Not Viable

Steel group lobbying for ‘special’ carbon tax arrangement

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South African steel producer ArcelorMittal South Africa (AMSA) is currently lobbying the National Treasury around the country’s proposed carbon tax, appealing that large-scale industrial steel manufacturers be exempt from the proposed carbon tax and rather be beholden to a separate “special” arrangement.

Speaking to the media at the launch of the company’s Factor Report, AMSA group manager Siegfried Spanig said the carbon tax, if implemented in its current form, would cost the country’s largest steel supplier between R630-million and R650-million a year.

“For a company that’s struggling at this stage, as all steelmakers are, this is a big challenge and is not a financially sustainable solution,” he commented, adding that this amount was based on a taxable base of only 70% to 75% of the group’s carbon emissions. Acknowledging that the group was openly opposed to the tax, Spanig noted that engagements with the Treasury had, thus far, been “open and positive”, but that further consultation was required.

“Iron and steelmakers don’t have many options available to them to reduce carbon dioxide (CO₂) emissions. I’m not saying that we can’t do anything about it, but, in terms of our direct emissions, there is not much that we can do.

“The steel industry needs a special [carbon tax] arrangement, [even though] we still don’t know exactly what the carbon regulations will be yet,” he said. Spanig added that, should a carbon tax be imposed on domestically manufactured steel, South African suppliers would have to compete against imported steel products from countries that were not similarly taxed, thus, encumbering local competitiveness.

In a move that invited criticism from environmental tax proponents, then Finance Minister Pravin Gordhan announced to Parliament in March that, while a “package” of measures – including a carbon tax – was required to address climate change and reduce carbon emissions, the implementation of these interventions had been postponed by a year to 2016 to “allow for further consultation”. Following public consultation, the National Treasury and the Department of Environmental Affairs agreed on the need to align the design of the carbon tax and the proposed desired emissions-reduction outcomes (DEROs). To allow for this process and [to] ensure adequate time for consultation on draft legislation, implementation of the carbon tax is postponed to 2016,” he said during his 2014 National Budget speech.

The DEROs, as mentioned in the National Climate Change Response Policy, considered [industrial] sectors that played a vital role in the country’s emissions space and identified possible interventions that could bring about an emissions adjustment in these sectors.

It was under this mechanism that AMSA hoped to negotiate a lower taxable emissions base.

“It makes sense that some alignment needs to take place between the carbon tax and the DEROs. At this point, we are very concerned about the carbon tax, but the door is open at the Treasury for us to negotiate,” Spanig asserted.

Meanwhile, Spanig said the group’s Factor Report had shown that it had made good progress on reducing its dust emissions following the commissioning of a R250-million sinter abatement system at its Vanderbijlpark plant, which had reduced particulate emissions to 25 000 t.

The report, commissioned by AMSA chairperson Mpho Makwana and executed in collaboration with senior AMSA experts and consulting firm Boston Consulting Group, sought to measure and assess the social, environmental and economic impact of the group on the country in general.

AMSA would use the material produced to inform its future strategies and stakeholder engagements. The report also showed that AMSA’s CO₂ emissions remained significant, with the company emitting 15.2-million tonnes in 2013.

“You can’t be responsible for 60% of the country’s steel supply without emitting these levels of CO₂,” Makwana explained. He added, however, that the company would continually look at ways of improving its environmental, social and economic footprint.