THE IMF
INVESTING IN CLIMATE SOLUTIONS

World leaders hope to reach climate stabilization goals. Green infrastructure investments are already taking place in most developing countries. According to International Monetary Fund (IMF) Managing Director Kristalina Georgieva, First World countries have developed carbon pricing models.

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"Carbon pricing is gaining momentum. Many businesses now use a shadow carbon price in their models. Over 60 pricing schemes have been implemented. But the average global price is currently $2 a ton, and needs to rise to $75 a ton by 2030 to curb emissions in line with the goals of the Paris Agreement" she said.

National Treasury introduced the Carbon Tax Act in an effort to stabilise greenhouse gas concentrations by imposing taxes on local activities that release significant amounts.

So how will the carbon tax work?

The South African Institute of Tax Professionals (SAIT) worked out the amount of carbon tax to be paid by polluters.

“The amount of carbon tax is calculated by multiplying the carbon dioxide equivalent (CO_2e) by the current rate of tax, which is R120 per tonne of CO_2e. It is not yet necessary to physically measure the amount of greenhouse gas emissions that are released. The Carbon Tax Act specifies emissions factors for each industrial process that is regulated. The emissions factors were determined by the IPCC and are specified in schedule 2 to the Carbon Tax Act” said Rumbidzai Damita Zireva of SAIT.

SAIT expects the tax rate to increase by the consumer price inflation (CPI) index plus 2% each tax year until 31 December 2022. Agriculture already emits all three greenhouse gases identified in the carbon tax; carbon dioxide (CO_2), Methane (CH_4) and Nitrous oxide (N_2O).

South Africa’s current response

South Africa was not far off as the IMF recently proposed an international carbon price floor among large emitters such as the G20.

IMF’s Georgieva added that focus will be on a minimum carbon price among a small group of large emitters that could facilitate an agreement, “covering up to 80 percent of global emissions. Such a price floor has to be pragmatic and equitable, with differentiated pricing for countries at different levels of economic development.”

Based on IMF’s trajectory, South Africa’s Green Fund managed by the Development Bank of South Africa (DBSA) comes to mind. Established by the former Department of Environmental Affairs, it aims to respond to the ‘market weaknesses currently hampering South Africa’s transition to a green economy.’
Under the Environmental and Natural Resource Management (NRM) category, the objective is to manage and reduce the impact of agriculture and land use changes through demand management and resource conservation.

It was unavoidable that financing of agricultural activities will in the near so distant future require a base or evidence of green farming practices.

“We will play our part, integrating climate change into our annual economic ‘health checks’ of countries and financial systems and actively promoting low carbon and climate resilient growth paths” concluded IMF’s Georgieva.

For more information on the green fund visit https://www.dbsa.org/article/what-dbsa-doing-about-climate-change