

11h ago



Just transition | SA's battle for green power

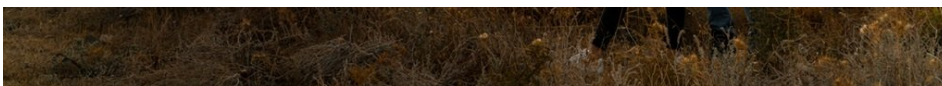
City Press Thuletho Zwane

SHARE



News24 | Careers24 | Property24 | Autotrader | Superbalist | OLX

My Profile



South Africa's lack of clarity about its position on a move away from fossil fuels negatively affects investor confidence. Photo: iStock

BUSINESS

South Africa needs to pursue a course towards a just transition to green energy and decarbonisation – a move that would include the reallocation of investment away from carbon-intensive sectors and activities – but issues around what role investors should play, policy challenges and whether the country has the financial instruments required to meet that just transition persist.

MOST READ FOR SUBSCRIBERS

- 1 Government slams Omicron hysteria
- 2 New twist in Senzo Meyiwa case
- 3 No need to panic about new Covid-19 strain, say experts
- 4 Hamilton Ndlovu pleads poverty
- 5 Mabuza demands apology for murder allegations

Newsletters



Sundays With City Press

SUNDAYS WITH
City Press



Prep for the week ahead with City Press' insightful coverage of news, politics, business, sport, opinion and entertainment

Choose a newsletter

E-Editions

Trade and Industrial Policy Strategies (Tips), an independent economic research institution, hosted a discussion this week looking at what could work within the country's current financial system, and where changes to the financial ecosystem are needed to effectively support a just transition.

Tips research fellow Sandy Lowitt said that, theoretically, there were numerous ways in which the South African public sector could directly engage in financing just transition activities within the existing financial ecosystem, "but all these options will have an impact on the fiscus".

READ: COP26: SA to call for developed countries to financially help with climate crisis

"The first option would be for the state to provide grant and concessional funding by making such funding available to the country's development finance institutions and commercial banks, which would support blended funding opportunities to crowd in private sector funds.

"Or government could consider the use of targeted credit enhancement tools, which essentially reduce the risk of the project to the funder. These options could include risk buy-down schemes, state-backed guarantees, first loss provision, political risk insurance, subordinated debt or the creation of risk pooling facilities.

"A third option [is that] the state could directly fund just transition projects through innovatively structured transactions, using line department budgets and possibly special purpose vehicles," said Lowitt.

However, the fiscal implications that would exist in the form of either financial outlays or revenue forgone are great, she said, adding:

A wide range of debt, equity, de-risking and catalytic financing instruments are already available in South Africa

Lowitt added that, while the suggested instruments are all potentially powerful, they were unlikely to feature at the forefront of just transition funding in South Africa in the near term "because of constrained government finances".

"Treasury has suggested that increasing such flows would most likely arise from the reprioritisation of existing budgets, rather than new money being injected into the system," she said.

The image shows a newspaper cover for City Press. The main headline is "GOVERNMENT SLAMS COVID HYSTERIA" in large, bold, red letters. Below it, there's a sub-headline: "Experts warn against unwarranted panic that punishes SA citizens for leading variant detection". To the right, there's a section titled "COVID-19 STATISTICS IN SA" with various charts and data points. Further right, there's a section titled "TOTAL VALUE OF ESTIMATED JACKPOTS AT R23 MILLION" with sub-headlines for "POWERBALL R17 MILLION | POWERBALL PLUS R6 MILLION | TUESDAY 30 NOVEMBER 2021". The top of the cover features several smaller headlines: "WATSON'S SPYING TOO much?", "DID KELLY DEFEAT THE ENDS OF justice?", and "ON-AIR WAR UNATHL. SIZWE BATTLE RAGES ON".

Read the digital editions of City Press here.

Read now

Podcasts

Podcast | MyMoney | Is cash now trash?

18 Nov

Listen to our latest podcasts.



Chantal Naidoo, the founder and principal associate of Rabia Greening Finance, said that government could use some intervention tools to achieve a just transition.

“A wide range of debt, equity, de-risking and catalytic financing instruments are already available in South Africa,” she said, adding that banks were mobilising and deploying finance focused on sustainability, the climate and transition outcomes.

But Naidoo warned that the structural bias of the South African financial sector towards large business at the expense of enabling equitable and timely access to finance for the most vulnerable is one of the greatest risks of catalysing a just transition, adding that attention by regulators and Treasury would be needed to make sure that financial innovations directly support small and medium-sized businesses, women and young people.

Research shows that South Africa was the twelfth-largest greenhouse gas emitter in the world in 2019, at just more than 1.3% of total global emissions. This is largely due to the country’s heavy reliance on coal for power production.

The 2021 Standard Bank Investor Guide shows that coal accounted for almost 86% of South Africa’s emissions in 2019, and that South Africa is the world’s seventh-largest coal producer and the fifth-largest coal exporter.

According to the guide, the global move away from coal use is likely to have a significant impact on the South African economy. It states that the modelled impact of transition risk on total global GDP – which would arguably be higher in South Africa due to its heavy reliance on coal – is estimated at a cumulative 6% reduction by 2050 in the disorderly scenario and 2% in the orderly scenario.

The guide adds that, even though the effects of the climate crisis are becoming clearer to discern as extreme weather events are occurring with greater frequency and intensity the world over, requiring that urgent action be taken to curb emissions, the social impacts of climate-related transition risk include job losses. The report also states that decarbonisation expectations include that the transition to a low-carbon economy could also exacerbate inequality.

Rudi Dicks, head of the project management office in the presidency, said that, given South Africa’s socioeconomic conditions – high unemployment, poverty, high inequality and lack of access to electricity and other basic needs – government needs to ensure that, when it finances particular interventions, it takes into consideration the socioeconomic factors that are going to be affected.

Dicks said:

Financing a just transition is very tricky. If we are going to be decarbonising at a rapid pace, we have to understand that there is an excess of 80 000 workers and one has a multiplier effect, including the entire value chain that will be affected.

“And when they talk about climate change and a just transition, we need to understand the impact of what closing coal plants or decarbonising has on workers, communities, young people, women and small businesses that are in the supply chain of, for example, Eskom – these are critical things to finance,” said Dicks.

He said that conversations with local and international investors should include not only profits, but also people.

“When leading the negotiations with the international partner group, some of them said: ‘No, we want to deal with Eskom; we want to make sure that Eskom is able to invest in transmission so it

Voting Booth

This week the ANC lost all the Gauteng metros to the DA. Do you think it stands a chance at winning national elections in 2024?

- Yes, it has loyal voters
- This is the end for the ANC
- LGE means nothing

Vote

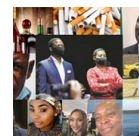
Results

Previous Results

The best of 2020

Can you guess who featured in our most popular articles from 2020?

03 Jan



Here's what you read



can take on new renewable energies and make sure it can provide for additional support for capacity.’

“But the issue with Eskom is it is not something that stands on its own. It is linked to particular communities, linked to the way we have designed our power grid system, and also linked to our coal mines and the entire supply chain. This was an important conversation to point out to them,” said Dicks.

READ: SA scores R131 billion in major boost to move from coal

But Nicole Martens of Martens Impact Advisory, who also participated in the Tips session, said the problem with the country’s just transition was not finance.

“There is finance, but there is nothing tangible stemming from these [government] talks. No one knows for sure what South Africa’s position is on the just transition, and this negatively affects [investor] risk assessment.

“Policymakers have not made clear enough their commitment to these issues. The uncertainty hurts investor confidence. Both local and international investors need policy based on science and facts, not vested interests. This is a cross-cutting issue, but there is no cross-cutting institutional body to deal with it,” said Martens.

She said the issue of policy uncertainty and inconsistency in communication from the public sector cropped up in every conversation with investors, and that international stakeholders expressed particular concern over the mixed messages that were making their way into the global marketplace, “specifically with national ambitions not made explicit”.

Martens said:

For instance, the absence of an official net zero by 2050 commitment and positive national action – such as the formation of the Presidential Climate Change Coordinating Commission being undermined by public sector officials’ support of contradictory activities like the expansion of investment into gas infrastructure.

“No one knows where South Africa stands. There isn’t a clear position. Policymakers should make clear the national ambition strategy.”

[Contact Us](#)

Follow:





Delivering the news you need

+27 11 713 9001

news@citypress.co.za

www.citypress.co.za

69 Kingsway Rd, Auckland Park




THE FULL STORY | ALL THE FACTS | YOU DECIDE **City Press**

You have invested in the future

Your News24 subscription is an investment in independent journalism. Thank you. Your support strengthens our ability to hold power to account and unearth stories you can trust.

[Read subscriber articles](#)

READ MORE ON:

[RUDI DICKS](#) [NICOLE MARTENS](#) [SOUTH AFRICA](#) [RENEWABLE ENERGY](#) [GREEN ENERGY](#)

COMMENTS

News24 wants to hear your voice. Please keep your comments respectful and relevant to the topic. No hate speech, including racism or sexism, will be tolerated. Comments are [moderated according to our commenting policy](#).

Post a comment

All Comments (3)

2 hours ago

DonaldDuck

Those who are sabotaging the coal power stations and those who want to pocket the budget of a poor country are no doubt in the same WhatsApp group. Look north, you will find mostly German lobby organisations and local "antrepreneurs" having worked on this project for a long time.

Respect

Reply

Report

4 hours ago

DILLIGAF

Nuclear now! But not from any BRICS country.

Respect

Reply

Report

3 hours ago

user1234567


In reply to DILLIGAF

Nuclear isn't a sustainable option

Respect

Reply

Report

 [Top of comments](#)

 [Top of article](#)

Paid content



[Photos] This Wedding Photographer Was Not Expecting This Photo

[WhatTheFacts](#)

Johannesburg: Learn how you could earn a potential second income from companies like...

[Leverage your income](#)



Doctor: If You Have Tinnitus (Ear Ringing) Do This Immediately!

[healthgoodtop.online](#)



The knee brace that has taken the world by a storm.

[Knee HERO™](#)



[Pics] This Is What The Perfect Female Body Looked Like 100 Years Ago (and every decade...

[Tiparents](#)



Johannesburg: Unsold SUVs of 2020 For A Fraction Of Their Value

[SUV Deals | Search Ads](#)

More from

White stuff was baking powder, not drugs – Misty Hills man's wife

Gavin Watson's spy knew too much

[New twist in Senzo case](#)

[KZN chef found after being reported missing](#)

[IN PICS | Schools closed, municipal services...](#)

Paid content

Johannesburg: Here's how much you could make if you invest in companies...

[blue-ocean-marketing.com](#)

A Truck Driver's Salary in the U.S. Might Surprise You

[Truck Driver Jobs | Search Ads](#)

South Africa: Credit Cards That Don't Require a...

[Credit Cards | Search Ads](#)

The Cost Of Roof Replacement In...

[Roofing Services | Search Ads](#)

[Pics] 20 Photos That Prove Prince William Is...

[Articlesvally](#)

More from

Covid-19: Joburg mayor turns to experts to plot response to Omicron variant...

Cabinet Ratings 2021: Minister of Sport, Arts and Culture Nathi Mthethwa