OPINION / COLUMNISTS

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GRAY MAGUIRE: Carbon tariffs pose threat to SA's export competitiveness

As partners in developed economies move towards a cleaner future, we need to make a plan

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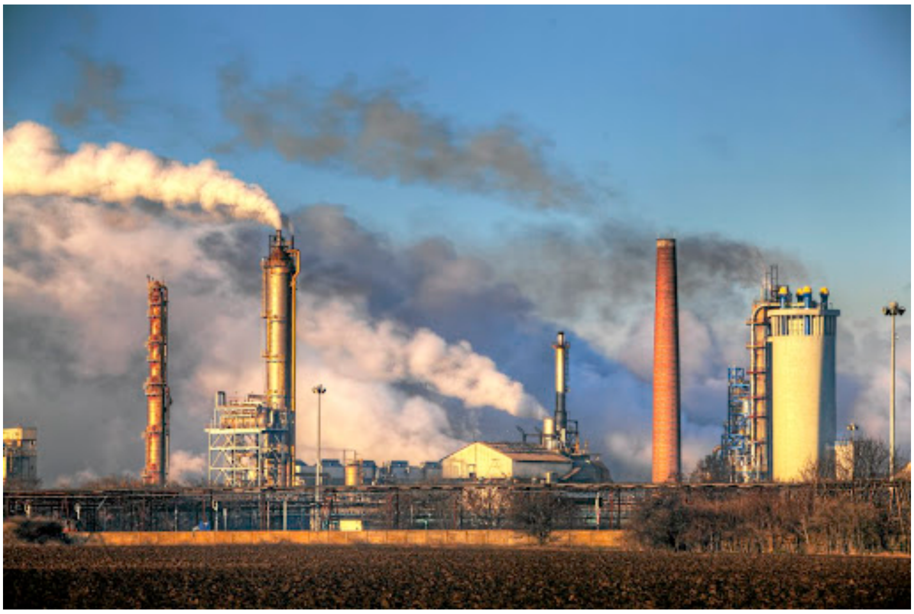

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This week is Climate Week NYC, an annual event hosted by New York City and its partners, The Climate Group and the UN. Two things are special in 2020: it will be accessible to virtual attendees, and due to the postponement of Cop26 in Glasgow, it will be the year's largest international climate summit. The programme addresses 10 themes, including clean energy, transport, infrastructure, industry, finance and food and land use.

If the findings of the latest Trade & Industrial Policy Strategies research group report on "The Global Climate Change Regime and its Impacts on SA's Trade and Competitiveness" are anything to go by, SA CEOs would do well to sit in on pertinent sessions. The report writers investigate the implications of the "embodied carbon" of six key export sectors on their export competitiveness: mining and quarrying; manufacturing; metals; transport equipment; chemicals and chemical products; and agricultural products.

Due to the rapid introduction of carbon barriers such as border carbon adjustments (BCAs), company-level internal carbon pricing or other nontariff barriers, greenhouse gas emissions can now be quantified and traded between countries through the import and export of products and services, where emissions emanating from their production are "embodied" within products.

As an upper middle-income country, with the world's fifth-highest carbon per unit of GDP, we will not be exempted from BCAs in most cases. With compounded carbon emissions being added to our existing carbon intensity by the lengthy transport requirements to deliver goods to market, our export competitiveness faces a new threat.

As with any topic comprising so many moving parts, the specific level of threat is nuanced by both the product and the export destination, but some broad trends can be defined. Our developed-economy export destinations — such as the EU, US, UK and Japan (which accounted for 36% of SA exports in 2019) — have all rapidly moved towards low-carbon pathways, with all our high-carbon exports at risk. Conversely, our developing-economy export destinations — such as the Southern African Development Community region, China and India — have started more modest or selective transitions in which specific products, such as coal to India and South Korea, would be at risk.

Extremely at risk

Sectorally, SA's mining value chain-related exports — such as basic metals, mining and quarrying products — comprise more than half (53%) of exported greenhouse gas emissions. Motor vehicles, utility services, chemicals, machinery and equipment followed.

SA's manufacturing exports are extremely at risk. With a carbon intensity of 2,243 tonnes of CO_2 equivalent per million dollars, SA is the only country over the 2,000-tonne level. Most other countries range between 300 and 1,100 tonnes of CO_2 equivalent per million dollars. Metals exports are similarly an extreme outlier, with a carbon intensity of about 5,000 tonnes of CO_2 equivalent per million dollars, considerably worse than second outlier India, at about 3,500 tonnes.

At 1,100 tonnes of CO_2 equivalent per million dollars, SA agricultural exports are almost twice as carbon intensive as the next country, Poland (650), while most countries have an intensity between 100 and 500.

As with all other sectors, SA transport exports are right at the top end of carbon intensity globally, but in this case the bigger threat to the industry is the rapid shift in our two primary exports markets, the EU and US, to electric vehicles while we doggedly continue to produce petroleum-based vehicles. The world is changing around us while we stand still.

Assuming continued state inaction on this rapidly emerging threat, businesses can choose to decarbonise their operations, buy tradable offset certificates from investments in carbon offset projects, or desperately hope to develop new markets in a dwindling pool of climate-unresponsive countries.

• Maguire holds a master's degree in global change studies from Wits and has been developing green economy solutions for the private sector, NGOs and the state for more than a decade.