

NET-ZERO TRANSITION

How SA can lure investors with climate change goals for COP26

The country can best compete for investment by having clear ambitions and a strong plan for meeting them

Joanne Yawitch and Adam Bye

The report by the UN's Intergovernmental Panel on Climate Change makes for sobering reading about the risks the planet is facing, described by the UN secretary-general as a "code red for humanity". There is no doubt that human activity has contributed to global warming and that it has been accelerating. Since 1970, global surface temperatures have risen faster than in any other 20-year period over the past 2,000 years. Without a greater concerted global effort to reduce emissions, we will miss the 2°C maximum temperature increase target, let alone the 1.5°C we aspired to in Paris six years ago.

The existential threat this would pose has become increasingly evident, from the wildfires across the US, Europe and Siberia, to the devastating floods in Europe and China. Africa has always been on the front line of climate vulnerability, and recent history is littered with devastating climate effects. This reality – the need to address climate change – is already driving significant change in the global economy of the future.

What does this mean for SA? The country has battled for many years with the triple threat of high unemployment, the world's highest inequality rating and high poverty levels. The Covid-19 pandemic has compounded these pressures while highlighting the importance of tackling them.

President Cyril Ramaphosa said in his last state of the nation address that "as we mobilise all of the resources at our disposal to support economic recovery, we cannot lose sight of the threat that climate change poses to our environmental health, socioeconomic development and economic growth".

How can the country build economic recovery after Covid-19, against the backdrop of climate change? This is a challenge that presents risks and opportunities. On the risk side, SA's main exports are commodities linked to high-emitting sectors, with high levels of embedded carbon. Such sectors will be at risk from global policy shifts responding to climate change.

On the opportunity side, SA has the chance to drive and shape a new, greener economy, creating



the sustainable jobs of the future. Its abundant natural resources make the clean energy sector an obvious focal point. The report "Decarbonising SA's Power Sector", recently released by the National Business Initiative, concludes that a low-emissions pathway, consistent with net zero, could create about 200,000 more jobs by 2035 than an Integrated Resource Plan-aligned pathway alone. The research shows such a pathway would also help reduce the country's carbon intensity, which is more than double the global average.

With SA's debt-to-GDP ratio of more than 80%, that transition will require deep collaboration across all stakeholders, significant private sector finance and international support. Ramaphosa said at the last presidential climate commission

quarterly meeting: "We can no longer talk about whether we should have a transition to climate change or not. It is a must, otherwise we are left behind on a number of fronts. But the transition has got to be just, it's got to be the type of transition that will take the interest of our people [in]to account."

There is wide recognition that transitioning the SA economy to address social challenges and to be climate competitive will require investment.

The UK government, which will preside over Conference of the Parties (COP) 26 in Glasgow in November, recognises the challenges faced by developing economies and the importance of a just transition. COP26 president Alok Sharma has called for "developed countries to publish a clear

plan for how, together, we are going to deliver the \$100bn a year in international climate finance, which has been promised since 2009, between 2020 and 2025".

The UK government has backed this call by doubling its own international climate finance commitment to developing nations to £11.6bn over the next five years. The UK has also worked closely with the global financial services sector to increase the availability of private finance. The Glasgow Financial Alliance for Net Zero consists of institutions responsible for more than \$70-trillion in assets that are committed to net-zero investment.

CLIMATE CREDENTIALS

Attracting this increasing international finance around climate will be a competitive process, with many countries already striving to show their climate credentials. The winners will be those that are most convincing in defining their support needs and aligning ambition with the global low-carbon direction. There is an opportunity for SA's nationally determined contribution (NDC) – the goals and commitments each country submits in the run-up to COP26 – to set clear ambitions, and a strong plan for meeting them, around which international finance can rally.

But a key challenge is how countries such as SA can plot this transition – and the opportunities from green growth and investment – in practice. To address this question, the National Business Initiative and Business Unity SA (Busa) have been prioritising work on net-zero 2050 pathways for the SA economy. This work, funded by the UK and other donors, draws on local modelling and context to help demonstrate how different sectors can benefit from a low-carbon future as well as the areas where new investments are needed. The reports produced from this work have informed the formal call from business, through Busa, to increase ambition in SA's current draft NDC.

The first of these reports, on the power sector, was launched on August 11. Subsequent reports will be published in stages between now and COP26. The reports will hopefully help SA in positioning itself for COP26 and securing the international investment needed to attract the financing for a robust, well-managed and successful just transition to net zero by 2050.

● Yawitch is CEO of the National Business Initiative, and Bye acting high commissioner to SA at the British high commission.