

**South African Institute of Race Relations NPC (IRR)  
IRR Submission on the Draft National Greenhouse Gas Carbon Budget and Mitigation Plan  
Regulations of 2025**

***Executive Summary of Compliance Costs and Economic risks***  
*30 September 2025*

The Draft Regulations that give effect to the Climate Change Act of 2024 are being introduced at a time of profound economic weakness in South Africa.

The economy has not grown in more than a decade. Fixed investment is only 15% of GDP, barely half the 26–30% needed to sustain growth. Over eight million people are unemployed, producing one of the highest jobless rates in the world. Electricity costs are already the fourth-highest among global mining jurisdictions, a factor that has helped push chrome smelters and other energy-intensive industries into closure.<sup>1</sup> Deindustrialisation is advancing, with mining and manufacturing shedding capacity instead of adding it.

In this fragile context, the Draft Regulations threaten to impose vast new regulatory and compliance burdens that will make investment less attractive, undermine competitiveness, and accelerate the country's slide into economic stagnation.

By layering criminal sanctions, repeated third-party verification obligations, and additional costs on already struggling sectors such as electricity, mining, steel, and cement, South Africa's government risks further eroding the country's industrial base.

This outcome runs directly counter to the stated goals of the Government of National Unity, which in its founding Statement of Intent committed to restoring growth and creating jobs.<sup>2</sup> It is also at odds with the objectives of both the ANC and the DA to halt South Africa's progressive deindustrialisation and revive the productive economy.

The United States is increasingly turning away from net zero mandates and the implicit government coercion embodied in carbon budgets and prescriptive mitigation planning.<sup>3</sup>

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<sup>1</sup> "The cost of electricity has risen more than 800% since 2007. High energy costs are damaging SA's mining industry, which accounts for about 8% of GDP, according to a study by Boston Consulting Group. The study found that SA's energy costs are the fourth highest among similar mining jurisdictions." Source: "Time is running out for SA's idle smelters", Business Day, 16 September 2025, <https://www.businesslive.co.za/bd/companies/mining/2025-09-16-time-is-running-out-for-sas-idle-smelters/>

<sup>2</sup> Statement of intent of the 2024 Government of National Unity. 2024, 14 June, <https://www.anc1912.org.za/wp-content/uploads/2024/06/Statement-of-Intent-of-the-2024-Government-of-National-Unity.pdf>

<sup>3</sup> "The U.S. retreats from climate commitments, but momentum remains", 2025, 15 September, *Sweep*, <https://www.sweep.net/blog/the-u-s-retreats-from-climate-commitments-but-momentum-remains>; Climate Action Tracker, 2025, 22 September, <https://climateactiontracker.org/countries/usa/>; "Trump's climate rollbacks to sharply slow

China's target date for net zero is far off in the future, set for 2060 (even though it has recently said it might try to bring this forward).<sup>4</sup>

Germany, once a model of green ambition, is contending with falling public support for its "Energiewende" as it faces record-high electricity prices and an exodus of manufacturing capacity.<sup>5</sup> Across Europe, countries with high shares of renewable energy are confronted with high electricity costs – and steep rates of deindustrialisation.<sup>6</sup>

Against this backdrop, South Africa should be careful not to move faster or more harshly than its peers, especially given our far weaker economic fundamentals.

Taken together, the Draft Regulations are ill-timed, overly burdensome, and misaligned with South Africa's economic realities. They should be withdrawn and rewritten. A new draft should take full account of "the best practicable environmental options available...to mitigate the emission of greenhouse gases", as the IRR submission outlines. Without such changes, the regulations will deepen unemployment, deter investment, and place economic growth even further out of reach.

## **1. Prohibitive compliance burden**

The Draft Regulations cover virtually the entire industrial base of South Africa, from electricity production to mining, cement, iron and steel, aluminium, petroleum refining, and chemicals. The emissions threshold of 30,000 tonnes of CO<sub>2</sub> equivalent per year is low enough to sweep in not only the largest emitters but also mid-tier firms that lack the specialist resources of multinational companies. These firms will be obliged to produce carbon budgets and mitigation plans, submit extensive annual reports, and hire accredited third-party verifiers. For many, this will be a prohibitive burden. The result will be a chilling effect on investment, further closures of energy-intensive plants, and the continuation of South Africa's damaging deindustrialisation trend.

## **2. Unreasonable reporting and verification requirements**

The Draft Regulations establish a reporting cycle that is among the most onerous in the world. Entities must produce annual reports, secure validation and verification from multiple independent sources, and remain subject to further checks at the discretion of the competent authority. This compliance stack is far more demanding than necessary. South Africa does not have sufficient numbers of accredited verifiers to handle the workload that will be generated. The inevitable bottlenecks will increase costs, introduce delays, and

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US emissions cuts: Report", 2025, 11 September, *SEMAFOR*, <https://www.semafor.com/article/09/11/2025/trumps-climate-rollbacks-to-sharply-slow-us-emissions-cuts-report>.

<sup>4</sup> "China poised to achieve carbon neutrality before 2060 goal", 2025, 20 June, Harvard Business School, <https://www.hbs.edu/bigs/china-poised-to-meet-carbon-neutrality-goal-before-2060>.

<sup>5</sup> Anderson, K., "What is Germany's Energiewende?", 2024, 20 March, Greenly, <https://greenly.earth/en-gb/blog/ecology-news/what-is-germanys-energiewende>; Amelang, S., Wehrmann, B. and Wettengel, J., "Q&A: What does the government's 'reality check' mean for Germany's energy transition?", 2025, 15 September, <https://www.cleanenergywire.org/factsheets/qa-what-does-governments-reality-check-mean-germanys-energy-transition>.

<sup>6</sup> <https://www.adlittle.com/en/insights/viewpoints/deindustrialization-threat>.

expose companies to legal and financial risks for reasons unrelated to their actual emissions performance. Those costs will cascade through the economy, raising already unsustainable electricity and industrial input prices and pushing up the inflation rate.

### **3. Excessive sanctions and double jeopardy**

The sanctions regime is punitive. Non-compliance carries criminal penalties of up to ten years' imprisonment and fines of up to R10 million. On top of this, emitters who exceed their carbon budgets will face a higher carbon tax rate. The duplication is clear: firms will be punished twice: first through fiscal penalties under the tax system and then through criminal liability under the Draft Regulations. In an economy already bleeding investment and jobs, such double punishment is counterproductive. It risks deterring investment entirely and hastening the exit of companies that are barely holding on in the face of high input costs and policy uncertainty.

### **4. Vagueness and discretion**

The regulations confer wide discretionary powers on officials to prescribe methodologies, tighten allocations, and demand further verifications. Much is left vague or is delegated to technical guidelines rather than codified in the regulations themselves. This uncertainty compounds risk for investors, who require clear, predictable rules before committing scarce capital. Where regulations exceed the scope of the Climate Change Act, they may also be *ultra vires* and thus vulnerable to legal challenge. At the very least, the vagueness undermines the constitutional principle of legality and raises doubts about enforceability.

### **5. Absence of socio-economic impact assessment**

Since 2015, government has required that all new legislation and regulations be accompanied by a Socio-Economic Impact Assessment System (SEIAS) report to inform the public of costs, consequences, and alternatives. No such report has been published alongside these Draft Regulations. Without it, the public and affected sectors cannot judge the likely effect on investment, growth, employment, and administered prices such as electricity tariffs. The omission is fatal to meaningful consultation and renders the regulatory process defective.

### **6. Risks to energy security**

The Draft Regulations target sectors that are already under severe strain. Eskom is struggling to restore reliability after years of loadshedding, while mining and heavy industry face crippling energy prices. Imposing inflexible carbon budgets in this context risks forcing premature plant closures and production cuts without secure alternatives in place. The burden of compliance, and the prospect of higher penalties for budget overruns, could deter investment in critical replacement capacity. The net result would be greater insecurity of electricity supply, higher tariffs, and accelerated job losses.

## **7. International context**

South Africa is moving faster and more aggressively than most of its peers. Few countries have imposed legally binding carbon budget regimes backed by criminal sanctions. Germany, which pioneered the renewable transition, is experiencing economic stress as high electricity costs drive industry offshore. Other European countries with high proportions of renewable energy are also the ones experiencing the most severe industrial decline. In the United States, climate policy is moving away from coercive targets towards more flexible, incentive-based measures. South Africa should not outpace stronger economies by saddling its own weakened economy with burdens that others are now reconsidering.

## **8. Political context**

The Draft Regulations run directly against the commitments made by the Government of National Unity to revive growth and create jobs. Both the ANC and the DA have acknowledged the need to arrest deindustrialisation and to restore competitiveness. Imposing an elaborate carbon budget system at this juncture will have the opposite effect. It will raise costs, deter investment, and push more firms into closure or disinvestment. This is inconsistent with the goals of the GNU and undermines the credibility of its economic recovery agenda.

## **9. Conclusion**

South Africa cannot afford to get this wrong. The country is battling unemployment on a massive scale, electricity prices that already squeeze industry to the brink, and an investment rate too low to sustain growth. Introducing a compliance regime of this weight and complexity under these conditions will do real harm. It will not deliver the promised “just transition.” It will simply make it harder to create jobs, attract capital, and keep factories running.

The Draft Regulations should therefore be withdrawn and replaced with rules that are leaner, more practical, and better aligned with the country’s economic circumstances. The starting point must be to lower the cost and complexity of compliance, to build in safeguards for electricity security and energy-intensive industries. The main emphasis, however, must be on taking full account of “the best practicable environmental options available...to mitigate the emission of greenhouse gases”, as the Climate Change Act mandates and the IRR submission outlines.

That would not only keep South Africa on the right side of its climate commitments but also give the country a fighting chance of meeting its far more urgent goals: restarting growth, reviving investment, and putting millions of people back to work.