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## Climate Change Risks and Opportunities for the South African Economy



Climate change is increasingly recognised as one of the defining issues of the 21st century, drawing all elements of society towards the promotion of a prosperous, low carbon future. Even in times of economic recession, climate change has not fallen off the radar, with many major economies rather viewing 'green' led investment as an engine for economic recovery.

South Africa has become increasingly involved in addressing climate change issues, from our involvement in international climate negotiations, the modelling of potential mitigation scenarios under the Long Term Mitigation Scenarios (LTMS) process, and the current development of a national Climate Change White Paper. A significant amount of work has also been done to consider the direct impacts of climate change on the South African environment, including physical impacts related to higher temperatures, sea level rise, increased risk of wild fire and concerns over future water availability.

Despite these efforts, less emphasis has been placed on the secondary impacts of climate change, including how industry could be affected by shifts in consumer preferences, how the evolving carbon regulation environment in South Africa might affect industry, and how business and the economy as a whole should respond to these challenges.

To help address this gap, research commenced in May 2009 which considers the indirect effects that climate change could have on South Africa's economy, ranging from impacts on the tourism sector, aviation and food exports, through to commercial opportunities in low carbon technologies and the promotion of alternative carbon markets. The project is being led by Camco, an international consulting firm specialising in climate change solutions, in partnership with Trade and Industrial Policy and Strategies (TIPS) and the ComMark Trust, with support provided by the British High Commission.

The focus of the research is to provide a framework for assessing how climate change could impact on different sectors of the economy, both now and in the future, and to develop a set of case studies offering practical examples of how climate issues are being played out in a South African context.

As part of the project, a stakeholder workshop including representatives from the private sector, national and local government, non-governmental organisations and the donor community took place in Sandton in mid-August, discussing and debating the economic risks and opportunities posed by climate change for the country. Key questions discussed included:

- What commercial risks and opportunities do companies face from climate change? How can we address these issues?
- How will 'food miles' and the demand for low carbon goods impact South African manufacturing and exports?
- Is the tourism sector adequately prepared for pressures to promote 'local tourism' within industrialised nations?
- What opportunities are presented for trade in environmental services by climate change, including through land use improvements and carbon sequestration?
- How can industry respond to a carbon tax regime in South Africa, and are there alternatives?
- How can we fast-track activities that combat climate change and promote poverty alleviation and socio-economic development?

The research underway, which is due to be completed by the end of 2009, is premised on the understanding that climate change is not just an environmental issue, but could have significant implications for trade, investment and industry competitiveness. South Africa is a carbon intensive economy, and is therefore exposed to a number of potential climate change related liabilities. Nevertheless, risk is often the precursor of opportunity, and considerable scope exists for the South African economy to shift these potential liabilities into market enablers, as the LTMS and other studies have begun to explore.

The research will help to take the climate debate in South Africa forward, identifying economic opportunities presented by climate change and exploring synergies with national priorities relating to job creation, enterprise development and poverty alleviation. The notion of 'green jobs' has come increasingly to the fore in recent years, and highlights that a number of national efforts to address climate change could promote economic growth as well as support environmental protection.

Across the globe, companies are exploring opportunities in low carbon development in a bid to differentiate themselves and maintain market share. Effectively positioned, the South African economy could weather any severe 'climatic' storms, whilst maximising on commercial opportunities and new markets.

**For project enquiries please contact:**

Alex McNamara  
Camco South Africa  
Tel: +27(0)11 253 3400  
Cell: +27(0)79 699 3284  
Email: alex.mcnamara@camcoglobal.com