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Socio-economic Impact Assessment released on the first pilot phase of carbon budgeting

South Africa, as part of the United Nations Framework Convention on Climate Change (UNFCCC) has committed itself to reduce its greenhouse gas emissions in a bid to mitigate the effects of climate change. As a party to this convention we recognise that climate change is a global challenge that requires global commitment, hence we have a joint responsibility with other nations to reduce global greenhouse gas emissions. As we are still a developing nation, we need to balance our contribution with the need to develop economically. Although the methodology is still a source of contention, a complex system of 'carbon budgeting' was devised to apportion the amount of emissions permitted between nations. The 'carbon budget' can therefore be understood as the total amount of emissions that can emit over a specified time, how each country spends its 'budget' is largely up to them. South Africa committed to a 'peak, plateau and decline trajectory', meaning that we intend to limit our emissions to 'peak' between 2020 and 2025, then remain stable for 10 years, and then gradually reduce emissions year on year until we have exhausted our 'budget' by 2050.

Within South Africa, the concept mooted is to allow certain industries a 'cap'. In other words, South Africa's carbon budget can be further budgeted between sectors in the economy. In the first phase (until 2020), there is no compulsory budgeting but certain companies are participating in a voluntary 'pilot' in exchange for a tax incentive. At the same time, a socio-economic impact assessment (SEIA) was commissioned to evaluate the impacts of the first 'pilot' phase. This SIEA has now been made available.

Some key findings emanating from the study include the following:

- The first phase of carbon budgeting is merely one of a number of environmental regulations aimed at climate change, and as such did not feature as a primary consideration in investment decisions;
- The rising costs of electricity and labour were viewed as having a more direct impact on the attractiveness of investment opportunities;
- The direct costs of implementation (hiring environmental specialists) and opportunity costs incurred in monitoring and compliance is a limiting factor;
- This will have a negative impact on the national income tax revenue for the state;
- Whilst it is still in a pilot phase, it does not appear to affect the scale of the companies' production, but a compulsory phase might; and
- The impacts had little positive or negative effect on socio-economical development of local communities whilst in a pilot phase.

The full report is linked

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