



Press Release

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Immediate Release

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### **12L Tax Incentive delivers billions of rands in energy savings rebate**

The 12L Tax Incentive (Section 12L), has delivered more than 24 Terawatt-hours (TWh) in energy savings which equates to a total gross rebate of R19,9-billion to South African taxpayers since November 2013, according to the South African National Energy Development Institute.

The figures also show a total reduction of 24.479 megatons of CO<sub>2</sub>; all indicative of the success of Section 12L and its role in creating a local economy that is based on energy efficient practices. Significantly, the total TWh savings have grown tremendously; from 5.217 TWh in 2015 (before the rebate was increased from 45 c/kWh to 95 c/kWh), to 24.727 TWh in 2020.

The regulations for Section 12L set out the process and methodology for claiming an allowance for energy savings, a baseline (benchmarking) model and report must then be compiled and submitted to SANEDI for approval. SANEDI reviews and oversees the application process of the incentive.

At the forefront of the incentive's energy savings is the South African mining and manufacturing industries, both sectors rolling out 69 certified projects each since 2015. Coming in at third, is the wholesale industry which has implemented 17 Section 12L certified projects.

“The figures speak volumes of how well the Section 12L tax incentive has been received across industry. It is making a tangible difference, offering important relief to a variety of energy users and will undoubtedly continue to do so while helping to stabilise the grid. We look forward to seeing the energy savings curve grow even more in the coming years,” says Barry Bredenkamp, General Manager at SANEDI.

Drilling down on the cumulative impact per energy carrier, a mix of non-renewable (energy carriers), account for the highest saving of 21 255 624 091 kilowatt hours and total rebate of over R 17 billion.

According to the Income Tax Act, 1962 (Act No. 58 of 1962), Section 12L provides an allowance for businesses to implement energy efficiency savings. It provides a tax deduction for all energy carriers (not just electricity) but excludes renewable energy sources. It features the following important points:

- Section 12L of the Income Tax Act came into effect in November 2013, with amendments effective from March 2015;
- The 2015 amendments included an increase in the tax allowance from 45c/kWh to 95c/kWh; and
- Taxpayers can claim savings for an individual project or for a combination of projects. The improvement of energy use across all energy sources potentially qualifies for a tax allowance.

The Carbon Tax, introduced in 2019, gives effect to the polluter-pays-principle and helps to ensure that companies and consumers take the negative adverse costs (externalities) of climate change into account in their future production, consumption and investment decisions. In turn, this tax will continue to fund the Section 12L tax incentive.

SANEDI has also commissioned a detailed review on the full economic, environmental and socio-economic impacts of the Section 12L incentive with a report due in August 2020.

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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 4<sup>th</sup> Industrial Revolution, within the National Development Plan (NDP), through consultative, sustainable energy projects. For more information, go to [www.sanedi.org.za](http://www.sanedi.org.za).