



29 August 2022

## **GREENPEACE AFRICA COMMENTS ON THE DRAFT TAXATION LAWS AMENDMENT BILL**

Greenpeace Africa (“GPAF”) is an independent environmental campaigning organisation with a vision of “an Africa where people live in harmony with nature in a peaceful state of environmental and social justice”. In South Africa, GPAF campaigns for public and private bodies to take urgent action to address the climate crisis, including advocating for a just transition from fossil fuels to renewable energy and energy efficiency. Our campaign work also stands to protect the rights and health of affected frontline communities directly impacted by fossil fuel operations.

GPAF would like to thank the Department of National Treasury (“Treasury”) and the South African Revenue Service (SARS) for extending an invitation to the public to share their input on the draft Taxation Laws Amendment Bill. For this input to be meaningful, it is critical that Treasury takes the input from the public seriously and incorporates it into the regulations going forward. As a civil society organisation and citizens working towards achieving social, environmental and climate justice in South Africa, Greenpeace Africa’s point of departure will be the amendments made to the Carbon Tax Act (Act 15 of 2019) (hereafter referred to as “Carbon Tax Act”), a carbon tax is a crucial mechanism to mitigating South Africa’s emissions profile in fulfilment of commitment to limit global temperature increases to the politically endorsed scientific consensus of 1.5°C. We appreciate such opportunities to engage the government.

### **KEY CONSIDERATIONS**

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).<sup>1</sup> Gas, along with coal and oil, are the primary drivers of climate change;

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<sup>1</sup> IPCC, 2021: Climate Change 2021: *The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N.

according to the UN Special Rapporteur on extreme poverty and human rights: *“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”*<sup>2</sup> (pp 1).

Recognising that the current price of R120/tonne of Carbon dioxide equivalent (CO<sup>2</sup> eq) is ineffective in curbing emissions, Greenpeace Africa has campaigned extensively for stronger carbon prices. Review of the proposed amendments to the Taxation Laws Amendments is occurring per the announcement made by Minister Enoch Godongwana during the 2022 budget speech.

We are already living with the impacts of the climate crisis, including floods and droughts, which have major implications for the country. Climate risks are appearing faster and will get worse sooner than previously assessed. The climate crisis is already causing widespread losses and damage to nature and people. Climate and extreme weather events continue to drive displacements across multiple regions. Biodiversity loss and degradation continue to jeopardise the livelihoods of coastal communities that depend on non-commercial fishing and eco-tourism to survive.<sup>3</sup> The climate crisis acts as a threat multiplier, taking existing vulnerabilities and making them worse. South Africa’s structural inequality, ecological dependency and weak adaptive capacity make us disproportionately vulnerable to the impacts of the climate crisis; and communities are often one extreme weather event away from absolute poverty.

Regarding s5(2) (a)(b)(c) and the addition of 2(A)(b)(c)(d)(e), Greenpeace Africa strongly objects the proposed “increase” of US\$1 rand equivalent each year for 2023, 2024 and 2025, because this is clearly insufficient to deter carbon majors from continuing with their toxic business models, or to create any meaningful change at all. Similarly, the proposed increases to the price of carbon

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Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, URL available here: <https://www.ipcc.ch/report/sixth-assessment-report-working-group-i/>

<sup>2</sup> United Nations (2019) “Climate change and poverty - Report of the Special Rapporteur on extreme poverty and human rights”, URL available here: <https://www.guninetwork.org/publication/climate-change-and-poverty-report-special-rapporteur-extreme-poverty-and-human-rights>

<sup>3</sup> IPCC, 2022: *Climate Change 2022: Impacts, Adaptation, and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press. URL available here: <https://www.ipcc.ch/working-group/wg2/>

between 2026 and 2030 are minute compared to the billions of rands of tax exemptions that fossil fuel corporations receive.

The provisions undercut South Africa's climate commitments. The High-level Commission on Carbon Prices<sup>4</sup> recommends that an effective rate of carbon is R292.55 – R585.10<sup>5</sup>. Further, Greenpeace Africa condemns the decision by Minister Godongwana 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 Sasol to avoid 90% of its tax obligation, saving them R6.5 billion in 2019.<sup>6</sup> This while South Africans continue to carry the burden of the increasingly severe impacts of the climate crisis. The Just Transition away from fossil fuels is urgent, and must be prioritised, the carbon tax is an important instrument to both support South Africa's commitments to mitigate the climate crisis. However, to set a carbon tax so low, and delay its full implementation makes a mockery out of the original intentions behind a carbon tax.

Given that South Africa is the largest CO<sub>2</sub> emitter in Africa<sup>7</sup>, 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. Regarding 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. Greenpeace Africa has campaigned extensively against the double tax against fossil fuel companies, and similarly the above provision should be amended so as not to provide a double incentive for fossil fuel corporations. Allowing fossil fuel companies to claim an incentive when they have minimal tax liability would result in massive savings for them, this is an unfair practice, similarly it would be unfair to tax them twice.

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<sup>4</sup> Carbon Pricing Leadership Coalition (2017) "Report of the High Level Commission on Carbon Prices", URL Available here: [https://portal-cdn.scnat.ch/asset/a2ff737d-4c3c-513e-88ef-b175926bb2d7/CarbonPricing\\_Final\\_May29.pdf?b=d136ed68-2dbd-5c6b-8c9d-46b415fb05cc&v=b282adaa-2a44-5c48-b17b-1765f9d46c1e\\_0&s=ZNqZaEWrhE8O\\_v1w6n-YLJDYUUU0tDDJuDxi3qYAj8qIornd\\_WV3058pmvxoCjwCxu2AnkNzDXskLmR9u2u8gmX7ZVMUnwdgH69I8EvkWJRpzylwEQr9sR3ilouqexJuwcnNG4Uy0utUVXiIN52aSEbQQGm7eopJIHQY2f96zD0](https://portal-cdn.scnat.ch/asset/a2ff737d-4c3c-513e-88ef-b175926bb2d7/CarbonPricing_Final_May29.pdf?b=d136ed68-2dbd-5c6b-8c9d-46b415fb05cc&v=b282adaa-2a44-5c48-b17b-1765f9d46c1e_0&s=ZNqZaEWrhE8O_v1w6n-YLJDYUUU0tDDJuDxi3qYAj8qIornd_WV3058pmvxoCjwCxu2AnkNzDXskLmR9u2u8gmX7ZVMUnwdgH69I8EvkWJRpzylwEQr9sR3ilouqexJuwcnNG4Uy0utUVXiIN52aSEbQQGm7eopJIHQY2f96zD0)

<sup>5</sup> This figures are based on the 2010 rand/dollar exchange rate

<sup>6</sup>International Institute for Sustainable Development (2020) "Understanding The Role of Subsidies in South Africa's Coal-Based Liquid Fuel Sector" URL available here: <https://www.iisd.org/system/files/2020-10/subsidies-south-africa-coal-liquid-fuel.pdf>

<sup>7</sup>Statista (2022) Africa: CO<sub>2</sub> emissions per capita by country | Statista. [online] Available at: <https://www.statista.com/statistics/1268403/co2-emissions-per-capita-in-africa-by-country>

Climate relief efforts and adaptation to extreme weather events already requires money from the South African fiscus, and this will undoubtedly escalate in the near future when extreme weather events become more common. Therefore those who contribute towards causing these climate disasters through their fossil fuel emissions should not be doubly relieved of their tax liabilities.

Greenpeace Africa believes that carbon capture and sequestration (CCS) is an unproven, expensive, energy intensive false solution to fossil fuel emissions, and we strongly object to the allowances for using CCS to “offset” carbon emissions. Carbon sequestration and off-setting simply allows states and corporations with large carbon footprint to retain their unsustainable business model while undermining efforts to find real solutions to climate change. CCS is largely unproven at scale.<sup>8</sup> As of 2019, there were only 19 large-scale CCS plants operating and 32 in development.<sup>9</sup>

Greenpeace Africa is strongly opposed to carbon offsets being enabled through the carbon tax approach. Offsetting emissions by afforestation is a bookkeeping trick intended to obscure climate wrecking emissions and it is clearly greenwashing. Carbon offsetting is a licence to keep polluting, and distracts us all from the real work of cutting emissions. It is where companies and governments try to meet their carbon reduction targets while still emitting carbon.

Offsetting incentivises the commodification of nature and allows powerful corporations to take over the lands of vulnerable communities, risking human rights abuses. Offset schemes often exclude local and Indigenous Peoples from land management practises that allow them to grow food and preserve biodiversity. Standards to ensure that carbon offsets are socially and ecologically are limited and not well regulated, and there isn't sufficient public scrutiny for violations. For instance, the investment in top-down managed forested areas can further exacerbate social injustice, infringe rights and undermine the dignity for local and indigenous communities with ancestral lands in those areas. Indigenous Peoples and local communities often lose access to land and vital services when natural forests are replaced by plantations, and sometimes face water shortages and exposure to pesticides.

Carbon offsets put a price on nature. We cannot allow the richest nations and corporations to commodify nature, and buy off lands for offsets, so they can keep polluting the atmosphere. Nature-based offsetting projects distort economies and take land and resources away from the

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<sup>8</sup> IPCC (2018) [SR1.5 SPM](#); Allwood, J. et al (2019) [Absolute Zero](#), UK FIRES, Nov 29, 2019;

local communities that need it most. Nature should remain off limits to corporate control for climate offsets. On top of the damage it enables, offsetting also distracts us from needed climate action. It gives the false impression that there's a way out of the crisis without every government (including the South African government) and every business cutting their own emissions which leads to delaying or dampening ambition to do the real work to mitigate the climate crisis.

Studies suggest a majority of projects to plant trees involve monoculture plantations that have significantly negative impacts in communities. Monoculture afforestation does not have the complex structure or composition of a natural forest. Species that depend on specific habitat conditions may not survive<sup>10</sup> as these plantations are more susceptible to wildfires, and pests outbreaks.<sup>11</sup> *"We cannot remedy the immense destruction from industrialised capitalist exploitation of nature by placing the burden of repairing on those least responsible."*<sup>12</sup>

## CONCLUSION

Treasury must recognise the environmental and social justice co-benefits of addressing the climate crisis and not just pay lip service to implementing a carbon tax, an ineffective carbon tax is almost worse than no carbon tax because it creates the false impression that the South African government is serious about creating an enabling environment for the Just Transition. We urge Treasury to take this opportunity to implement a carbon tax that is meaningful, avoids double incentives and underpins the South African government's commitment to reducing greenhouse gas emissions. The urgency of the climate crisis must take priority, we can not delay implementing effective carbon pricing to support a transition away from fossil fuels and towards renewable energy and energy efficiency.

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<sup>10</sup> Gardner (2007)

<sup>11</sup> Domec et al (2015). 'Conversion of natural forest to managed forest plantations decreases tree resistance to prolonged droughts', *Forest Ecology and Management* 355:58-71 355, 58–71; Munnion (2018) '[Fire and Plantations in Portugal](#)', *Science for the People Magazine*, 2018

<sup>12</sup>Betoko. I, Carvalho. S (2020) *"To Protect Nature ,Bring Down the Walls of Fortress Conservation"*, *Greenpeace Africa* , URL Available here:<https://www.greenpeace.org/international/story/45497/indigenous-people-biodiversity-fortress-conservation-power-shift/#:~:text=We%20can't%20remedy%20the,and%20long%20with%20healthy%20ecosystems.>