

## **Business Statement on South Africa's Climate Change and Decarbonisation Response and the Pathways to Net-Zero Emissions by 2050**

### **INTRODUCTION AND BACKGROUND**

South Africa is a signatory to the UNFCCC and to the Paris Agreement. As an energy and emissions intensive middle-income developing country, it recognises the need for it to contribute its fair share to the global effort to move towards net-zero carbon emissions by 2050, taking into account the principle of common but differentiated responsibilities and the need for recognition of its capabilities and national circumstances.

South Africa is highly vulnerable to the impacts of climate change and will need significant international support to build resilience, transition its economy and to decarbonise. Furthermore, given the country's high rate of inequality and unemployment and the extent of dependence on a fossil fuel-based energy system and economy, this transition must take place in a way that is just, that leaves no-one behind and that sets the country onto a new and more equitable and sustainable development path; one which aims to systematically reindustrialise the country, and build new and green industries, value chains and jobs on the basis of a supportive and aligned industrial policy.

In response to the above imperatives, the National Business Initiative, together with Business Unity South Africa and the Boston Consulting Group, has worked with corporate leaders to assess whether the pathways exist for the country's economic sectors to decarbonise by 2050, and whether this can be done in such a way as to build resilience to the impacts of climate change and to put the country onto a new and low emissions development path. The results of this work to date have shown that this can be done, and that to realise these pathways, efforts must begin now.

### **A COMMITMENT TO MOVE TO NET-ZERO EMISSIONS BY 2050**

Globally, more and more countries are adopting a net-zero emissions target by 2050. This includes the world's largest economies (China has signalled its intention to reach net-zero by 2060) and many of South Africa's most important trading partners. It is not a requirement of the Paris Agreement that countries indicate their long-term climate change ambitions, but countries are invited to develop Long Term Emissions Development Strategies (LEDS). South Africa's LEDS, submitted to the UNFCCC in 2020, indicates an aspirational target of reaching net-zero by 2050.

The work done by the business community has interrogated the energy, liquid fuels, mining, chemicals, agriculture, forestry and land-use, transport and heavy industrial sectors, and has asked the question whether there are decarbonisation trajectories that would move the country to net-zero by 2050 in ways that would also create new industries, income streams and jobs.

The results of the modelling and analytical work have been informed by numerous industry experts, academics, and scientists. Its results demonstrate that these pathways do exist and that even a country with an economy that is structurally embedded in an energy-intensive production system can shift.

To do this would require that the country invests heavily in renewable energy starting now; that coal-fired power plants are phased out of the economy by around 2042, and that no new coal facilities are built; that there is investment in gas for peaking purposes into the 2040s; and that there is significant investment in green hydrogen and battery storage as key elements of the energy system into the future. The work has shown that South Africa is uniquely placed to build a significant hydrogen economy, including for export.

Furthermore, the work indicates that an early and large investment in increased renewables capacity and in building a green hydrogen economy has significant net positive job creation effects. Timing is of the essence and the business community is of the view that there is no time like the present to create the regulatory and policy environment that would support this. For example, the announcement that embedded generation of up to 100 MW will be allowed without licencing, opens the way for new investment and growth, and is a key step towards an enabling economic environment that supports the transition we need. Accordingly, business can commit unequivocally to supporting South Africa's commitment to find ways to transition to a net-zero emission economy by 2050.

In addition to support for a net-zero emissions target by 2050, business also recognises the need for the shifts in our energy and industrial economy to begin now, and in this light consideration has been given to what must happen in the short term to allow a net-zero economy to be realised in 2050.

## **COMMITMENT TO SUPPORT AN AMBITIOUS NDC**

In November, South Africa, along with many others, will table its revised Nationally Determined Contribution (NDC) to the UNFCCC. In line with the requirements of the Paris Agreement this must demonstrate increased ambition. South Africa is currently considering the draft updated NDC tabled by Government, and the view of the business community is that there is room for a level of ambition that is higher than that in the draft NDC.

Business recognises the need for greater ambition to position the country as an attractive investment destination and increase the chances of accessing green economic stimulus and funding packages.

Specifically, business would support a level of ambition that would see the country committing to a range of 440 to 350–370 Mt CO<sub>2</sub>e 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.

## **NO-REGRET DECISIONS TO SUPPORT THE TRANSITION**

For the business community, these no-regret decisions would include the following:

- Policy decisions that would not see new coal or conventional nuclear built in South Africa in the period to 2030 and beyond, and increasing the allocation of renewable energy in the IRP consistent with the least-cost decarbonisation pathway;
- Decisions on the repowering/repurposing of existing coal power stations and determining whether gas, renewables or battery storage will be used for this. This would also require commercially and financially viable solutions (including active social support measures) to support the early decommissioning of coal plants;
- Determining the extent of gas required into the 2040s to support peaking and intermittency;

- With significant international financial and other support, building a Just Transition finance transaction for the coal value chain to support affected workers, communities and suppliers in this transition, including their reskilling and redeployment and the creation of new industries and enterprises, including SMEs; and
- Developing a national green hydrogen roll-out plan and begin to develop early-stage projects that would over time build to scale.

## INTERNATIONAL SUPPORT

The Paris Agreement requires that developing countries are provided with finance, technology, and capacity support (means of implementation) in order that they achieve their decarbonisation and adaptation goals. It was agreed that at least \$100 billion would be mobilised by 2020, and that this would increase exponentially over time.

While South Africa has leveraged a degree of climate finance from the international community, the scale and depth of the transition envisaged will require substantial investments over an extended period of time. The quantum of this requires further work but it is likely to be large. Critically, social costs and Just Transition costs must be factored in. Significant financial, technological, and capacity support will be required to support the decarbonisation of hard-to-abate sectors. Early interventions in these sectors will be essential.

Furthermore, South Africa is in a dire economic situation that is exacerbated by the on-going COVID-19 pandemic. In addition, the downgrades of our sovereign credit ratings and the need to rebuild institutions and capacity post-state capture have meant that the country requires more support than ever before.

Business sees the support of the international community as essential for the country to achieve its climate objectives. For this reason, business believes that a more ambitious NDC, and one that would place the country firmly on a net-zero emissions 2050 trajectory, would have to be conditional on the provision of the requisite means of support by the international community. In this light, the business community will play its part to develop a portfolio of fundable adaptation and mitigation projects that would build resilience and achieve deep decarbonisation.

## CONCLUSION

Given South Africa's national circumstances, developmental goals and challenges, and its emissions, moving our economy in a completely new direction and building new sustainable and resilient development paths, new technologies and new capacities, is no small ask.

Despite the depth of the challenge, South African business stands ready to play its part in this historical endeavour. Business is committed to working with Government and other social partners, with our employees, our stakeholders, and the international community, to embark on a deep decarbonisation path towards net-zero and to build the resilience to the impacts of climate change that will ensure that our country contributes its fair share to the global climate effort.

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## MORE INFORMATION

Read/download *Just Transition and Climate Pathways Study for South Africa - Chapter 1: South Africa's energy sector decarbonisation* online at <https://www.nbi.org.za/decarbonising-south-africas-power-system-report-launch/>.

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