



# **South Africa's Energy Subsidies Inventory, 2023**

## **Data, Definitions, and References**

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This document provides a data table, subsidy and support descriptions, and references for the International Institute for Sustainable Development's subsidy inventory for South Africa, published in 2024. This work draws upon a previous study of [South Africa's Energy Fiscal Policies](#), published in 2022.

## Data Table

This annex update is an accompaniment to *Mapping India's Energy Policy 2023*. Over the last few years, IISD has been publishing an annual update of government support for energy along with government receipts under its flagship study titled Mapping India's Energy Policy. The study aims to improve transparency and support Government of India's (GoI) own initiatives to ensure that energy is more equitable, secure, and aligned with India's long-term net-zero emissions target by 2070.

**Table 1.** Major quantified energy subsidies in South Africa, fiscal year (FY) 2017/2018–FY 2022/2023 (ZAR million)

#	Policy name	Fuel type	FY 2017/ 2018	FY 2018/ 2019	FY 2019/ 2020	FY 2020/ 2021	FY 2021/ 2022	FY 2022/ 2023
1	Value-added tax (VAT) exemption for sales of gasoline, diesel, and illuminating paraffin	Oil and gas	19,794	29,279	29,186	24,765	27,086	29,835
2	Refund of Fuel Levy and Road Accident Fund Levy for Diesel Consumed in Specific Sectors	Oil and gas	3,025	5,846	8,767	7,943	8,817	9,786
3	Petroleum Agency South Africa: Subsidies on products and production	Oil and gas	87	98	127	91	93	94
4	General fuel levy freeze and reduction	Oil and gas						12,592
5	Government grants for Petro-SA training on projects	Oil and gas	12	4	4	7	7	7
6	Fiscal funding for the New Multi-Product	Oil and gas	1	1	0	2	0	0

	Pipeline Project by Transnet							
7	Free Basic Electricity (FBE) access	Electricity	7,883	8,698	9,507	10,454	10,431	10,603
8	Integrated National Electrification Programme (INEP)	Electricity	5,521	4,819	4,496	3,033	4,459	5,302
9	Energy efficiency and demand-side management grant for selected municipalities	Electricity	203	215	227	193	221	223
10	Funding for water transportation projects	Coal	615	534	761	527	600	1,463
11	Cleaner Fossil Fuels Programme	Coal	100	81	99	93	92	0
12	South African Nuclear Energy Corporation: Other transfers to public corporations	Nuclear	574	587	790	950	935	990
13	Exemption from carbon tax	Multiple	N/A	N/A	24,570	42,290	44,660	47,420
	Total		37,815	50,162	78,535	90,348	97,401	118,317

Notes: This is a non-exhaustive list of identified energy subsidies. Zero values may indicate an absence of data, not necessarily the absence of subsidies.

Sources: Items 1,2,4,5,6,7,8,10,11: Organisation for Economic Co-operation and Development (OECD), 2023a. Items 3, 9, 12: National Treasury, 2023b. Item 13: authors' own calculations based on Department of Forestry, Fisheries and the Environment, 2023; Eskom, 2023; Sasol, 2023.

# Descriptions of Identified Subsidies and Other Support

For a more detailed definition of subsidies and other forms of government support, see the Methodology section of the Fossil Fuel Subsidy Tracker, <https://fossilfuelsubsidytracker.org/methodology/>.

## Oil and Gas Subsidies

### VAT exemption for sales of gasoline, diesel, and illuminating paraffin (1)

According to the Value-Added Tax Act of 1991, gasoline, diesel fuel, and illuminating paraffin (kerosene) are exempt from the VAT normally levied on sales of most products in South Africa (in the case of energy products: 15% from April 1, 2018, to present; 14% previous to that). Considered a tax expenditure in South Africa's budget since FY 2005/2006, this measure "is calculated by estimating the value for sales and making assumptions about the estimated volumes used by final consumers" (OECD, 2023b). According to the OECD (2023), since FY 2006/2007, it has been assumed that 20% of gasoline sales and 90% of diesel sales in South Africa are used for business purposes; thus, those purchases are exempt from VAT (OECD, 2023b).

### Refund of Fuel Levy and Road Accident Fund Levy for Diesel Consumed in Specific Sectors (2)

The fuel levy is directed to the National Revenue Fund, while the Road Accident Fund (RAF) levy goes to the RAF, compensating those injured in road traffic accidents. For the past 30 years, the RAF has been insolvent. In 2016, it was announced that it would be replaced by a Road Accident Benefit System based on social security principles, which would succeed the current liability insurance system.

Consumers of diesel fuel in specific primary production sectors have been refunded a certain percentage of the fuel levy and RAF levy since 2000. These sectors include land (agriculture, forestry, mining), offshore (commercial fishing, coastwise shipping, offshore mining, coastal patrol, marine research and rescue), rail freight transport and harbour vessels, and large peak-electricity-generating plants with a capacity exceeding 200 MW per plant (since 2006) (Bridle et al., 2022; OECD, 2023b).

### Petroleum Agency South Africa: Subsidies on products and production/ government grants for PetroSA training on projects (3 & 5)

In the past, the Petroleum, Oil and Gas Corporation of South Africa (PetroSA) has received two different kinds of state support. Listed explicitly as subsidies in the 2020 budget review, the state's national oil company was granted subsidies for its products and

production in a non-transparent way. Similarly, no disaggregated data can be found for the “training on projects” that PetroSA records in its annual reports (OECD, 2023b).

### **General fuel levy freeze and reduction (4)**

A new subsidy was introduced in response to the global energy crisis: the government froze the general fuel levy on petrol and diesel in February 2022 and then reduced it by ZAR 1.50 (USD 0.90) per litre from April to June (OECD, 2023b).

### **Fiscal funding for the New Multi-Product Pipeline Project by Transnet (6)**

This funding refers to support for a multi-product pipeline that transports diesel fuel, gasoline, and jet fuel between Durban and Jameson Park. The project has received fiscal contributions that can be counted as budgetary support for the production and consumption of fossil fuels (OECD, 2023a).

## **Electricity Subsidies**

### **Free Basic Electricity (FBE) access (7)**

Since 2003, the government provided an FBE allowance of at least 50 kWh to disadvantaged households with a connection to the national electricity grid. Deemed sufficient to provide basic services, this measure is funded through the so-called “local government equitable share” that is transferred to municipalities by the government to support, among other things, their provision of “free basic services,” such as water, sanitation, electrification, and waste removal. Its fossil fuel support is calculated as follows: The share of electricity on “local government equitable share” spending is multiplied by the number of households receiving FBE across South Africa and the share of electricity produced from coal (OECD, 2023a).

### **Integrated National Electrification Programme (INEP) (8)**

In 1999, South Africa put the INEP in place, which makes separate payments of grants to municipalities and transfers to Eskom. Before 2019, transfers to Eskom were roughly twice those to municipalities. However, the 2019 Budget reduced the INEP by ZAR 58.4 million in 2019/2020 and as much as ZAR 558.8 million in 2020/2021. In both cases, the funds were reallocated to the Urban Settlements Development Grant in the Department of Human Settlements (OECD, 2023a).

### **Energy-Efficiency and Demand-Side Management Grant for Selected Municipalities (9)**

This grant funds selected municipalities to implement projects with a focus on public lighting and energy-efficient municipal infrastructure. It continues to make provision for municipalities to use funding from the Energy-Efficiency and Demand-Side Management Grant for Planning and Preparing for the Energy Efficiency in Public Infrastructure and Building Programme. Ultimately, the program aims to create a market for private companies

to invest in the large-scale retrofitting of municipal infrastructure, paid back through the savings on energy costs achieved (National Treasury, 2023b).

## **Coal Subsidies**

### **Funding for Water Transportation Projects (10)**

The Trans-Caledon Tunnel Authority has been receiving direct transfers from the Department of Water and Sanitation to support projects supplying water to power stations and coal mines. Among others, Eskom's thermal power stations and Sasol's petrochemical installations are strategic users of the water from one of the supported projects (OECD, 2023b).

### **Cleaner Fossil Fuels Programme (11)**

Since 2014, the South African National Energy Development Institute (SANEDI) has provided financial support to two projects that rely on anthracite, coking coal, and other bituminous coal (OECD, 2023b). SANEDI is tasked with coordinating public interest energy research, development, and distribution. Deriving most of its revenue from transfers from the Department of Energy, SANEDI's Cleaner Fossil Fuels Programme currently consists of a carbon capture and storage project and a feasibility study of shale gas in South Africa (OECD, 2023b).

## **Nuclear Subsidies**

### **South African Nuclear Energy Corporation: Other transfers to public corporations (12)**

South Africa's Nuclear Energy Corporation has been receiving additional funding for many years. Explicitly named as a subsidy in the 2019 budget review, the same amounts were renamed "indirect transfers" in later budget reviews (National Treasury, 2023b). The nomenclatural change of these transfers was not accompanied by greater transparency regarding exactly where these funds are going.

## **Carbon Tax Exemptions**

### **Exemption from carbon tax (13)**

Revenue foregone from the carbon tax was calculated via the following components: (1) the fixed carbon price of ZAR/tCO<sub>2</sub>e for a given year, (2) the MtCO<sub>2</sub>e as South Africa's carbon taxable industrial emissions for the most recent year,<sup>1</sup> (3) the exemptions for Eskom (100%) and Sasol (over 90% of total emissions), and (4) a conservative minimum carbon tax rate of

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<sup>1</sup> The eighth *National Greenhouse Gas Inventory Report, South Africa, 2000–2020* (Department of Forestry, Fisheries and the Environment, 2023) provides data for 2019. This data has been used for calculations, effectively making the assumption that emissions have been constant since that time.

60% on the total industrial emissions minus Eskom's and Sasol's exempt emissions. Two aspects shall be highlighted. First, 2019 has been chosen as the reference year, as no more recent data exist that allow for greater precision. Second, the calculated figures for given years are the lower limit, but the carbon tax revenue foregone could be much higher, given the technicalities and lack of transparency of exemptions to producers of industrial emissions.

The value of the 3-month deferral of carbon tax payment in 2020 has not been calculated. Technically, the deferral confers a subsidy equivalent to the value of the interest payments that would otherwise have been due on an equivalent-sized loan.

## **Non-Quantified Subsidies Due to a Lack of Data**

In addition to the subsidies listed and discussed in this review, other identified subsidies have not been quantified due to a lack of data availability or resources. However, they may be of significant value and could benefit from further review. Unquantified subsidies that were identified include

- PetroSA's ring-fenced grant income from the Central Energy Fund for shale gas exploration and training and development;
- 3 months' deferral of the first carbon tax payment in mid-2020;
- the Central Energy Fund's grant from the Department of Mineral Resources for feasibility studies for the Vaal Dam projects;
- income tax deductions for expenditures and losses relating to exploration and post-exploration spending; and
- subsidies to renewable energy technologies.

## **Bailouts**

### **Provisional Allocation for Eskom Restructuring**

The state-owned electricity utility Eskom has repeatedly been through recapitalization and has been bailed out multiple times (National Treasury, 2023a). This process allows Eskom to service debt, meet redemption requirements, and fund urgent operational improvements. This support is not categorized as a subsidy in this work but still counts as a form of government support for the energy sector.

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