



## The Carbon Tax Conundrum



In a moment of complete honesty, I want to admit that I am writing about something that I know absolutely nothing about, and I want to invite you to join this conversation with me.

One of the challenges that I recently became aware of is the policy, which was introduced by the government in June 2019, aimed at reducing the country's greenhouse gas emissions and mitigating the impact of climate change. I am of course talking about the South African Carbon Tax. This is a price set on carbon dioxide emissions that companies and industries generate during their operations. The tax is levied on the amount of carbon dioxide equivalent (CO<sub>2</sub>e) emissions that are released into the atmosphere. The aim of the tax is to encourage companies to reduce their emissions by switching to cleaner technologies and adopting sustainable practices.

The tax is aimed at creating a financial incentive for companies to reduce their emissions, and the revenue generated from the tax should be used to fund initiatives that promote energy efficiency and renewable energy. In short, it should be a policy

instrument in line with international commitments, a source of revenue that can be used to support initiatives that promote renewable energy, which will in turn create new opportunities for businesses and boost job creation. However, the implementation of the tax has faced criticism from some quarters. Since January 2022, the carbon tax rate has been around US\$8.3 per ton of CO<sub>2</sub>e. In line with South Africa's commitments at COP26, the carbon tax rate is set to progressively increase every year to reach US\$20 per ton by 2025. In the second phase from 2026 onwards, the carbon tax rate will have larger annual increases to reach at least US\$30 per ton by 2030.

In a study published in the *Mail & Guardian* during 2022, Bohlmann *et al.* show that the possible negative impact of the carbon tax on economic growth is minimized when the revenue is recycled back into the economy. Another study by Bohlmann, published in the *South African Journal of Economic and Management Sciences* in 2016, shows that recycling of carbon tax revenue will only reduce the extent of emissions if tax revenue recycling supports economic growth. According to their model, the manner in which carbon tax revenue is recycled back into the economy is therefore important in terms of the extent of emissions reductions achieved. Is the South African carbon tax revenue being recycled efficiently? Or even correctly?

This provoked quite a few other questions in my mind. Are we, in the minerals and metals industry, adequately informed to answer questions about any carbon tax policy, national or global? Or are we projecting negativity due to the general discontent with the current state of affairs – economic, social, and political?

What is our definition of recycling tax revenue 'efficiently'? Does this depend on perspective? If carbon tax revenue is recycled into the general fiscus to support the Basic Income Grant in a country with an unemployment rate of 35% to 50%, does this make sense to us?

Is the minerals and metals industry clear on their expectations of and from the South African Carbon Tax policy? What exactly do we want as professionals and as an Industry?

I believe the SAIMM should be creating a platform to open discussions around this. We should be assisting our industry through educating, informing, and providing thought leadership on topics crucial to the success of sustainable transition.

I want to call on our members and stakeholders who clearly understand the national carbon taxation strategy to become involved in the conversation. I want to understand what the options are that we as an Industry have. Do we have an option to influence the policy and the tax revenue recycling at all? Can we ask for assistance to analyse the positive and negative aspects of our current strategy and its execution?

I believe that the carbon tax is necessary to change user behaviour and to reduce climate impact. However, we can still develop ways to ensure business viability while doing so. The SAIMM will be hosting a Carbon Tax Colloquium where we will be asking these questions, and we invite everyone to become a part of the conversation.

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