

*PROJECT TO DEVELOP
A CONTRIBUTION TO A JUST TRANSITION FINANCE ROAD MAP*

ROADMAP OVERVIEW AND CONTEXT FOR EXPERT PAPERS

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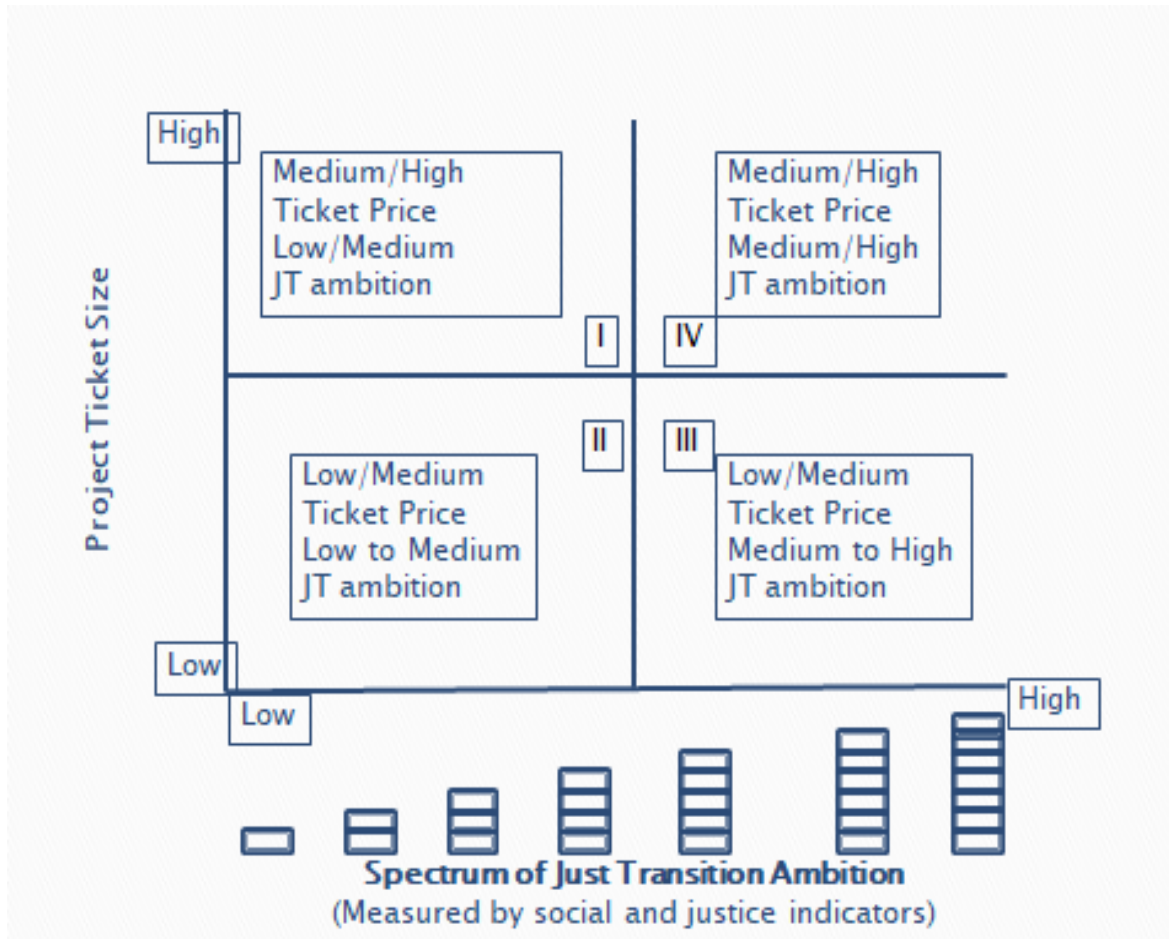
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Project Approach and Purpose

- Received funding to develop a **Just Transition Finance Roadmap**
 - Labour, civil society, business, fin sector stakeholders all requested:
 - move away from abstract/conceptual discourse
 - Focus on traction/demonstration/proof of concept approach;
- **Make a contribution towards establishing a body of evidence around:**
 - what a JT project means in the SA context
 - JT projects funding requirements and
 - how such requirements can or cannot be met by the existing financial eco-system
 - Steps to fill the gaps over time
- **Place based research: Mpumalanga**
 - Captured projects from: national, provincial, local, municipal, district, chambers of commerce, mining houses, Eskom, big industry players, SPV's, CSIR
 - Self identified as being JT
 - excluded any fossil fuel of brown projects
 - Included green and non green but economic diversification opportunities
 - Projects completed surveys with commercial, financial and social information
 - 26 projects
 - varying levels of development; min requirement specific champion and some budget

A Framework to think about a universe of place based projects



Ticket Price: identified as the most basic variable that a financial institution initially considers when presented with an investment opportunity (*crucial impact on transaction cost*)

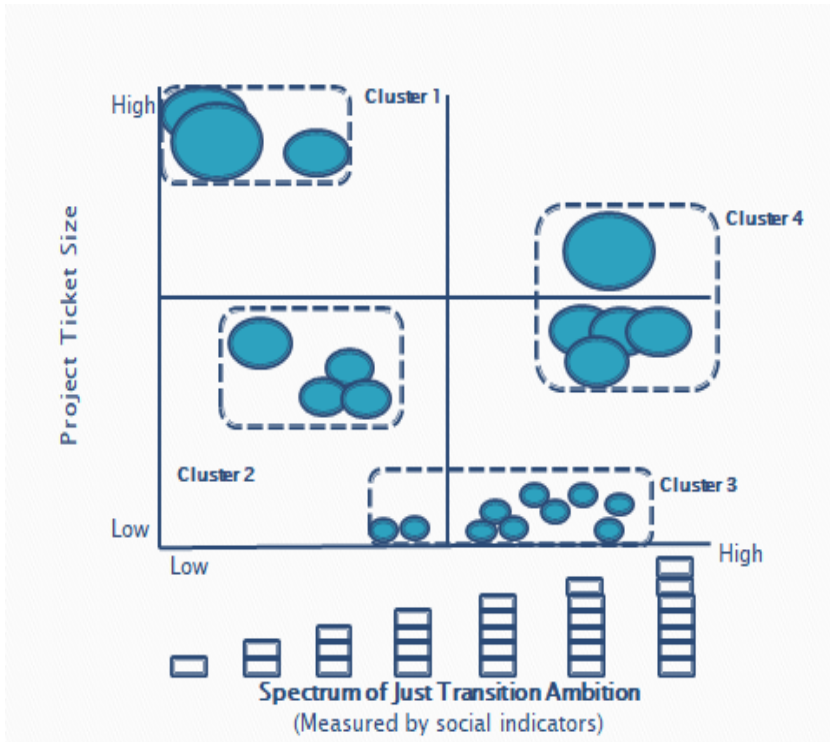
Spectrum of Ambition: identifies a project's aspirations in terms of procedural, distributive and restorative justice. *Aspirations will be measured in terms of social indicators*

Example: **Lower Ambition project** aspires to create alternative decent jobs for displaced workers

Higher ambition project aspires to create decent jobs for displaced workers+ new livelihood opportunities for proximate community+ reskilling and retraining for workers and community+ increased access to services+ increase in community asset ownership +rehabilitation of environment

Financing a Just Transition: Sample of Identified Projects

Broad Observations



- **All** projects are important and have a role to play to achieving a just transition. Not necessarily a preference for higher ambition e.g. given general and youth unemployment in Mpumalanga – creation of a decent job must be viewed as a desirable project outcome
- Some project which *in themselves* have low just transition ambitions characteristics **may lead to important future downstream activities** which have meaningful social and economic impacts for workers and communities in the area and for the environment. *Model weakness that this is not captured. This is not JT washing.*
- Many projects are part of **an interconnected** and interdependent suite of projects

Financing Challenges

Project Ticket Size

High

Cluster 1

- Next generation tech
- Environmental progress not social justice driven
- Global finance
- State intervention

Cluster 2

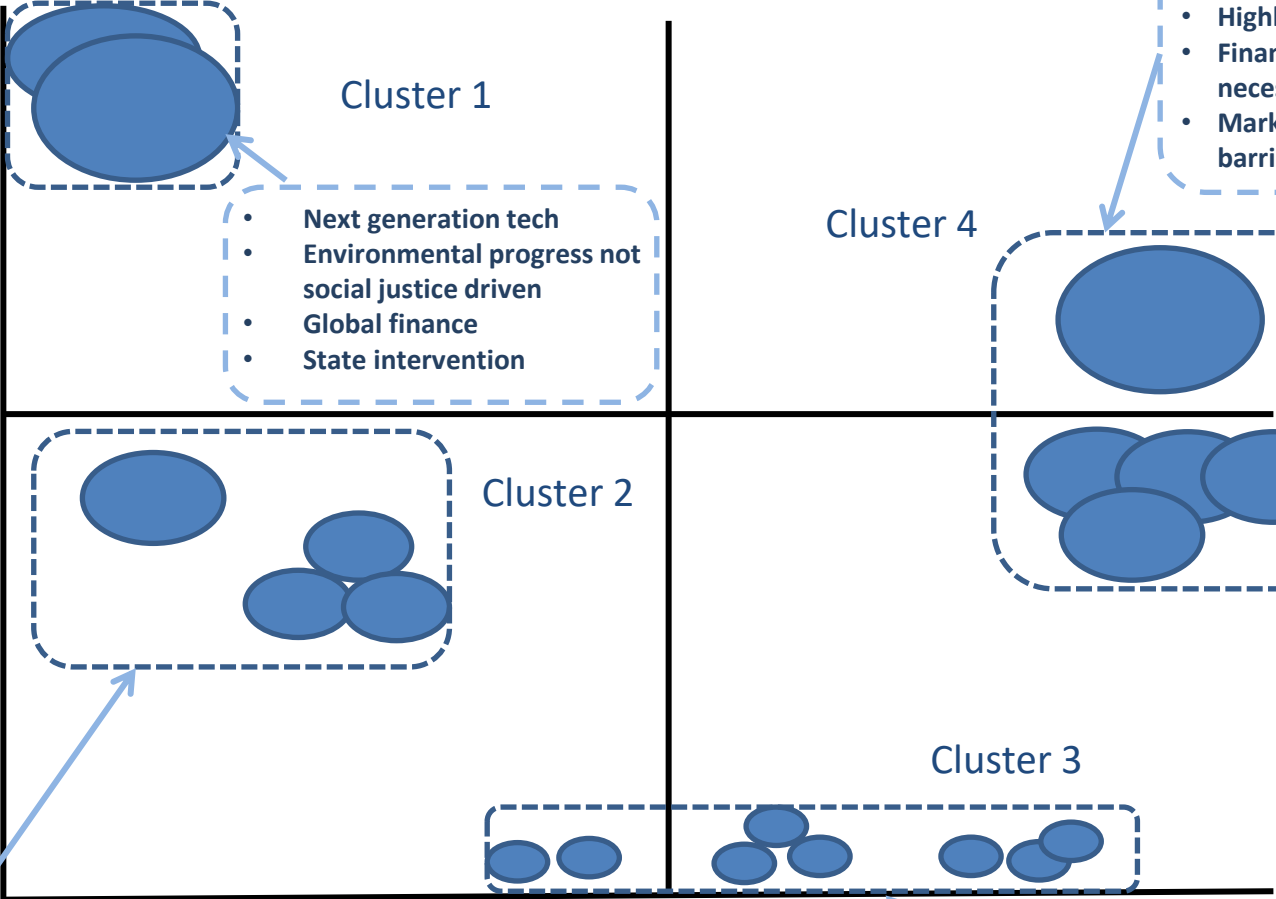
Cluster 4

- High JT ambition
- Attractive ticket price
- Highly novel
- Financial innovation necessary
- Market interest but barriers

Cluster 3

- Medium to high JT ambition
- Unattractive ticket price (high TC + DD costs)
- Piloting, pioneering ,impact funding required
- Limited market interest locally or abroad
- Rethinking scale, aggregation and replicability

- Low level of JT ambition
- Attractive ticket price to private finance sector
- Attractive to international finance: DFI de-risking and patient capital



EXPERT PAPERS

Investigation into financing challenges of high JT ambition projects and therefore the character of JT finance demand (quadrants 3 & 4)

- Identifies what tools exist and can be used and where gaps are
- Identifies required decision to support funding gap being filled

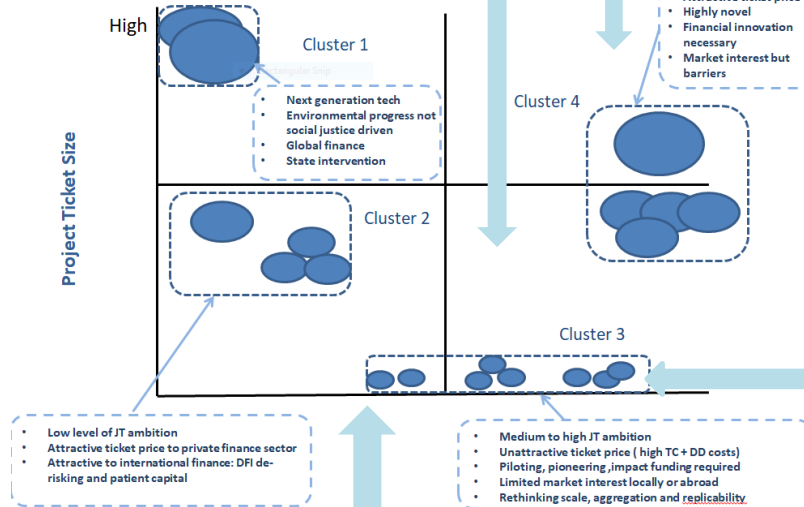
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Investigation into how financial eco system players understand and view JT finance and their identified barriers

- Community awareness and views
- What the community understands and buys into
- What key challenges they identify need to be addressed to unlock necessary funding

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Financing Challenges



Investigation into how we think about scale and replicability (cluster 3)

- What characterises community scale projects and their probability of success
- What options exist to facilitate scale and replicability

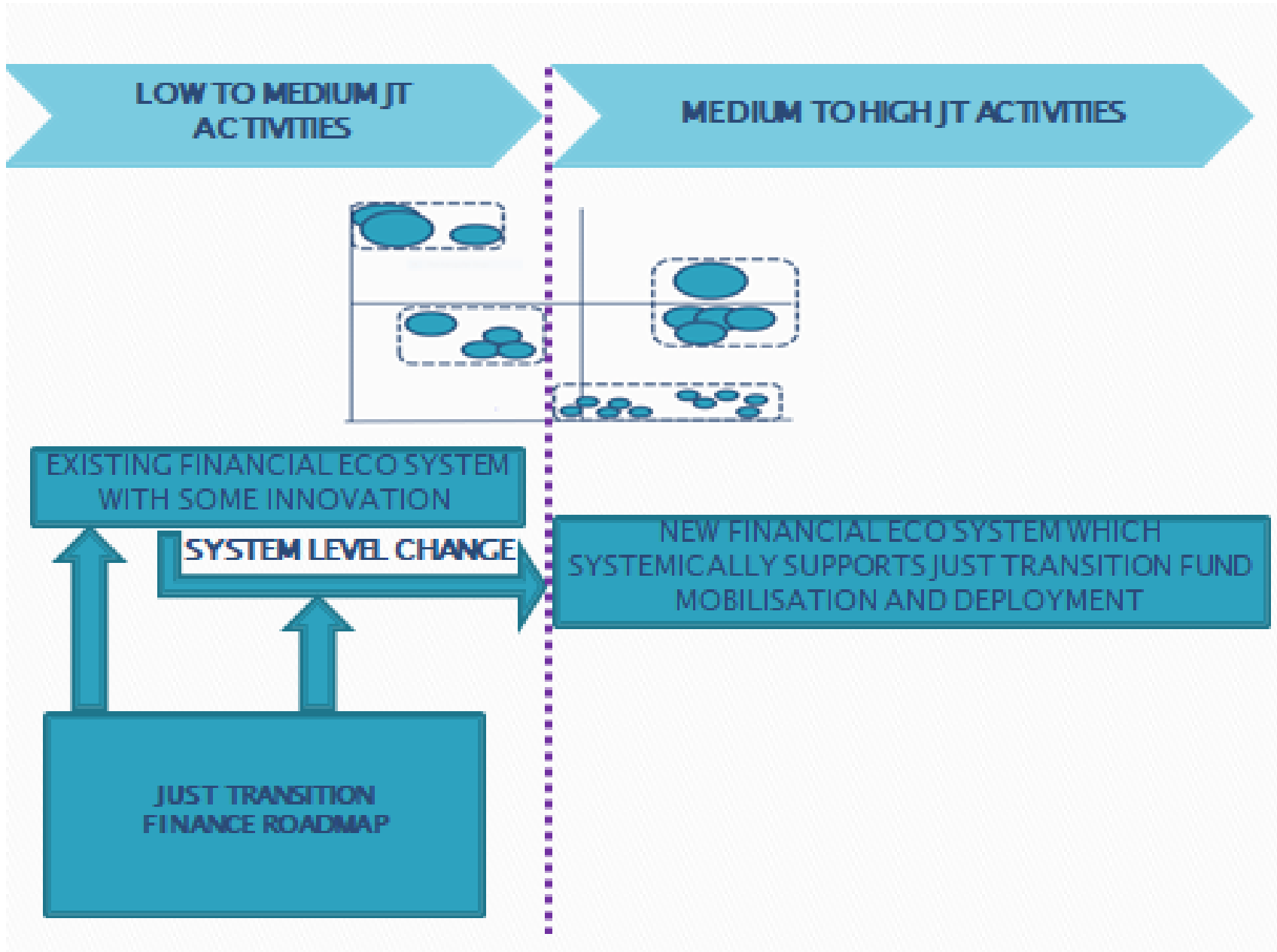
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Investigation into possible JT social indicators (axis)

1

- Distinguishes what qualifies as a just transition project and what doesn't
- Key building block for a meaningful ESG disclosure standard

Implications for the Financial Eco System



ROADMAP ARTICULATION

Current Gap in meeting SA specific Demand for Just Transition Finance



FOUR YEAR ACTION PLAN

2022 2023 2024 2025

2050 Vision of a Future South African Financial Ecosystem aligned with government climate and social development policy

Characteristic	New Eco System
Financial Stability	Short term and long term environmental, social, governance and developmental risks are measured, priced and managed at a system level and at the level of individual projects.
Public Finance Effectiveness	Government designs and implements an integrated set of consistent interventions that focus on creating and supporting an enabling environment for sustainable and especially just transition finance and that all legislative and regulatory barriers to such finance have been removed.
Culture and Beliefs	All stakeholders across the eco system have incorporated just transition and sustainable finance practices into their core operations and business as usual decision making. Incentive structures are expanded beyond simple profit making and are also aligned with climate and developmental outcomes and impacts
Market Integrity	ESG disclosure measurement is standardised and effectively measures environmental, social, governance and developmental impacts and outcomes. ESG standards are adopted by all and applied with integrity and consistency. ESG standards are implemented and incorporated as standard financial market integrity practices.
Financial Access	Access to finance is universal and appropriate new sustainable and developmental instruments, mechanisms, support systems and institutional arrangements have been put in place to systemically support real economy financing needs at a sector, industry, project and transaction level.
Financial Institutional Mix	The ecosystem reflects a rich and diverse collection of financial institutions and financial support services which collectively provide the necessary scope and depth of sustainable finance mobilisation and deployment to meet the diverse nature of real economy financing needs; most especially those related to small enterprise funding, place based investment, early stage technology funding and impact investing

