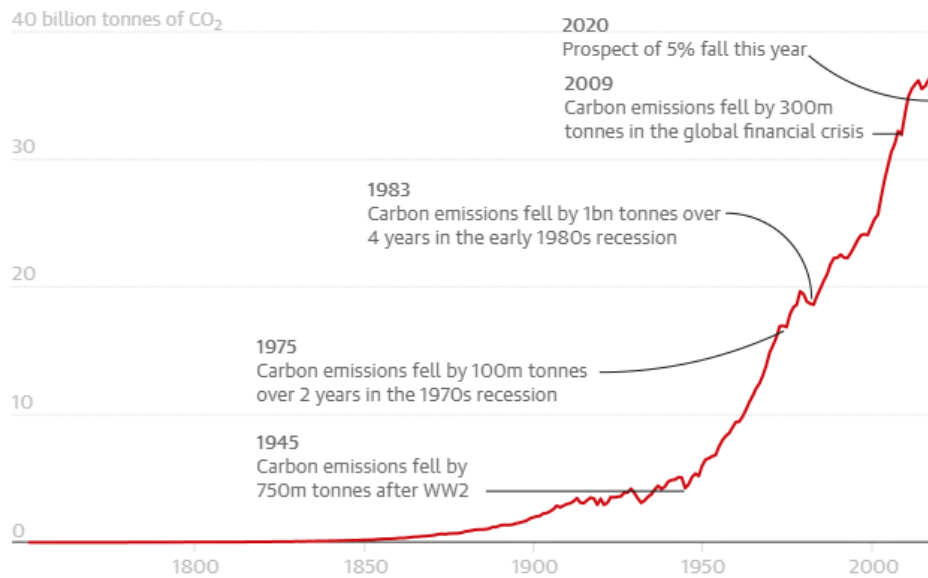




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# The Bittersweet Truth about COVID-19 and Carbon Tax

The outbreak of COVID-19 is holding the entire world in an unavoidable vice. Many countries all over the world are currently in lockdown and will remain so for several weeks. The result of these drastic measures to stop the spreading of the virus has already had interesting results. According to The Guardian,<sup>1</sup> the fossil fuel industry is experiencing the largest drop in CO<sub>2</sub> emissions in one year on record. The figure below shows how the COVID-19 pandemic could result in the reduction of 5% in carbon emissions. This drop in CO<sub>2</sub> emissions goes hand in hand with the greatest recession in the last 50 years combined. Both facts have consequences that reach further than we might ever fully comprehend.



Guardian graphic. Source: Global Carbon Project (GCP), Carbon Dioxide Information Analysis Center (CDIAC)

## What is happening in SA regarding emissions?

Recently, South Africa has ratified the Paris Agreement and has pledged to implement strict measures to reduce carbon emissions drastically before 2030. The implementation of carbon tax is one of the means by which SA aims to reach this goal. The question arises: How will the implementation of carbon tax be affected by the outbreak of COVID-19 and the national lockdown that extends over the registration deadline?

In South Africa the same trends are expected to be seen in the following months. For the last three weeks, the country has been in an almost absolute lockdown, with only essential services allowed to move around for business related tasks. Production in many areas has ceased for this period, likely also resulting in a significant and measurable drop in carbon emissions.

How will the implementation of carbon tax be affected by the outbreak of COVID-19 and the lockdown that extends over the registration deadline?

<sup>1</sup> <https://www.theguardian.com/environment/2020/apr/12/global-carbon-emissions-could-fall-by-record-25bn-tonnes-in-2020>

## What relevance does carbon tax have in a time like this?

SARS has confirmed that the Carbon Tax regulations are still applicable in this time even though the industrial space has been upended. This means that government has decided that carbon tax is still relevant in this time. Some companies might be frustrated by this because the emissions are already reduced due to the national lockdown and carbon tax will just add an additional financial burden. However, Dr Fatih Birol<sup>2</sup>, does not encourage industry to see that drop in carbon emissions as “a climate triumph”. The carbon reductions were not due to proactive climate change action by government and could easily return to the normal increase in emissions after the lockdown is lifted.

## Why should you still report your emissions?

Dr Fatih Birol reminds us: “The reason we want to see emissions decline is because we want a more liveable planet and happier, healthier people.” South African industries must not lose sight of the fact that reducing carbon emissions should always be a high priority. If companies report their carbon emissions, they are engaging actively in the battle against climate change and it will make the necessary difference, even in the times of a global crisis.

“The reason we want to see emissions decline is because we want a more liveable planet and happier, healthier people.”

## What should you and your business do next?

Industries are encouraged to keep themselves informed by consulting the SARS website for any new changes regarding carbon tax. The carbon tax reporting deadline was on the 31st of March 2020. However, the deadline was inside the national lockdown, and companies have already submitted the necessary application documents before the deadline. Due to delays, SARS is currently behind in processing all the documentation. However, SARS has indicated that the date of submission of documents will determine if these companies were on time, rather than the date of approval. This means that if your carbon tax reports have been submitted, you do not have to be concerned about the validity of the documents.

Companies that had missed the reporting deadline, are encouraged to consult with SARS on the matter. Furthermore, these companies must use the time of national lockdown to re-evaluate their business strategies and incorporate carbon emissions reporting strategies as soon as possible.

## What can NrG do for you?

The Next Renewable Generation team is well aware of the impact that COVID-19 may be having on your company. In these times we want you to know that we are here to continue to support your business. NrG wants to help companies in the industrial space to reduce and mitigate their GHG emissions to reduce the carbon emissions in SA and the effect of carbon tax on your company.

**Our goal is to build a financially sustainable approach to environmental sustainability and management. We provide:**

- consultations on emissions calculation,
- Industry benchmarking and
- Investigations into mitigation projects.

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