



energy

Department:  
Energy  
REPUBLIC OF SOUTH AFRICA

**MEDIA STATEMENT BY THE DIRECTOR GENERAL OF THE DEPARTMENT OF ENERGY – MS NELISIWE MAGUBANE ON THE RELEASE OF THE REGULATIONS ON ALLOWANCE ON ENERGY EFFICIENCY SAVINGS IN TERMS OF THE SECTION 12L OF THE INCOME TAX ACT AND RELATED TAXATION AMENDMENT LAWS AND THE LAUNCH OF PRIVATE SECTOR ENERGY EFFICIENCY (PSEE) PROGRAMME**

**4 DECEMBER 2013**

Programme Director

Honourable Mr Sisa Njikelana, Chairperson of the Parliamentary Portfolio Committee on Energy

Chief Executive Officers of Companies

Media present in this Briefing Session

Ladies and Gentlemen

In May 2013 during this year's budget vote speech, the Department of Energy indicated that Energy Efficiency is one of the areas in which the country is not performing as well as anticipated and acknowledged the need to prioritise action.

Thus in an effort to address all the shortfalls and also intensify the collective role of all the stakeholders in the energy efficiency value chain, today we are officially making a public announcement of the promulgation of the Regulations on the Allowance for the Energy Efficiency Savings in terms of Section 12L of the Income Tax Act, 1962 (i.e. deduction in respect of energy efficiency savings) as inserted by

section 27 of Taxation Amendment Laws (Act No. 17 of 2009), amended by Act 7 of 2010, (Act No. 7 of 2010) and substituted by section 29 of the Taxation Amendment Act, 2012 (Act No. 22, 2012) which came into operation on 1 November 2013.

This legislation makes provision for the Minister of Finance in consultation with the Ministers of Energy and Trade and Industry to develop and publish energy efficiency Regulations. The allowance for Energy Efficiency Savings will provide tax incentive for energy efficiency improvements as outlined in the Regulations for businesses based on measured and verified energy savings through registration with the South Africa National Energy Development Institute (SANEDI) and ultimately linking to the Tax process by the South Africa Revenue Services (SARS).

SANEDI will lead us with the administration of the technical component of the energy efficiency savings tax incentive. Given the current relatively high GHG emissions intensity of our electricity sector this incentive will thus contribute towards both energy efficiency and a reduction in our GHG emissions.

Programme Director, Since the National Energy Efficiency Strategy was published in 2005, several implementation tools ranging from the development national standards, regulations; policies and incentives by various key stakeholders have been put in place to support the implementation of the Strategy with specific focus to different subsectors including the implementation of several energy efficiency programmes.

The full regulations will be published shortly after this media announcement to allow for the implementation thereof. Businesses are therefore encouraged to take this opportunity to continuously scale up or intensify their energy efficiency improvement measures to take full benefit of this tax incentive.

From January – March 2014, the Department together with National Treasury, SANEDI and SARS will roll out national workshops to assist businesses to understand and acquaint themselves with the registration process and overall implementation.

Ladies and Gentlemen, Today the Department of Energy together with the National Business Initiative (NBI) are also launching the Private Sector Energy Efficiency

Project which will support companies both commercial and industrial, irrespective of their size, through the provision of various services to identify energy efficiency savings measures.

This initiative has been made possible with financial support from the United Kingdom (UK) Government, through its Department for Foreign International Development, (DFID). This support augurs very well with the implementation of the Regulations that we have just pronounced. It is also important to highlight the fact that this support falls under the SA-UK bilateral cooperation which started some years back focusing amongst others on contributing to both governments strategies to address climate change impacts.

Here we offer our special thanks to the Government of the United Kingdom for supporting us on this initiative.

Ladies and Gentlemen, let me also address a few points on the linkage between Regulations on the Income Tax Allowance for Energy Efficiency Savings and the Private Sector Energy Efficiency project which is being launched today. In 2011, the National Climate Change Response White Paper (NCCRWP) was promulgated and it is envisaged that a mix of policies will be introduced to address the challenge of climate change. Amongst others, it recognises energy efficiency as one of the flagship programmes that will assist the country to deal with its carbon emissions reduction. It is for this reason that we need to come together as a collective to tackle all the issues of concern including emissions and energy savings.

As you may be aware, South Africa is among the top emitters, and these efforts are very critical in addressing climate change as it is real and alive and we need to respond to it seriously in various ways.

The National Climate Change Response Policy also sees introduction of a mix of economic instruments, including market based instruments such as carbon taxes and emissions trading schemes, to driving and facilitating GHG mitigation efforts. It is important to note that as government, we view the opportunity presented by the energy efficiency tax incentives as the proverbial carrot, as it is one of the key mechanisms to soften the impact of “the stick”, the proposed Carbon Tax Policy due for implementation in 2015.

The Private Sector Energy Efficiency Project comes handy to these Regulations as it is through its implementation that we strongly believe the private sector will contribute directly and indirectly towards the implementation of various energy efficiency implementation tools.

The NBI as the lead implementer of the PSEE project has a proud track record of advancing environmental sustainability in the private sector over the past 7 years especially through its focus on climate, energy and water.

Their efforts have contributed to South African businesses taking significant steps, particularly in a developing economy context, to participating in voluntary individual and collective action in energy efficiency improvement and carbon emissions reduction. Most of us have witnessed the good work reported through the release of Carbon Disclosure Reports.

It is important that we also note that the PSEE project is built on the existing platform of engagement between government and businesses through the Energy Efficiency Leadership Network (EELN) launched in December 2011 during the 17<sup>th</sup> Conference of Parties (COP 17) in Durban. This is part of the legacy we are carrying through on the commitments made then to ensure that sustainability.

In the current context of energy security and climate change challenges, South African companies need to manage their energy usage to meet both country obligations to improve their energy efficiency and thereby reduce their carbon emissions.

Very critical to this is that we are certain that the implementation of energy efficiency measures and clean energy technologies can improve business productivity, competitiveness and innovation as well as provide access to financial subsidies and tax incentives.

In order to support businesses , our government has reaffirmed its commitment towards accelerating the deployment of energy efficiency by developing a National Energy Efficiency Strategy (NEES) in 2005 and which has recently been reviewed and is now ready for submission to Cabinet. The strategy sets out an overall national

target of energy intensity reduction of 12% by 2015, and this overall target is based on the following disaggregation of sub-sectors.

That is, Residential (10%), Mining and Industry (15%), Power Generation (9%), and Commercial and Public Buildings (15%), and Transport (10%). I am happy to report that we have also advanced in the efforts to establish an Energy Efficiency Target Monitoring System to assist us to accurately report on achievements on the Strategy by 2015.

I therefore call upon companies across all our economic sectors to take these opportunities provided by the Regulations on Allowance for the Energy Efficiency savings (12L Regulations) and the PSEE project to improve energy efficiency in their facilities.

I thank you.