

South African government considers carbon offset scheme as part of carbon tax

✘ The South African National Treasury has published proposals for a carbon offset scheme. The scheme aims to increase investments in projects that will reduce GHG emissions. It will also enable businesses to reduce their liability to carbon tax, which is due to be introduced in 2016.

Carbon offsets are a form of trade. Buying an offset helps to fund projects that reduce GHG emissions. The government hopes that the scheme will drive investment in GHG-mitigation projects that reduce emissions at a lower cost than the carbon tax, and that it will fund projects to generate considerable sustainable development benefits in South Africa.

Projects that could generate carbon offsets include:

- Solar and wind energy projects
- Transportation projects (for example rapid rail or bus links)
- Solar water heating
- Sequestration of carbon through land-based projects (for example, reforestation)

The projects are subject to strict eligibility criteria. Only credits from South Africa-based projects will be eligible, and any projects registered or implemented prior to the introduction of the carbon tax regime will have to fulfill specified conditions to be accepted to the scheme.

The paper proposes to accept offsets from four established offset standards, all of which are already in use in South Africa:

- Clean Development Mechanism (CDM)
- Verified Carbon Standard
- Gold Standard
- Climate, Community and Biodiversity Standard

There are currently 111 registered carbon offset projects in South Africa, developed either under the CDM or one of the other standards above.

The proposals also suggest that carbon offsets can be used to reduce carbon-tax liability, by increasing the basic tax-free threshold from 60 percent to up to 90 percent. The use of carbon offsets to reduce carbon-tax liability reflects current global trends, where a number of countries have employed such measures.