



## INFORMATION ALERT:

### ENVIRONMENTALLY-RELATED ISSUES RAISED IN THE STATE OF THE NATION ADDRESS 2010 AND THE BUDGET SPEECH 2010

Aspects of both the State of the Nation Address 2010 and the Budget Speech 2010 have potential environmental consequences. This Information Alert provides a brief overview of some of the more important aspects of these documents.

#### THE STATE OF THE NATION ADDRESS 2010

President Jacob Zuma delivered his State of the Nation address on 11 February 2010.

#### **Green Jobs and Public Infrastructure:**

- With reference to public infrastructure development, President Zuma advised that the government will spend R846 billion over the next three years on public infrastructure.
- President Zuma again confirmed South Africa's commitment to green jobs by noting that government's Industrial Policy Action Plan, together with the new focus on green jobs, will build stronger and more labour-absorbing industries.

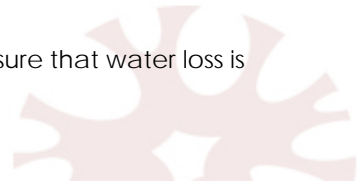
#### **Energy:**

- To ensure reliable power supply, government has established an Inter-Ministerial Committee on Energy to develop a twenty-year Integrated Resource Plan (IRP). The IRP will *inter alia* consider the participation of Independent Power Producers (IPPs), and protecting the poor from rising electricity prices.
- President Zuma declared government's intention to establish an Independent System Operator (ISO), separate from Eskom Holdings, with responsibility for the procurement of new generation capacity from IPPs, the dispatch of power from generator and load forecast.
- Eskom will continue building additional generation capacity and improving the maintenance of its power stations.

#### **Environment & Water:**

- Government will ensure that South Africa's environmental assets and natural resources are well protected and are continually enhanced.
- In order to reduce water loss, government will be putting measures in place to ensure that water loss is reduced by half by 2014.

#### **Climate Change**



- President Zuma recognized the important role played by South Africa, together with Brazil, India, China and the United States with respect to the Accord noted by the Copenhagen Climate Change Summit held in December 2009.
- The President confirmed that South Africa will work with its international counterparts towards a legally binding treaty.
- The President reconfirmed that South Africa has voluntarily committed to specific emission reduction targets, and the government will continue working on South Africa's long term climate change mitigation strategy. (In a letter to the Secretariat of the Framework Convention on Climate Change, dated 29 January 2010, South Africa expressed the following levels of ambition with regard to nationally appropriate actions for the mitigation of its greenhouse gas emissions: a 34% deviation below the 'Business As Usual' emissions growth trajectory by 2020 and a 42% deviation below the 'Business As Usual' emissions growth trajectory by 2025).

## **BUDGET SPEECH 2010**

Finance Minister, Pravin Ghordan, delivered the annual Budget Speech on 17 February 2010. Unlike the 2009 Budget Speech which placed a fairly strong emphasis on environmental issues, including the issue of environmental fiscal reform and the imposition of environmental taxes, the 2010 Budget is relatively silent on these matters.

### **Carbon Tax on vehicle emissions:**

Perhaps the most significant element of the 2010 Budget Speech, from an environmental perspective, is the announcement that the introduction of the *ad valorem* carbon tax on vehicle emissions is to be delayed until September 2010. This tax is aimed at new passenger cars with emissions exceeding 120g/km. No other forms of carbon tax are mentioned in the Budget. Other relevant inferences to environmentally related fiscal issues include the following:

- an increase in the general fuel levy by 17.5c per litre;
- 7.5c from the general fuel levy increase will be used to fund the new multi-products pipeline between Durban and Gauteng; and
- an increase in the Road Accident Fund levy of 8c per litre.

### **Environment:**

The Budget Review document provides further insight into proposed plans and spending in relation to the environment. Noteworthy are the following references:

- The allocation of R500 million to municipalities and R228 million to Eskom, to roll out electricity demand-side management programmes to reduce energy consumption in the national grid. The programme will also fund the rollout of energy-saving light bulbs.
- With reference to the integrated national electrification programme, it is provided that government plans to increase expenditure to the sum of R8.7 billion over the next three years to reduce infrastructure backlogs by 2014.
- An assessment of universal access to water and sanitation services recommends a review of free basic water and sanitation subsidies and water tariff structures, to ensure that the shortcomings of the current subsidy system do not outweigh the benefits.
- The water services operating subsidy grant is allocated an additional R91.7 million in 2010/11 to deal with costs related to the transfer of water schemes from the Department of Water Affairs to municipalities.
- It is also recommended that government consider establishing an independent National Water Regulator that would report to Parliament, which recommendation was supported by government, subject to its costs and affordability.

## General:

- The 2010 Budget notes that a significant proportion of the public-sector infrastructure investment programme will be undertaken by state owned enterprises and will not be directly financed from the *fiscus*. ESKOM's expansion projects account for approximately one third of this programme, with the upgrading of transport infrastructure and water supply capacity accounting for a large portion of the programme.
- The Finance Minister confirmed that government must lead the way in assisting industries in the sustainable utilisation of scarce resources and the reduction of their greenhouse gas emissions. The role of energy pricing in achieving investment in sustainable technologies and the creation of a green economy (and by implication of green job creation) was noted.
- The development of green economy initiatives was declared as being a necessary part of South Africa's growth plan.
- The Finance Minister indicated that additional environmental taxes will be explored both to raise more revenue and to meet environmental objectives.

For a more in-depth consideration of the budget, please see the National Treasury website:

<http://www.treasury.gov.za/documents/national%20budget/2010/default.aspx>

### Warburton Attorneys

53 Dudley Road, Corner Bolton Avenue, Parkwood, Johannesburg, 2193

011 447 6848/49 (Tel)

011 447 6868 (Fax)

[admin@warburtons.co.za](mailto:admin@warburtons.co.za)

[www.warburtons.co.za](http://www.warburtons.co.za)

Warburton Attorneys was established in 2000 and specialises in the dynamic field of sustainability law, focusing on environmental law, climate change law and policy as well as occupational and mine health and safety law.

If you would like not to receive future Warburton Attorneys Alerts, please email [admin@warburtons.co.za](mailto:admin@warburtons.co.za) informing us of your preference.