

# South Africa's fruit exports at risk due to carbon tax concerns

Coal-based power, the primary source of carbon emissions in fruit production, places South Africa's export markets in jeopardy as the carbon tax looms. The urgency to transition to renewable energy is underscored by the lack of plans from Eskom to adopt such sources, despite the potential impact on the fruit and manufacturing sectors highlighted by former Eskom CEO André de Ruyter.

With the implementation of carbon border adjustment mechanisms (CBAMs) by various countries to address pollution, South African produce faces the risk of additional taxes in the EU market. This adjustment aims to equalize the cost implications of carbon taxes on products, potentially disadvantaging South African exports due to the country's high carbon intensity in production, primarily from an 80% reliance on coal for energy generation.

The EU's CBAM transition phase began in October 2023, with a full implementation expected by 2026, initially excluding agriculture but with indications of future inclusion. The UK, Canada, and Japan are also developing their CBAMs, with agriculture likely to be affected sooner in the UK. This poses a direct risk to South African agricultural exports, especially given the country's significant carbon footprint from energy generation.

Electricity from Eskom's coal-fired power stations is a major contributor to the carbon footprint in the fruit sector, with on-farm carbon emissions for pome fruit production comprising 52% from coal-based electricity. The potential financial implications of CBAM on exports, like the additional costs for the pome fruit industry to access the EU market, underscore the urgency for South Africa to reduce its carbon emissions and shift towards renewable energy sources.

Despite the challenges of transitioning away from coal, there is significant potential for South Africa to harness renewable energy, given its abundant solar and wind resources. The cost of renewable energy production has significantly decreased, making it a viable alternative to coal. However, investments in infrastructure to capture and utilize these renewable resources are crucial.

South Africa faces a narrow window to address its energy supply and carbon footprint issues before CBAMs potentially tax agriculture. The shift towards renewable energy not only aligns with global environmental objectives but is also essential for maintaining the competitiveness of South Africa's fruit exports in the international market.

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