

The South African Developing Automotive Fuel Economy Policy

Regulatory Policies

Economic Instruments

Labeling

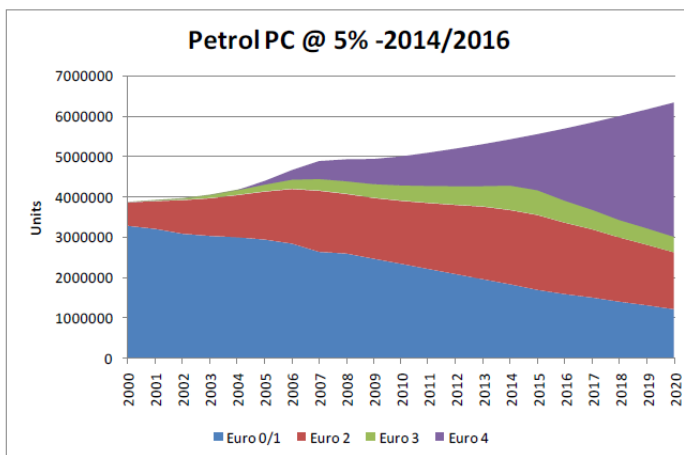
References

1.1 Background

In South Africa, crude oil represents the single largest import item on the country's import account. South Africa is a significant producer of new vehicles, supporting local and export markets, in particular the EU. The country has experienced steady growth in both petrol and diesel LDV ownership in the last decade. Used vehicle imports are and the country has legislated new vehicle requirements and a homologation system. South Africa follows the EU in terms of vehicle standards and overall UNECE vehicle regulations. The South African Department of Energy: Energy Efficiency Strategy of 2009 set a target of a 9% final energy demand reduction (over 2000 levels) for the transport sector, to be met by 2015.

Petrol PC Parc 5% growth

(Euro 4 Homologation – 2014)



Source: SAPIA/NAAMSA car park study 2009

1.2 The South African Light-Duty Vehicle Fleet

The majority of local air pollution in South Africa is mainly a consequence of fuel burning, which includes industrial and commercial fuel burning, petrol and diesel combustion in vehicles, domestic fuel burning, coal-fired electricity generation and biomass burning. In 2006, emissions from vehicles contributed 44% of the total nitrous oxide emissions and 45% of the total national NMVOC (non-methane volatile organic compounds) emissions, which contribute to the creation of photochemical smog.

1.3 Status of LDV fleet fuel consumption/CO₂ emissions

South Africa has considered a number of policies, including a CO₂ tax on new vehicles (see section 3.4 below) and measures to increase the share of diesel LDVs as part of the vehicle

stock. Diesel fuel quality in South Africa is now coming in line with European standards and ownership costs of diesel vehicles are also expected to align with their petrol equivalents. It is estimated that a 25% diesel vehicle market share would result in a savings of around 33.75 million litres of fuel per annum in 2010.

2.0 Regulatory Policies

2.1 National Standard

There are no national fuel consumption standards in South Africa.

2.2 Import restrictions

New Vehicles

None

Second Hand

In general, used vehicle imports are prohibited. According to the South African Revenue Service, a second hand vehicle may only be imported if an Import Permit is obtained from the International Trade Association Commission ([ITAC](#)) of South Africa and a Letter of Authority from South Africa's National Regulator for Compulsory Specifications ([NRCS](#)).

2.3 Technology mandates/targets

There are no technology mandates in South Africa.

3.0 Fiscal Measures and Economic Instruments

3.1 Fuel Taxes

Petrol, diesel and biodiesel are classified as fuel levy goods, in terms of the Customs and Excise Act, No. 91 of 1964, and are therefore subject to fuel taxes and levies. However, they are zero rated for VAT purposes. Fuel taxes exist in South Africa in the form of a general fuel levy, instituted at the national level. For petrol fuel there is a levy of 116 cent per litre, diesel at 100 cent per litre, and biodiesel at 60 cent per litre. This general fuel levy is determined by the Minister of Finance in the annual budget, and is used to finance general government expenditure programmes. The fuel levy acts, indirectly, as an incentive to reduce air pollution externalities caused by vehicle emissions. By increasing the price of fuel, consumer demand is suppressed to the extent that the demand for transport fuels is responsive to change in price. With higher fuel prices, there is a disincentive for private vehicle use, and an incentive for use of public transport or vehicle sharing. Cleaner, more fuel efficient technologies will be incentivized when cost-savings are measured against the higher overall cost for the technology. Further, as of 7th April, 2010, fuel taxes, including the road accident fund, will increase by 25.5 cents per litre. Given the potential long-term benefits of biodiesel, a favourable fuel tax treatment was announced in the 2002 South African budget in an attempt to reduce the cost disadvantages that biodiesel currently faces with respect to fossil fuels. The intention is to give a similar fuel tax dispensation for bioethanol in the future.

3.2 Fee-bate

None

3.3 Buy-back

None

3.4 Other tax instruments

The new budget for 2010 recommends that the 2009 ad valorem CO₂ emission tax on new passenger motor vehicles be converted into a flat rate CO₂ emissions tax, effective from September 1st, 2010. The objective of the new CO₂ emission tax is to influence the composition of South Africa's vehicle fleet to become more energy efficient and environmentally friendly. This tax would be implemented as a specific tax, based on new passenger car certified CO₂ emissions at R75 per g/km for each g/km above 120 g/km, in addition to the current ad valorem luxury tax on new vehicles. Essentially, any gram of CO₂ a passenger vehicle releases above the 120 g/km threshold will attract a penalty of R75. However, critics argue that without clean fuels, the promotion of vehicles with lower CO₂ emissions will not work. The CO₂ emissions tax incidence is illustrated by the following table:

CO₂ vehicle emissions tax – tax incidence

CO ₂ emissions g/km	Average CO ₂ emissions g/km	Number of vehicles, 12 months	% of vehicles 12 months	CO ₂ emissions above threshold: g/km > 120	Tax @ R75 per g/km	Average price	Average tax rate
Below 120	110	342	0.2%	–	– R	177 000	0.0%
	120	493	0.2%	–	– R	170 000	0.0%
	130	10 904	4.9%	10	750 R	121 000	0.6%
	140	15 856	7.2%	20	1 500 R	164 000	0.9%
	150	20 794	9.4%	30	2 250 R	169 000	1.3%
	160	21 694	9.8%	40	3 000 R	181 000	1.7%
	170	33 552	15.2%	50	3 750 R	166 000	2.3%
	180	46 664	21.1%	60	4 500 R	164 000	2.7%
	190	24 224	11.0%	70	5 250 R	244 000	2.2%
	200	10 183	4.6%	80	6 000 R	293 000	2.0%
	250	22 928	10.4%	130	9 750 R	391 000	2.5%
	300	8 083	3.7%	180	13 500 R	552 000	2.4%
	350	4 161	1.9%	230	17 250 R	551 000	3.1%
	400	778	0.4%	280	21 000 R	947 000	2.2%
Above 400	450	25	0.01%	330	24 750 R	606 000	4.1%
Average/Total	178	220 681	100.0%	58	4 350 R	227 000	1.9%

Source: "Budget 2010/2011 Tax Proposals." *South Africa National Treasury*, 2010.

In the South African case, revenue generation was the main reason behind environmentally-related taxes, with environmental protection as an added bonus to such taxes.

3.5 Registration fees

N/A

3.6 R&D

N/A

4.0 Traffic Control Measures

4.1 Priority lanes

None

4.2 Parking

None

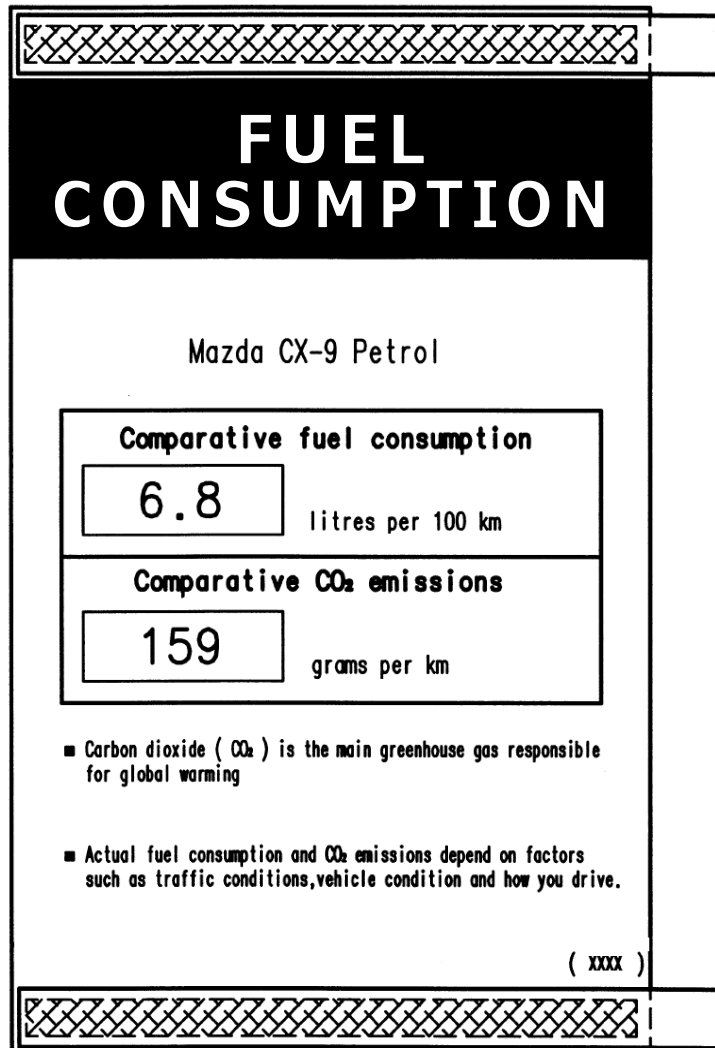
4.3 Road pricing

None

5.0 Information

5.1 Labeling

As of 2008, all car dealers in South Africa are required to display stickers on the windscreens of new cars, informing prospective buyers how fuel efficient each vehicle is and how much CO₂ it emits. The labels enable consumers to know the extent to which vehicles they buy are contributing to global climate change. To see an example of the South African labels, click [here](#). The label has to be self-adhesive and removable and of a type applicable to windscreens, and must be placed at the bottom corner of the windscreen. The fuel consumption and carbon dioxide emissions values as determined by SANS 20101: 2006 recorded in litres per 100 km and grams per km respectively.



The South African Fuel Economy Label must feature the following points of information:

- Point of sale
- EU based
- Fuel Economy l/100 km: Combined Cycle
- CO₂ emissions g/km
- Standard test cycle
- Reference fuel
- Allows model to model comparisons

5.2 Public info

The National Association of Automobile Manufacturers of South Africa (NAAMSA) has published an online database of Comparative Passenger Car Fuel Economy and CO₂ Emissions Data, available from <http://www.naamsa.com/ecelabels/>.

5.3 Industry reporting

N/A

The text above is a summary and synthesis of the following sources:

“Draft Energy Efficiency Strategy”. *Republic of South Africa Department of Minerals and Energy*, April 2004. Available on-line (<http://www.info.gov.za/view/DownloadFileAction?id=70151>)

Draft Policy Paper – A Framework for Considering Market-based Instruments to Support Environmental Fiscal Reform in South Africa, April 2006. Available on-line (http://www.capeaction.org.za/uploads/Framework_for_enviro_fiscal_reform_Treasury_06.pdf)

“Budget 2010/2011 Tax Proposals.” *South Africa National Treasury*, 2010: 9. Accessed 16 March 2010. Available on-line (<http://www.treasury.gov.za/documents/national%20budget/2010/guides/Budget%20Tax%20Proposals.pdf>)

Rayner, Stuart. “Fuel economy/CO2 labeling and taxation: South African Motor Industry experience.” PowerPoint Presentation, November 2010

Selected South African Legislation:

- The South African Constitution
- The White Paper on Energy Policy, 1998
- The Municipal Systems Act No. 32 of 2000
- The Electricity Act No. 41 of 1987 (as amended)
- The Draft Energy Bill
- The Standards Act
- The Draft Electricity Regulation Bill