

Treasury plans greener SA economy with Carbon offsets

Media statement by the National Treasury (20 June 2016)

The **Draft Regulations on the Carbon Offset** was published by the National Treasury for public comment and further consultation. Treasury expects to launch the **Draft Carbon Tax Bill in August or September this year**, with recent announcements indicating the tax will be implemented early in 2017.

- The **Draft Carbon Tax Bill** makes provision for the **carbon offset allowance** in terms of Section 13. This enables companies to **reduce their carbon tax liability** by using **offset credits of up to a maximum of 5 or 10 per cent** of their total greenhouse gas (GHG) emissions, as specified in Schedule 2 of the draft Carbon Tax Bill.
- **Carbon offsets can be generated through investments outside of a taxable entity's activities** that results in quantifiable and verifiable GHG emission reductions. In addition such carbon offset projects should generate sustainable development co-benefits and employment opportunities in South Africa by encouraging investments in energy efficiency, rural development projects, and initiatives aimed at restoring landscapes, reducing land degradation and biodiversity protection.
- **The carbon offset mechanism is in line with the proposals contained in the National Climate Change Response White Paper** of 2011 and efforts to transition to a low carbon, greener economy as pronounced in the **National Development Plan**.

Design of carbon offsets

Carbon offsets involve specific projects or activities that **reduce, avoid, or sequester emissions**, and are developed and evaluated under specific methodologies and standards, which enable the issuance of carbon credits.

- The carbon offset scheme will **rely primarily on existing international carbon offset standards**:
 - Clean Development Mechanism (CDM)
 - Verified Carbon Standard (VCS)
 - Gold Standard (GS) and their associated institutional and market infrastructure.
 - Scope is also provided for the use of local standards/methodologies where appropriate and independently verifiable.

- At a high level, the eligibility criteria include the following:
 - Only **projects located in South Africa** will be eligible.
 - Projects should occur **outside the scope of activities** that are subject to the carbon tax to **prevent double counting/relief**.
 - Indicative list of eligible projects: **Energy; Transport; Agriculture, forestry and other land use; Waste**.

Institutional arrangements and infrastructure

The **Designated National Authority (DNA)**, within the Department of Energy (DoE), will be responsible for administering the carbon offset scheme.

Additional support from the World Bank through the Partnership for Market Readiness (PMR) project will assist with the technical and institutional capacity building.

Due date for comments

The **Draft Regulation on Carbon Offsets**, is published for public comments and is available on the National Treasury website: www.treasury.gov.za. Written comments should be submitted to offsetcomments@treasury.gov.za. Any clarification questions can be directed to Dr Memory Machingambi, email: Memory.Machingambi@treasury.gov.za by close of business on **29 July 2016**.