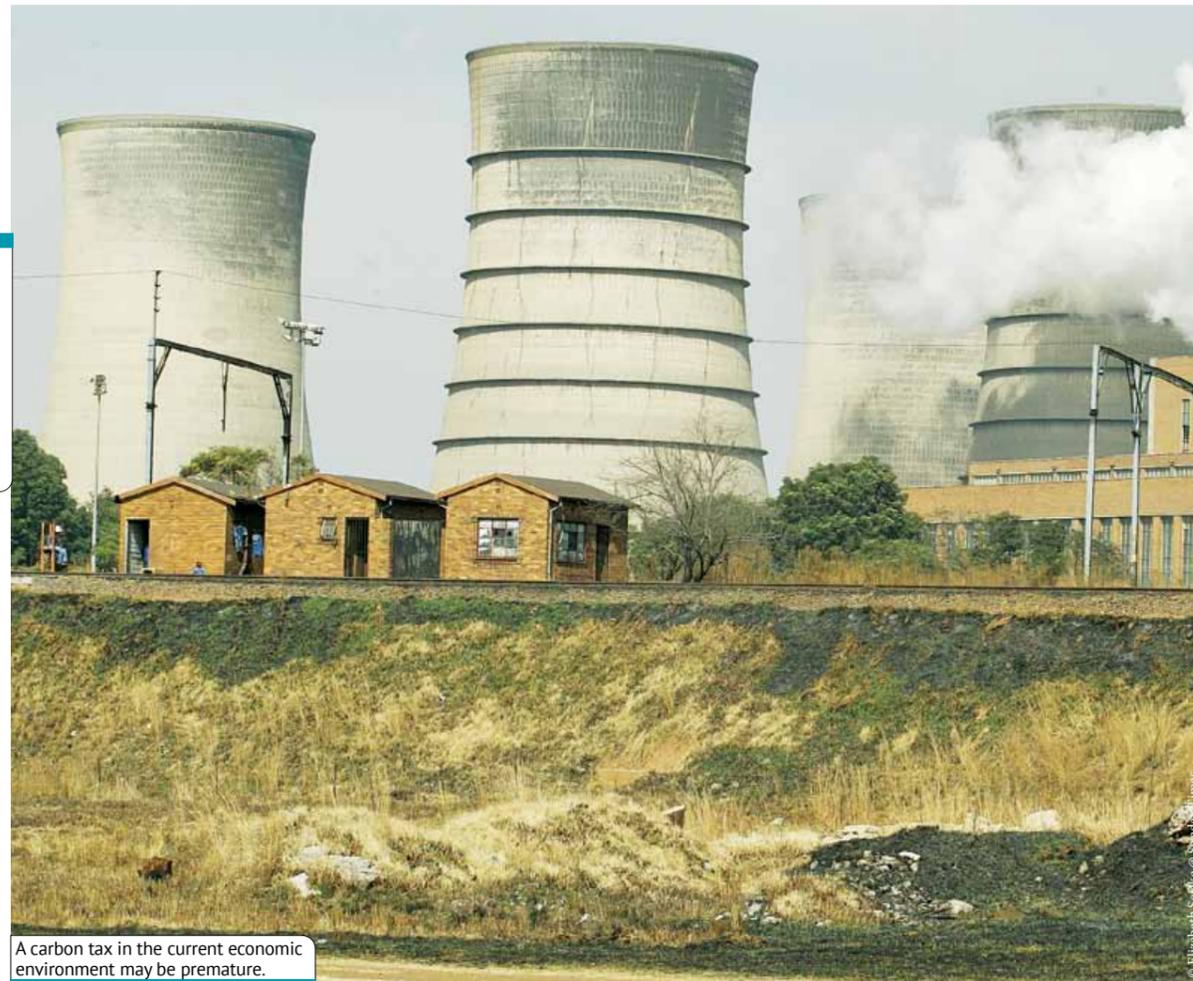


'Now is not the time for a carbon tax' – experts warn

The time is 'not now' for the implementation of a carbon tax, say some of South Africa's experts on the local economy and mining industry. Without attempting to be prophets of doom, they are warning that government should carefully rethink how, and, most importantly, when, it will implement its proposed carbon tax. By Brindaveni Naidoo.



A carbon tax in the current economic environment may be premature.

There have been mixed responses to South Africa's proposed carbon tax, which has been deferred to 2016, with Finance Minister Nhlamhla Nene indicating in his recent budget speech that a draft carbon tax bill will be introduced later this year for a further round of public consultation.

Shaun Nel, consulting director for BDO, Melanie Le Roux, an associate director at KPMG and Peter Major, mining consultant for Cadiz Corporate Solutions, all agree that the principle on which the carbon tax is based is sincere in terms of the country achieving its climate change commitments in line with the United Nations Framework Convention on Climate Change.

However, all three are strong proponents for eliminating uncertainty and investigating the impacts of the tax on not only the mining sector, but the South African economy.

"South Africa is 'simply not ready for a carbon tax', especially the mining industry," Major points out. He explains that this tax will further add to the existing legislative, infrastructural and regulatory challenges faced by the sector, including access to electricity and pricing. The mining sector, adds

Major, is already on a death spiral at present, with the plethora of negative legislative changes that have occurred to mining in the country since 2002.

He says that mining is a highly energy-intensive operation. "For example, slap the country's gold mining sector in its current state (which employs tens of thousands of people) with a carbon tax, and it will have negative impacts.

"If there are no exemptions as to how to this tax deals with different sectors within industries, and if it ignores the reality of a sector (underground vs open-pit) – we're asking for trouble in an already hugely embattled and vital sector of our economy."

For example, if gold mining companies are struggling to achieve 10%-20% margins in a sector that has seen some 75% of gold mines closed since 1994, with production lowered from 600 tons a year to a measly 150 tons a year today, just imagine what a carbon tax will do? "We are already seeing the terminal demise of deep-level gold mining underpinned by massive lay-offs – and that's just one example," believes Major.

Le Roux also makes the point that

implementing the tax will result in another cost impacting the bottom line of the mining sector, which is currently under pressure.

"There is a lot of uncertainty as to how this tax will work and its potential impacts. The worst case is that it could have a negative impact on the economy, but let's hope that it does not happen."

For mining, she believes the tax is simply 'unfortunate' as companies also have to deal with higher electricity prices, an electricity levy and a fuel levy, while the carbon tax will further increase the price of electricity. "The focus should be on growing this sector in line with objectives set out in the National Development Plan – one that stimulates the economy and contributes to economic and socio-economic growth," says Le Roux.

Nene announced a number of tax measures to promote energy efficiency last month, the first of which is a temporary increase in the electricity levy, from 3.5c/kWh to 5.5c/kWh, to assist in demand management. "This additional 2c/kWh will be withdrawn when the electricity shortage is over," he said.

Le Roux adds: "South Africa as



Peter Major from Cadiz.



KPMG's Melanie Le Roux.



Shaun Nel from BDO.

the carbon tax has created a lot of concern, particularly as it may hamper growth, which is essential."

Nel, too, believes that timing is critical for the implementation of the tax. He explains that the country has committed to a 34% reduction in its carbon footprint, but warns that rushing to introduce a carbon tax before we have even identified total abatement opportunities, and how those opportunities are unlocked by a carbon tax, could be a very real stumbling block to achieving real, sustainable reductions in total carbon emissions.

"South Africa's economic growth aspirations could be hampered and our industries' global competitiveness harmed as a result of the carbon tax. Let us not shoot

ourselves in the foot. South Africa should at least wait till there is a global agreement on carbon pricing."

Further, he also stresses that imposing both carbon tax (an instrument of National Treasury) and carbon-budgeting (an instrument of the Department of Environmental Affairs) would hamstring certain sectors of the economy that are already suffering a lack of confidence, particularly minerals and mining, which is already reeling from a host of challenges, including electricity price increases and labour issues.

Nel explains that carbon tax and carbon-budgeting are competing instruments that, used together inappropriately, in effect create a double taxation scenario. ■

an emerging economy has to be practical, and a carbon tax in the current economic environment may be premature. In this environment,

Industry win for MechCaL

Local fan and ventilation specialist MechCaL was the recipient of the Department of Science and Technology Minister's Award for Sustainable Performance at the 2015 Technology Top 100 Awards.

MechCaL was evaluated in its entirety, with special focus on its management team to determine the impact that they have had in the marketplace.

Described by the Department of Science and Technology as "the ultimate measure", this award is given in recognition of companies that demonstrate a holistic approach to managing their operations and prove themselves as a role model to all South African companies.

In essence, the Sustainable Performance Award recognises the value that an organisation contributes to both its internal and external communities. Such an organisation should demonstrate not only the



MechCaL MD Gavin Ratner, Minister Naledi Pandor and Prof Roy Marcus, chair of the Da Vinci Institute.

ability to manage its TIPS (Technology, Innovation, People and Systems) elements within its own operations, but also demonstrate its ability to manage its impact on the environment, its commitment to broad-based black economic empowerment, job creation, employment equity, and, in

some instances, private and public partnerships.

MechCaL's MD and spokesperson, Gavin Ratner, said: "Everyone in the company feels honoured, and at the same time immensely proud, to have our achievements and innovation recognised on the TT100 platform." ■