A Guide to Climate Change
for South African CEOs

National Business Initiative

2021–2023 A VERY IMPORTANT TIME FOR CLIMATE CHANGE

WHAT YOU NEED TO KNOW ABOUT RAMPING UP CLIMATE AMBITION

SUPPORTED BY

UK PACT

Reading Time:
30 minutes

FOREWORD

Enhancing ambition globally and at home, is essential for transitioning South Africa's economy to one that is competitive.

We believe there is a real opportunity for South Africa to access long-term trade and capital as the global economy transitions to one that is **net-zero by 2050**. Nine of the largest economies in the world have committed to net-zero by 2050 and are looking to secure low-carbon goods that can help them meet those goals. We see parallel commitment and activity from the global private sector.

To access these new markets and capital **South Africa needs to position itself as a credible market**. In order to be credible, South Africa needs to demonstrate similar levels of ambition and demonstrate what needs to be done (and what international support is needed) to get there.

COP26 at the end of 2021 is a major opportunity to present South Africa's long-term plan and ambition and therefore **position South Africa as a major investment destination**. It is therefore incumbent on business to support enhanced ambition in government submissions. Business should specifically support enhanced ambition in the Nationally Determined Contribution (NDC) (2030 targets) in line with a long-term effort to reduce carbon emissions to net-zero by 2050.

This CEO guide is designed to give CEOs, executives and key decision-makers within companies that information and resources (signposted by QR codes) they need to understand this urgent need to increase ambition.

This Guide is divided into three sections:

1. **The context for ambition:** Describes the global policy and corporate action context, as well as the actions business and NBI members can take.
2. **Why ambition is important:** Describes how the context may impact the South African economy, and therefore the urgent need for us to collectively enhance ambition.
3. **What business can do?** Gives an overview of NBI projects and how business can play their part to enhance the transition.

Credibility is earned in two ways: making bold leadership commitments and backing those commitments up with action. Business needs to enhance their credibility in order to positively influence ambition in the NDC, critical in attracting investment and accessing opportunity.

We therefore ask of you:

- **Set a net-zero ambition through the Alliances for Climate Action.**
- **Actively encourage government to enhance ambition in the NDC.**
- **Work with the NBI to create investment opportunities that enhance national and individual company competitiveness.**

It starts with us.

Joanne Yawitch
CEO, NBI

ACRONYMS

ACA	Alliances for Climate Action
AR	Assessment Reports
B2B	Business-to-Business
BCG	Boston Consulting Group
BUSA	Business Unity South Africa
CAT	Climate Action Tracker
CBDR	Common but differentiated responsibility and respective capabilities
CDP	Carbon Disclosure Project
CDR	Carbon Dioxide Removal
CERC	Climate Equity Reference Calculator
COP	Conference of the Parties
CPI	Climate Policy Initiative
CTL	Coal to Liquid
DBSA	Development Bank Southern Africa
DFI	Development Finance Institutions
EP	Energy Productivity
FCCM	Finance Coalition Coordination Mechanism
GCF	Green Climate Fund
GHG	Greenhouse Gases
IPCC	Intergovernmental Panel on Climate Change
IRP	Integrated Resource Plan
LEDS	Low-Emission Development Strategy 2050
MP-GCA	Marrakesh Partnership for Global Climate Action
NAMA	National Appropriate Mitigation Actions
NDC	Nationally Determined Contributions
NDCP	NDC Partnership
PCC	Presidential Climate Commission
PGMs	Platinum Group Metals
PPD	Peak Plateau and Decline Trajectory
RE	Renewable Energy
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
TCFD	Task Force for Climate-Related Financial Disclosures
TIPS	Trade and Industrial Policy Strategies
UNFCCC	United Nations Framework Convention on Climate Change
WBCSD	World Business Council for Sustainable Development
WMB	We Mean Business
WRI	World Resource Institute
WWF	World Wild Fund for Nature

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OVERVIEW OF CEO CHAMPIONS

Onboarding of additional CEOs ongoing

Joanne Yawitch
NBI CEO

Cas Coovadia
BUSA CEO

Mark Dytor
AECI CEO

Nolitha Fakude
Anglo American SA Chairperson

Taelo Mojapelo
BP Southern Africa CEO

Deidré Penfold
CAIA Exec Director

Theo Boschoff
AgBiz CEO

Yusa Hassan
Engen MD and CEO

André de Ruyter
Eskom CEO

Stuart Mckensie
Ethos CEO

Mxolisi Mgojo
Exxaro CEO

Alan Pullinger
First Rand CEO

Nyimpini Mabunda
GE SA CEO

Tshokolo TP Nchocho
IDC CEO

Mohammed Akoojee
CEO Imperial Logistics

Leila Fourie
JSE Group CEO

Vivien McMenamin
Mondi SA CEO

Marelise van der Westhuizen
Norton Rose Fulbright CEO

Roland van Wijnen
PPC Africa CEO

Njombo Lekula
PPC MD SA Cement and Materials

Ishmael Poolo
Central Energy Fund CEO

Alex Thiel
SAPPI CEO

Fleetwood Grobler
Sasol CEO

Hloniphizwe Mtolo
Shell SA CEO

Lungisa Fuzile
Standard Bank South Africa CEO

Gavin Hudson
Tongaat Hulett CEO

Paul Hanratty
Sanlam CEO

Portia Derby
Transnet CEO

THREE INTERCONNECTED SOURCES OF AMBITION

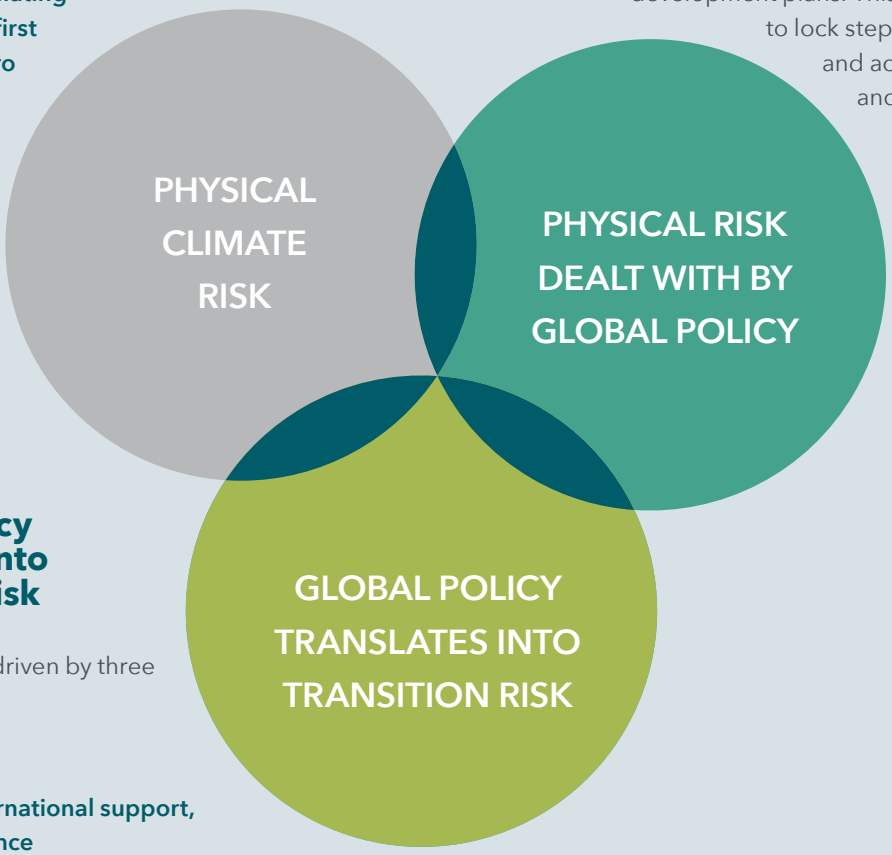
The need for enhanced climate ambition stems from the interconnection between the risk posed by climate change to our economy and environments as well as from what is deemed an appropriate policy response to this risk.

Physical climate risk

Reports from the IPCC, which are extremely conservative, increasingly uncover evidence to suggest we need to **cut emissions as fast as possible, translating into earlier than first expected net-zero dates.**

Global policy response

The recognition of the science is leading to countries around the world implementing more ambitious policy and economic development plans. This is an opportunity to lock step with their plans and access new markets and stimulate growth.



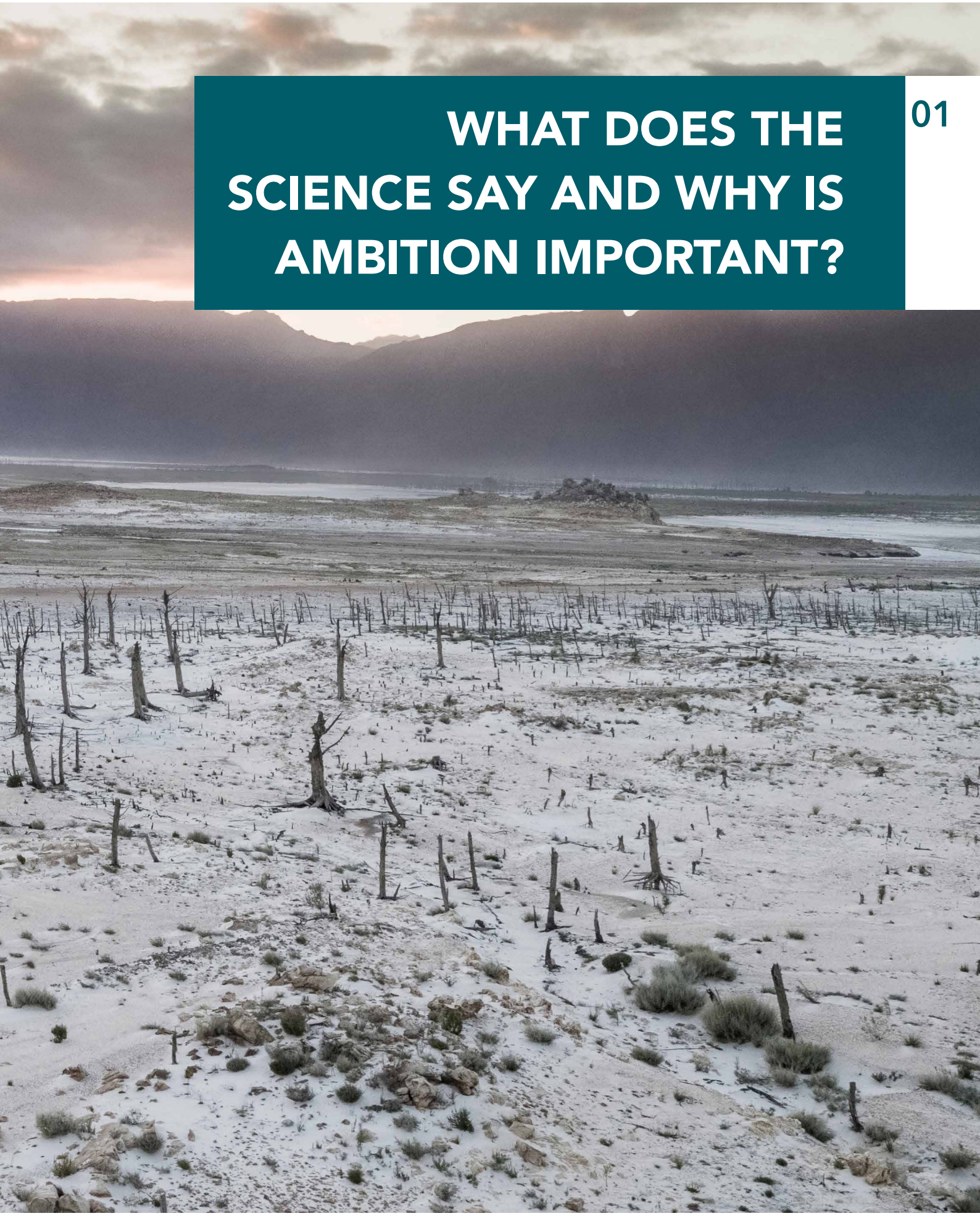
Global policy translates into transition risk

Transition risk is driven by three key factors:

- **Trade**
- **Access to international support, including finance**
- **Shifts in capital markets.**

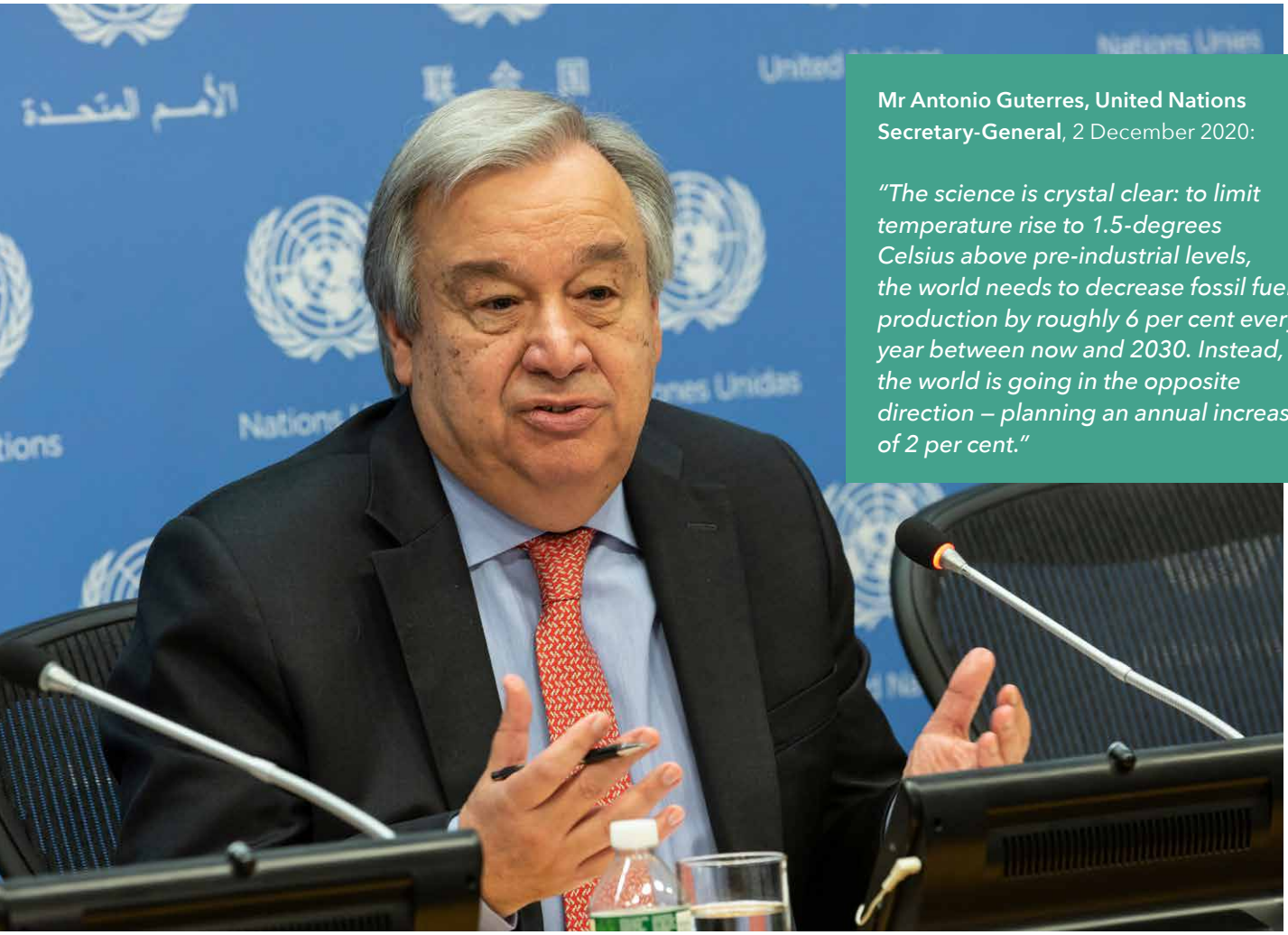
> *South Africa is exceptionally vulnerable to physical and transition climate risk.*
>
> *Leadership is critical.*

01 WHAT DOES THE SCIENCE SAY AND WHY IS AMBITION IMPORTANT?



WHAT DOES THE SCIENCE SAY?

- We should aim to keep temperature increase to below 1.5 °C above pre-industrial levels.
- The implication is that we need to cease the emission of CO_2 prior to 2050, with rapid and massive emission reductions before 2030.
- This requires a huge global multi-stakeholder collaborative effort and massive global systems change.
- To meet this objective, developed countries and companies will have to reach **net-zero before 2050**.
- South Africa is uniquely vulnerable to climate risk. It is therefore in our best interests to lead on 1.5 °C efforts.

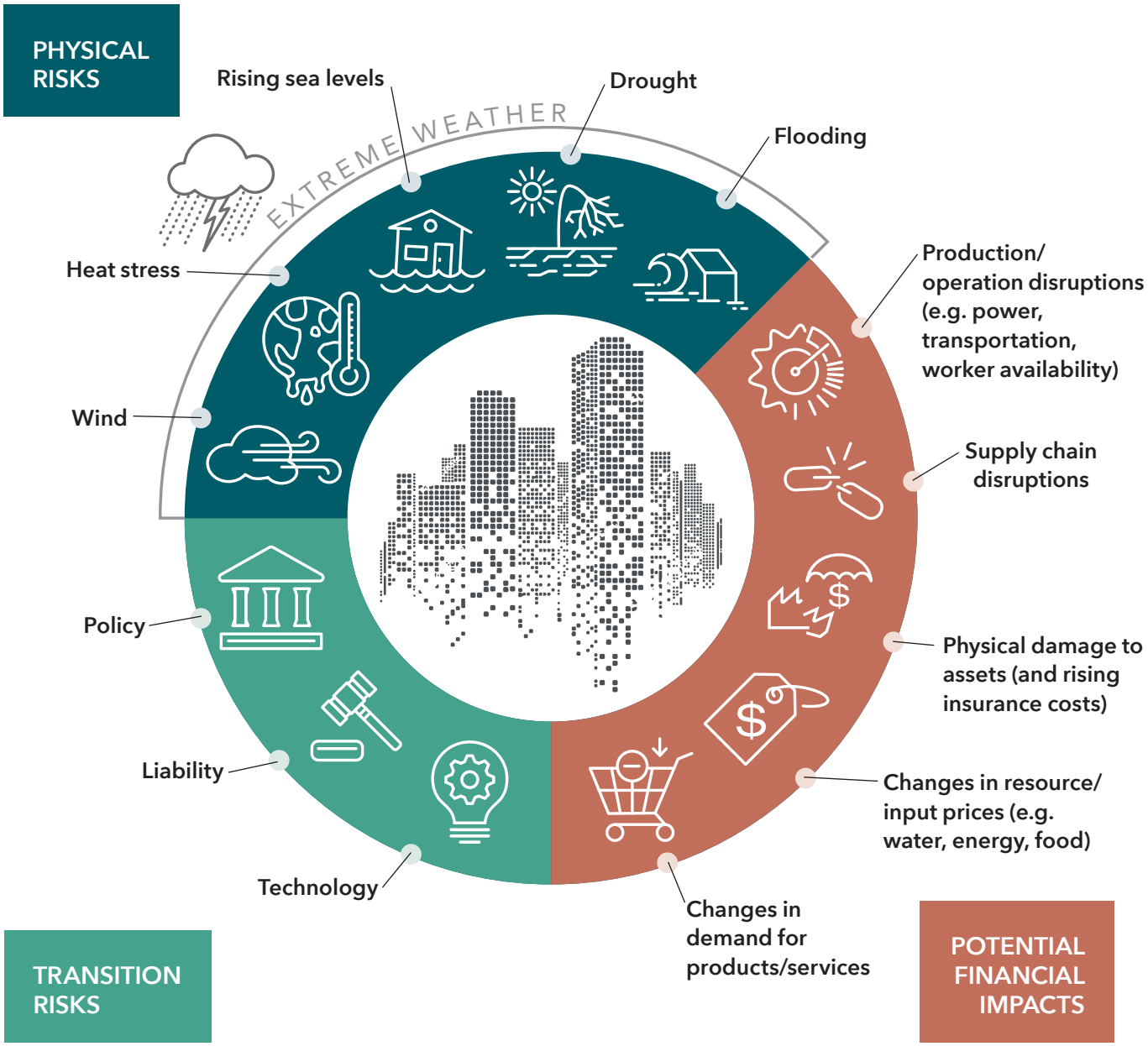


Mr Antonio Guterres, United Nations Secretary-General, 2 December 2020:

"The science is crystal clear: to limit temperature rise to 1.5-degrees Celsius above pre-industrial levels, the world needs to decrease fossil fuel production by roughly 6 per cent every year between now and 2030. Instead, the world is going in the opposite direction – planning an annual increase of 2 per cent."

KEY TERMINOLOGY: PHYSICAL VS TRANSITION RISK

In many cases, physical and transition risks are inversely related to each other. If we change our economy (through policy, technology and law) we will be exposed to less physical risk. However, we may then be exposed to greater transition risk.



(Source: https://cicero.oslo.no/en/CF-transitional-risk)

KEY IPCC REPORTS

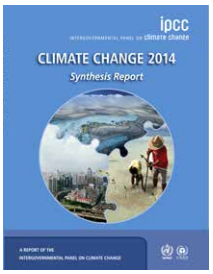
The IPCC prepares the following reports:

- **Comprehensive Assessment Reports (AR)** which are about knowledge on climate change, its causes, potential impacts, and response options.
  - The most recent assessment report, reviewing all available literature in a massive global effort, was released in 2014.
  - The latest synthesis report (AR6 is due to be released in stages between April 2021 and June 2022).
- **Special Reports** are an assessment of a specific issue. Recently several special reports were released, with the most notable being the Special Report on Global Warming and 1.5 °C.
- **Methodology Reports** provide practical guidelines for the preparation of greenhouse gas inventories.

AR5 Synthesis Report: Climate Change 2014

Released October 2014

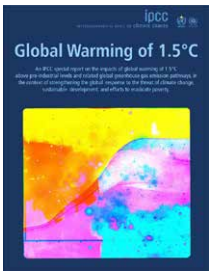
https://www.ipcc.ch/report/ar5/syr/



Special Report on Global Warning and 1.5 °C

Released October 2018

https://www.ipcc.ch/sr15/



Special Report: Climate Change and Land

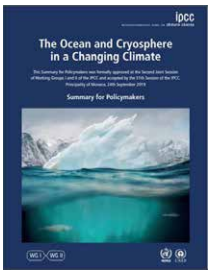
Released March 2022

https://www.ipcc.ch/srccl/

Special Report on the Ocean and Cryosphere in a Changing Climate

Released March 2022

https://www.ipcc.ch/srocc/



AR6 Synthesis Report: Climate Change 2022

Due in 2022 with staggered sub-sections, released from April 2021

https://www.ipcc.ch/report/sixth-assessment-report-cycle/

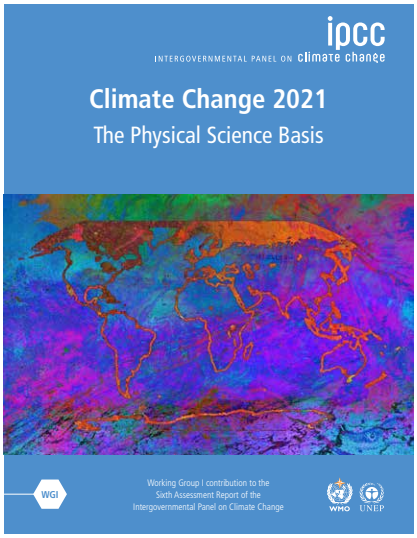
HEADLINES FROM AR5

01

- **Human influence on the climate is clear**. Recent anthropogenic emissions of greenhouse gases are the highest in history. Recent climate changes have had widespread impacts on human and natural systems.
- **Continued emission of greenhouse gases will cause further warming and long-lasting changes** in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems.
- **Limiting climate change requires substantial and sustained reduction in greenhouse gas emissions**, which together with adaptation, can limit climate change risk.
- **Adaptation and mitigation are complimentary strategies** for reducing and managing the risks of climate change. Many adaptation and mitigation options can help address climate change, but no single option is sufficient by itself.
- **Substantial emissions reductions** over the next few decades can reduce climate risks in the twenty-first century and beyond, increase prospects for effective adaptation, reduce the costs and challenges of mitigation in the longer-term, and contribute to climate-resilient pathways for sustainable development.
- **Effective implementation depends on policies and co-operation** at all scales and can be enhanced through integrated responses that link adaptation and mitigation with other societal objectives.

Photo: Shutterstock.com

HEADLINES FROM AR6



The AR6 report is made up of a series of reports written by three key working groups. Working Group 1 discusses the climate science and is the most recent report release. The findings of Working Groups 2 and 3 will be released by June 2022.

Working Group 1 has published the updated physical climate science. It builds on findings from the 2013 AR5 report and identifies new (and worrying) trends and insights.

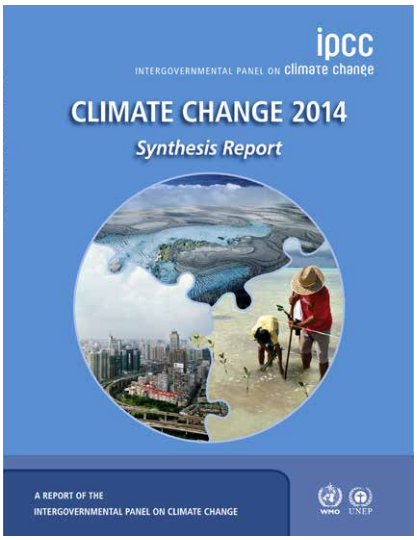
- **Each of the last four decades has been successively warmer than any decade that preceded it since 1850.** The last two decades of the 21st century (2001–2020) have been recorded as the warmest decades since 1850. Human influence is likely to be the cause of increased well-mixed greenhouse gas concentrations at a rate that is unprecedented in the last 2000 years.
- The IPCC has **declared a code red for humanit**y, as the earth is warming faster than expected.
- **Human-induced climate change is already affecting many weather and climate extremes across the globe**. This is resulting in the earth warming at a faster rate and leading to observed changes in extremes such as heat waves, droughts, heavy precipitation, tropical cyclones. This has strengthened since the AR5.
- A number of regions of South Africa are **predicted to become drastically warmer and drier**. This will bring South Africa significant challenges, leaving us with very limited options for adaptation (the scope of adaptation options available are increased if there is greater water availability in a region).
- **Changes in the climate system are becoming more extreme directly due to global warming**. This includes increases in the frequency and intensity of hot extremes, marine heatwaves and heavy precipitation, as well as agricultural and ecological droughts in some regions.

- **Under the scenarios of increasing CO_2 emissions, the ocean and land carbon sinks are projected to be less effective at slowing the accumulation of CO_2 in the atmosphere**. This leads to a higher proportion of emitted CO_2 remaining in the atmosphere.
- **Human activities affect all the major climate system components, with some responding over decades, and others over centuries.**
- **From a physical sciences perspective, limiting human-induced global warming to a specific level requires limiting cumulative CO_2 emissions, reaching at least net zero CO_2 emissions.** Strong, rapid and sustained reductions in emissions will also limit the warming effect resulting from declining aerosol pollution, which can improve air quality.

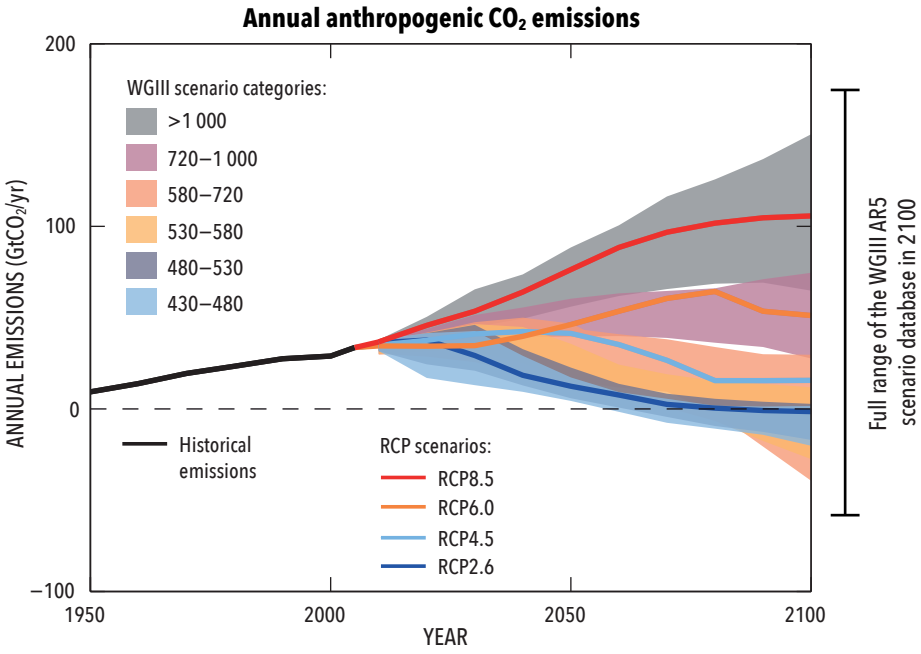
- South Africa can potentially **face a day zero drought in Gauteng**, and it is predicted as one of South Africa's major climate risk's in the near term. This can occur in the next 20 years, which we need to think very carefully about the possibility of this happening.

To view the report, visit: https://www.ipcc.ch/report/ar6/wg1/#FullReport

Watch Professor Francois Engelbrecht, one of the authors of the IPCC's Special Report on the Global Warming of 1.5 °C, presenting on climate change in Southern Africa. https://www.youtube.com/watch?v=M_FUb_GQNV0.

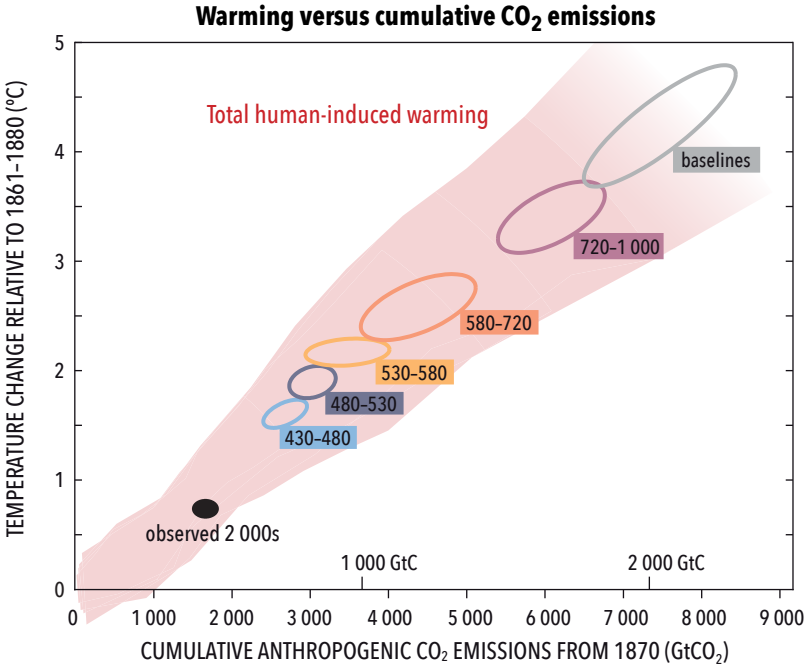


AR5 sets out a series of scenarios and their related predicted temperature rise



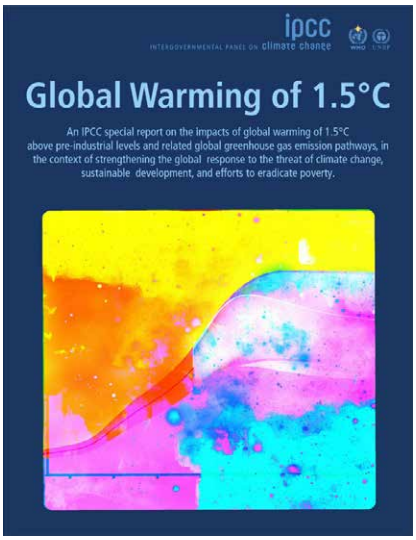
NOTE: Local science shows that parts of South Africa warm at twice the rate of the global average.

If all country unconditional NDCs were achieved by 2030, the world would be on track for average temperature increases of 3 °C–4 °C.



(Source: https://www.ipcc.ch/report/ar5/syr/)

SPECIAL REPORT ON 1.5 °C



The world is currently not on track to meet the 1.5 ˚C limit. Avoiding overshoot and reliance on future large-scale deployment of carbon dioxide removal (CDR), can only be achieved if global CO_2 emissions start to decline well before 2030.

A marginal difference of 0.5 °C (2 °C vs 1.5 °C) can be achieved through greater climate action. This can make a huge difference in terms of socio-economic outcomes: job growth, improved access to energy, sustainable transport, and healthy cities.

Everyone needs to embark on climate action: countries, cities, the private sector, and individuals. International co-operation can provide an enabling environment for this to be achieved in all countries and for all people, in the context of sustainable development. **International co-operation is a critical enabler** for developing countries and vulnerable regions.

The impacts of climate change globally

		1,5 °C	2 °C	2 °C IMPACTS
EXTREME HEAT	Global population exposed to severe heat at least once every five years	14%	37%	2,6 X WORSE
SPECIES LOSS: VERTEBRATES	Vertebrates that lose at least half their range	4%	8%	2 X WORSE
PERMAFROST	Amount of Arctic permafrost that will thaw	4,8 MILLION KM_2	6,6 MILLION KM_2	38% WORSE
CROP YIELDS	Reduction in maize harvests in tropics	3%	7%	2,3 X WORSE
FISHERIES	Decline in marine fisheries	1,5 MILLION TONNES	3 MILLION TONNES	2 X WORSE

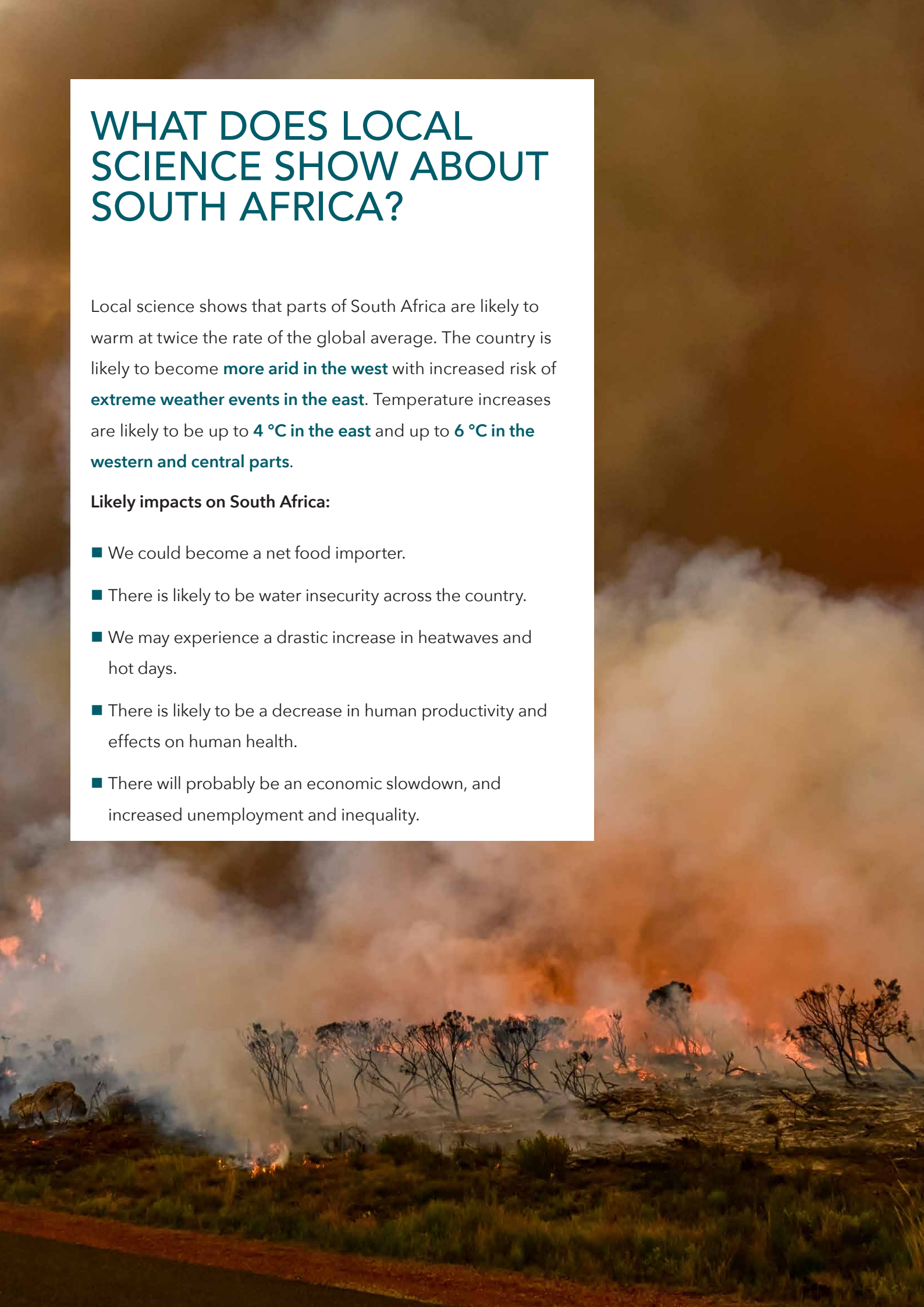
(Source: https://www.wri.org/blog/2018/10/8-things-you-need-know-about-ipcc-15-c-report)

WHAT DOES LOCAL SCIENCE SHOW ABOUT SOUTH AFRICA?

Local science shows that parts of South Africa are likely to warm at twice the rate of the global average. The country is likely to become **more arid in the west** with increased risk of **extreme weather events in the east**. Temperature increases are likely to be up to **4 °C in the east** and up to **6 °C in the western and central parts**.

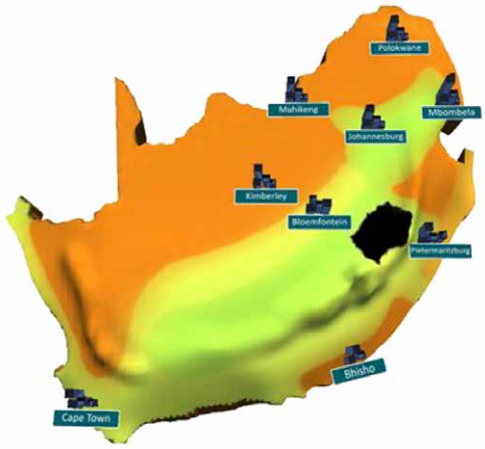
Likely impacts on South Africa:

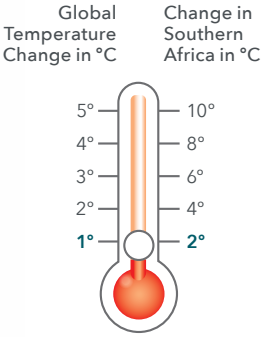
- We could become a net food importer.
- There is likely to be water insecurity across the country.
- We may experience a drastic increase in heatwaves and hot days.
- There is likely to be a decrease in human productivity and effects on human health.
- There will probably be an economic slowdown, and increased unemployment and inequality.



The impacts of climate change in South Africa: Human discomfort

PRESENT DAY SITUATION

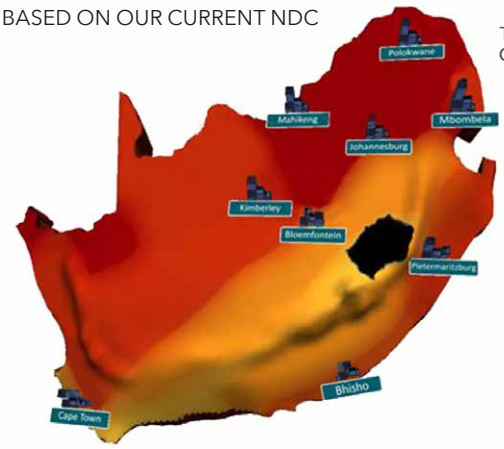


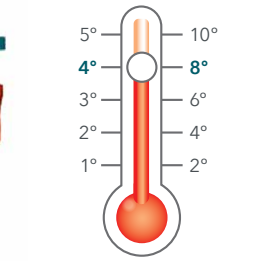


Human Discomfort
The average number of hot days in a year

- 0–45 Days
- 46–90 Days
- 90–135 Days
- 136–180 Days
- 181–225 Days
- 226–270 Days
- Lesotho

OUR FUTURE
BASED ON OUR CURRENT NDC





Red areas on the maps:
Indicate areas in the country that will experience between 181–270 hot days in a year (temperatures above 27 °C) in a 4 °C world.

This threatens the productivity of the South African workforce, especially for those performing manual labour outdoors or underground in the mines.

These maps are from the **NBI Climate mApp**, freely available for download on the App store and Google Play Store. Use the NBI Climate mApp to visually experience the impacts of climate change in South Africa.

Link to the Google Play Store: https://play.google.com/store/apps/details?id=za.co.bizarreality.nbimap&hl=en_ZA&gl=US

The late Professor Bob Scholes (1957–2021) was a world renowned systems ecologist. He was a Distinguished Professor of Systems Ecology and Director of the Global Change and Sustainability Research Institute at the University of the Witwatersrand. Scholes was named one of the most highly cited scientists in the world in 2020. Watch Professor Scholes discuss the potential impacts of climate change in South Africa. https://www.youtube.com/watch?v=FKKs-rpwLwA.

02

HOW DOES THE GLOBAL POLICY CONTEXT TRANSLATE TO LOCAL POLICY AMBITION?

INTERNATIONAL CONTEXT

Climate change negotiations at the end of each year (typically November or December) are rooted in the Rio Earth Summit 1992, where three areas of concern were identified: **climate change, biodiversity and desertification**. A UN infrastructure was established for each area.

Three main bodies for climate change

The UN established three main bodies for climate change:

- **UNFCCC** (United Nations Framework Convention on Climate Change): An international treaty on climate change.
- **IPCC** (Intergovernmental Panel on Climate Change): A UN body created to provide regular scientific assessments on climate change, its implications and potential future risks; and to present adaptation and mitigation options.
- **COP** (Conference of the Parties): The decision-making body of the UNFCCC. All countries that are parties to the UNFCCC are represented at the COP, where the key task is to annually review progress on climate change and to update agreements.

All COP agreements are nested in the UNFCCC, which defines the principles ('terms and conditions') of the agreements. The Paris Agreement therefore cannot be read separately from the UNFCCC.

Principles of the UNFCCC

There are three main principles of the UNFCCC:

- The **precautionary principle** (article 3.3) states that where harm to the public or environment is suspected, the absence of scientific consensus cannot prevent states from acting.
- The **polluter pays principle** (article 3.1) states that the entity responsible for causing the pollution should pay for the damage caused by said pollution.
- The **principle of common but differentiated responsibility** (article 4.1) is an interpretation of the general equity principle in international law. It recognises historical differences in the contributions of developed and developing states to global environmental problems, as well as differences in their respective economic and technical capacity to tackle these problems.

United Nations
Climate Change

Link to UNFCCC website:
https://unfccc.int

KEY COP DECISIONS AND APPROACHES

COPs run in cycles, with technical COPs (focused on the rules needed to implement major agreements) punctuated by political COPs, where major changes are agreed to.

We focus here on the political COPs.

Prior to 2009

- COP efforts aimed at top-down rules-based processes, embodied by the Kyoto Protocol.
- Coverage of top-down commitments included a fraction of global emissions.
- Bali (2007) introduced a focus on adaptation.

2009 Copenhagen

- Confidence in top-down approach collapsed.
- Little progress was made and trust between developed and developing nations was badly eroded.

2011 Durban

- Building on excellent work in Mexico in 2010, Durban gets negotiations back on track, with potentially greater involvement from all countries.
- Switch to a bottom-up (country-led) approach, at the risk of diluting ambition. Leadership from business and others enhances ambition.

2015 Paris

- All countries included (and all emissions).
- All countries required to submit NDCs and country-level goals. These must be re-submitted every five years, enhancing ambition each time.
- Goals are set to limit global warming to well below 2 °C, preferably to 1.5 °C.

2016 Marrakesh

- Negotiations are only for sovereign states. Building on earlier work (notably in Durban), COP acknowledges role of non-state actors in climate change implementation.
- Under Climate Champions leadership, the Marrakech Partnership for Global Climate Action supports implementation of the Paris Agreement by enabling collaboration between governments and the cities, regions, businesses and investors that must act on climate change.

2021 Glasgow

Key outcomes of COP26 in Glasgow include:

- The completing the Paris Agreement Work Programme or the Paris Rulebook.
- Increasing ambition was achieved. An annual mitigation ambition work program has been established, coupled with ministerial roundtables, to assess progress on implementation. Countries are encouraged to review and update their Nationally Determined Contributions (NDCs) and long-term low emissions development strategies more regularly, with the opportunity to do so annually.

UN CLIMATE CHANGE CONFERENCE UK 2021
IN PARTNERSHIP WITH ITALY

THE PARIS AGREEMENT

The Paris Agreement set three long-term goals regarding mitigation, adaptation and finance:

AMBITION LEVEL
Ratcheting mechanisms in the agreement guarantee progressive ambition.

RESILIENCE GOAL
To increase the resilience of communities and businesses to the impacts of climate change, understanding that emission reductions will lower the cost of future climate impacts.

FINANCIAL GOAL
To direct global finance flows (including private finance) towards low greenhouse gas and climate change investment.

TEMPERATURE GOAL
To hold global warming below 2 °C above pre-industrial levels while pursuing an ambitious 1.5 °C.

As a result of the Paris Agreement, individual countries are investing in carbon legislation and infrastructure that will be reinforced over time – through trade, trade agreements, pricing and eventually sanctions.

Link to the Paris Agreement:
https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Photo: United Nations

United States Secretary of State John Kerry addresses the Highlevel Event on the Entry into Force of the Paris Agreement, 2016.

The magic of the Paris Agreement is that it binds all countries (now the US is back) to gradually enhance ambition, aligned with pursuing all efforts to stay below 1.5 °C. This is achieved by increasing each country's commitment.

A risk is that each country's commitment is based on their own view on what they are capable of. Consequently, the current level of ambition cumulatively embedded in the NDCs will lead to global warming levels of nearly 4 °C.

However, the potential of the Paris Agreement is that the NDCs must be enhanced every five years, and that over time, ambition will be aligned with the scientific recommendation of 1.5 °C. **It is critical that all parties work together to stimulate higher levels of ambition.**

A major risk to the long-term process is the erosion of common but differentiated responsibility and respective capabilities (CBDR). A principle to the Paris Agreement is that countries that have benefitted from historical industrialisation (often via colonial and trade abuses), and have been greater contributors to carbon emissions, should assist other countries in their transitions. Assistance should be provided through capacity-building, technology transfer, trade and finance.

However, this conversation is dominated by existing holders of power (developed countries and companies), often the very parties who are failing to meet their commitments. This is especially true of financial contributions. For example, the commitment for developed countries to spend US$100 billion a year on climate finance to help poorer countries mitigate and adapt to climate change until 2025, is not being met.

HISTORICAL CONTEXT OF DEVELOPING COUNTRIES

We cannot ignore the impact of colonialism and that it has lead to developing country economies having been designed to be heavily resource intensive in order to supply developed countries with raw materials. We also cannot ignore the fact that developed countries have, thus far, not met their international climate commitments.

'Fair share' is a contested concept in the UNFCCC negotiations. For developing countries, implicit in common but differentiated responsibility (CBDR) is an understanding that the lack of development is a factor of deliberate creation and legacy of colonialism and imperialism. Essentially the establishment of extractive economies that enabled the currently developed world to develop.

CBDR therefore recognises that developing countries need time to change, and that in fact their emissions may need to increase before reducing. This understanding of history is an uncomfortable one for the developed world, and is the reason that their analyses are often based solely on current and future emissions with little consideration of what shaped the situation in the first place.

In South Africa's specific case we also need to acknowledge our specific history of an apartheid government making decisions that neither cared for or catered for the majority of our people; as well as a recent administration characterised by corrupt practices and a hollowing out of state capacity.

The channels for implementing support for developing countries by developed countries are referred to as the means of implementation and include:

- Finance
- Capacity-building
- Intellectual Property Access and Technology Support
- Trade

Developed countries have reneged on their agreements, where for example they agreed (2010) to a goal of mobilising jointly US$100 billion per year by 2025 to address the needs of developing countries, for climate action. Developed countries would argue that the scale of emissions of developing countries is such that they cannot be exempt from stricter targets.

Enhancing our emissions reduction goal as expressed in our Nationally Determined Contribution (NDC) is about our ability to access support and resources to meet our goals. Our NDC needs to be ambitious enough to keep our options open.

02

COMMON BUT DIFFERENTIATED RESPONSIBILITY (CBDR)

Where does South Africa sit on the spectrum of developed and developing economies?

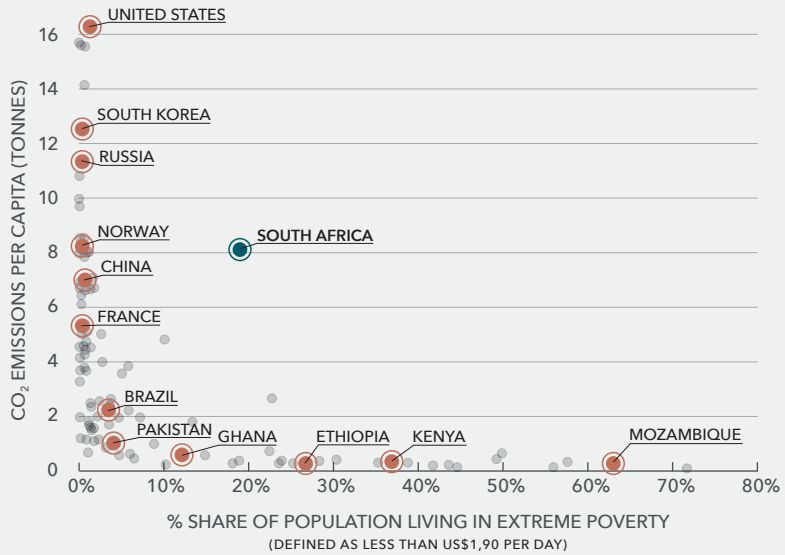
A big question for South Africa is where we sit on the spectrum of developed and developing economies. We are a member of the G77 which represents the interests of developing countries in the UN system and we negotiate in the UNFCCC as part of the Africa Group. However, we are a middle income developing country. Key to the discussion of how we are seen is the issue of historical emissions and the remaining share of the carbon budget to which we would be entitled.

Support, but greater scrutiny

South Africa will be entitled to some support, given our high levels of poverty and inequality. However, we will suffer greater scrutiny to justify this support, and we will need to blend international and local components. To raise financial support through the UNFCCC, we will need to demonstrate a carefully thought-through local plan, as well as significant capital provision from local and commercial sources.

> ***South Africa is unique in that it has both high emissions per capita and extremely high levels of poverty and inequality.***

Percentage of population living in extreme poverty and CO_2 emissions per capita



(Source: Our World in Data, Global Carbon Project, World Bank, Gapminder, UN)

Three key takeaways:

- South African companies and the State do not have the balance sheets to fund the transition on their own.
- International support is therefore essential, as is a collaborative long-term plan.
- There will be a significant social overhead in transition finance.

A FAIR SHARE CARBON BUDGET

Given our context, what would a reasonable allocation of a global budget look like?

South Africa's current emissions are around **480 Mt CO_2 equivalents** (CO_2e) each year. Our carbon budget is calculated by determining the area **under our project emissions curve**. We know from science that we need to get to net-zero by 2050 to keep below 1.5 °C, and roughly by 2060–2070 for around 2 °C. Given anticipated levels of global emissions, we isolate 1.5 °C options and methodologies.

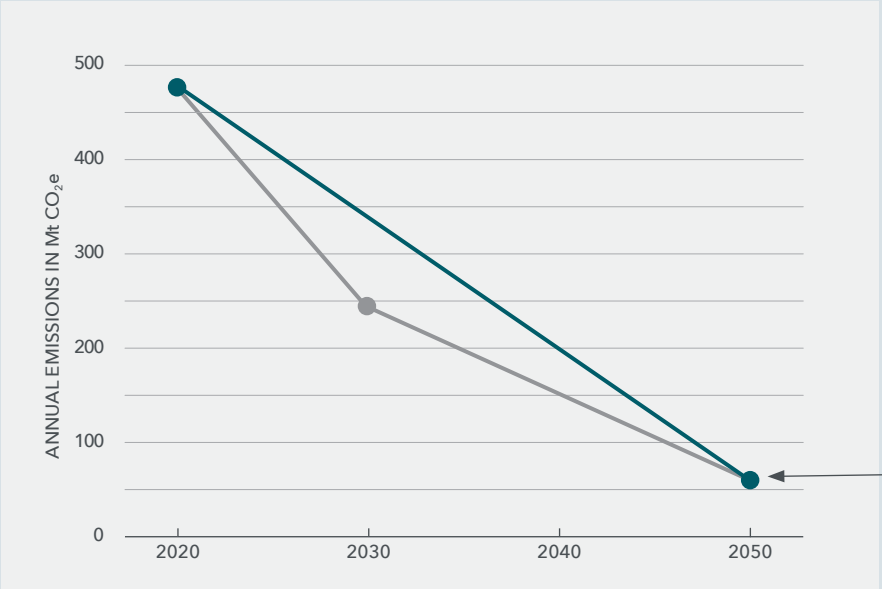
What is South Africa's fair share?

In theory, differences between nations should allow South Africa a slightly higher budget than the straight line estimate.

The Climate Action Tracker (CAT) provides data for the range of methodologies used to estimate fair share. According to CAT, taking our historical context into account, the medians of the methodologies used for limiting warming to 1.5 °C, allocates us a carbon budget of around **7 Gt**, with an **upper end of 9.2 Gt**.

SA fair share range: 7 Gt to 9.2 Gt CO_2e.

South Africa's fair share of the carbon budget based on 1.5 degrees



1. **A straight line from now to net-zero by 2050 would allocate a budget of 8.1 Gt.**

2. **The IPCC highlights a global need to halve emissions by 2030, and then net-zero by 2050. This would result in a South African budget of 6.6 Gt.**

Strictly speaking there would be about 60 Mt CO_2e made up of non-CO_2 GHG gases. Net-zero targets are for CO_2 only.

Link to The Climate Action Tracker:
https://climateactiontracker.org/

SOUTH AFRICAN 2015 NDC AMBITION

The South African 2015 NDC does not assume a net-neutrality date and is constrained by what is deemed possible within the existing policy framework – specifically the Peak Plateau and Decline Trajectory (PPD) and the Integrated Resource Plan (IRP).

The NDC also specifies a range of options, with an upper and a lower bound. It is also critical to note that the NDC is framed as a 2030 goal and not a 2050 goal.

The upper bound of the existing NDC correlates to a rough budget of 15 Gt and the lower bound to 10 Gt – both higher than the median calculations of fair share.

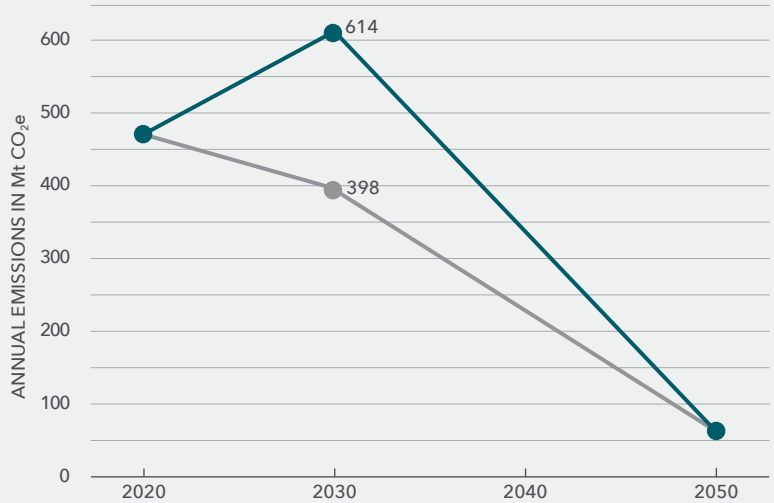
It is worth considering the idea that the steeper the curve the more rapid the decarbonization and the more expensive it would be.

Nationally Determined Contribution (NDC)

In the bottom-up/ country led approach for climate action adopted at COP in Durban in 2011 it was agreed that countries would determine what their emissions reduction targets should be. These targets are expressed in the country's NDC document that is submitted to the UNFCCC every 5 years. Counties are required to enhance their ambition and targets with each iteration to ensure that global targets are met to mitigate the worst impacts of climate change. 5 years ago countries submitted their baseline NDCs and 2021 and COP26 is the deadline for countries to submit revised NDCs and signal enhanced ambition.

SA 2015 NDC frames a 2030 goal and not a 2050 goal.

The South African 2015 NDC



UPDATED NDC AMBITION

Updated NDC proposal

On 30th March 2021, the government released the revised draft of the NDC for consultation. The DFFE consulted widely on the draft NDC and accepted inputs from a wide range of stakeholders including from civil society, academia, business through Business Unity South Africa (BUSA) and others via the Presidential Climate Commission (PCC).

After these consultations, the NDC has been revised again and ambition has been further enhanced and approved by Cabinet. The Cabinet approved version of the NDC has been circulated publicly and will be submitted to the UNFCCC prior to COP26 in November 2021.

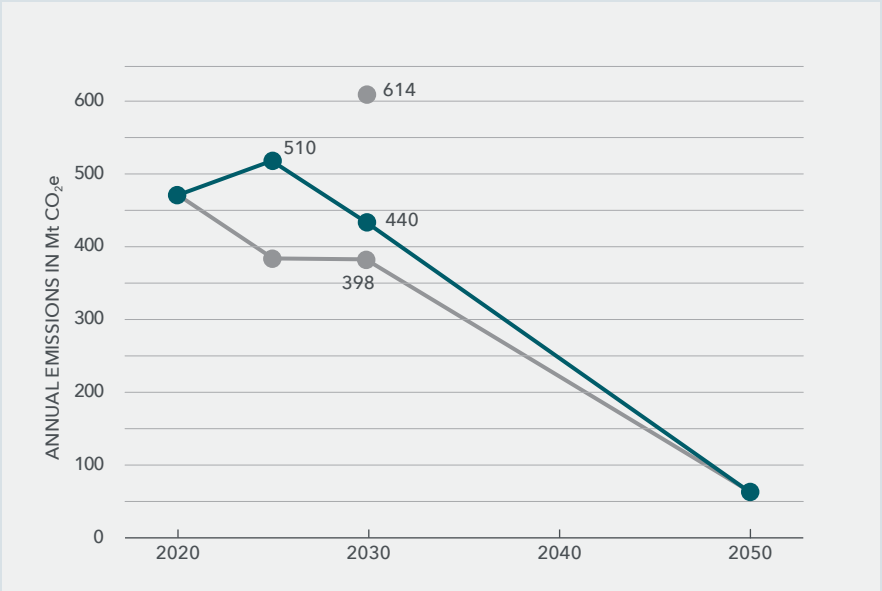
- South Africa's NDC includes a revised emissions mitigation target range with an **upper bound of 420 Mt CO_2e** and a **lower bound of 350 Mt CO_2e**.
- The revised target range is **aligned to the recommendations of the Intergovernmental Panel on Climate Change (IPCC)**.

"The 2030 target range (350–420 Mt CO_2e) is consistent with South Africa's fair share, and is also an ambitious improvement on our previous NDC target. The upper boundary of the proposed 2030 target range represents a 28% reduction in GHG emissions from the 2015 NDC targets."

– Government press release

02

The South African 2021 NDC updated proposal



Link to SA NDC 2021: https://www.environment.gov.za/sites/default/files/reports/draftnationalydetermined contributions_2021updated.pdf

ENHANCED AMBITION

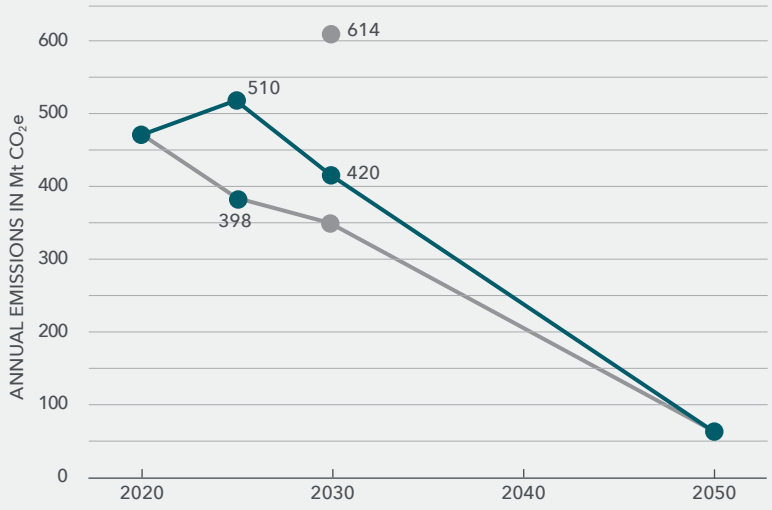
The need for enhanced ambition

South Africa's revised NDC is to be submitted to the UNFCCC in preparation for COP26 in November 2021. The revised NDC is consistent with the Paris Agreement's temperature limit of 'well below 2 degrees', and the bottom of the range is consistent with what is required to limit average temperature increases to the 1.5-degree above pre-industrial levels.

As the foundation of South Africa's climate change response, the NDC has gone through public consultation with various stakeholders including the Presidential Climate Commission, business entities, organised labour, government and civil society.

The NDC 2030 mitigation target range has been updated from 398–614 Mt CO_2e to a range of* ***350–420 Mt CO_2e.

Proposed feasible lower bound of future NDC



Proposed feasible lower bound of future NDC, leads to budget of 8.8 Gt, just within SA's fair share range: 7 Gt to 9.2 Gt CO_2e.

02

PRESIDENTIAL CLIMATE COMMISSION

Over the past months the Presidential Climate Commission (PCC) has met on an ongoing basis to discuss the country's transition to a just and low-carbon economy and society.

"Stakeholders have largely agreed to a net-zero economy by 2050. The job of the commission is to plot out exactly how we get there. It's about both mitigation and adaptation. We are required to come up with detailed pathways. It's a massive shift – our job is planning that in as much detail as we can…"

– Dr Crispian Olver

The PCC has been drawing on low-carbon transition research and models published by various institutions, such as the NBI, Meridian and CSIR, and the Energy Systems Research Centre who have developed pathways for electricity detailing how South Africa can achieve these sector specific net-zero targets. NBI is working to develop net-zero pathways to inform the transition of South Africa's economic sectors.

(Source: https://mg.co.za/environment/2021-05-13-climate-commission-maps-south-africas-road-to-zero-emissions/)

Link to PCC:
https://www.climatecommission.org.za/

02

"Our new NDC proposes a significant reduction in emissions target ranges. By implementing our mitigation strategy, we aim to see our carbon emissions progressively declining from 2025. This is a decade earlier than previously expected. As a country we are committed to contributing our fair share to the global climate effort. One of the tasks of the newly-established Presidential Climate Change Coordinating Commission is to advise government on an ambitious and just transition to a low-carbon economy.

[The name of this commission has changed to the Presidential Climate Commission (PCC)]

The time for greater climate action is now. We have to reduce our emissions. We have to adapt and build resilience for our communities and for our economy.

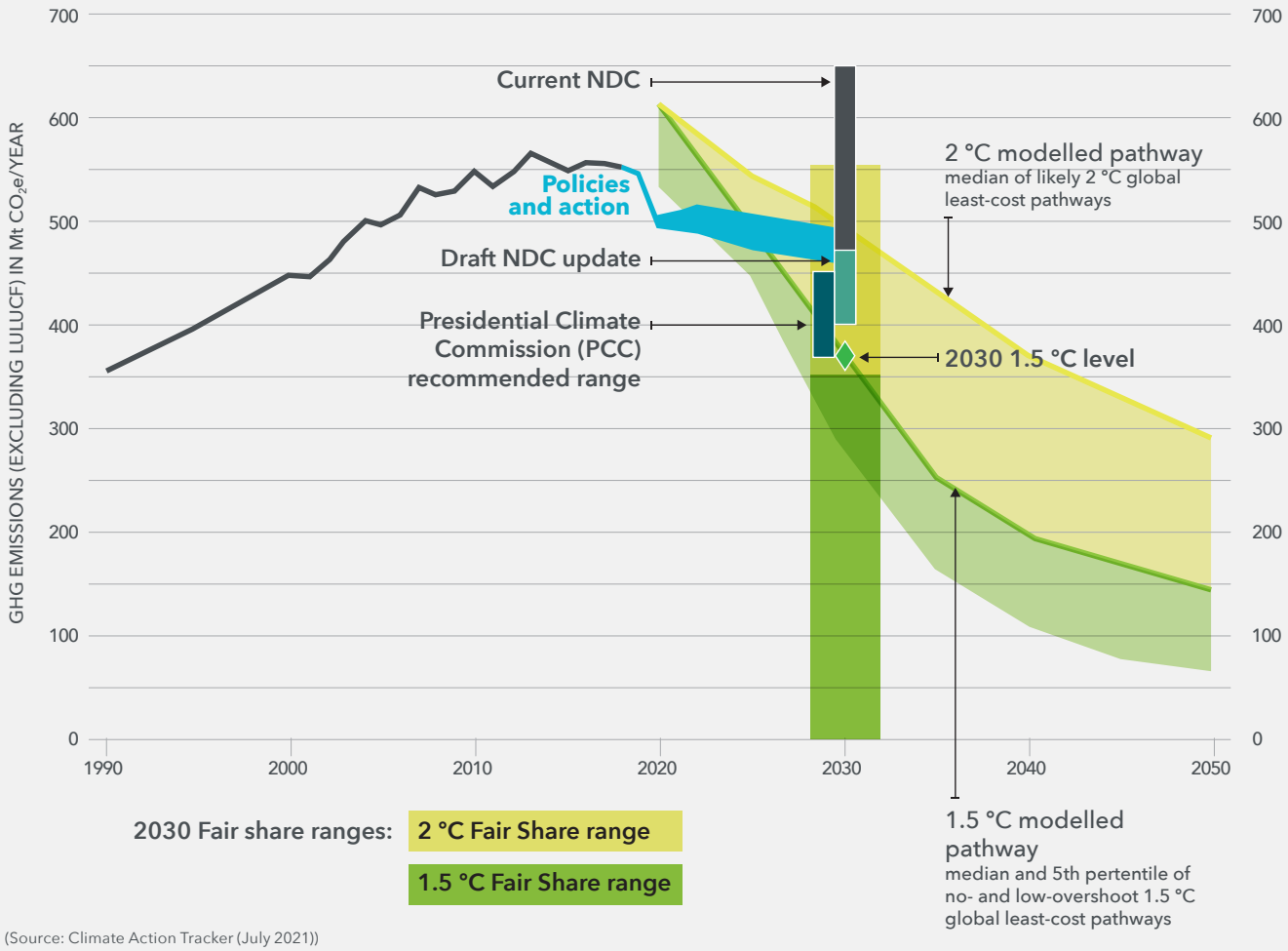
It is only by working together to find solutions and by raising the level of our ambition, that we can reduce the impact of climate change on our country."

(Source: http://www.thepresidency.gov.za/from-the-desk-of-the-president/desk-president%2C-monday%2C-26-april-2021)

ENHANCED AMBITION WITH CLIMATE TRACKER AND CERC RANGES

Proposed target ranges for the NDC update in terms of emissions reductions and how they correspond to average global temperature increases due to climate change according to methodologies applied by both the CERC and CAT.

South Africa's Presidential Climate Commission recommends stronger NDC mitigation range: strongest target closer to 1.5 °C compatible.



(Source: Climate Action Tracker (July 2021))

Link to Climate Equity Reference Calculator: https://calculator.climateequityreference.org/

Link to Climate Action Tracker: https://climateactiontracker.org/

The PCC has run a multi-stakeholder dialogue to make recommendations on changes expressed in the NDC. They are recommended a change to the lower limit of 350 and a change to the upper bound of 420, using the most common methods for calculating fair share allocations: Climate Equity Reference Calculator (CERC) and Climate Action Tracker (CAT).

This revision would mean:

1. The upper bound is 2 °C compatible in CAT and CERC reference growth, not CERC high growth.
2. The lower bound of 350 Mt is in line with augmented IRP 2019 (with some earlier retirement and more RE) and is 1.5 °C compatible in some analyses.
3. Strong social and economic benefits:
   - Net positive impact on jobs, potential green industrialisation, and reduced risk of border tax adjustments
   - Health co-benefits from pollution reduction
   - Ability to mobilise higher levels of international climate finance.

BUSINESS UNITY SOUTH AFRICA

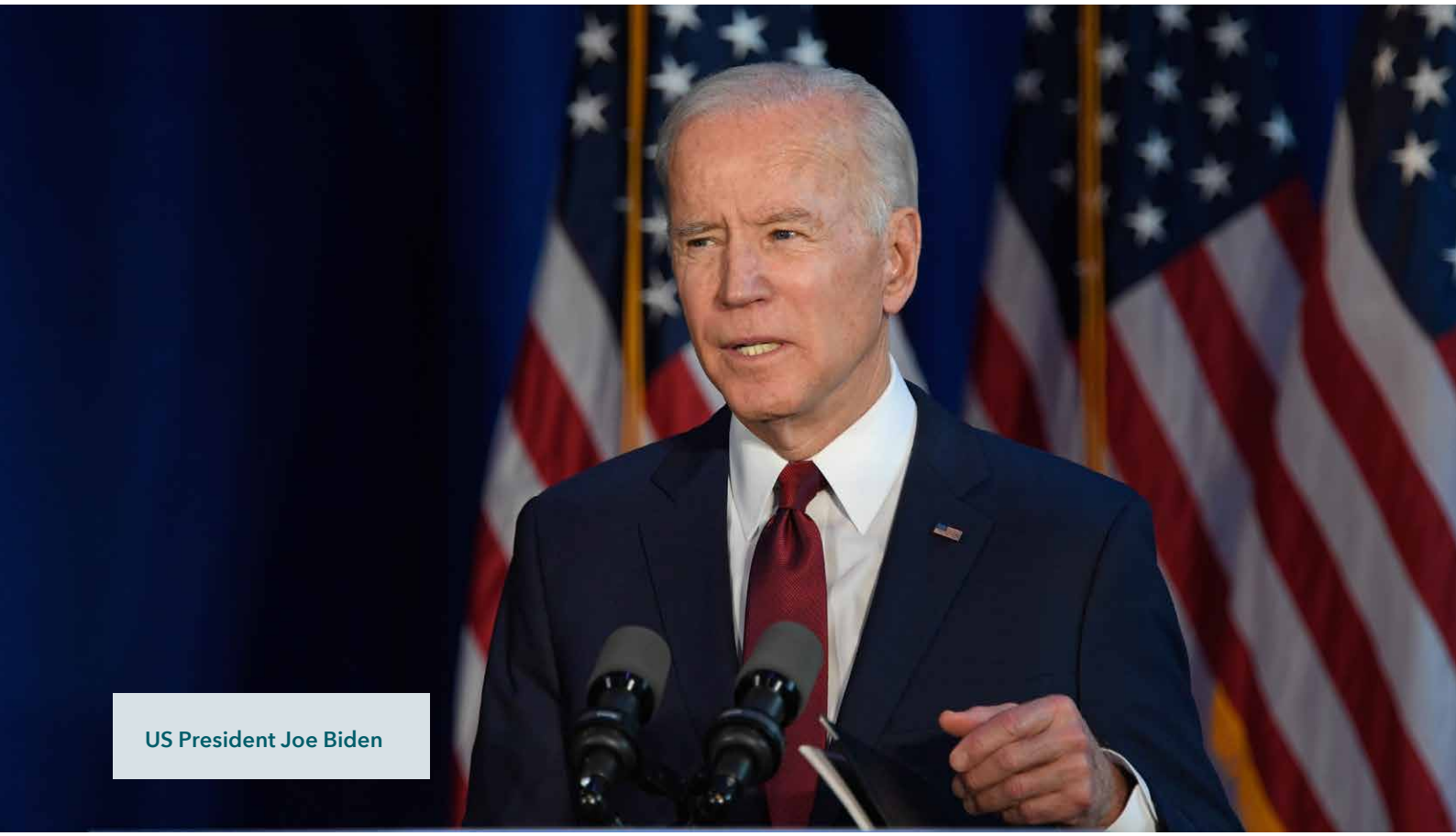
The official position of BUSA is that business would support a level of ambition that would see the country committing to a range of 440 to 350–370 Mt CO_2e by 2030.

This is significantly more ambitious than the NDC put out for public comment and would require concomitantly greater levels of support with regard to means of implementation from the international community than is currently the case.

It is also consistent with international assessments of South Africa's fair share contribution to the global effort, and it would also ensure that the no-regret decisions that would put us onto a net-zero 2050 emissions trajectory would be implemented sooner.

03 HOW IS THE SCIENCE TRANSLATING INTO POLICY AND TRANSITION RISK?

GLOBAL POLICY DRIVES DEMAND AND INFUENCES TRADE



US President Joe Biden

- Twenty-two countries have committed to net-zero trajectories. The majority have set net-neutral dates by 2050.
- These countries will invest in low-carbon development through technology, markets, policy and infrastructure.
- They will protect and recoup their investment, predominantly through trade.
- These countries represent the bulk of South Africa's trading partners. This is therefore simultaneously a significant risk and opportunity.
- Failing to respond threatens South Africa's balance of payments, currency valuation and credit rating, and potentially triggers a vicious cycle threatening the entire economy.
- **The opportunities need to be acted on now.**

EU Commission Chief Ursula von der Leyen

In April 2021, upon setting a 50% to 52% reduction target in greenhouse gas levels by 2030 from a 2005 baseline, **US President Joe Biden** said:

"The countries that take decisive action now to create the industries of the future will be the ones that reap the economic benefits of the clean energy boom that's coming."

In April 2021, upon the EU adopting a new target of at least a 55% reduction in greenhouse gas levels by 2030 from a 1990 baseline, **EU Commission Chief Ursula von der Leyen** said:

"Our political commitment to becoming the first climate neutral continent by 2050 is now also a legal one."

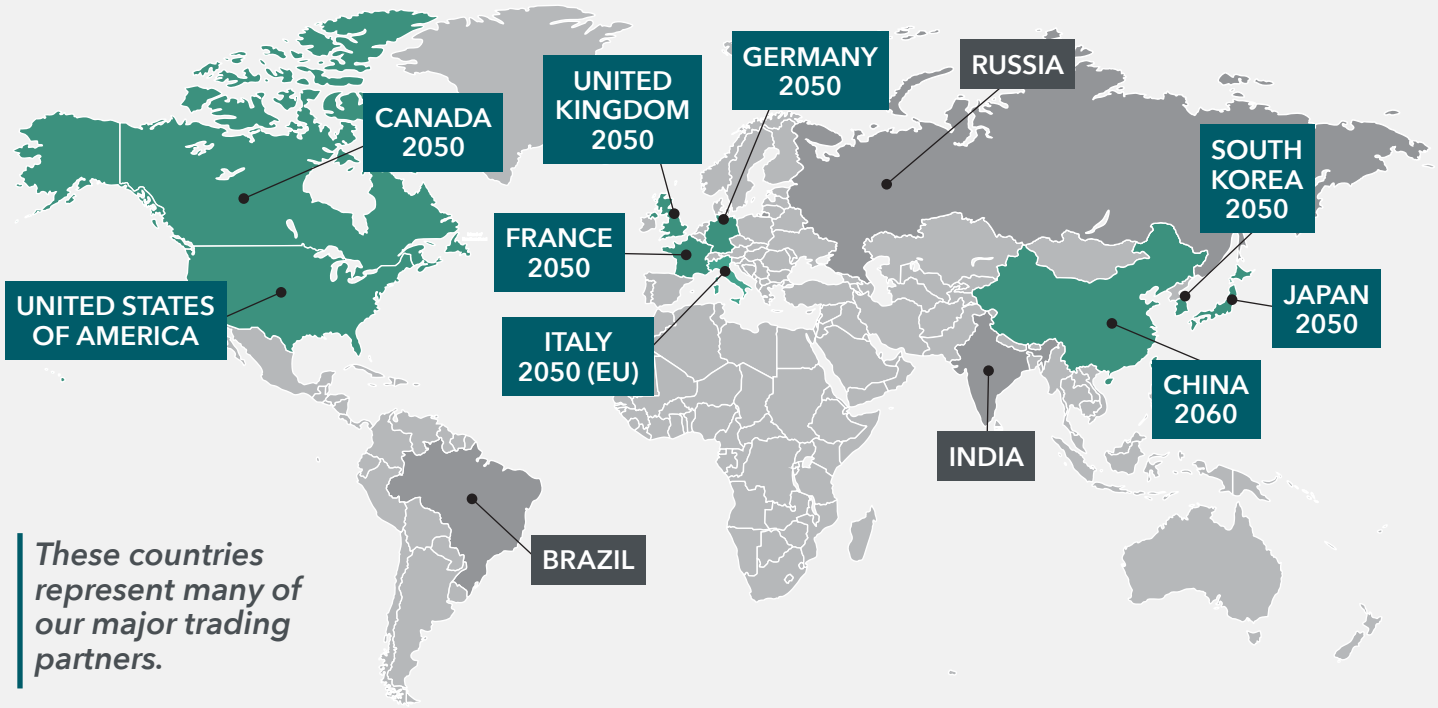
(Source: https://www.globalcitizen.org/en/content/best-quotes-from-leaders-summit-on-climate/)

ECONOMIES COMMITTED TO NET-ZERO EMISSIONS

Two years ago, no major economy was committed to net-zero emissions. Now 9 of the top 12 are, with the US, recently making ambitious statements.

President Joe Biden reversed the US withdrawal from the Paris Agreement, pledged to spend approximately US$2 trillion on climate change mitigation and adaptation, and is aiming for a goal of net-zero emissions by 2050.

Countries committed to net-zero ambitions



These countries represent many of our major trading partners.

(Source: Climate Home News; https://www.businesslive.co.za/bd/national/2020-10-02-watch-the-states-low-emission-development-strategy/)

South Africa's Low-Emission Development Strategy 2050 (LEDS) states:

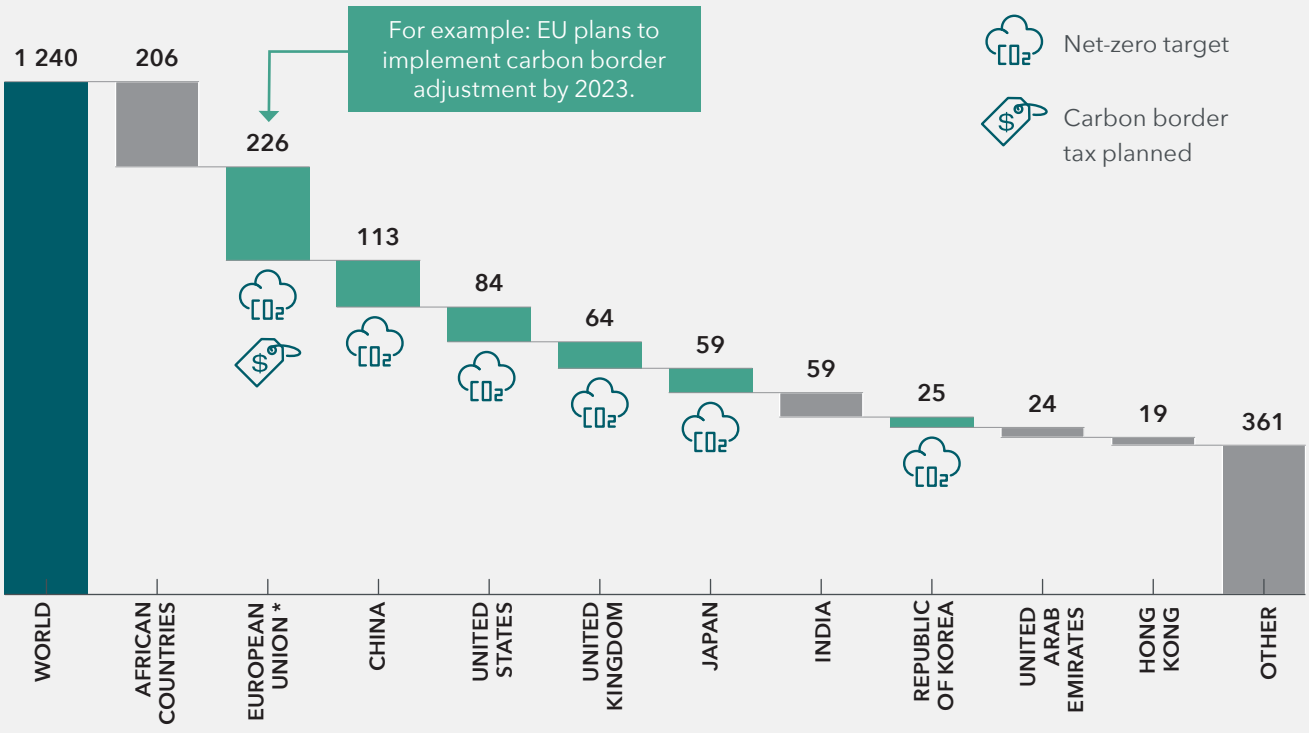
"We thus commit to ultimately moving towards a goal of net-zero carbon emissions by 2050, which will require various interventions to reduce greenhouse gas emissions" (p. 21).

In the lead-up to COP26, global momentum for net-zero climate action is growing rapidly. Twenty-two countries and the EU have now formally adopted net-zero targets. More than 100 other countries have joined the Climate Ambition Alliance to work towards net-zero by 2050 or sooner. The leaders of China and Japan have also recently committed to climate-neutrality.

The commitment of major export partners

Top export partners outside Africa have recently announced commitments to net-zero, putting South African exports at risk if carbon border taxes or other measures are implemented. On the flip side, these are potentially lucrative markets for low-carbon commodities.

Volumes of South Africa's exports to leading partners in 2018 (ZAR billion)



(Source: World Integrated Trade Solution 2018; Press research.)

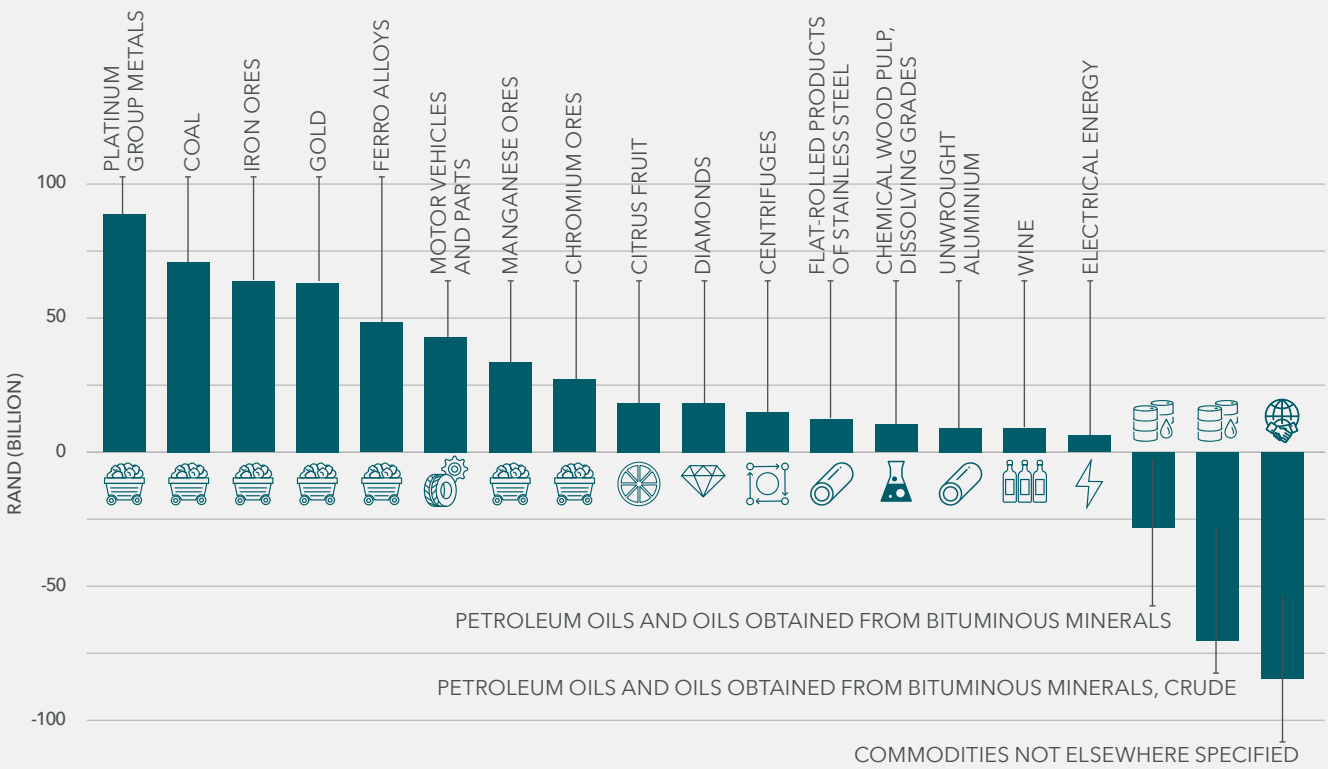
***** The top four trade partners within the European Union (EU) are Germany, Netherlands and Belgium, and are among those with most aggressive targets.

Link to World Resource institute webinar: https://www.wri.org/events/2020/11/webinar-country-action-race-zero

SOUTH AFRICA'S TRADE VULNERABILITY

When considering balance of payments, South Africa's trade vulnerability is particularly acute. The commodities that are our biggest export earners are all extremely vulnerable to changes in global demand, threatening our ability to service national debt and import liquid fuels in the medium-term, and are a threat to our food security. Managing the transition of these sectors could lead to a significant opportunity.

Export commodity earners



(Source: NBI and BCG analysis of DTIC data.)

TOP SIX EXPORTS SEVERELY VULNERABLE TO TRANSITION RISK

The vulnerability to transition risks of our top six exports impacts the whole economy, and all companies should be concerned.

- One third of **Platinum Group Metal** (PGMs) demand comes from component parts of the internal combustion engine. We anticipate that the last internal combustion engine to be manufactured prior to 2035. This will impact both PGMs and **vehicle and vehicle part manufacture** demand. The opportunity is embedded in the role of PGM in fuel cells and hydrogen applications. Furthermore, the automotive sector could be transitioned to manufacturing the electric vehicles.
- **Coal** is unlikely to have any significant role on the global economy post-2050 and will more likely phase out around 2040. South Africa must find alternatives to this significant export commodity, possibly hydrogen fuels and carbon-neutral liquid fuels.
- The success of **gold**, **iron ores** and **ferro alloys** is dependent on finding zero-carbon technology options with low-energy input prices that allow carbon-neutral versions of these commodities that capture global market share.
- It doesn't matter how far down the list you go, South Africa has critical choices to make about how to turn commodity risk into opportunity.

Given that South Africa, according to the DTIC, is the second most vulnerable country by trade weighted distance, and that tourism makes up as much as 10% of GDP, carbon-neutral shipping and aviation are critical global technologies to ensure economic competitiveness.

B2B TRADE IS INCREASINGLY PROMINENT

It's not just government-driven risk and opportunity that is an issue, business commitment and voluntary transition will also be critical.

Major global brands, many of them bigger than country economies, are committing to net-neutral by 2050 or earlier. They will seek to influence their value chains and procure goods and services to help them reach their 2030 and 2050 goals.

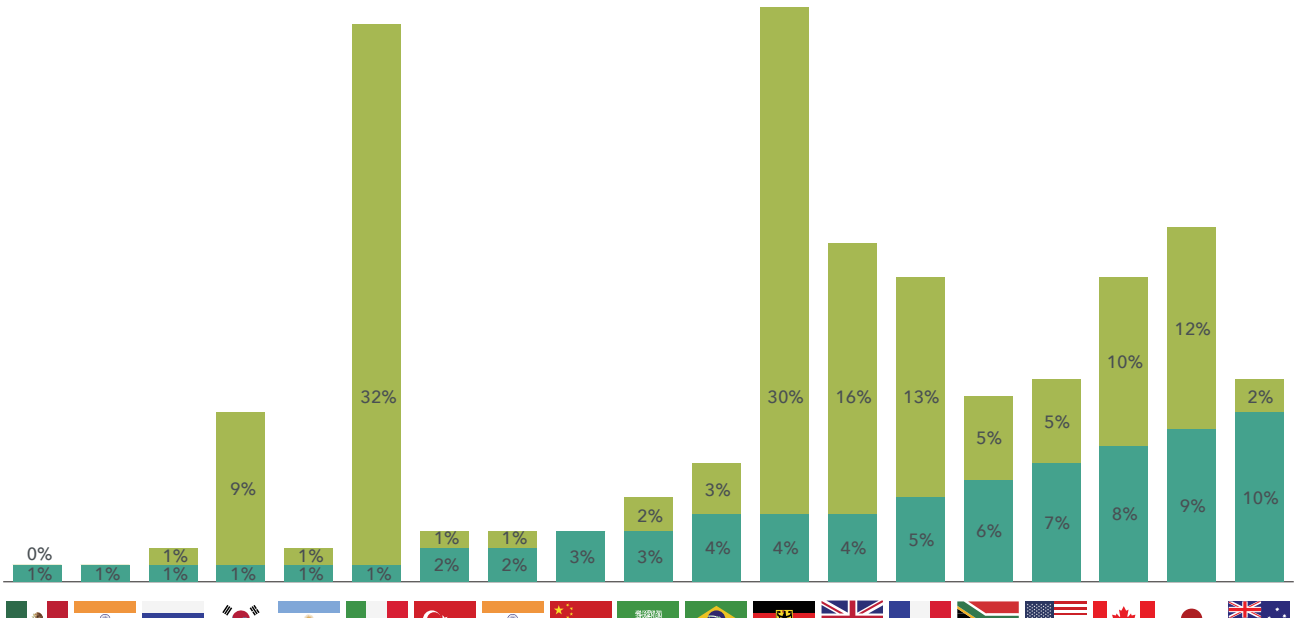
GREEN PRESSURE ON COVID-19 RELATED STIMULUS PACKAGES GLOBALLY

European Green Recovery Alliance:

The European Parliament has launched the Green Recovery Alliance following the call to action of 12 EU Environment Ministers. In addition to 79 Members of the European Parliament (MEPs) across the political spectrum, the Alliance also brings together civil society groups, including 37 CEOs, 28 business associations, the European Trade Union Confederation, seven NGOs and six think tanks.

Among the signed companies from the private sector are the CEOs of Ikea, H&M, Unilever, Danone, E.ON and others. At the heart of the Green Recovery Alliance is the commitment to support post-pandemic transformation plans, in which the fight and mitigation of climate change, protection and safeguard from biodiversity loss, are at the centre of Europe's economic policy.

Size of stimulus packages relative to GDP (%) (as of April 26, 2020)



MEX	IND	RUS	KOR	ARG	ITA*	TUR	IND	CHN	SAU	BRA	DEU*	GBR	FRA*	ZAF	USA	CAN	JPN	AUS
3	-	22	146	5	591	3	10	-	13	55	1 036	423	342	11	1 169	157	638	21
8	23	14	18	5	2	11	18	280	21	64	133	111	120	88	1 569	138	448	125

US$4,6 billion

Loans, equity injections and guarantees

US$3,2 billion

Revenue and expenditure measures

(Source: IMF, National Authorities, Oxford Economics.)

* Signatories to European green recovery alliance to put EU's Green Deal "[…] central to a resilient recovery after COVID-19." Other signatories include Austria, Denmark, Finland, Latvia, Luxembourg, the Netherlands, Portugal, Spain, Sweden and Greece (April 2020)

South Korea embraces EU-Style Green Deal for COVID-19 recovery. (April 2020, *Forbes*)

European Commission President, Ursula von der Leyen (April 2020):

"By using the European Green Deal as our compass, we can turn the crisis of this pandemic into an opportunity to rebuild our economies differently and make them more resilient."

03

German Finance Minister, Olaf Scholz (April 2020):

"When the acute phase of the virus is over, we are planning an [additional] stimulus package that advances the nation technologically and helps the economy move towards climate neutrality."

US Secretary of State, Rossana Rosado on New York State's new legislation for green recovery (April 2020):

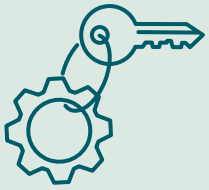
"[The new legislation] demonstrates how forward-thinking policy can be used to boost the state economy and create jobs while bringing abundant, clean, renewable energy to all New Yorkers."

UK Climate Secretary and Secretary of COP26, Alok Sharma (April 2020):

"The world must work together, as it has to deal with the coronavirus pandemic, to support a green and resilient recovery, which leaves no one behind."

LONG-TERM ECONOMIC PROSPERITY

Green stimulus drives long term economic prosperity and can mitigate up to R1,8Tr in South Africa's transition risk*.



Creates jobs and improves social well-being

Creation of as many jobs as coal, and up to 2.5 times more in the best case, with increased resilience and quality of work due to higher skilled workforce.

Enhances economic competiveness on an international level

Close widening 'green gap' between SA and its main trade partners e.g.; EU and China, and remain competitive and relevant for new markets / demand .

Improves South Africa's climate resilience

Implement adaptation measures to mitigate local climate change risks, and ensure water, food and energy security.

Mitigates up to >R1,8Tr of South Africa's transition risk

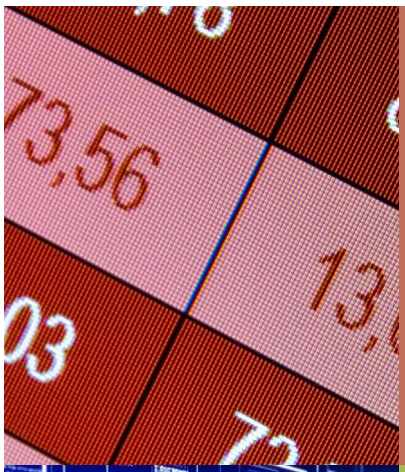
Ensure that measures address SA's transition risk of >R1,8Tr in present value terms between 2013 and 2035 due to stranded assets.*

* 'Transition risk' is widely regarded as the risk that the value of assets and income are less than expected because of climate policy and market transformations, such as the switch away from coal-fired power.

(Source: Understanding the Impact of a Low Carbon Transition on South Africa; Climate Policy Initiative (2019))

ACCESS TO CAPITAL MARKETS IS SHIFTING

Access to capital will be dependent on the country and individual companies demonstrating credible decarbonisation plans.



Listed equity

Climate change is shifting access to capital markets. Disclosure guidance from Carbon Disclosure Project (CDP) and the Task Force on Climate-related Financial Disclosures (TCFD) is used by equity investors who are looking to shift their portfolio's towards low-carbon portfolios. Assets under management of over US$100 Trillion have signed up to CDP, requesting data on climate change management from over 6 000 companies.

Shareholders are demanding divestment from fossil fuels. Pension funds have been targetted. It is likely that capital markets will favour lower impact organisations and indices.

Refinance

The European Union Taxonomy has been driving the rise of green taxonomies and green bonds across developed and developing countries and will have implications for companies beyond EU borders. National Treasury is developing a Green Finance Taxonomy for South Africa.

Insurance

Climate risk is impacting insurable and uninsurable losses, causing insurance companies to adjust their models, impacting what can be insured and at what price.

This affects all sectors, but we are already seeing price changes in the exposed sectors like agriculture, and in heavy emitting sectors like coal, creating challenges in getting insurance at all.

Credit ratings

Credit rating companies are integrating climate change into company and sovereign risk assessments. For example, Moody's plan to publish the outputs of their climate rating methodology in all credit ratings they do.

Given the climate risk exposure of developing countries, "the biggest victims are emerging markets and are likely to be downgraded…" – Sean Kidney.

Link to consultation website for South Africa's Green Finance Taxonomy: https://sustainablefinanceinitiative.org.za/taxonomy/

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

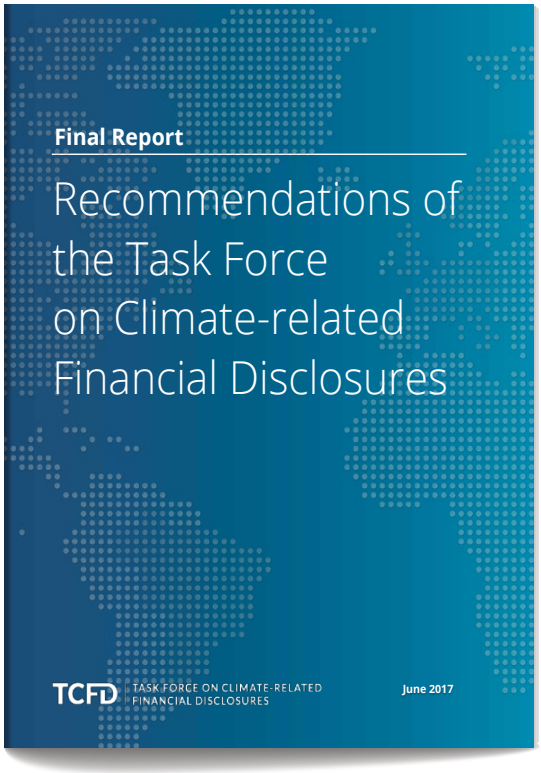
Task Force on Climate-related Financial Disclosures (TCFD) was created by The Financial Stability Board to improve and increase reporting of climate-related financial information.

Benefits of disclosing:

- **Risk assessment**: More effectively evaluate climate-related risks to your company, its suppliers, and competitors.
- **Capital allocation**: Make better-informed decisions on where and when to allocate your capital.
- **Strategic planning**: Better evaluate risks and exposures over the short-, medium-, and long-term.

The TCFD conclude that:

- The magnitude of climate risk to the financial services sector and to financial stability is such that financial risk resulting from climate change should be quantified and disclosed in your mainstream financial filings.
- Given the nature and complexity of climate change this analysis should be driven by scenarios allowing Bayesian updating of financial models.
- The TCFD really changes two things: disclose on mainstream financial filings and use of scenarios.



Link to the TCFD website for more guidance: http://fsb-tcfd.org/

Some of the > 1000 supporters of TCFD

Photo courtesy of the African Development Bank

04 WHAT DOES GLOBAL CLIMATE AMBITION LOOK LIKE FOR BUSINESS?

BUSINESS ENGAGEMENT AND AMBITION OPPORTUNITIES

Businesses have several opportunities to join leadership platforms and engage with COPs, and therefore enhance ambition.

1 Global Leadership Platforms

Participate in the We Mean Business Coalition, WBCSD and/or WRI programmes, such as setting Science Based Targets, joining the Mission Possible Partnership, Climate Ambition Alliance – Race to Zero Campaign, as well as the Finance Coalition Coordination Mechanism (FCCM) for COP26 and the NDC Partnership.

2 Marrakesh Partnership

Support the Marrakesh Partnership for Global Climate Action (MP-GCA) to strengthen collaboration between Party and Non-Party stakeholders including business, towards greater climate mitigation and adaptation action.

3 Alliances for Climate Action

Make a bold leadership statement for net-zero by 2050 through our Alliance for Climate Action Platform in South Africa, and start implementing with partners.

4 NBI-BUSA-BCG Just Transition Pathways Project

Understand the net-zero trajectory for the various sectors of the economy, the level of investment needed and partnerships available.

5 South African Pavilion at COP26

The South African Pavilion at COP26 brought together international partners who advocated for more support for climate action and finance. The outcomes at COP26 are critical for the road to COP27 in 2022.

RACE TO ZERO
CLIMATE AMBITION ALLIANCE

ALLIANCES FOR CLIMATE ACTION SOUTH AFRICA

wbcsd
VISION 2050
TIME TO TRANSFORM

NBI
National Business Initiative

BUSA
BUSINESS UNITY SOUTH AFRICA

BCG

01-12 NOV 2021
GLASGOW
COP26

04

OPPORTUNITY 1

GLOBAL LEADERSHIP PLATFORMS

WE MEAN BUSINESS (WMB) COALITION

Collates major signatory platforms, such as:

- RE100 – 100% renewable power
- EP100 – Commit to smart energy use
- EV100 – Commit to electric vehicles
- Climate Smart Agriculture
- Improve water security

SCIENCE BASED TARGETS INITIATIVE (SBTI)

- Publishes and validates companies (over 1 400) setting reduction targets in line with the Paris Agreement
- Partnership between CDP, the UN Global Compact, World Resources Institute (WRI) and the WWF

MISSION POSSIBLE PARTNERSHIP

- Influences transition in seven carbon-intensive sectors
- Partnership between the Energy Transitions Commission, Rocky Mountain Institute, We Mean Business Coalition, and the World Economic Forum

RACE TO ZERO CAMPAIGN AND RESILIENCE

- UNFCCC campaign that mobilises a coalition of leading net-zero initiatives,
- The coalition represents 708 cities, 23 regions, 2 162 businesses, 127 of the biggest investors, and 571 Higher Education Institutions.

COP26 FINANCE COALITION COORDINATION MECHANISM (FCCM)

- Comprised of key finance coalitions and NGOs focused on mobilising public and private financial institutions for climate action
- Works with the COP26 Presidency and the Race to Zero Campaign

Link to We Mean Business: https://www.wemeanbusinesscoalition.org/

Link to SBTi: https://sciencebasedtargets.org/

Link to Race to Zero: https://unfccc.int/climate-action/race-to-zero-campaign

Link to Mission Possible Partnership: https://missionpossiblepartnership.org/

Link to FCCM: https://wwf.panda.org/?1170866/COP26-FFCM

Link to NDC Partnership: https://ndcpartnership.org/partner-contributions

THE ROLE OF WE MEAN BUSINESS

The activities of **We Mean Business** have been recognised by the UNFCCC to positively influence ambition in the Paris Agreement.

Contribution to the Paris Agreement

Civil society groups have always been deeply engaged in COP processes. They are involved in producing daily summaries and making recommendations on negotiation text. Until We Mean Business (WMB), business was less engaged in this process. This changed in the build up to the Paris Agreement, when the world's most influential business organisations formed the We Mean Business Coalition and drove a business perspective on ambition, even recommending text. We Mean Business has been central to the business engagement at COP ever since.

Systems transformation

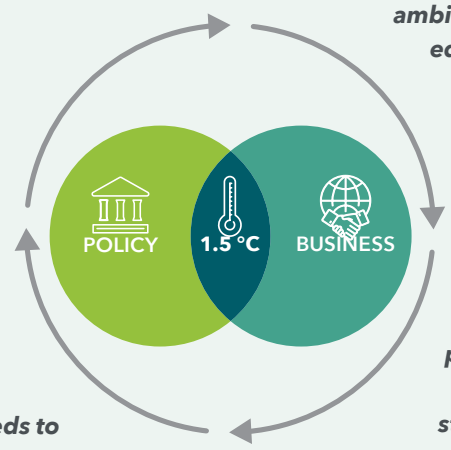
We Mean Business is calling on global leaders to address the climate crisis and simultaneously boost economic growth, creating decent jobs, addressing inequality and increasing resilience. We Mean Business originated **#BuildBackBetter**.

Globally, 1 935 companies now recognise the transition to a net-zero economy is the only way to secure sustainable economic growth and prosperity for all.

We Mean Business' Theory of Change

Translating policy outcomes for business

Mobilising business to set ambitions targets and equipping them to implement and achieve impact



Influencing government to create the ambitions, enabling policy that business needs to deliver bold climate action

Accelerating through partnerships with investors, cities, states and regions and civil society

WE MEAN BUSINESS COALITION

BSR

CDP
DISCLOSURE INSIGHT ACTION

Ceres

CLG Europe

THE B TEAM

CLIMATE GROUP

wbcsd

NBI
National Business Initiative

*The NBI is the local partner to **We Mean Business** in South Africa.*

04

MARRAKESH PARTNERSHIP

Under the leadership of the high-level Climate Champions, the Marrakech Partnership for Global Climate Action supports the implementation of the Paris Agreement by enabling collaboration between governments and the cities, regions, businesses and investors that must act on climate change.

Their mission is to strengthen collaboration between governments and key stakeholders to immediately lower emissions and increase resilience against climate impacts. These actions are guided by the long-term goals of the Paris Agreement and are undertaken in the context of the 2030 Agenda for Sustainable Development (SDGs). The focus is on environmental, economic and social system transformation, promoting higher ambition of all stakeholders to collectively strive for the 1.5 °C temperature goal, and a climate-neutral and resilient world.

Marrakesh Partnership work areas

- **Strategic engagement**: The Marrakech Partnership provides an opportunity for strategic engagement between non-state actors and governments.
- **Climate action pathways**: The pathways describe the actions needed to reach 1.5 °C goals for each sector. The development of these pathways is embedded in expert engagement from around the world.
- **Tracking and reporting**: The Marrakech Partnership has three principle reporting and tracking vehicles for capturing the breadth of climate action globally:
  - the Global Climate Action portal;
  - the Yearbook of Global Climate Action; and
  - the Summary for Policy Makers.
- **Climate Ambition Alliance – Race to Zero Campaign**: Race To Zero mobilises actors outside of national governments to join the Climate Ambition Alliance, which was launched at the UNSG's Climate Action Summit 2019 by the President of Chile, Sebastián Piñera. The Climate Ambition Alliance is a group of countries and Non-Party stakeholders determined to follow the recommendations of science as regards climate change.

RACE TO ZERO CLIMATE CHAMPIONS

These Climate Champions are appointed by the incoming and outgoing COP Presidencies and serve a two-year term. The current Champions are Gonzalo Muñoz, appointed by Chile, and Nigel Topping, appointed by the UK. Post-COP26 in Glasgow in 2021, Gonzalo Muñoz will step down and the incoming COP Presidency (to be decided) will appoint a Champion to work with Nigel Topping for another year.

The Champions' work focuses on two crucial areas:

1. Engage with interested Party and Non-Party stakeholders – focus is placed on connecting initiatives and coalitions with national action plans, such as Nationally Determined Contributions (NDCs) to the Paris Agreement.
2. Input from the Champions' efforts to mobilise action, helps the Secretariat organise technical expert meetings; and in collaboration with the Executive Secretary and the current and incoming Presidents of the COPs, coordinate annual high-level events to spur even greater ambition and action.

Gonzalo Muñoz is a business entrepreneur and social change-maker at the forefront of environmental innovation in Chile, who reinvented the country's recycling industry to usher in a future without waste.

Nigel Topping was the CEO of We Mean Business until December 2019, where he drove radical collaboration for climate action among NGOs working with the world's most influential businesses.

Link to Marrakesh Partnership: https://unfccc.int/climate-action/marrakech-partnership-for-global-climate-action


South Afric

05

HOW CAN BUSINESS DEMONSTRATE CLIMATE AMBITION LOCALLY WITH THE NBI?

OPPORTUNITY 3

ALLIANCES FOR CLIMATE ACTION

What is the Alliance for Climate Action South Africa (ACA)?

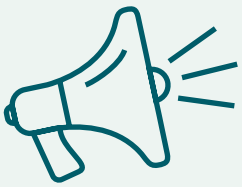
- It connects cities, business, investors, universities and government so that they can work collectively to achieve a net carbon neutral economy for South Africa by 2050.
- It is facilitated by the NBI, C40 Cities and WWF.
- Similar alliance programmes are taking action in USA, Mexico, Brazil, Japan, Vietnam, Australia and Argentina.

ALLIANCES FOR CLIMATE ACTION SOUTH AFRICA

> *Everyone must act and, together, we are stronger.*

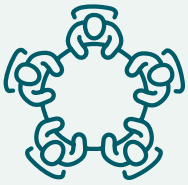
Take action

- Sign the leadership statement.
- Develop a net-zero carbon plan.
- Join a collective action project.



Advocate for change

- Find out how the alliance supports advocacy.
- Advocate with government and other business for greater climate ambition.



Share stories

- Share bold commitments and climate action to inspire others and build the profile of your organisation.

Local Alliance partners

NBI
National Business Initiative

WWF
SOUTH AFRICA

C40 CITIES

Sample of signatories

Joburg
a world class African city

CITY OF TSHWANE
IGNITING EXCELLENCE

CITY OF CAPE TOWN ISIXEKO SASEKAPA STAD KAAPSTAD

ETHEKWINI MUNICIPALITY

City of Ekurhuleni

sessa
1973 - 2021
SUSTAINABLE ENERGY SOCIETY SOUTHERN AFRICA
092-304-NPO

GREEN BUILDING COUNCIL SOUTH AFRICA

vodacom

CHEP
A Brambles Company

LIBERTY
two°degrees

KPMG

Discovery

Link to ACA South Africa:
http://www.
alliancesforclimateaction.co.za/

OPPORTUNITY 4

NBI-BUSA-BCG JUST TRANSITION PATHWAYS PROJECT

In the context of a post-COVID economy, phase 1 of this project provides a national, co-ordinated effort to answer critical questions to enable our Just Transition. This is achieved through extensive stakeholder engagement, research including socio-economic modelling, and implementing a broad communications strategy.

01

Based on physical and climate risk, what is an **appropriate level of ambition** to reduce GHG emissions by 2050?

02

What **concrete measures** can be implemented in each sector and how can we create an enabling policy environment to reach the ambition?

03

What are the associated **social and economic costs** and what are the support requirements of the international community?

04

What are the **consequences of local and global inaction** and how would the country adapt to physical risk?

The NBI-BUSA-BCG Just Transition Pathways Project aims to fulfil the following dual objectives in time for COP26:

Stimulating economic growth and job creation

Advancing South Africa's climate change agenda.

Link to NBI Transition Pathways:
http://jthub.nbi.org.za

SOUTH AFRICAN PAVILION AT COP26

Both the COP26 preparation effort and the joint hosting of the South Africa Pavilion at the conference stimulated key relationship between business, government and civil society.

Our government-led pavillion was supported by business to:

- **Raise awareness** about what South Africa (government and business) is doing with regards to climate change and transition.
- Highlight **key investment opportunities** in South Africa in the context of #BuildBackBetter.
- Help leaders understand a **developing country context** and the need for support.

> *COP26 preparation efforts stimulated key relationships between business, government and civil society.*

Government and business hosted the COP26 Pavilion together – a space where we jointly hosted events and discussions to engage on the Just Transition in South Africa and highlight key investment opportunities in the country.

Link to COP26 South African Pavilion event page and resources: https://sites.google.com/view/cop26-south-african-pavilion/home

For more information on COP26 and the road to COP27, contact Reitumetse Molotsoane at the NBI: ReitumetseM@nbi.org.za

05

THE NBI PROJECT FRAMEWORK

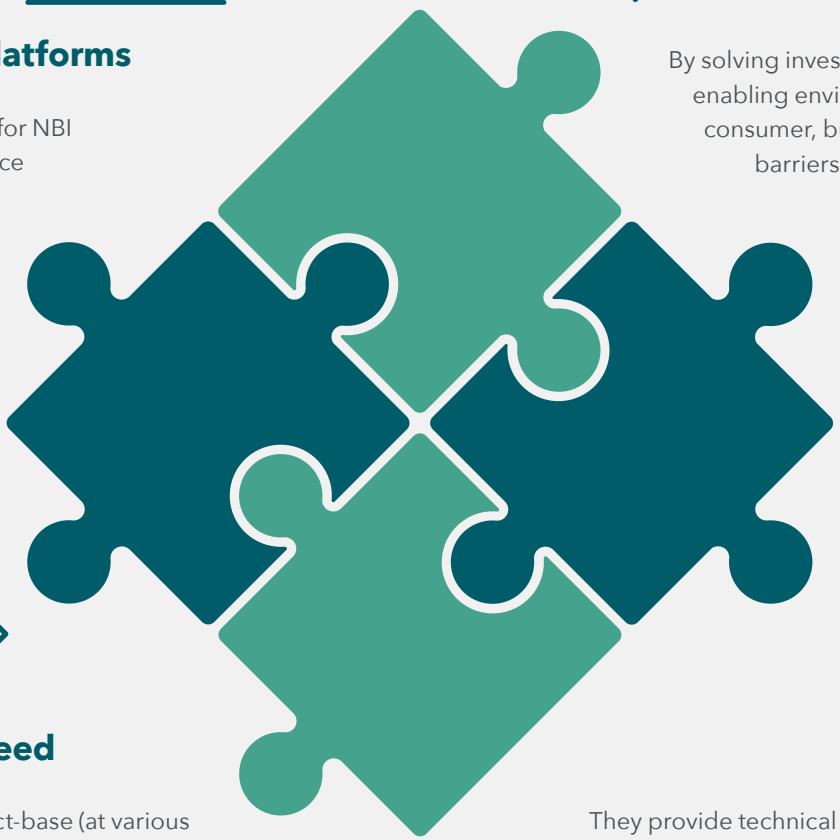
NBI projects are divided into four categories which are designed to mature company engagement in climate change towards greater ambition, attracting investment and implementing projects.

Leadership platforms

They provide space for NBI companies to enhance ambition through leadership.

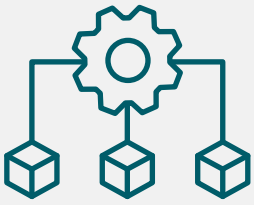
Finance and the enabling environment

By solving investment opportunities for the enabling environment (social, regulatory, consumer, business model and financial barriers), they enable investment at scale and replication.



Defining the investment need

They develop the fact-base (at various national, provincial and regional scales) on where investment needs to be channelled, identifying specific projects.



Implementation projects

They provide technical assistance and partnership convening support to specific projects to enable case studies that have impact and build trust.

How the various NBI projects fit together?

Leadership platforms

- Alliances for Climate Action
- Just Transition CEO Leadership Group
- COP26 South African Pavilion

Defining the investment need

- Just Transition
- Carbon Pricing and Transitions

Finance and the enabling environment

- Catchment Finance
- Finance Community Capacity Building
- CDC and TIPS partnerships, Climate Finance Accelerator
- Green, Social and Transition Taxonomy

Implementation projects

- uWASP, Gauteng and Western Cape Water Security
- COVID Response
- Corporate Energy Solutions
- National Energy Efficiency Partnerships
- Adaption Pipeline Building
- Company Water and Climate Capacity Building

Leading to four core outcomes:

01 Understanding systemic risk

02 Developing change management within businesses

03 Driving investment opportunities

04 Building trust across stakeholders

05

WHAT SHOULD COMPANIES DO?

We are asking our companies to **take five key steps on climate change** in 2021.

Make a **bold leadership statement for net-zero** by 2050 through our Alliance for Climate Action Platform and start implementing with partners.

Sign the ACA Net-Zero Commitment

ALLIANCES FOR CLIMATE ACTION SOUTH AFRICA

Gather the internal data needed to understand your net-carbon trajectory by **setting a science-based target** and getting it approved by the SBTi.

Set a Science-based Target

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Acknowledge the impact of climate change on your financial statements and disclose against the TCFD framework, using the CDP platform.

Report on the TCFD framework through CDP

CDP

DISCLOSURE INSIGHT ACTION

Understand the net-zero trajectory for the various sectors of the economy, the **level of investment needed** and **partnerships available**.

Support access to international investment by advocating for an enhanced South African NDC and supporting the South African Pavilion at COP26, presenting fundable projects.

Engage with the NBI-BUSA-BCG Just Transition Pathway Project

Advocate for enhanced ambition in the NDC and support the COP26 South African Pavilion

2018
2019
2020
2021
2025

NBI
National Business Initiative

BUSA
BUSINESS UNITY SOUTH AFRICA

BCG
BOSTON CONSULTING GROUP

05

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