



Press Release

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Immediate Release

Energy efficiency increasingly prioritised as Energy Efficiency Tax Incentive and Carbon Tax threat become realities for South African businesses

In the face of the worsening effects of climate change, increasing energy prices in South Africa, and a more challenging business environment, companies have been left with no choice but to improve their operations and strive to become more energy efficient. The South African National Energy Development Institute's (SANEDI) Barry Bredenkamp explains that this trend is demonstrated by the increased number of Section 12L Energy Efficiency tax incentive applications the Institute has received since March 2020.

The 12L Tax incentive, according to Income Tax Act, 1962 (Act No. 58 of 1962), provides an allowance for businesses to implement energy efficiency savings. The savings allow for tax deduction of 95c/kwh saved on energy consumption. SANEDI plays the role of implementing and overseeing the application process of the incentive claimant to the issuing of the 12L Tax Incentive certificate at the application approval. From March to May 2020 the number of applications more than doubled.

“The uptake of this incentive is a good news story. It really shows government’s commitment to decarbonising South Africa’s industrial and commercial industries,” comments Bredenkamp.

He adds that part of the reason for the update since March is that in addition to financial concerns, people finally had time to consider their energy bill and Carbon Tax payable during lockdown level 5. “Large power users, and South Africans in general, are well-informed about our energy landscape and have finally woken up to the reality of Carbon Tax. They know that there are things they can do to reduce power use and reduce costs. However, in the dizzying reality of doing business day in and day out, I feel that many companies have the intention to assess their energy bills, but don’t always have the time. I would argue that the national shutdown in March last year gave people the time to assess their operations, and finally act

on their intentions,” he explains. “Now that the ball is rolling, we hope to see the trend continue with more applications, and more energy saved.”

South Africa’s Carbon Tax, which came into effect in 2019 after almost a decade in the works, has also given industry a reality check. “Companies are finally understanding that there is real money involved here, not to mention the environmental aspects.” With South Africa being the 14th largest greenhouse gas emitter in the world, we have a prominent role to play in resolving climate change. “If we can continue to provide financial incentives for cleaner practices, perhaps we can go to COP 26 in Scotland in November 2021 with some good news on our journey towards a less carbon intensive economy in South Africa,” Bredenkamp says.

He adds that SANEDI will soon release a detailed analysis and report on the 12L Energy Efficiency Tax Incentive. “This report will highlight our overall progress with the incentive in South Africa and give us an understanding of the vast impact it has had, and is likely to have going forward,” Bredenkamp concludes.

Ends 491 words

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About SANEDI

The South African National Energy Development Institute (SANEDI), established by the Government, directs, monitors and conducts applied energy research to develop innovative, integrated solutions to catalyse growth and prosperity in the green economy. It drives scientific evidence-driven ventures that contribute to youth empowerment, gender equity, environmental sustainability and the 4th Industrial Revolution, within the National Development Plan (NDP), through consultative, sustainable energy projects. For more information, go to www.sanedi.org.za.