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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NO. 27

EU's Carbon Border Adjustment Mechanism

Ms H S Boshoff (Mpumalanga: DA) to ask the Minister of Trade, Industry and Competition:

Whether his department assessed any potential impact of the European Union's Carbon Border Adjustment Mechanism on (a) employment and (b) industrial capacity in downstream manufacturing sectors that are linked to the steel, aluminium and related value chains; if not, why not; if so, (i) what risks to (aa) employment and (bb) domestic manufacturing capacity have been identified and (ii) what measures are being implemented to migrate potential job losses that are arising from the reduced export competitiveness?CW27E

REPLY

The Department, through its research partner, Trade and Industrial Policy Strategies (TIPS) has undertaken ongoing assessments of the implications of the EU's Carbon Border Adjustment Mechanism, which were mostly done via industry-government-research workshops on the iron and steel and aluminium value chains (November 2023).

A report has been drafted by TIPS in that regard (**South Africa's Iron, Steel and Aluminium Industries Readiness to Respond to CBAM**) [see attached Annex].



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on_Steel_and_Alumin



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No new work has yet been done on the announced extension to selected downstream products in the iron, steel and aluminium value chains by 2028.

CBAM puts the iron and steel and aluminium industries particularly in jeopardy and to a lesser extent fertiliser exports.

The assessment by Trade and Industrial Policy Strategies (TIPS) shows the EU as a major destination for South African goods, accounting for 21% of South Africa's total exports in 2022 (Trade Map, 2023). Based on this research an estimated total of US\$2.8 billion (about R52.4 billion) of South African exports (based on 2022 data) is at risk in the short-term, due to CBAM (Maimele, 2023b).

This is about 10.3% of South African exports to the EU, and about 2.2% of South African exports to the world. These numbers are set to increase as the CBAM is set to cover increased products and other jurisdictions introducing CBAM-like measures.

(a)&(b)

The following is an extract, detailing the industry reporting on employment and industrial capacity and other key metrics, at a CBAM workshop convened by the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) on the South African policy preparedness review -



METALS AND ENGINEERING SECTOR ECONOMIC DASHBOARD

Economic Variable	2020	2021	2022	2023	2024	%
M&E Production (% growth/contraction)	-12,2%	25,6%	1,3%	2,0%	-1,4%	
M&E GDP (Rand billion) - nominal	154,7	194,6	219,0	241,3	245,6	1,8%
M&E GDP (% growth/contraction) (2015 Prices)	-12,1%	8,8%	-0,9%	4,4%	1,1%	
M&E Share of Manufacturing (%)	26,2%	26,2%	26,2%	26,2%	25,5%	
M&E Share of GDP (%)	3,3%	3,1%	3,2%	3,1%	3,2%	
M&E Capacity Utilisation (%)	66,2%	74,8%	75,1%	74,0%	75,4%	
M&E Sector Input Cost Inflation (%)	-4,3%	9,8%	13,5%	5,2%	2,3%	
M&E Employment (number)	365,143	359,483	360,853	360,371	362,210	0,5%
M&E Employment (% growth/contraction)	-8,9%	-1,6%	0,4%	-0,1%	0,5%	
Gross Earnings (Rand billion)	94,4	105,8	120,2	133,0	133,6	0,4%
M&E Total Sales (Rand billion)	644,2	815,2	906,7	924,5	940,3	1,7%
M&E Export Sales (Rand billion)	251,6	318,0	369,8	405,0	379,3	-6,3%
Export sales % of total sales	39,1%	39,0%	40,8%	43,8%	40,3%	
M&E Imports (Rand billion)	356,1	422,8	525,3	611,3	569,29	-6,9%
M&E Trade Balance (Rand billion)	-104,5	-104,9	-155,6	-206,4	-190,0	-7,9%
Gross Fixed Capital Investment (Rand billion)	21,4	20,4	25,3	29,7		
Fixed Capital Stock (Rand Billion)	181,9	193,0	212,5	229,0		

Source: Stats SA, SEIFSA Analysis, Quantec, SARS, SARB



(i) (aa)&(bb)

As noted elsewhere in the responses, preliminary assessments indicate that CBAM will increase compliance costs and administrative burdens for carbon-intensive exports, potentially affecting price competitiveness in the EU market. The impact will depend on embedded carbon intensity, availability of credible emissions data, and the trajectory of the EU carbon price. The precise value at risk over the medium term will depend on carbon price differentials and product coverage expansion; this is being continuously updated as EU implementing regulations evolve.

- (ii) The Department continues to engage key exporters to the European market so as to document potential or envisaged job losses and its impact on the overall company's activities. To date, we do not have data on Companies that reduced their job numbers due to CBAM compliance and requirements.

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