The South African Developing Automotive Fuel Economy Policy

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.

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 in 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:

<table>
<thead>
<tr>
<th>CO2 emissions g/km</th>
<th>Average CO2 emissions g/km</th>
<th>Number of vehicles, 12 months</th>
<th>% of vehicles 12 months</th>
<th>CO2 emissions above threshold: g/km &gt; 120</th>
<th>Tax @ R75 per g/km</th>
<th>Average price</th>
<th>Average tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 120</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>110</td>
<td>342</td>
<td>0.2%</td>
<td>—</td>
<td>R 177 000</td>
<td>0.0%</td>
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<td></td>
</tr>
<tr>
<td>120</td>
<td>493</td>
<td>0.2%</td>
<td>—</td>
<td>R 170 000</td>
<td>0.0%</td>
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<td></td>
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<tr>
<td>130</td>
<td>10 904</td>
<td>4.9%</td>
<td>10</td>
<td>750 R 121 000</td>
<td>0.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>140</td>
<td>15 856</td>
<td>7.2%</td>
<td>20</td>
<td>1 500 R 164 000</td>
<td>0.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>150</td>
<td>20 794</td>
<td>9.4%</td>
<td>30</td>
<td>2 250 R 169 000</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>160</td>
<td>21 694</td>
<td>9.8%</td>
<td>40</td>
<td>3 000 R 181 000</td>
<td>1.7%</td>
<td></td>
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<tr>
<td>170</td>
<td>33 552</td>
<td>15.2%</td>
<td>50</td>
<td>3 750 R 166 000</td>
<td>2.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>180</td>
<td>40 954</td>
<td>21.1%</td>
<td>60</td>
<td>4 500 R 164 000</td>
<td>2.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>190</td>
<td>24 224</td>
<td>11.0%</td>
<td>70</td>
<td>5 250 R 244 000</td>
<td>2.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>200</td>
<td>10 183</td>
<td>4.6%</td>
<td>80</td>
<td>6 000 R 293 000</td>
<td>2.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>250</td>
<td>22 928</td>
<td>10.4%</td>
<td>130</td>
<td>9 750 R 391 000</td>
<td>2.5%</td>
<td></td>
<td></td>
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<tr>
<td>300</td>
<td>8 083</td>
<td>3.7%</td>
<td>180</td>
<td>13 500 R 562 000</td>
<td>2.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>350</td>
<td>4 191</td>
<td>1.9%</td>
<td>230</td>
<td>17 250 R 551 000</td>
<td>3.1%</td>
<td></td>
<td></td>
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<tr>
<td>400</td>
<td>778</td>
<td>0.4%</td>
<td>260</td>
<td>21 000 R 647 000</td>
<td>2.2%</td>
<td></td>
<td></td>
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<tr>
<td>Above 400</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>450</td>
<td>26</td>
<td>0.01%</td>
<td>330</td>
<td>24 750 R 606 000</td>
<td>4.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average/Total: 178 220 801 100.0% 58 4 350 R 227 000 1.9%


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

5.3 Industry reporting

N/A

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


Selected South African Legislation:
- The South African Constitution
- 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