



Climate Finance – A South African perspective in developing the National Climate Change Response

**29 November 2011
COP17 Side Event**

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Outline of presentation

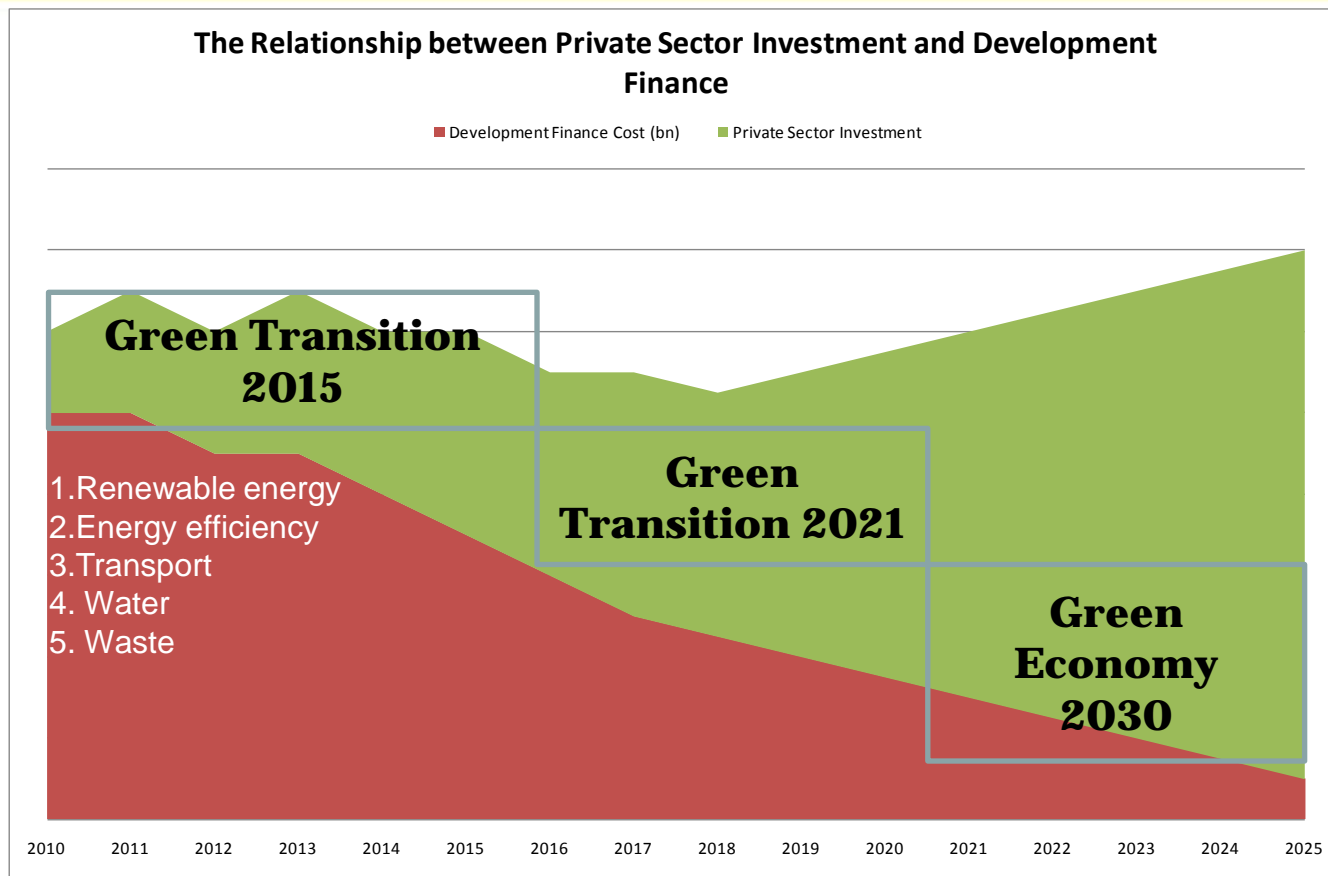
1. South Africa's National Climate Response Policy
2. Prototype for coordinating climate finance
3. Concluding thoughts



1 – South Africa's National Climate Response Policy



Key message of policy: To commence the transition to a low carbon and climate resilient economy



- **National transition programmes** - ‘investors’ clarity on country priorities and attract incremental resources to catalyse actions within the window
- **Transition window** – priority actions, defined transition impact and transition costs , transition roles (based on risk absorption capacity)

“Near term Priority Flagship Programmes” (DEA)	Green Economy Summit (DEA, DBSA)	Green Accord (DW&EA, NEDLAC, IDC, EDD, DTI, DOE, DPE, DHET, DOT, DIRCO)
Climate Change Response Public Works	Green buildings and the built environment Green cities and towns	Retrofitting
Water Conservation & Demand Management	Resource conservation & management Water management	Investment in the green economy
Renewable Energy	Clean energy	Rollout of renewable energy
Energy Efficiency & Energy Demand Management	Energy efficiency	Energy efficiency Rollout of solar water heaters
Transport	Sustainable transport	Carbon emission reductions on roads
Waste management	Sustainable waste management practices Sustainable consumption and production	Waste recycling, reuse & recovery
Carbon Capture & Sequestration		Clean coal
Adaptation Research	Agriculture, food production and forestry	

Current national green & climate programme landscape

Electrification of poor communities & reduction of fossil fuel open fire cooking & heating

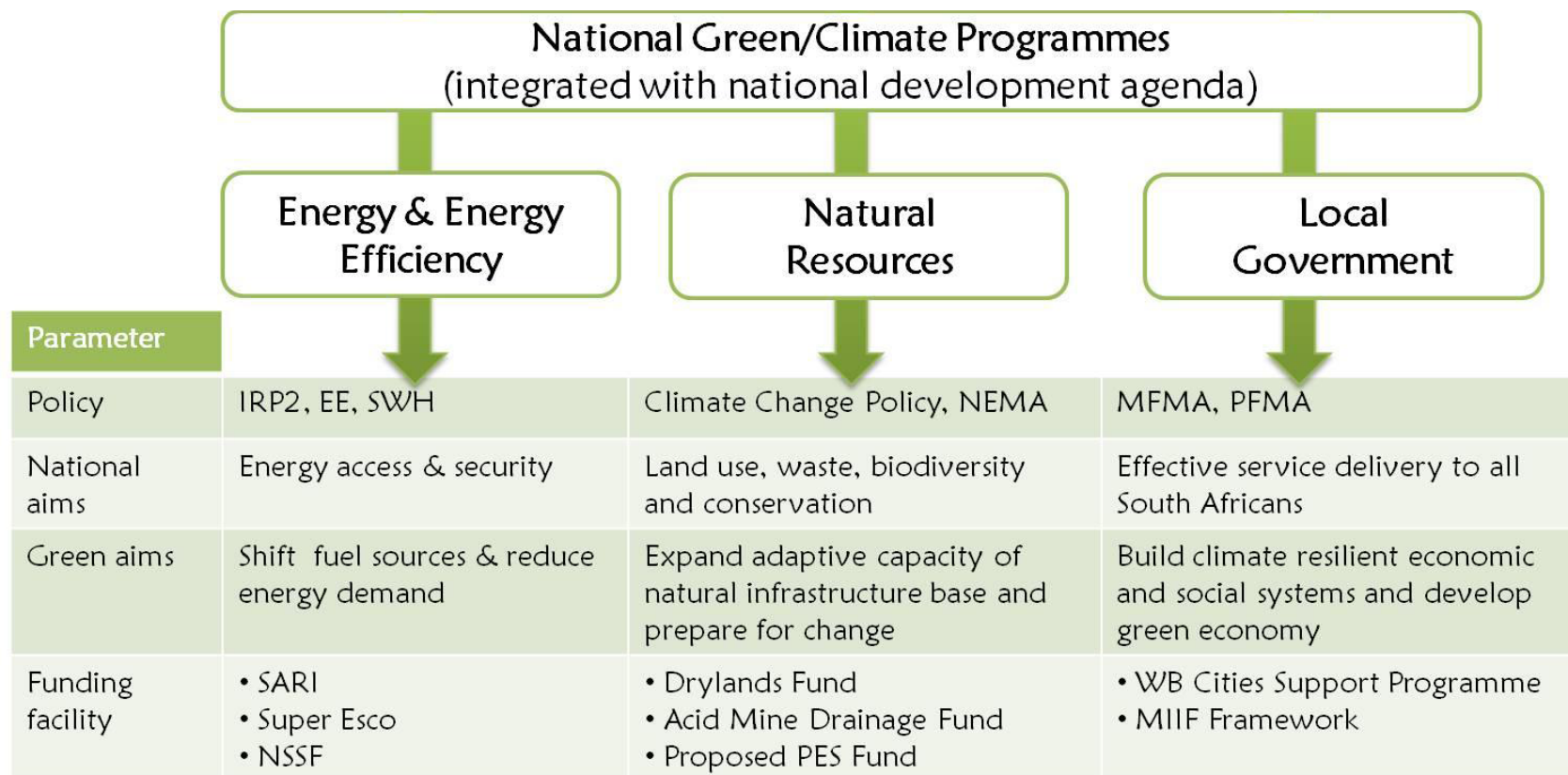
Biofuels

Localisation strategies (youth, coops, skills)

Cooperation at COP17 and follow up

Monitoring and evaluation

Creating a national investment plan for transition



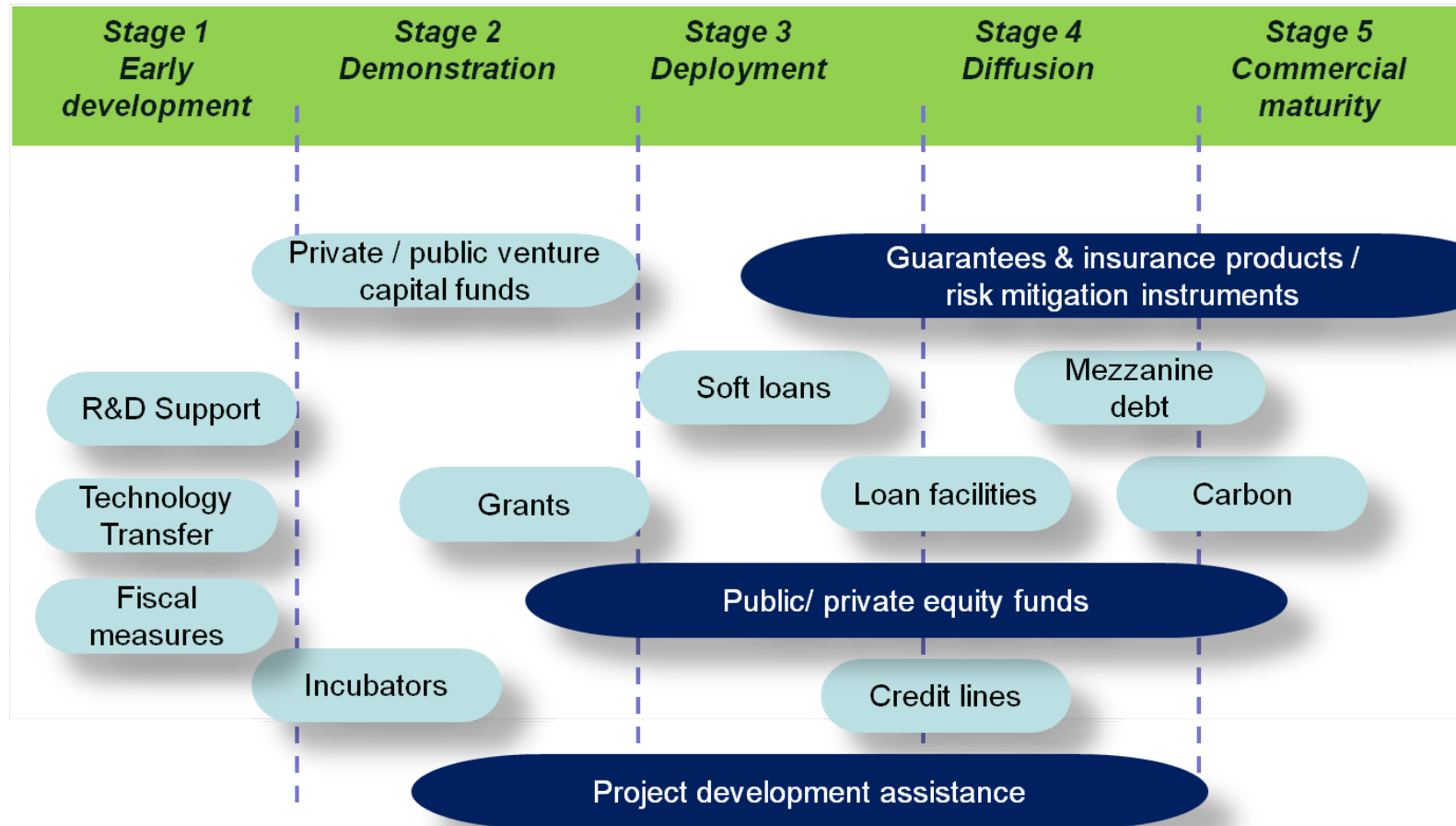


2 – Prototype for coordinating climate finance



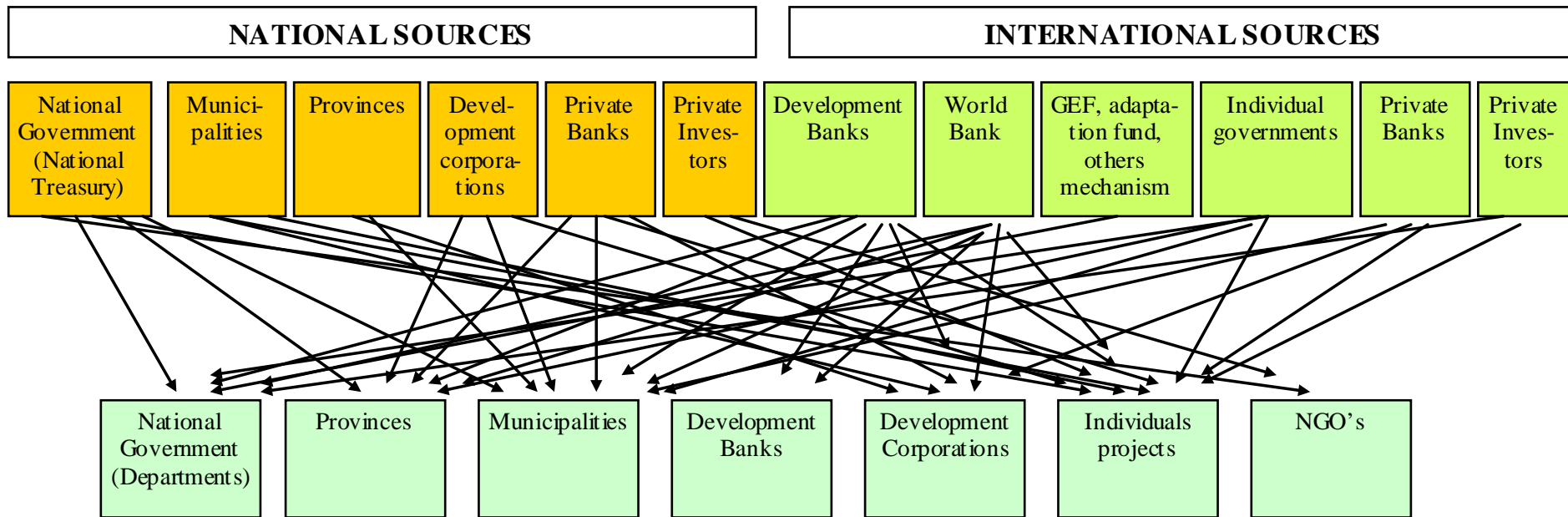


Resources needed for climate response across the project life cycle



Different forms of support are required along the programme and project life cycle trajectory – requiring a blending of public and private capital, from international and national sources.

Climate finance is very complicated on the ground



- Donor commitments since 2003 > R20bn to South Africa
- Poor alignment with national development priorities
- Low impact and high transaction costs

National Climate Change Response Policy¹

Government of South Africa aims to establish an effective and enabling climate finance architecture and financing strategy for South Africa's climate change and green economy response.

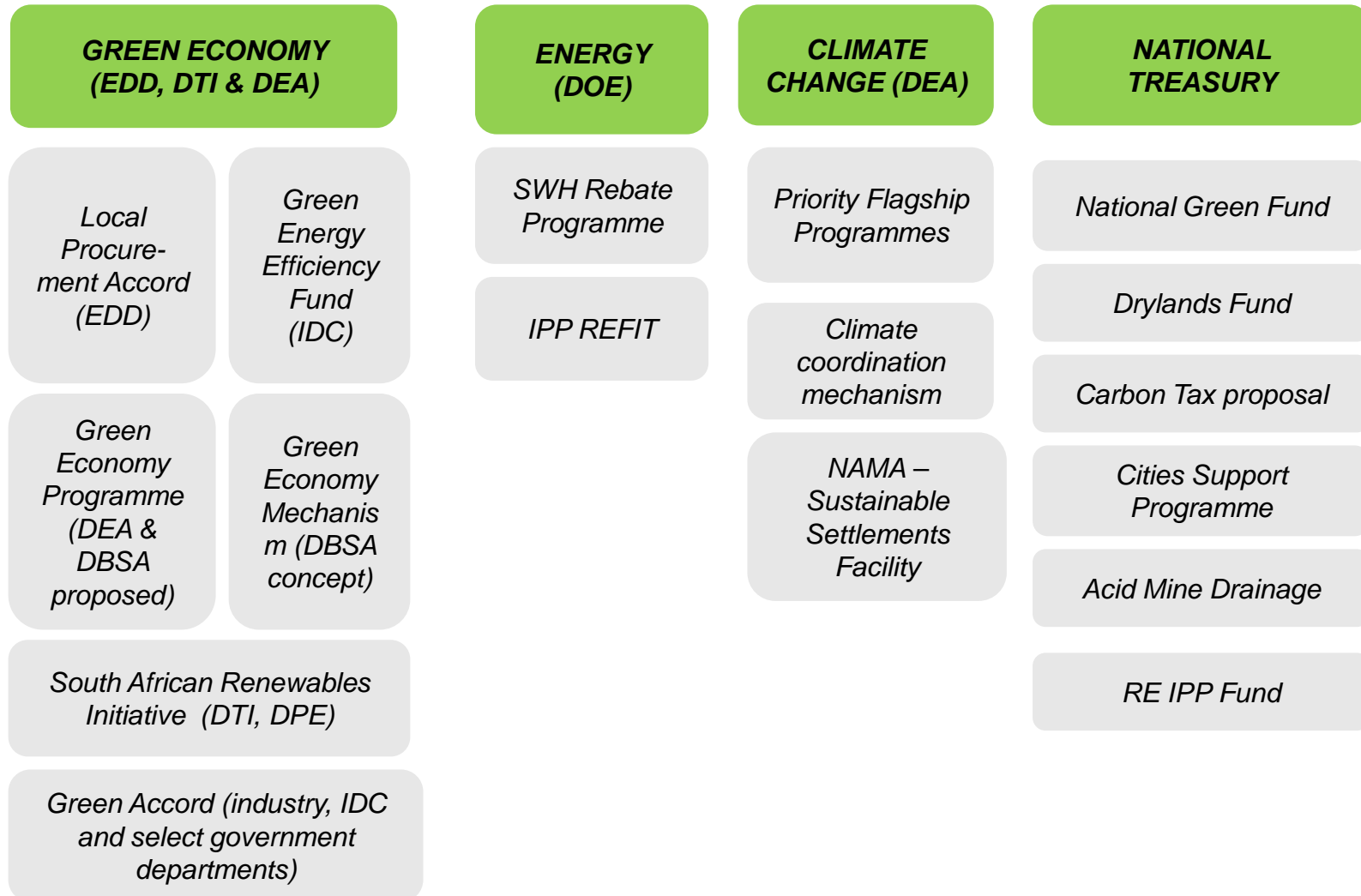
- Interim climate finance mechanism for flagship programmes
- Develop long term funding framework for climate finance within 3 years of publication (i.e. October 2014) (Ministers of Finance, EDD and DEA)
 - Climate risk
 - Investment management
 - Sanity check on enabling regulatory and enabling frameworks

1. National Climate Change Response White Paper, (referencing Chapter 8 and 11.1.

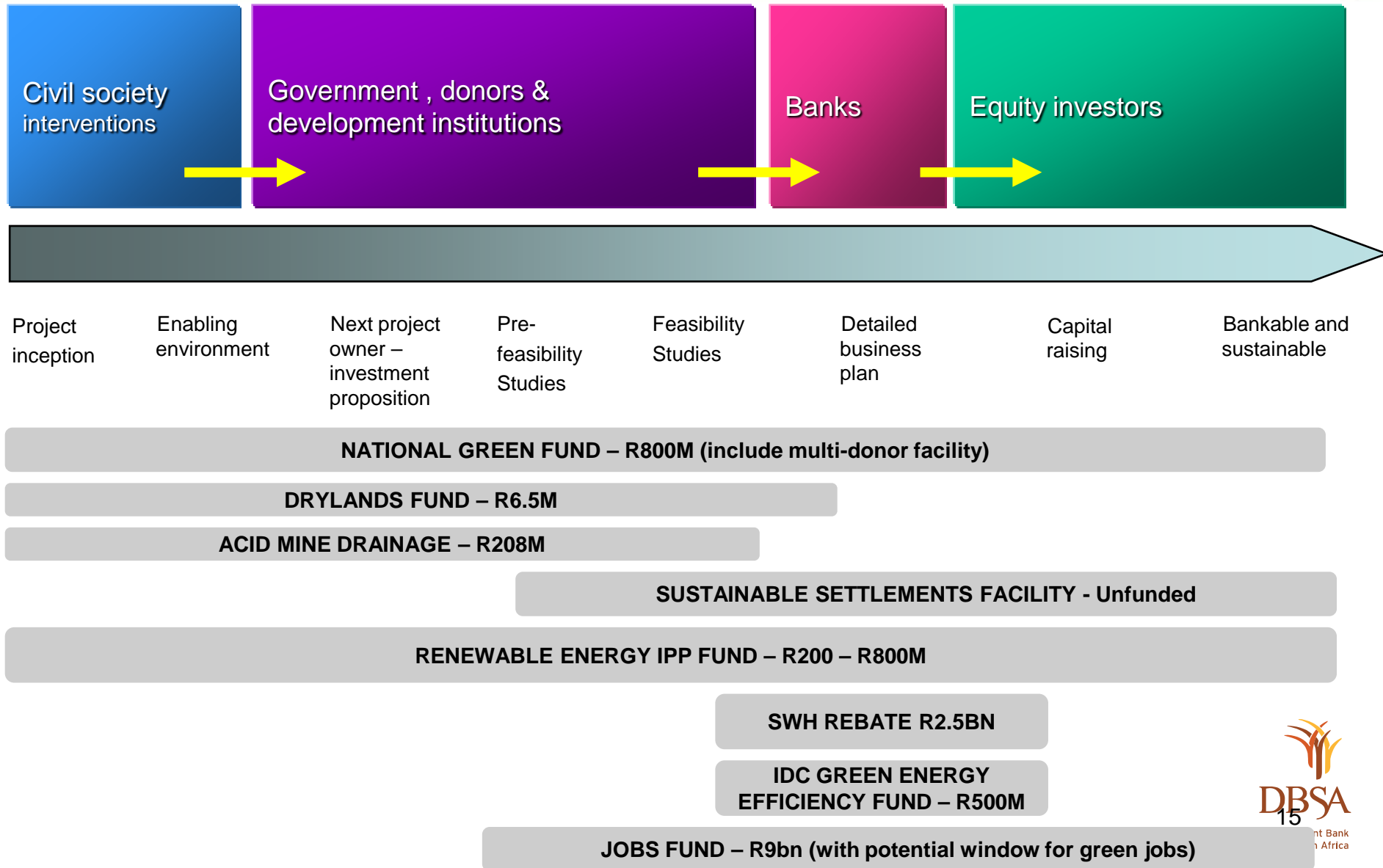
Working together as a “financial system”

	International using UNEPFI Study	South African stakeholder responses
<i>Insurance and reinsurance sector</i>	High recognition of climate change risks and opportunities and will be the primary business driver in future. Primary challenge is quantifying and pricing climate risk. Existing and planned climate related business products.	Consistent with international experience. Major constraints: Long term policy framework, poor consumer awareness, short term investment goals.
<i>Asset managers</i>	Confusion between direct and indirect impacts of climate change – generally climate change impacts are ignored. Small proportion considering in course of investment decisions.	Consistent with international experience despite low response rate – few managers see ‘climate investment’ as new asset class. SRI Funds have limited application and small allocations, GEPI taking leading role in SA.
<i>Banks and lenders</i>	Confusion between direct and indirect impacts of climate change, but recognition of need to consider shifts in credit risk assessment. Preoccupied with emission policies rather than climate impacts.	Few banks see themselves as leaders and influencers of government policy. Inconsistent environmental assessment practices. Major constraints: Regulatory and need for financial innovation to scale up green economy
<i>Development finance institutions</i>	Critical role to play in catalyzing green growth investments and development planning.	Consistent with international study, however limited application due to capacity constraints.
<i>Microfinance</i>	Innovative business opportunities for small scale interventions (biogas, small hydro, food security, energy access – off grid).	No respondents reflecting low level of awareness of climate investment opportunities
<i>Research institutions</i>	Significant pre investment capital needed for ‘valley of death’ bridging	Consistent but further significant more capital needed for R&D in SA context

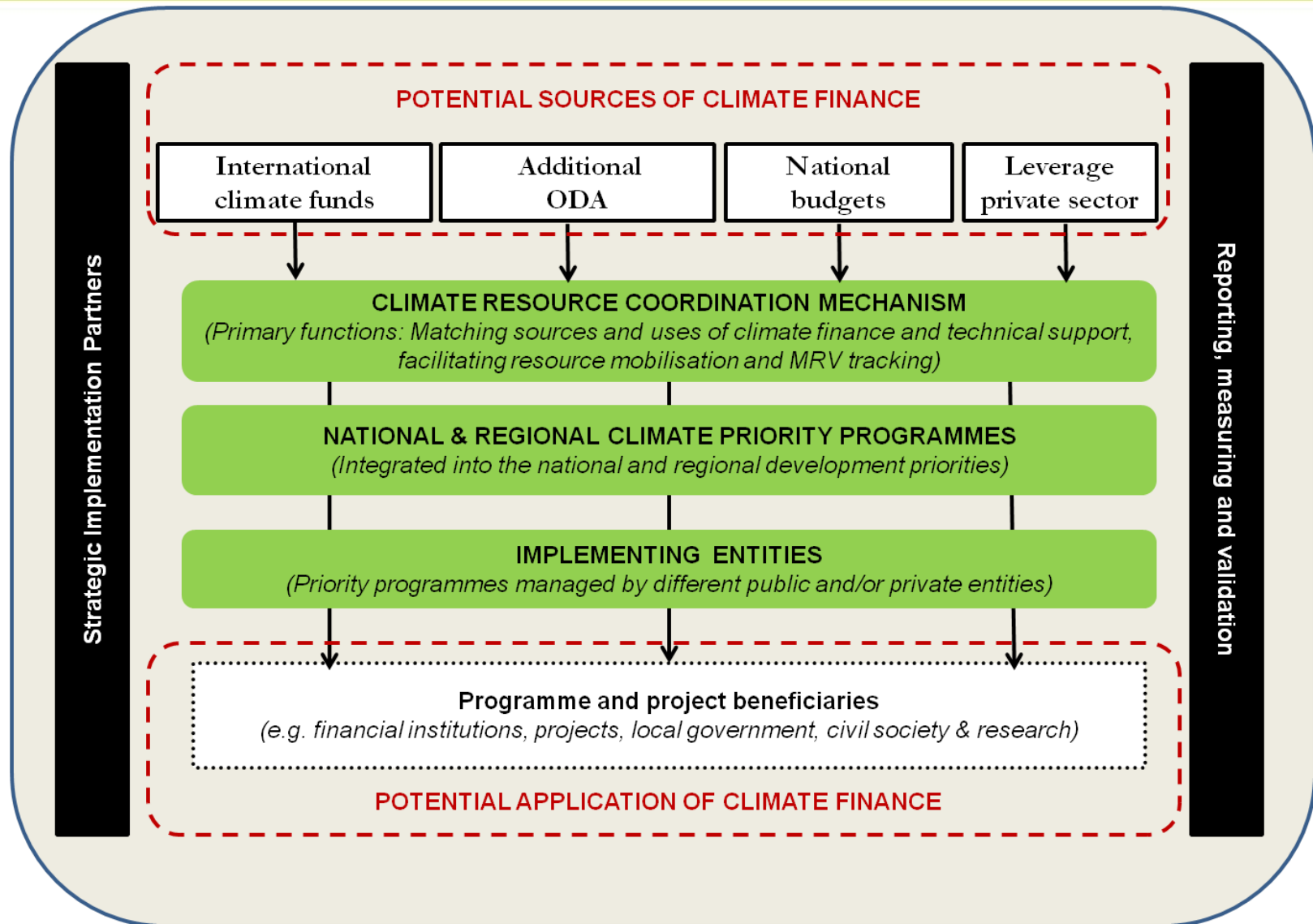
Current landscape of public environmental and climate finance resource support measures



Mapping South Africa's public sector climate finance facilities

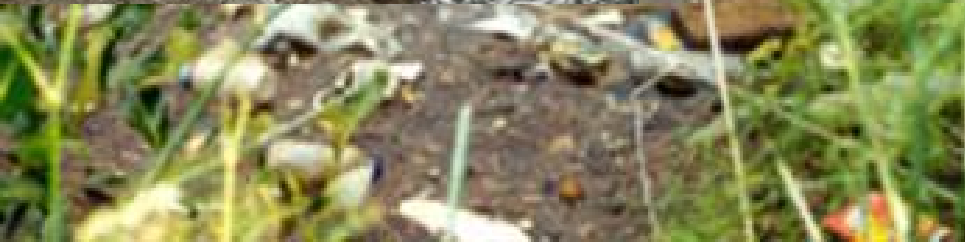


Prototype for “Interim National Climate Coordination Mechanism” (Ch 11, White Paper)

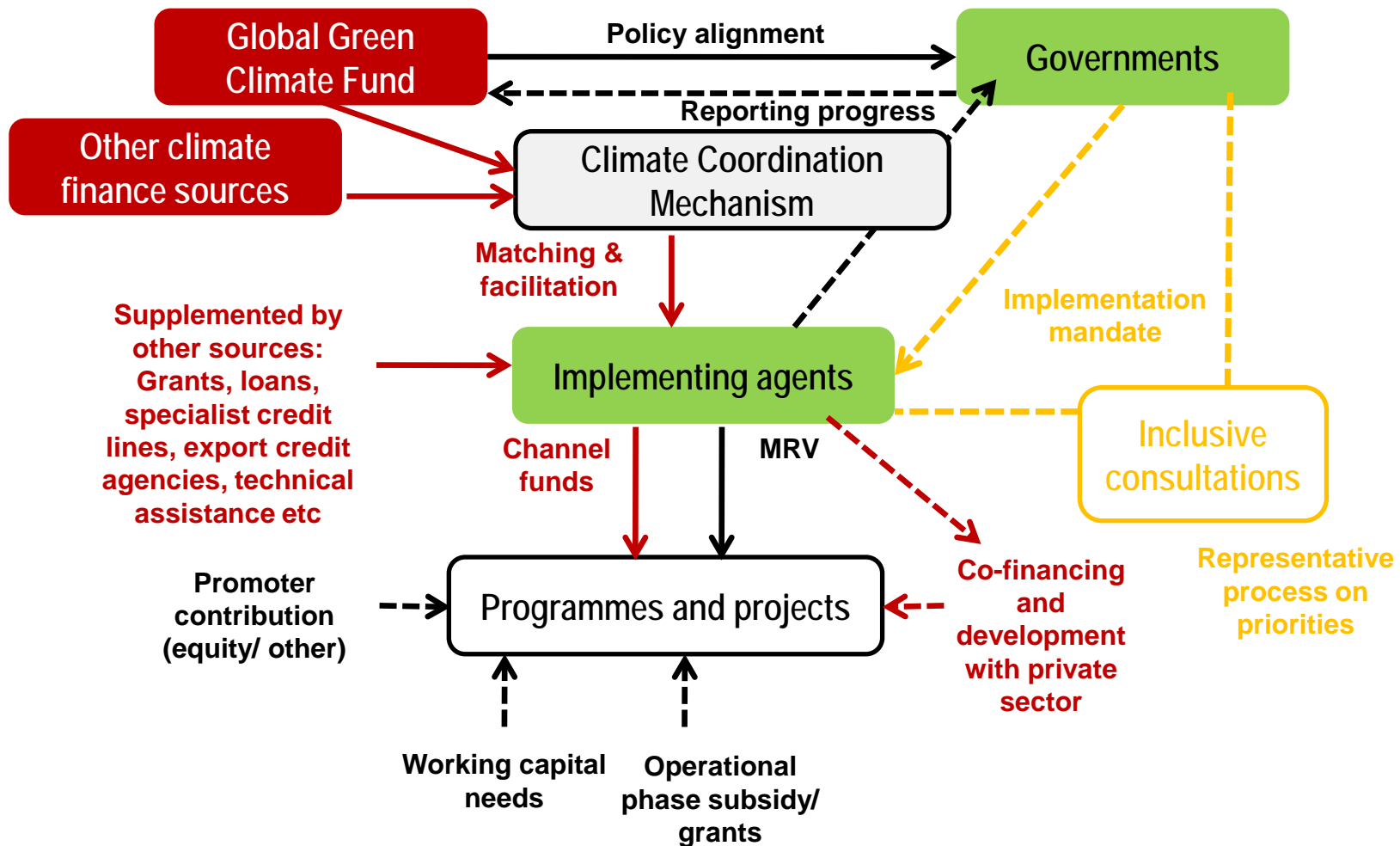




4 – Concluding remarks



Coordination as support measure for the financial system



Source: Adapted from output of workshop of developing country DFIs hosted by the DBSA, AfD and World Resource Institute (29-31st August 2011)

Benefits of coordination mechanism

- **Integration:** Existing development priorities with climate response
- **Ownership:** Country owned response strategy
- **Demand driven:** Bridging gaps that exist within domestic finance sector
- **Clarity:** Increased capacity to absorb appropriate & relevant technology transfer
- **Partnerships:** Financing, technical assistance, technology, institutional strengthening
- **Transition:** Scaled up infrastructure & industrial programmes to unlock growth

Principles to advance climate finance @ country level

- 1. Own the definitions** - equity, pragmatism, trust, transparency, accountability
- 2. Power of the package** – finance, technology transfer, technical assistance
- 3. Power of the network** – Partners that bridge gaps
- 4. Power of innovation** – relevant and appropriate resources
- 5. From commitment to action** – Prototype for immediate application
- 6. Lighthouse watch** – Focus on the long road, not short term

