liable for carbon tax at the general rate if they stay within their carbon budget but are punished by a punitive rate if they exceed it.
- A far more constructive approach would be to reward companies who stay within their budget by offering preferential rates.
- We propose that the cost burden imposed on the affected person and the industry that they are involved in, should also be considered as a factor in subclause 2.
- The cost burden on individuals and small businesses of complying with this clause, can prove to be prohibitive.
- It is vital that the sum of an industry's approved carbon budgets do not add up to that sector's emission targets.
- The AFOLU sector in particular contains several, smaller companies who do not meet the threshold for a carbon budget to be allocated.
- However, their cumulative GHG emissions must be factored in.

Specific comments

- Likewise, the SETS & Carbon Budgets must make provision for new entrants into the market.
- **Schedule 1** seems to confuse the concept of a ‘function’ with that of an economic ‘sector’.
- Schedule 1 lists functions for which SETS need to be developed but the point of departure is incorrect as not all functions falling under government line ministries reflect an economic sector. For example, agriculture and forestry is listed separately from land reform and rural development because these may be different government line functions.
- However, there is no economic sector such as land reform or rural development.
- Similarly, there are no economic sectors such “Cooperative Governance” nor “Traditional Affairs.”
- The list should be critically reviewed to reflect only economic sectors and not the functions of government line functions.
- Schedule 2 should likewise be reviewed to remove duplication

Thank you!

Questions?

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