



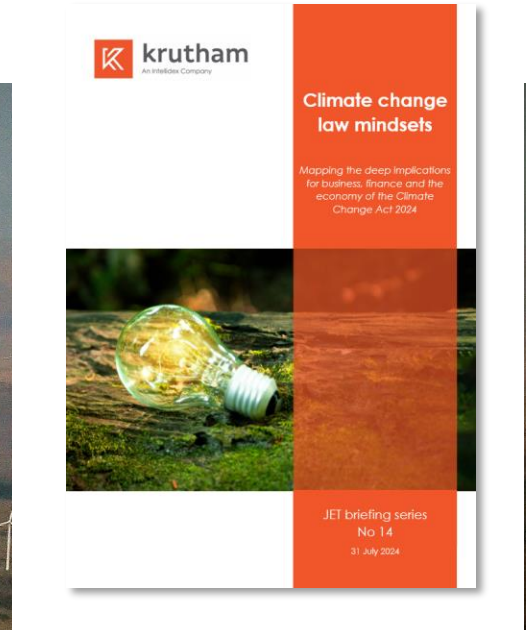
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WEBINAR

Understanding South Africa's Climate Change Act

14 August 2024



Today's agenda

- **Introduction:** Peter
- **Setting the scene:** Zethu
- **Considerations for businesses:** Matthew
- **Q&A:** Peter

Moderator



Peter Attard Montalto
Managing Director

Presenters



Matthew le Cordeur
Research Manager: JET



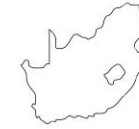
Zethu Diko
Analyst: JET

2050



Paris Agreement commitment:

South Africa is a signatory and has pledged to meet a 1.5°C temperature limit, by ensuring global CO2 emissions decline by about 45% from 2010 to 2030 and reach net zero around 2050.



Steps to reach Net Zero in South Africa:

As part of United Nations Framework Convention on Climate Change (UNFCCC), SA is implementing mitigation steps to ensure it aligns with its pledge, although risks such as delayed decommissioning of coal plants may hamper its efforts.

Key steps taken

Legislation

- > Climate Change Act
- > Carbon Tax Act

Planning

- > Integrated Resource Plan
 - > Gas Master Plan
 - > Sectoral Targets
- > Emission Development Strategy

UNFCCC commitments

- > 2015 NDC update
- > 2021 NDC update
- > JET Implementation Plan

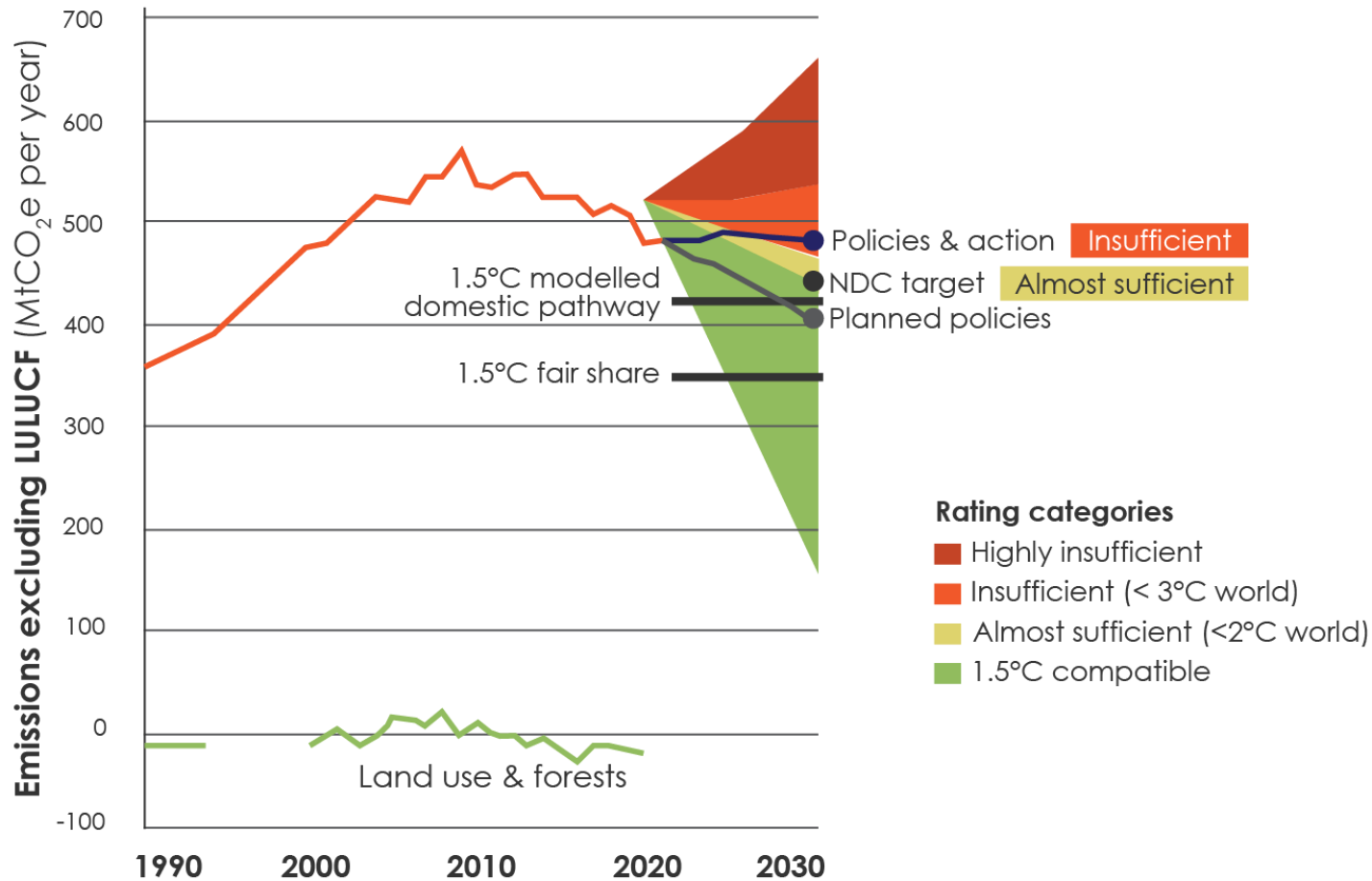
Investments

- > JET Investment Plan
 - > Carbon Credits
 - > REIPPPP
- > Climate Change Fund
- > Green Taxonomy



SA's climate targets and policies 'insufficient'

Based on modelled domestic pathways



February
2022

The Department of Forestry, Fisheries and the Environment introduced the bill in the National Assembly to be studied further

Legislative pathway

October
2023

The National Assembly's portfolio committee adopted and passed the bill and submitted it to the NCOP for concurrence 16

April
2024

The NCOP passed the bill and sent it to the president for assent

July
2024

Signed into law and gazetted

To do:
proclamation
in gazette

Highlights of the Climate Change Act

Signed into law on **23 July 2024** by President Cyril Ramaphosa.

Establishes ambitious targets for a low-carbon, climate-resilient future, aligned with the SDGs.

Encompasses both climate change **mitigation and adaptation** measures.

Mandates businesses to provide crucial data for the National Climate Change Response.

Formalises the **Presidential Climate Commission** to monitor and guide climate action.

Promotes cooperative governance, assigning responsibilities to the minister, provincial MECs, and mayors.

Requires the **development of adaptation scenarios** within 12 months to inform national and sectoral strategies.

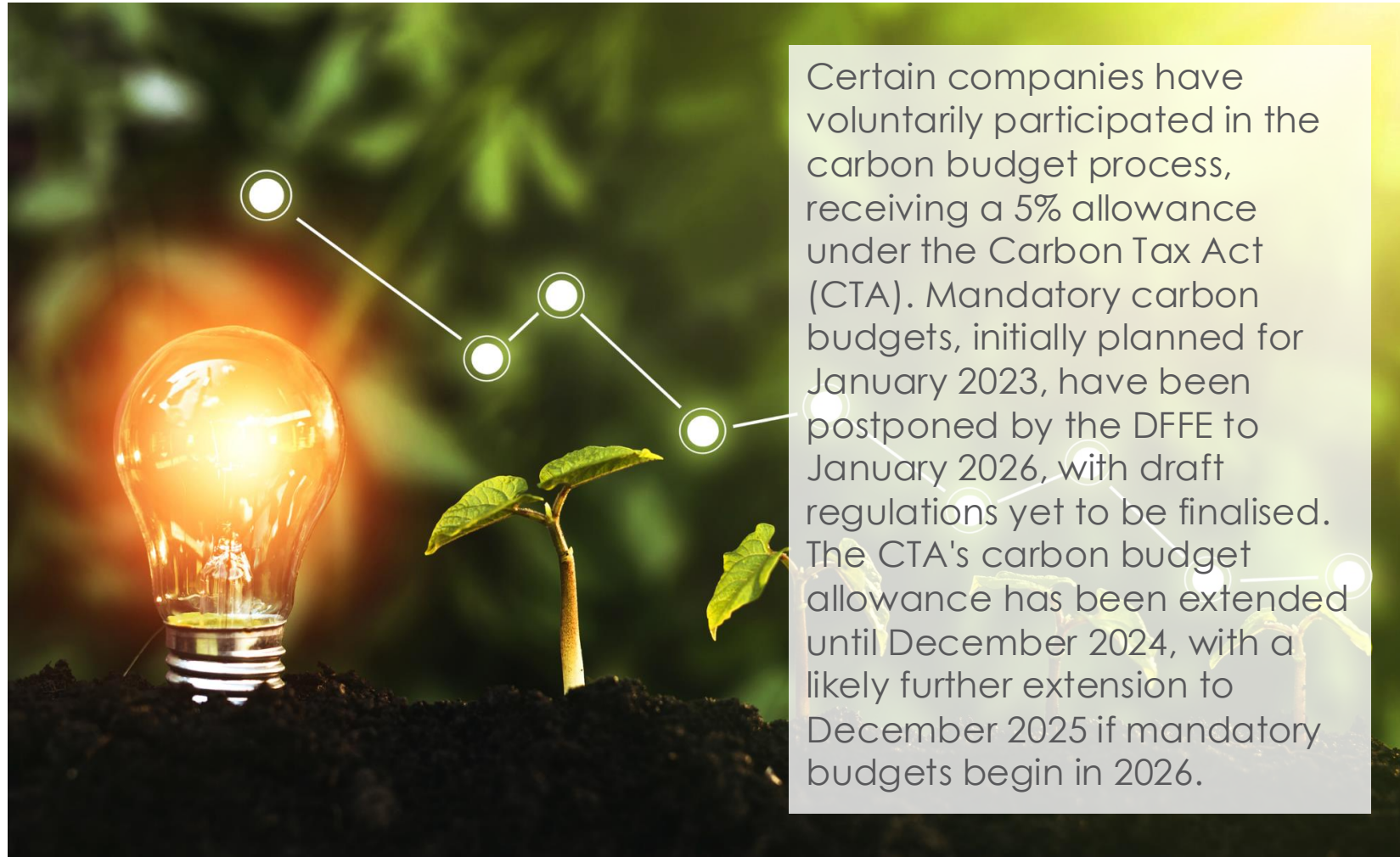
Provides **regulatory clarity** and sets the direction for climate-related developments in public and private sectors.

Anticipates further regulatory changes, urging institutions to prepare proactively.



Steps needed to implement Climate Change Act

- ▷ Finalise 2030 and develop 2050 sectoral emission targets, with ministers responsible for aligned implementation.
- ▷ Set timeframes for carbon budget allocation, including 2050 targets and synchronise with SET five-year cycles
- ▷ Strengthen coordination between departments for aligned emission reduction policies.
- ▷ Ensure smooth transitions considering environmental, social, and economic impacts, avoiding issues like Komati.
- ▷ Development of a finance mechanism to support climate change response



Act's implementation challenges

1

Lack of urgency and targets

The Act lacks specific targets or deadlines for the DFFE minister to implement the targets, leading to potential delays in fulfilling obligations.

2

Delayed response plans

Provincial and local governments given five years to produce climate response plans, which should be annual.

3

Lack of professionalisation

No focus on improving the professional standards of public services, hindering effective implementation.

4

Service delivery failures

Many municipalities fail to achieve clean audits, indicating a broader issue in fulfilling their constitutional duties.

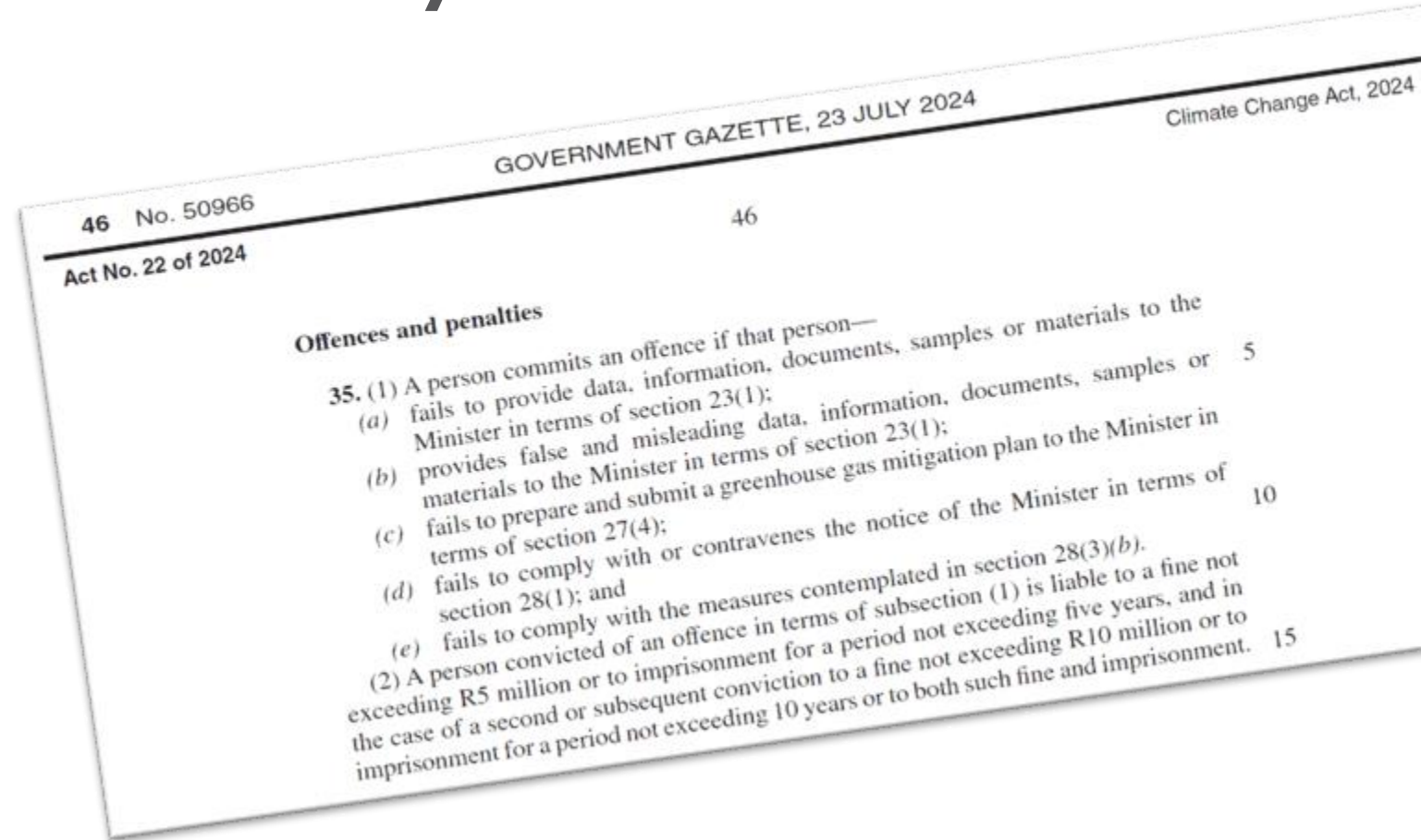
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Insufficient capacity building

Legislation increases obligations on local governments without adequate support for capacity building, essential for effective climate adaptation.

Climate change accountability

- The Climate Change Act includes penalties for non-compliance, including fines up to R5m or imprisonment up to five years, with increased penalties for repeat offences.
- Offences include failing to provide accurate data to the minister, not submitting a greenhouse gas mitigation plan, and not complying with measures for phasing down synthetic greenhouse gases.
- The Act does not penalise failure to meet a carbon budget or sectoral emission target, though exceeding a carbon budget results in higher carbon taxes under the Carbon Tax Act.
- Non-compliance with sectoral emission targets or carbon budgets may lead to compliance notices under the National Environmental Management Act (NEMA), potentially forcing adherence.



Next steps with sectorial emissions targets

- Carbon budgets and SETs are key to implementing mitigation actions across seven economic sectors.
- Align draft SETs with existing sector plans to reduce uncertainty and set realistic targets.
- Public comments closed end of June for SETs; challenges expected in the fossil fuel sector due to conflicting legislation.
- DFFE minister needs to publish GHG-emitting sectors and allocate SETs aligned with national GHG trajectory.
- Carbon budget allocation timeframes need to include 2050 sectoral targets.
- Sectoral emission targets (SETs) should be gazetted following the Climate Change Act, crucial for reaching NDC targets.

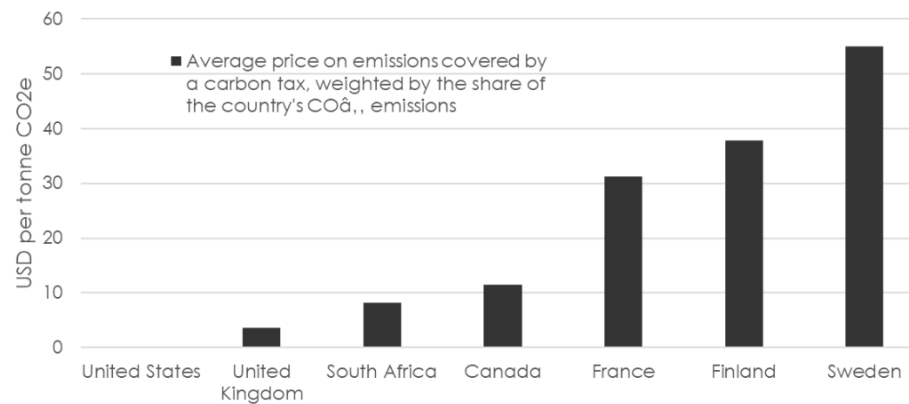
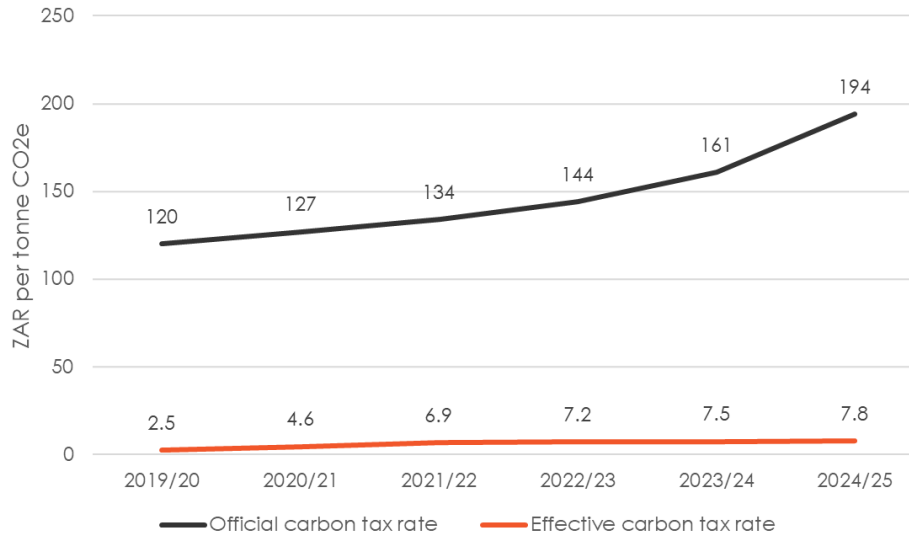
Table: Quantifiable SETs allocations per policy and measurement plan (MtCO₂eq)

	2025	2026	2027	2028	2029	2030	Total
Agriculture, Land Reform and Rural Development							
Agriculture emission reduction	0.74	0.61	0.53	0.38	0.55	0.57	3.37
Water and sanitation methane capture emission reduction	0	0	0	0	0	0.06	0.06
Mineral Resources and Energy							
Electricity emission level	177.35	165.85	157.72	157.95	148.95	124.73	
National energy efficiency strategy emission reduction	3.28	3.95	5.09	6.58	6.8	7.07	32.78
Electrification strategy emission reduction	0.22	1.1	1.73	1.28	1.51	2.98	8.83
Solar, water & heater emission reduction	0.22	0.37	1.54	1.42	1.35	1.41	6.31
Forestry, Fisheries and Environment							
Carbon tax & carbon budget emission reduction	5.54	8.03	10.37	11.95	12.09	10.45	58.41
National waste management strategy emission reduction	0.15	0.29	1.69	1.79	2.17	2.39	8.49
Forestry emission reduction	1.05	0.78	0.48	0.47	0.76	0.91	4.45
Kigali amendment emission reduction	0.3	0.2	0.92	0.77	1.5	1.46	5.15
Other environment emission reduction	0	0	0.02	0	0	0	0.02
Transport							
Transport emission reduction	0.21	0.87	2.57	4.62	5.24	4.51	18.03



Act's interface with SA's carbon tax

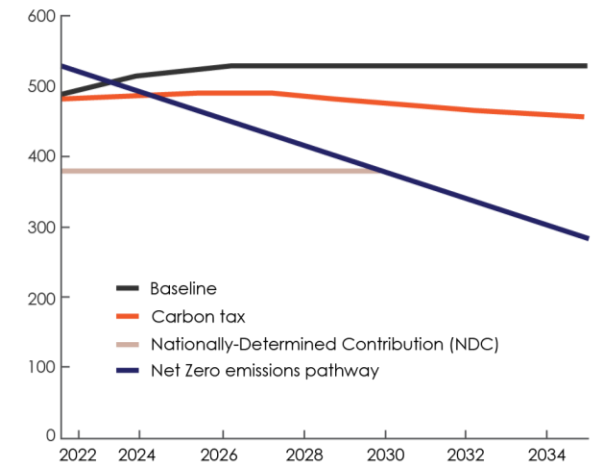
- SA's low carbon tax is expected to rise quite strongly over the next number of years
- A carbon trading scheme (like European Union Emissions Trading System) is the likely next step



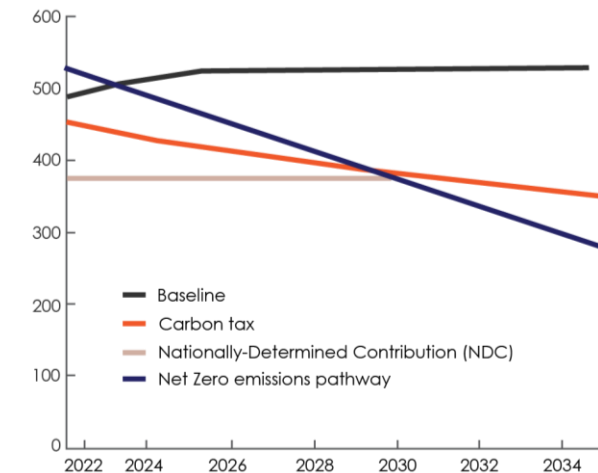
The current carbon tax rate in South Africa is insufficient to meet NDC targets, requiring additional policies and investments for necessary emission reductions

The Just Energy Transition Investment Partnership is crucial for mobilising financing and setting new decommissioning targets for Eskom's coal power plants

The current tax proposal (\$30 by 2030)

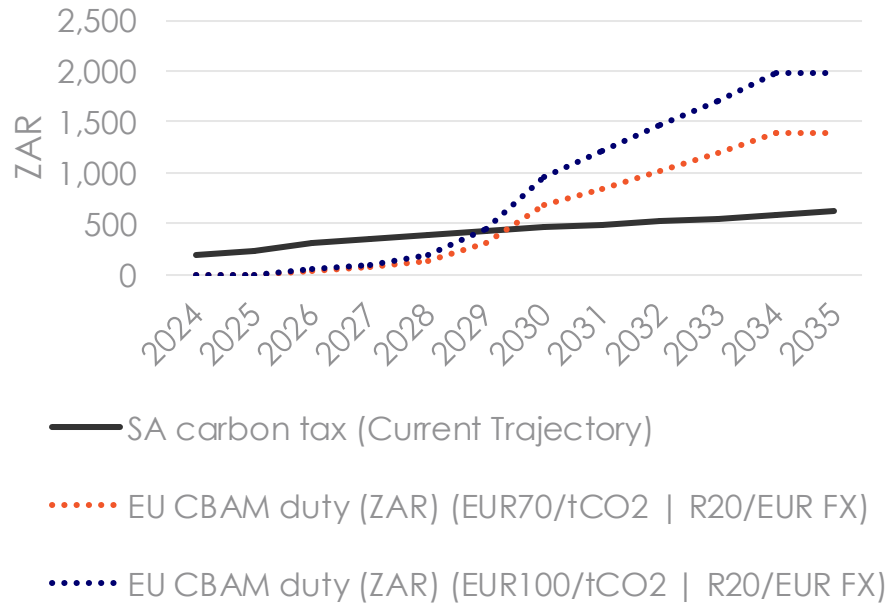


Carbon tax needed for NDC (\$120 by 2030)



Legislation interaction with cross-border carbon tax

Figure: SA carbon tax vs EU CBAM



Source: Kathrada, I (2024)

Table: Estimated economic impacts of CBAM

	Scenario one: All countries impose a carbon border tax like the EU's CBAM in design and implementation		Scenario two: All countries extend coverage of their carbon border tax to all exports and direct emissions	
	2030	2050	2030	2050
	% difference in level from baseline scenario			
Total GDP	-0.3	-0.9	-1.8	-9.3
Agriculture	0.9	-0.6	0.4	-3.3
Mining	0.8	2.9	-1.4	-17.3
Manufacturing	0.3	-1.4	0.7	-4.8
Electricity	-1.7	-1.5	-3.8	-8.7
Services	-0.4	-1.2	-2.1	-9.5

Source: Merven et al (2023), SARB (2024).

- ▢ The Climate Change Act and Carbon Tax Act must align with global legislation
- ▢ CBAM expansion could lead to a 10.1% export decline, 9.3% GDP decline, and up to 2.6 million job losses by 2050.
- ▢ Industry and banks must balance medium-term emission needs with targets, higher carbon taxes and CBAM.
- ▢ Clear strategies, collaboration, and stakeholder engagement are crucial for meeting NDC and Net Zero targets despite challenges.



What should businesses do

<p>Prepare climate-related data (with assurance) for the National Climate Change Response strategy</p>	<p>Review and comment on draft plans to ensure realistic targets are set</p>	<p>Refine climate mitigation, resilience and adaption strategy and targets to align with NDCs, 2050 Net Zero, and Sectoral Targets</p>
<p>Continue submitting progress reports on pollution prevention plans, which will inform greenhouse gas mitigation plans under the Climate Change Act</p>	<p>Assess financial impact of CBAM on business over short, medium and long term – and develop mitigation strategy</p>	<p>Financial sector – especially banks – need to consider titling their balance sheets to scale finance to meet JET funding gap of R1.48trn funding required by 2027</p>
<p>Adopt ISSB's IFRS S1 and S2, set up inter-functional task team and launch roadmap with key prioritised identified per year</p>	<p>Assess carbon market opportunities as concept matures and grows off its low base</p>	<p>Understand further legislative changes required and lobby government for positive outcome</p>

