

Carbon Market Opportunities and Challenges



National Treasury
**CLIMATE
RESILIENCE**
SYMPOSIUM 2024

15-17 July | CSIR ICC | Pretoria, South Africa

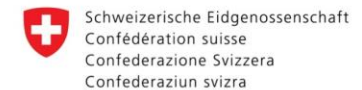
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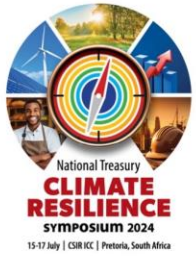
TITLE: Southern African Carbon Market Association (SACMA)

Date: 16 July 2024



SA-TIED





The Southern African Carbon Market Association (SACMA)

Moving the Needle on Climate Change and Just Transition

The Objective of the SACMA is to promote the common carbon market interests of SACMA members in Southern Africa

Advocacy

Interact with all relevant Southern African government and parastatal organisations

Governance

Facilitate collaboration between interested parties towards achieving holistic, national carbon market capacity

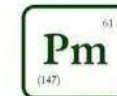
Outreach

Engage with other organisations active in the broader fields of climate change mitigation and adaptation

Capacity building

Research on specific issues deemed important to the Southern African carbon market and to publish the findings

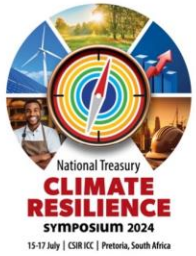
Founding members



Look us up:

<https://sacma.org.za>



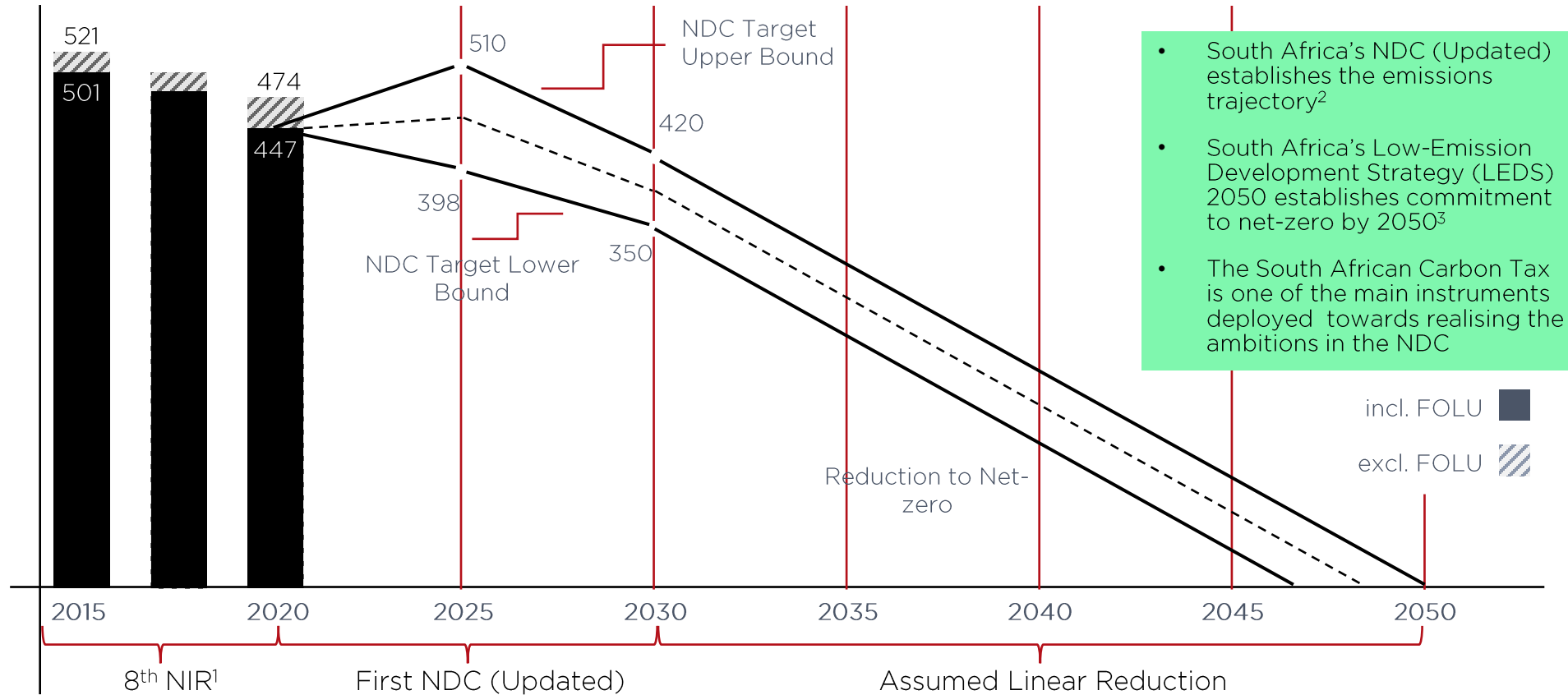


The State of the SA Carbon Market 2023

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South Africa's NDC

Nationally Determined Contribution (Mt CO₂e)

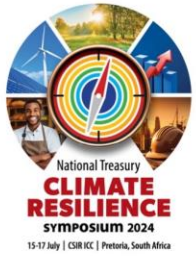


- South Africa's NDC (Updated) establishes the emissions trajectory²
- South Africa's Low-Emission Development Strategy (LEDS) 2050 establishes commitment to net-zero by 2050³
- The South African Carbon Tax is one of the main instruments deployed towards realising the ambitions in the NDC

Notes/sources:

1. Source: Department of Forestry, Fisheries and the Environment, 2022: National GHG Inventory Report South Africa 2000 - 2020. Pretoria. (NIR8)
2. Source: Republic of South Africa, 2021: South Africa First Nationally Determined Contribution Under The Paris Agreement (Updated). (Updated SA NDC)
3. Source: Republic of South Africa, 2020: South Africa's Low-Emission Development Strategy 2050. (LEDS)

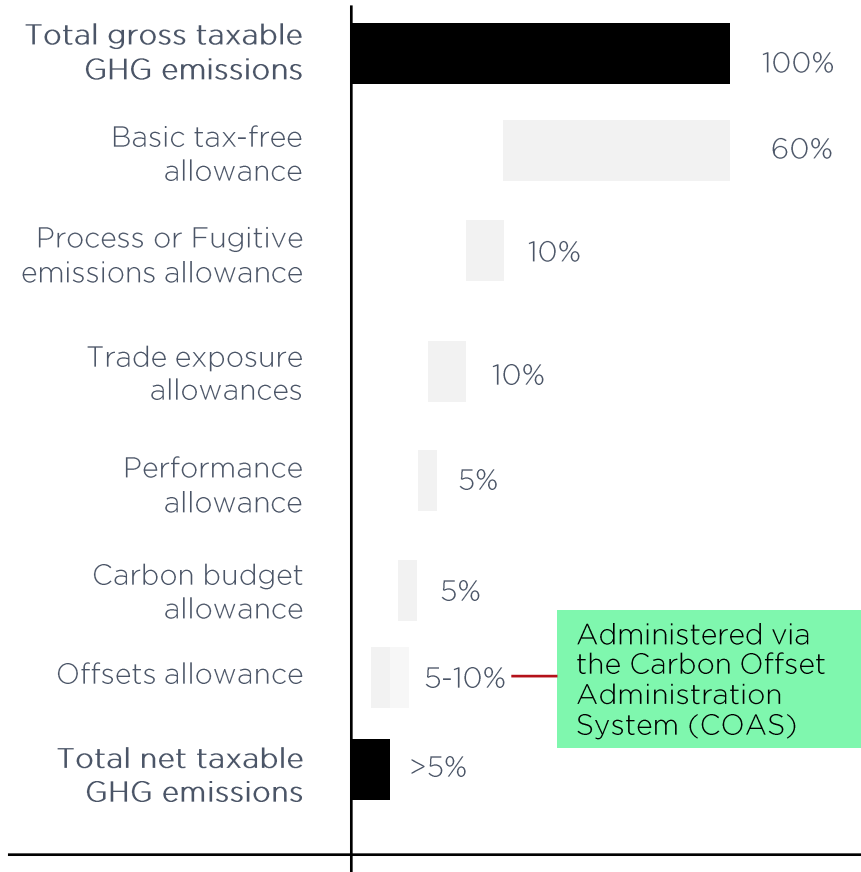




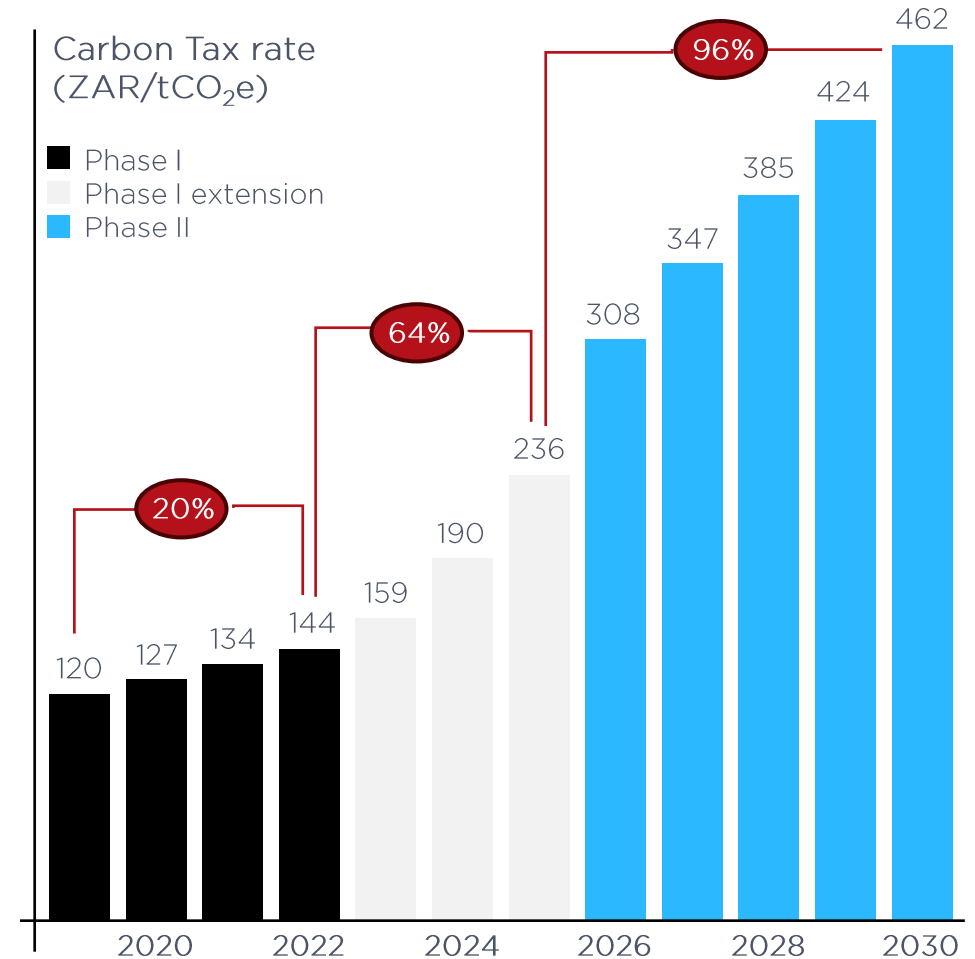
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Carbon Tax Waterfall



Carbon Tax Rate schedule¹



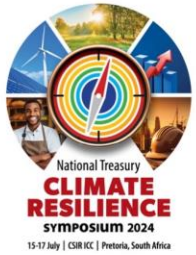
Notes/sources:

1. Source: South African Carbon Tax act (Act No. 15 of 2019), as amended by the Taxation Laws Amendment Act 2022 (Act No. 20 of 2022) (SA Carbon Tax)

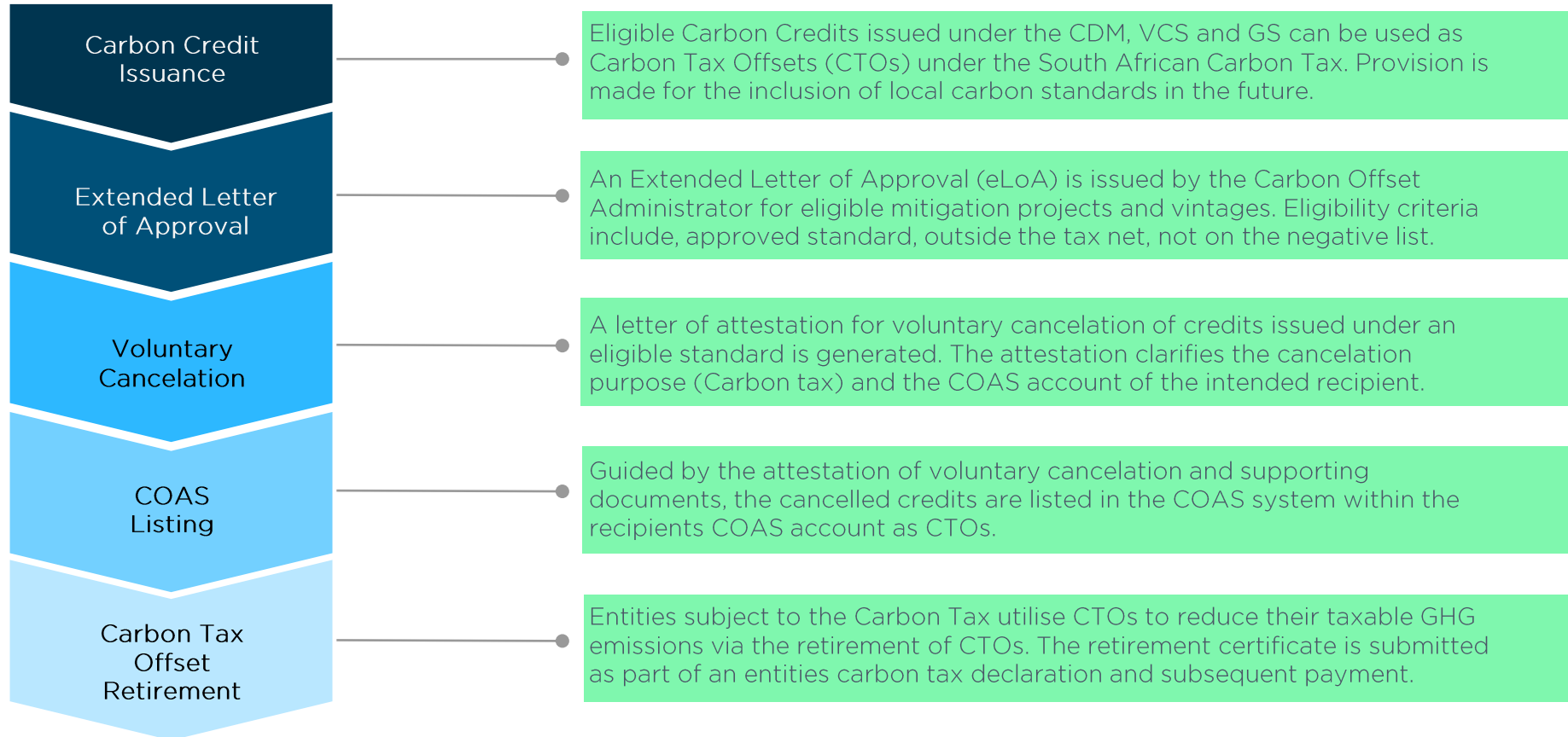


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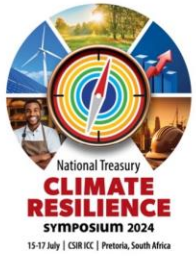
The COAS Carbon Tax Offset (CTO) process



Notes/sources:

1. Source: South African Carbon Tax Act (Act No. 15 of 2019) Regulations as published by Government Notice NO. R.1556 of 29 November 2019 and as updated by Government Notice NO. 595 of 8 July 2021. (South African Carbon Tax Act Regulations)

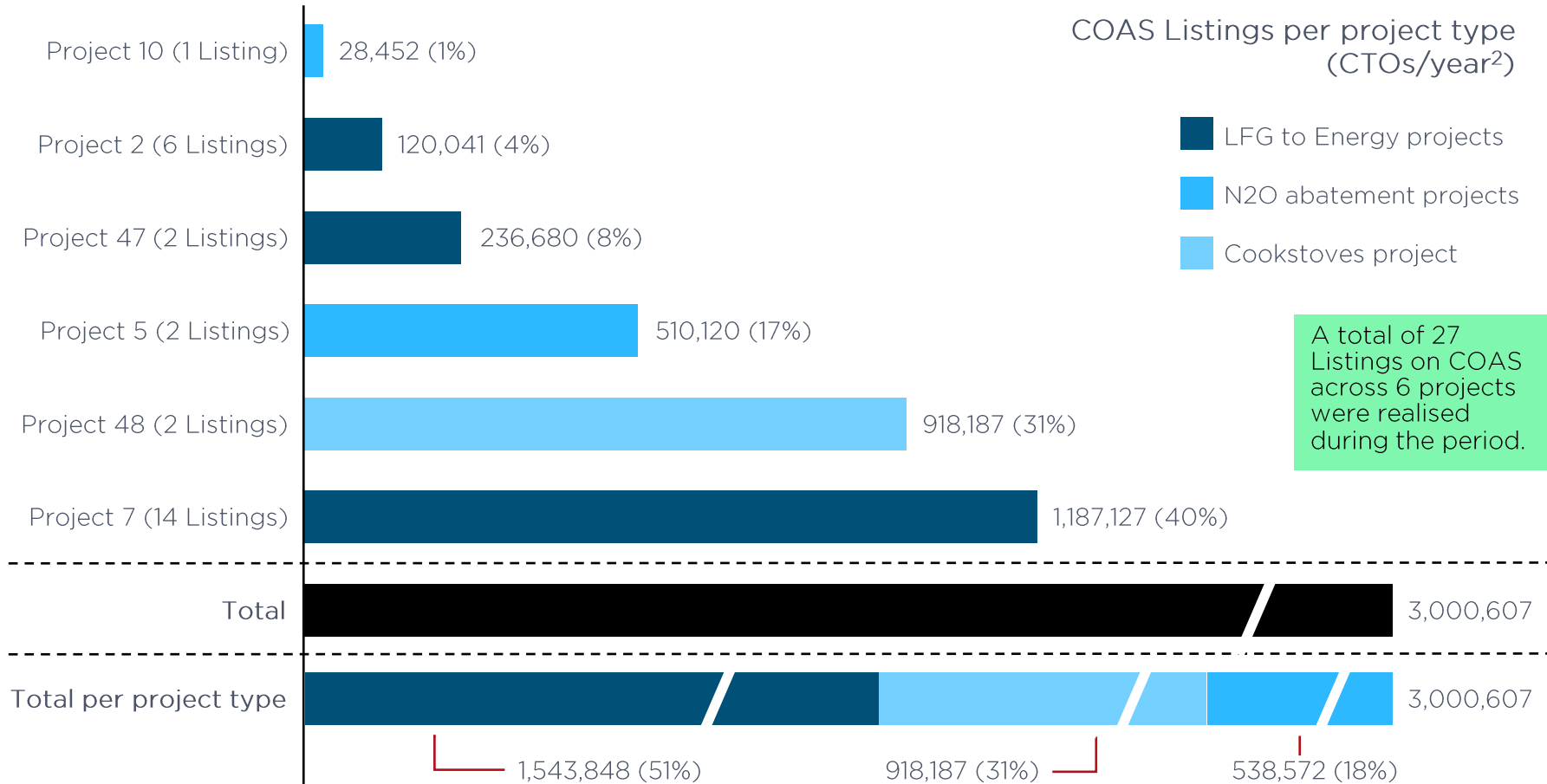




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CTO Listings per project type 2023¹



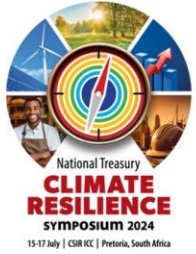
Notes/sources:

1. Source: Carbon Offset Administration System (COAS)
2. Note: Transactions included up till the tax deadline (July) in relation to the previous carbon tax year (Jan - Dec)



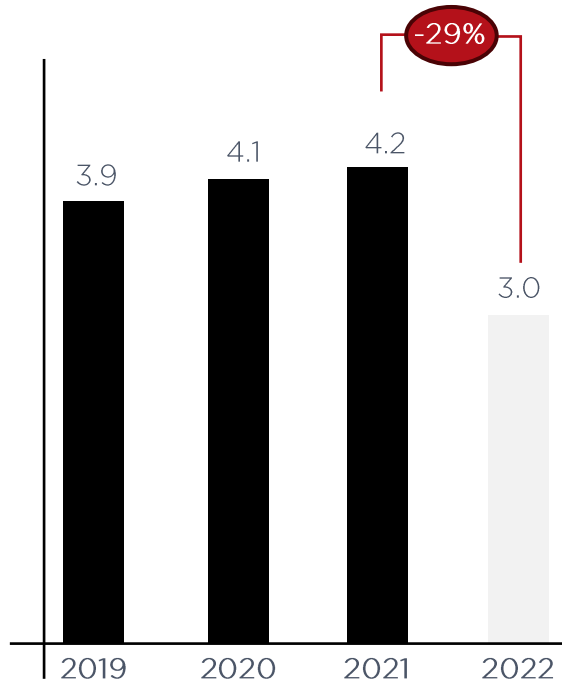
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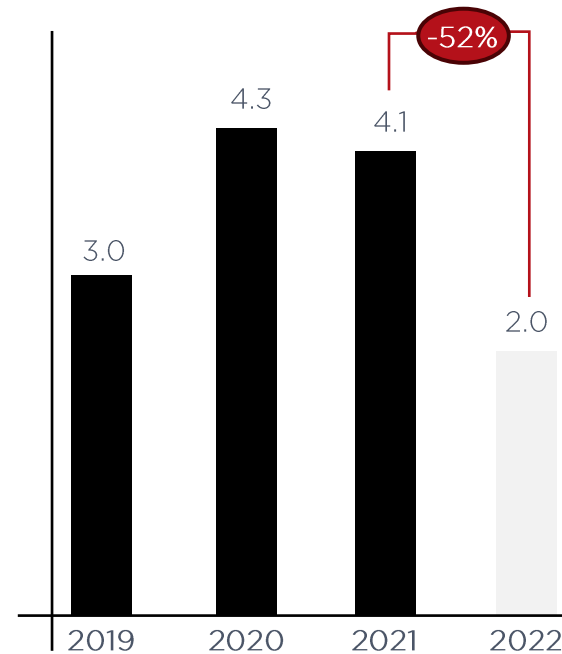
Listings¹

COAS Listings
(Million CTOs/year²)



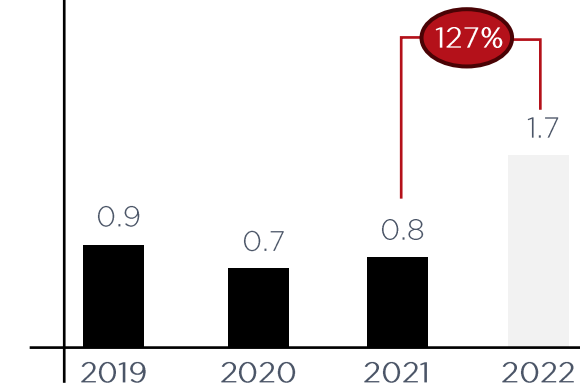
Retirements¹

COAS Retirements
(Million CTOs/year²)



Stockpile

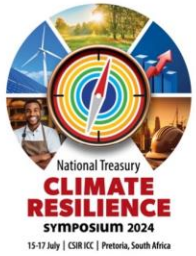
COAS Stockpile
(Million CTOs/year²)



Notes/sources:

1. Source: Carbon Offset Administration System (COAS)

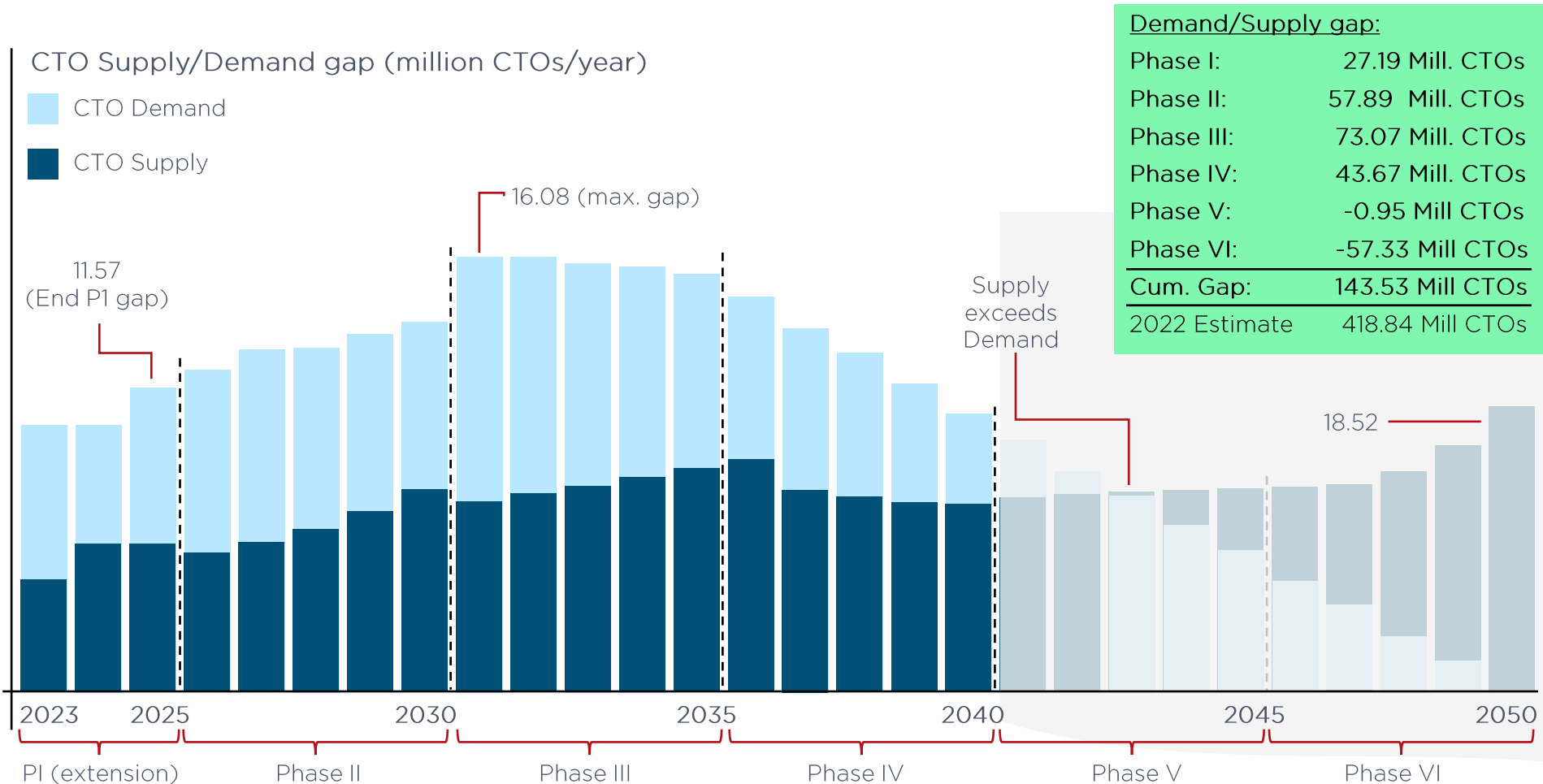
2. Note: Transactions included up till the tax deadline (July) in relation to the previous carbon tax year (Jan - Dec)



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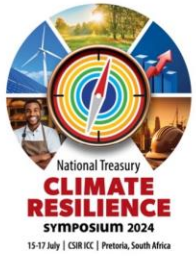
CTO Demand/Supply gap



Notes/sources:

1. Source: Brundtland Team analysis.





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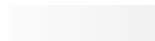
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Demand/Supply Impact Drivers

Driver Type	Description	Impact	Demand Volume	Supply Volume	CTO Price
Market Factor	Increased global carbon credit price	High	-	▼	-
	ZAR weakens (relative to USD and EUR)	High	-	▼	-
	ZAR strengthens (relative to USD and EUR)	Low	-	▲	-
	Increased market uptake	Med	▲	-	-
	CBAM accepts CTO cost as domestic carbon cost	Med	▲	-	▲
Intervention Required	Increased Offset Allowance under Carbon Tax	Low	▲	-	-
	Incremental expansion of CTO Eligibility Criteria (e.g, 12L)	Med	-	▲	-
	Radical expansion of CTO Eligibility Criteria (e.g, SADC credits)	High	-	▲	▼
	Expansion of Carbon Tax coverage (e.g., including Agriculture)	High	▲	▼	-
	Local Standards Included under Carbon Tax	Med	-	▲	-
	Stimulate financial project viability (e.g., reintroduce 12K)	Med	-	▲	-
	Offsetting against Carbon Budgets introduced (R600 / tCO ₂ e)	High	▲	-	▲
	Tax rate Increase (e.g, realignment with Global Pricing, CBAM)	Med	-	-	▲
	Article 6.2 limitation on export of CTO eligible credits	Low	-	▲	-

Notes/sources:

1. Note: From the perspective of the CTO Market.

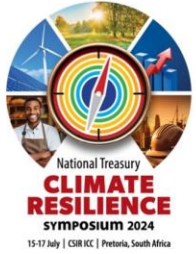


Global Driver Impact (Low to High)



Local Driver Impact (Low to High)

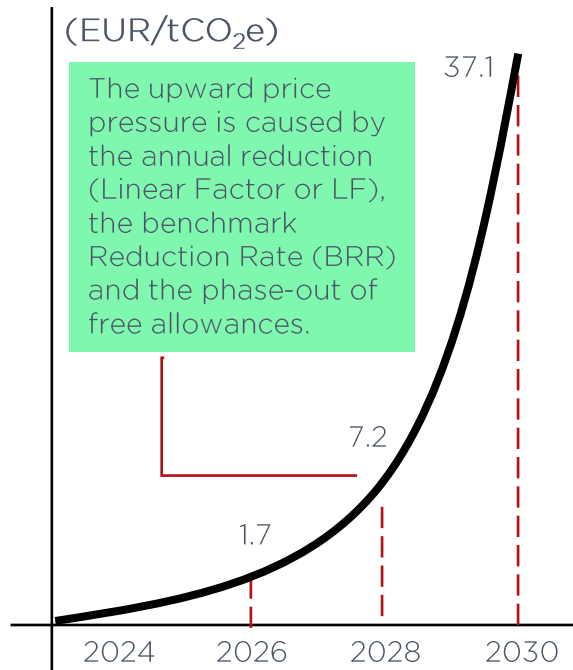




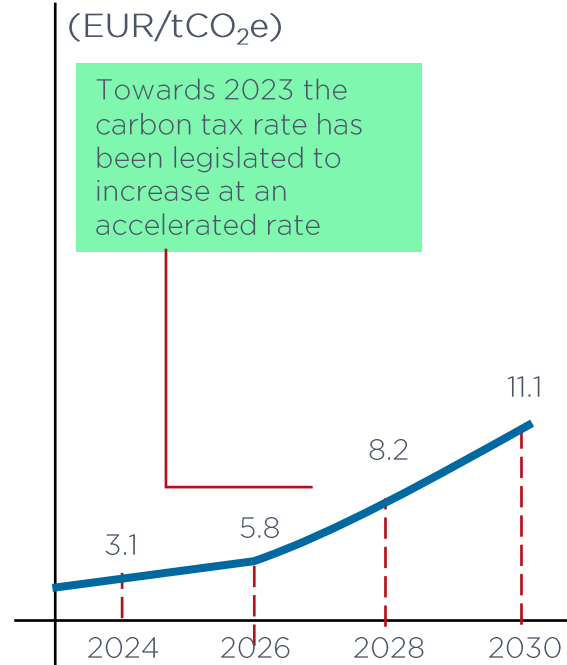
CBAM as a CTO Price impact driver

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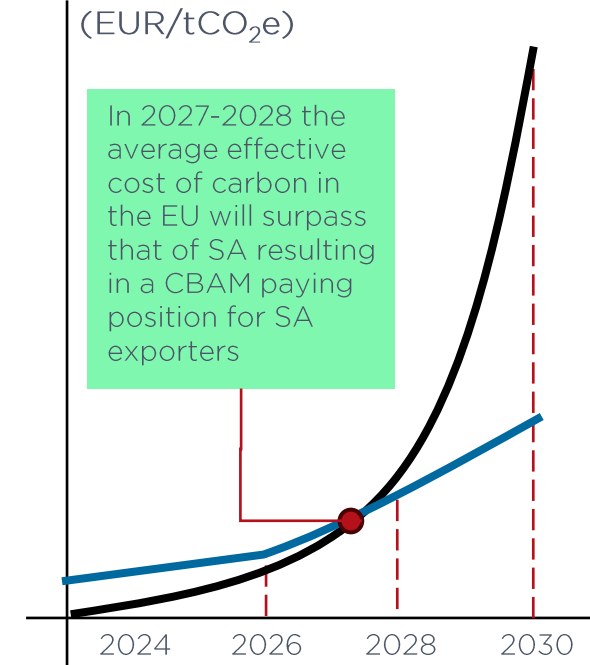
EU ETS Carbon Price¹



SA Carbon Tax Rate²



CBAM Delta

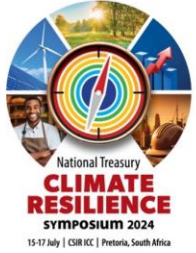


Notes/sources:

1. EU ETS Directive 2003/87/EC

2. Source: South African Carbon Tax act (Act No. 15 of 2019), as amended by the Taxation Laws Amendment Act 2022 (Act No. 20 of 2022) (SA Carbon Tax)





The Southern African Carbon Market Association (SACMA)

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The South African Carbon market going forward:

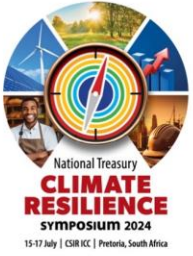
- Opportunities:

- A higher 'cost of carbon' unlocks more diverse CTO projects (e.g. rural development and upliftment)
- Article 6.4. replaces the now expired CDM

- Challenges:

- Predictability of outcomes (e.g. eLoA process)
- Lack / expired default factors (e.g. GEF, nRBF, etc.)





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Change and Just Transition**

Thank You!