Climate Talks Stakeholder Report: Financing the Transformation and the Role of International Climate Finance

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The Maslow Hotel, Grayston Drive, Sandton, 2146, Johannesburg

ABOUT THIS REPORT

This first iteration of the Climate Talks Stakeholder Report presents a summary of the in-person Climate Talks roundtable discussion that was convened by The German Embassy in South Africa and the Presidential Climate Commission (PCC) of South Africa. Climate Talks is a format of discussion on international climate issues with relevant stakeholders to enhance engagement, understanding and joint action to fight climate change. The report represents reflections of this high-level event that hosted State Secretary Jennifer Morgan, Ambassadors and Deputy Ambassadors who held exclusive discussions with a selected range of Government representatives, experts from economy and finance sectors, civil society, environment and labour organizations. The roundtable formed part of South Africa's process to deepen understanding with our international and global partners in the context of respective localised challenges and strengthen our mutual commitment to global and domestic partners. Multilateral processes are critically important in these endeavours. However, as these processes unfold slowly, the PCC recommends that bilateral and plurilateral processes are sought out to give impetus to global climate resilience and net-zero transitions. The pivotal role of international climate finance in these endeavours, including the new collective quantified goal and the role of enabling environments, incentives and measures to mobilize finance for a just transition, formed a key part of the discussions and debate.

INTRODUCTION

Transforming economies towards climate neutrality is a tremendous task. Finance is a crucial piece to ensure this transformation is successful. This means on the one hand shifting financial flows to climate friendly activities and at the same time mobilizing both private and public, including international climate finance, to enable the transformation. The German Federal Foreign Office launched the Climate Talks worldwide in 2023 to facilitate international knowledge exchange and networking on climate, biodiversity and sustainable development issues, focussing on an integrated approach in implementation. The roundtable took place in the lead up to the 29th UNFCCC Conference of the Parties set to take place in Baku, Azerbaijan, as well as the reality that we have on a twelve-month rolling average breached the 1.5-degree Celsius limit to global warming. As the country and its partners forge ahead, we will have to apply our individual and collective resources towards economies that are striving towards net-zero, wherever that point starts in our respective pathways, and realise collective goals for a significantly lower carbon economy. However, in the context of need that requires us to develop, reduce poverty, and achieve climate resilience, we can only achieve our global and individual domestic commitments if these transitions are just. During the roundtable South Africa shared progress made in South Africa, the complex challenges we face daily as we undertake our own nationally determined Just Transition (JT) and departed a sense of confidence and urgency to our international partners to effectively finance the JT in South Africa.

KEYNOTE OPENING PERSPECTIVES

The keynote speakers sketched the complex, multidimensional and multifaceted issues to be resolved at tandem, scale and with speed that last years' Global Stock Take highlighted as imperative in moving the global climate finance debate forward. The aim of the roundtable was to facilitate these critical conversations to feed into setting new climate finance goals at Baku, thus informing negotiations on the reorganisation of the global finance architecture.

The visit by the State Secretary, Jennifer Morgan, underscores the importance that the German Government places on climate cooperation with South Africa.

Ambassador Andreas Peschke (Embassy of Germany) formally opened the meeting and welcomed participants to the Climate Talks event. As the country is gearing up for climate negotiations in Baku, Azerbaijan, climate finance will be at the centre of the negotiation process. The Ambassador lauded South Africa, and the PCC specifically, as international partner for driving the climate issue in South Africa and through international partnerships, even before core Climate Change (CC) legislation was assented. Shaping societies towards climate neutrality by 2025 will require tremendous effort in all economic sectors and society. Altogether a process that will deeply modernise our societies and open new opportunities in this transformation. Climate finance is needed to combat climate change, mitigate it effects and for adaptation. It is critical to ensure a just energy transition for South Africa. Public financing alone might not be sufficient, we must mobilise private financing and ensure that no one is left behind. New emerging economic opportunities resulting from this transition will spur job creation and new sources of income.

South Africa is a leader in innovative climate finance solutions in the global climate change debate. State Secretary Morgan encouraged deeper engagement by the European community with South Africa on climate finance, specifically, addressing the gaps in global investment needs and finance to keep a 1.5-degree Celsius aligned future. This scenario requires investment in the order of trillions that further relies on global effort and transformation at high speed and scale. She highlighted a critical fault line *i.e.*, that 90% of all green investments are currently flowing to developed countries and China. There is no pathway to a 1.5-degree aligned future without significant finance flows to developing countries and there will be no JT if we do not find ways to change these climate finance flow trajectories. Climate finance further offers tremendous opportunities that are critical to achieve our collective and domestic climate goals, and accelerate nature supportive, climate resilient, low-carbon growth. Fit for purpose climate finance is the key to unlock these opportunities. I view of South Africa's upcoming G20 presidency, South Africa and Germany should leverage the climate negotiations on the new collective goal. New ideas to improve the scale, scope and quality of climate finance:

- Use scarce public funds in the most catalytic ways possible, leaving room for maximum concessional finance where needed the most and where other instruments are less appealing, for example, finance for adaptation and resilience.
- Many discussions and decisions need to take place in other arenas than the UNFCCC, and further discussions are needed at different scales on innovative approaches to climate finance.
- Commended South Africa on its Just Energy Transition Partnership and Germany remains committed to this journey.
- International financial institutions need to be reformed and encouraged to build bigger, better and more effective Multilateral Development Banks to widen the sources of concessional finance and free up fiscal space for climate action.
- Fit for purpose finance is required, for example, the wider use of policy-based loans, debt for climate swaps, climate resilient debt clauses and to bridge the gap for private capital mobilisation that explores the use the hybrid capital and guarantees.
- Adequately mitigate real and perceived country and technology risks, including through sovereign guarantees, guarantees of third parties like MIGA.
- Germany had done the soft launch of the Green Guarantee Group to overcome the limits of use of guarantees to finance the green transition.
- Mobilise finance through expertise to rechannel inefficient subsidies, emissions pricing, taxation mechanisms in line with national goals, and having equity and justice at the centre of these domestic and global discussion is fundamental to progressing the green transition.
- Technical assistance to policy makers, regulators and other financial actors to accelerate domestic resource mobilisation and create conducive enabling environments for private finance.

With regards to setting new climate finance goals, we risk only talking about large scale and strong commitments as part of the climate agreements. But at this moment we could relook the

entire climate finance ecosystem towards private sector reform and increased investment. Although mitigation targets are being met in Europe, the international climate change discourse and solutions need a wider contributor base than the top 10 largest global emitters, and this does not include South Africa or African countries, as not one African country is among the top 10 largest global emitters. As the European share of the global economy is therefore shrinking, and although Europe provides 60% of climate finance, Europe will continue to provide their fair share, but the need for more climate finance was emphasised. Here opportunities around South Africa's incoming G20 presidency, as well as new ideas like the Brazil Task Force on global mobilisation against climate change, create opportunities and encourage us to ask critical questions:
What do we need to grow, to restore ecosystems, and which tools and mechanisms do we need to create the fiscal space for the just transition? South Africa and its partners are poised to take the lead and demonstrate climate finance innovation.

South Africa's climate transition and our commitments to justice, equity, climate and development as an interlocking package, set the stage for a rich tapestry of debate during the roundtable.
The Executive Director of the PCC, Dr. Crispian Olver opened his address by thanking the German Embassy as hosts of the roundtable and highlighted that the PCC is a forum of dialogue and debate. As a true multi-stakeholder commission, the PCC brings together - among others - business, labour civil society, youth, faith, local government and a wide variety of government agencies and institutions. This approach reflects a "whole of society approach" to the just transition, where no one agency has all the levers to create the deep systemic change we need to undertake and move the just transition in South Africa forward. Next year all member states of the UNFCCC will submit updated Nationally Determined Contributions (NDCs), vitally important instruments as they set out a commitment to an emissions trajectory for 2030 and 2055. As a country we understand our trajectory in relation to the endpoint and that needs to be a net-zero economy by mid-century recognising that developed and developing countries will move at differentiated paces. South Africa holds that NDCs do not only prioritise mitigation but that they critically reflect a statement of adaption ambition, together with an understanding of the means of implementation. In other words, how do we mobilise the requisite investments, finance and capacity to deliver on the on the NDC commitments. For developing countries around the world, the degree of ambition depends on whether we see a path for our economies to a low-carbon future. A pathway that allows us to build our local industries and create the kinds of jobs that we need. Financing is fundamentally important to achieve our trajectory, and we need to carve out a clear path to mobilise the requisite resources: These resources are:

- Contributions by developed countries
- Packages of concessional finance
- Contributions by the various NDBs, and what philanthropies can add
- Mobilised finance from our own (slightly constrained) public purse and our fairly deep capital markets in SA

Thus mobilising the right quantum of finance, together with a trading environment in which our economies will prosper and if we want to engage in frank discussions on the means of implementation we need a trade regime that is negotiated multi-laterally and accepts the differential pace of the transition between developed and developing economies, and create a North to South financial flow in alignment with the Paris agreement, not the other way around. Our objection to CBAM is that it is unilateral, not WTO compliant, it creates a South to North financial flows and does not recognise differential paces of transition. The need to stop carbon leakage out of European economies is understood, but the way these instruments are put in place is as important as the contentious debates in climate finance.

Brief reflections on South Africa's finance negotiations:

1. We all agree that the US$100 billion target agreed to in 2009 was meant to be implemented as a per annum target in 2020 to be achieved by 2022. We need a much higher quantum of finance to make these transitions stick.
2. Various estimates are floated, but all tables report a US$1.5 trillion per annum requirement, the Independent High-level Expert Group is estimating US$2.4 trillion per annum for climate and nature and part of this package is at least US$1 trillion per annum from international finance sources per annum, split roughly 50-50 between public and private finance.
3. The Arab Group and Indian propose a US$1 trillion per annum target, given all the other estimates seem to be in the right order of magnitude in terms of the NCQD discussion.
4. A good outcome at Baku is fundamentally important to the NDC outcome that we are going to see next year.
5. Apart from the quantum debate, South Africa needs to drive the fundamentally important quality debate, specifically the degree of concessionality. Here the clear recommendation by the International High Leve Expert Group of a five-fold increase in highly concessional finance by 2030, serves as a benchmark.
6. Linked to this is the way that finance is made available: The South African experience is that this finance is on the table through fairly traditional aid packages, very fragmented, tied to technical assistance and policy loans into treasury that are notoriously difficult to measure. We did not have the flexibility to leverage up – at scale – the kinds of private and public finance needed for the transition.

Thirdly, operationalising the quantum and quality backbone of the climate finance, is of utmost importance to South Africa. In this light the powerful combination of participants constituted in the G20 are pursuing vitally important discussions on how we understand country platforms, are they just a set of top-down blending programmes by the big banks, which we argue undermines the concept. Or are they genuine country led, context specific, broad (mitigation, adaptation and justice), inclusive and do they follow the "all of society approach"? Are they programmatic, linked to long-term systemic reforms or they arbitrary packages of a projects? Is the financing that is available for these platforms coherent, so that the whole capital stack work in an integrative and catalytic way. In other words, do small pockets of grants work in concert with the other elements of the financing package to deliver a comprehensive investment.

ROUNDTABLE EXPERT PARTICIPANTS' PERSPECTIVES

Further to the vision of contributing effectively to the COP29 negotiations, the roundtable constituted expert, South African practitioners in [climate] financing for the here and now. These experts raised the need for policy as well as overall systemic changes to the financial system. To achieve success on this front, local efforts need to be collectively applied into fit for purpose global financial architectures.

<u>The unique and expert contribution of the banking sector:</u> Raised the challenges in mobilising from both private and public resources and blending appropriately to utilise balance sheet capacities. All transitions stand and fall with finance that are made available at scale and at the right price. A full spectrum and comprehensive climate finance need to mirror the full spectrum of climate transition needs, as captured in South Africa's Just Transition Framework. Critical debate here trigger the question; which aspects of the global architecture need to be geared to this systemic challenge? Financial flows must ensure greater collaboration between the private and public sector. Specifically, facilitating the equitable distribution of risks, benefits and challenges to those who are best allocated to manage these issues equitably and in line with climate justice. Climate finance should be tailored at the specific needs of countries, and banks play a critical role to craft the necessary instruments to finance climate action, urgently and by crowding in the private capital. Ambitious action requires ambitious funding at *scale*! International public finances will not cover everything, developing countries need to develop the enabling environment to draw in and mobilise local funds.

<u>The role of public finance, particularly in the context of the constraints of the fiscus, as well as the role of National Treasury in the Just Energy Transition:</u> Developing countries face a particularly acute lack of financing; less than 3% of global climate finance went to least developed countries (2020-2021) and 15% to emerging and developing economies in the same period. This context sets the stage for the UNFCCC deliberations that must result in clear commitments at COP29. Specifically, focus on scaling international climate finance to support developing countries to undertake ambitious climate action that is needed while also achieving the broader SDG agenda. We need to see a significant increase in grants and highly concessional finance. Some of the core principes in the Paris Agreement must be maintained in the Baku negotiations; these are equity, global climate responsibilities and common but differentiated responsibilities. These commitments should scale up climate finance, and critically address the quality of finance. That the *NDC commitments for next year will be critically linked*

to the outcomes at Baku remained a central theme in the roundtable discussions. The National Treasury (NT) Climate Resilience Symposium in July 2024 was a pivotal time for South Africa where NT mainstreamed climate resilience across operations and planning process. Key outcomes of the symposium were:

1. Maintain the key link between science and policy making, we need evidence-based policy making approaches.
2. Scale up the quality of finance for a just transition and explore national instruments and policies to do so.
3. International support for South Africa's JETP is encouraging, but core challenges remain, specifically sovereign guarantees, lack of grants and support to municipalities as it impacts significantly on contingent liabilities.
4. Financial sector policy response: Regulatory authorities have developed voluntary guidance related to disclosures of climate risk for banks and insurance companies, and these need to be embedded in mandatory regulatory instruments going forward.
5. Appropriate climate resilience investment instruments need to be enabled through regulatory frameworks as will be reflected in the Finance Institutions Bill to be introduced later in 2024. This Bill assesses climate risks, promote the internationalisation of climate risks by the financial sector and promote the transition of climate resilience sustainability.
6. Carbon pricing is an important mitigation policy instrument in South Africa. Ased on the 2019 carbon tax roll out, NT is planning to publish a discussion paper for a second phase of this work. A viable carbon credit market must be developed.
7. Fiscal role of climate finance; climate budget tagging process to advance transparency on public climate flows. This provides us and cooperation partners a clear sense of the actual commitments and flows of finance from the fiscus to climate actions.

<u>The Project Management Unit for the Just Energy Transition Partnership:</u> Reflected on the incredible range of expertise in the room to unpack solutions that we see in the overall climate approach. Important to say that having built the investment plan it became clear that an implementation plan is required. In the process of building this implementation plan, three solutions arose:

- A.) Solve the financial challenges, issues of constraints on balance sheets, the need for handling forex risk, and the need for risk mitigation mechanisms in a much more accessible and wider scale.
    - a. Solve the grant elements and highly concessional elements of these JETP packages. How do we effectively mobilise early stage and first loss funding; and how do we handle risk mitigation in relation to that?
    - b. Solve the issue of increasing the grant elements of these packages. This is where we will achieve the justice elements.

B.) Build institutional capacity; JET and the broader JT must be embedded across society, and we must identify institutions that will embed and take South Africa's JET programme forward. The JETIP Municipal Conference emphasised municipal sector buy-in to take forward the kinds of investment that we want to see at municipal level. The full report of this conference will still be published.

C.) Invest in and bolster weak pipelines of projects to realise the importance of the country's JET programmes and broader country platforms. Technical support to develop these projects, feasibility support and supporting communities to develop their own projects are critical elements in this pursuit.

<u>National Union Workers' Perspective:</u> The necessity of embedding justice in the transition in view of the risks and opportunities faced by workers. South Africa faces a triple threat of poverty, inequality and unemployment. A failed outcome of the overall JT – in this perspective – will be a deepening of these crises whilst pursuing climate gains and the just transition. Secondly, we need to carefully consider the debt to GDP ratio; 60% of funding comes from Europe and it poses a risk of continually using concessional loans. Climate finance cannot only be credit facilities, as it will not support developing countries to reach their comprehensive just transition goals.

<u>South African Local Government Association:</u> The Municipal JET Conference in August 2024: Although all 257 municipalities with their political and administrative leadership supported a mandate for the role of local government to proceed with the just transition, the centre of this spearheading process is climate finance. This transition takes full effect at local government level in the form of service delivery and distributing the benefits of a just transition, and this process requires deep pockets. The energy sector is undergoing rapid changes that hold critical implications for local government, and these need to be considered strategically to assist municipalities to navigate the just transition, whilst maintaining their service delivery mandates and potential to contribute to low-carbon development. The Association advocates for direct access to funding for municipalities and given the scale of the challenge ahead, further support is required to build institutional capacity and skills to develop projects that attract finance. Furthermore, the imbalance in capacity and pace of municipalities to roll out JET plans vary greatly; metros are responding effectively, intermediate cities are steadily increasing effective responses, but a host of smaller municipalities are struggling to support the just transition roll out. SALGA is excited about the road ahead and partnerships with the JETIP and the PCC. The next months and years are crucial in garnering support to deal with climate risks and extreme events at local level where climate impacts are damaging already constrained infrastructure.

<u>The Government of South Africa's Department of Forestry Fisheries and the Environment:</u> In the lead up to COP29, the President of South Africa signed into assentation the Climate Change Act. In the words of Minister Barbara Creecy "We know we need to transition; it is the "just" part

that is difficult" given the challenges of unemployment inequality and poverty. The Climate Change Act captures under one umbrella the full realisation of the just transition; and Government is working diligently toward implementation. In this light, the DFFE is working with Germany in setting up a specific domestic fund to finance implementation of the Act. *The quality of climate finance and increased grant components remained a further central theme of the roundtable*. When we access funding, the goal posts seem to be changing, for example, although grant components are allocated, the measures required to access this funding are volatile, and South Africa does not have the capacity to meet the high ration of co-financing. The other issue is double counting of climate finance. Climate finance is considered as finance over and above, which increases the need to crowd in philanthropy and private funding. In view of coordinating the G20, South Africa will continue discussions from Brazil, but we will not follow the same format as Brazil. Discussion will, for example, take place in the climate change and environmental sustainability working group and in collaboration with Treasury, and climate finance will be positioned at the core of these discussions. We are at a stage where we thrash out issues on the three pillars of the Paris Agreement, namely mitigation, adaptation and climate finance, as well as the issues of loss and damage and broader topics like oceans and biodiversity on the environmental side.

QUICK FIRE INPUTS AND COMMENTS FROM AROUND THE TABLE

- <u>Business Unity South Africa</u>: Underscored the issue of additionality as a key consideration for the business sector. They recognise that the transition is important and that the private sector has a transformative role to play. In this regard, business must consider the "carrots" that will maximise support to the just transition, and work with Treasury on lessons learnt and how to integrate public and private processes, interests and roles in an effective and context specific manner. Business has taken a stance to ensure that partnerships are important if we are to support the roll out of the Climate Change Act and reduce transition risks faced by the business sector. Costing the risks into just and sensible business cases is critical. They emphasised commitment to work with government to reduce indebtedness. The forthcoming COP must result in signal that clearly sets out the parameters within which the private sector operates.

- <u>The South African Civic Organisation:</u> Formed part of the NEDLAC process with the PCC in formulating the Just Transition Framework. The organisation firmly associates with the "whole of society" approach to the just transition but is cautious and weary of the European perspective on climate finance as a potential enabler that may negatively affect the economy and communities South Africa. These vulnerable groups cannot be further endangered by how climate finance is structured. Although civic society is keen to engage openly on these issues and to build partnerships, the current feeling is that of being corralled into many matters that have not been frankly discussed, for example, how a transition generates sustainable employment.

This perspective raised that since 1994, the West has not come to the table in fair deals and an appropriate scaling of the global climate crisis.

- Institute of Economic Justice: Challenged the assumption that the issues around quality and quantity are seen as "quirks" in the financing approach to be ironed out, rather than being representative of a fundamental flaw in the paradigmatic approach that is being adopted. In their submission to the JT and JETP, they identified issues that give rise to problems of quality and quantity:
  - The paradigmatic approach of the JETP in its governance structure is one of an individualised, isolated developing country negotiating with a powerful group of global north behemoths. This is not a fair manner of engaging on climate finance. In terms of the composition, the insufficient grant outcomes should be seen as expected outcomes of such an approach.
  - Secondly, the centrality of derisking private sector investment has been cast as central in climate finance negotiations. No example globally, shows that private sector derisking yielded the scope of private financing needed.

  Finance instruments thus disproportionately emphasise derisking private sector opportunities; an approach that will not result in the level and scope of finance needed. This perspective is cast in a broader framework of a risk-based macro prudential approach that will fail to channel investment, as well as the unintended consequences of opening South Africa up to financial and legal risks related to negotiated guarantees/ treaties. The lack of an insufficient realization of a just element of the JETP seems to be embedded in the paradigmatic approach to finance that has been adopted.

- The Youth Perspective: Highlighted the legacy aspects of the transition and the potential negative impacts that could result from an unjust transition that will negatively impact future generations. Discussions on collaboration should extend to give full effect to an all of society approach including gender and youth.

- Embassy to the European Union: Europe and its constituting countries re-emphasised the commitment to the Sout Africa's Just Transition that includes a Euro63 million grant component that will be signed with Treasury to start closing this grant gap. Concerns with CBMA should be seen in a context of a policy in transition, not a formally declared measure, and the EU welcomes the robust discussion. The PCC's Just Transition Finance Mechanism was lauded as an example of how to mobilise finance for the just transition in South Africa. The scale of investment required to transition out of coal is enormous and public capital and private finance in individual capacities will not completely succeed either. This provides numerous innovation and collaboration opportunities: Financing tools, policy measures and the correct calibration for sustainable climate finance. For example, the EU is finalising a global green bond initiative as a global gateway to promote the development of a green bond market to the value of Euro1 billion. This initiative will build capacity in partner countries, derisk private sector involvement and support the roll out of technical assistance. In addition, the work on taxonomies in Europe and South Africa that will define what a green investment means is – at this stage – 80% aligned, which further informs the sustainability of strategic value-chains to demonstrate that climate finance should be leveraged as a "whole of society" approach. South Africa is in a good position, a recent Rand Merchant Bank study revealed South Africa as the most attractive investment destination in Africa. The Union recognises South Africa's debt strain, and that servicing debt comes at the expense of financing development and basic needs. Looking forward to working with South Africa in the forthcoming Climate Financing Summit in Johannesburg 2025, in the lead up to South Africa's G20 Presidency. Lastly, South Africa is the EU's largest trading partner.

- Black Business Council: South Africa needs the right enabling environment for climate finance to flow. This includes practical, technical assistance and enabling policies from the West to develop a conducive and even playground. Considering planning and preparation for the transition remains paramount. We require practical planning and deeper collaboration to learn from best practice in decommissioning and transitioning out of coal intensity. 70% of the Council's members are SMMEs that need policies to ensure localisation of opportunities resulting from the just transition. As big business identifies large ticket size projects, there has to be a balancing policy to ensure that businesses in local areas benefit from work/ skills etc. to ensure inclusive growth and that no one is left behind.

- Small Climate Finance Think Tank: Finance issues in general around the UNFCCC and G20 raise mistrust and fear. Mistrust, specifically, around finance in destabilising and unstable global dynamics. People fear the effects of these uncertainties and inequalities on the ground. There are, however, solutions:
  - Identify common areas and build bridges
  - We need a strong foundation in the NDCs
  - Understand the linkages between the private and public system

  In terms of internal and external consistencies in flows of finance; as much as public finance is international and local; there needs to be consistency for adaptation at a global level, for government to plan (specifically for adaptation) for a comprehensive just transition. Concessionary finance is equally important, and these concessions must be truly just. Lastly, we need to consider the down-stream effects of large companies deciding to go the net-zero route; although commendable, we need to consider the risk for SMMEs and potential job losses. They fully recognise – in terms of supply – that developed countries are also under extreme fiscal constraints and we need to think out of the box to flesh out innovative new approaches to reorganise climate finance and its core modalities.

- The French Embassy: We should consider the great strides that have been taken the just transition and we need to take stock of this. For example, the JETP resulted in an investment plan, which is an achievement in itself. In addition, Sout Africa's presidency of the G20 shows great advances made by South Africa in climate. At the previous COP, the JETP and PCC's work was featured as leading examples of what can be achieved, and it speaks to achievement that can be expected at the upcoming COP29. The energy transition, together with the just transition finance needs MDBs to harness new tools for blended finance; and reduce the cost of capital. South Africa is at a crucial moment to harness multilateral efforts into the current energy transition, decarbonisation pathways through the NDCs, and new financing tools. Next steps will be taken as partners working with municipalities, on the transmission side and to see these tools be brought forward in the G20 discussions.

- South African Government: The DFFE has ongoing bilateral cooperation on climate finance with Germany in the form of phase 4 of the Climate Support Programme, working on the bilateral transparency report, policy support and the IKI interface. Looking forward we should consider the quality and quantity aspects of climate finance as part of multi-lateral negotiations in line with, for example, article 9 that points to the responsibility to provide resources to track financial flows towards climate action. Secondly, per article 6 carbon markets (voluntary in nature) should be developed and levered into growing climate finance processes. According to the National Development Plan we should be growing at 5% GDP growth, if we are to deal with the triple challenges cited for South Africa. Will our economy be able to absorb the transformation as planned? Lastly, hard to abate sectors will need to be bolstered with access to innovative, green transition technologies. Considering the different maturation phases of technologies, CBAM pressure points were acknowledged as a dynamic that could further exacerbate some systemic issues.

- National Business Initiative: We need a shared vision across the board. What is it that we aim for collectively and what is the backing policy support to make this work? Carefully consider the business implications underpinning climate policy that provides certainty to the market and opens conduits for money flows. We need more clarity on risk sharing, and to reconsider how risk is currently shared. In this perspective, traditional risk models are seen to choke up climate finance flows in an all of society approach. Ensure that business aligns on climate impacts and pressures and increase headspace on what business can actively contribute to this transition. Further consider how we increase our knowledge base with up-to-date, evidence-based, net-zero strategies and business cases that integrate and blend finance effectively. The sector is adept with reporting requirements for the sustainability agenda requires more strategic capacity to consider what business can and want to achieve in terms of climate and the just transition. Real time databases on air quality and carbon activity as it underscores the issues of urgency and supportive decision-making, should be considered. Business of cusses on urgency, policy certainty, shared vision and maintenance of knowledge systems for effective decision-support. Business and the corporate sector's transition plans rest on their ability to harness balance sheets on a risk shared basis to undertake their respective transitions.

- French Development Agency: This perspective captured how qualifying investments might not be fully aligned with transition goals, and the ambition is to go beyond climate finance to concretely consider societal and just dimensions. Proposed financial innovation to foster implementation of investment plans in coordination with development partners, and drawing up complimentary plans to join forces in unstable and uncertain times, especially in view of long-term low-carbon and climate resilient trajectories. Conventional approaches to individual project preparation will fall short, we thus need a programmatic approach that integrates transition finance.

CONCLUDING REMARKS

Dr. Crispian Olver and State Secretary Morgan closed the meeting with the following points:

- The Ste Secretary lauded Climate Talks and the PCC for facilitating a bold, complex conversation that raised collaborative themes and unpacked an extremely complex system of finance that will support the just transition in South Africa. Collaboration is key in this process, as well as a keen focus on exactly how we unlock immediate, medium and long-term finance that include issues of quantum, quality, societal impacts and inclusion to climate finance for a just transition
- We are in the midst of creating a paradigm shift. New ways of working and finance configurations could emerge around how we work together to move away from extractivist models in our pursuit of substantive climate action.
- South Africa is taking bold, collective steps in tackling the JETP and broader JT. We should take full advantage of a time in flux and put forward carefully considered, inclusive NDCs and how we use them to lever investment and guide the flow of finance in the country.
- Europe progressed well in this regard, and as partner this learning and support will be shared in the ongoing partnerships.
- What unites developing and developed countries? We are all going through a fundamental systemic reflection in which there is a repricing of assets, economic activities and value-chains that have huge societal implications. Sectors will disappear and new sectors will emerge. Modes of production and its relationship with the economy are changing and this causes uncertainty. If we strive to leave no one behind, these social and political consequences need to be carefully managed for all in South Africa to prevent negative transition impacts. For the PCC, the Just Transition refers to this basket of economic and social issues that we actively manage as part of the transition. When we emphasize these issues, South Africa is not backtracking on its climate commitments; but if we are unable to manage these social and economic dynamics of

the transition, the transition will be disorganised and not proceed at the level and pace required. **Justice therefore enables the climate ambition**. For the PCC, costing the investments require a consideration of investment skills, industrial policy, trade relations, the social protection underpinning workers and social security for the transition. This discussion reverberates globally in how we manage global socio-economic aspects of climate transitions, and correctly situate climate within development frameworks.

PARTICIPANT INSTITUTIONS

German Federal Foreign Office
Presidential Climate Commission
Embassy of Germany
Department of Forestry, Fisheries and the Environment
Department of National Treasury
United Kingdon High Commission
Embassy of the European Union
Embassy of Denmark
Canadian High Commission
Climate Finance Think Tank
Trade & Industrial Policy Strategies (TIPS)
Commercial Banks
International Finance Corporation
South African National Civics Organisation
Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ)
Institute for Economic Justice
South African Local Government Association
Embassy of France
National Business Initiative
Just Energy Transition Project Management Unit
Business Unity South Africa
Global Strategic Communications Council
Industrial Development Corporation (IDC)
PCC Commissioners
Black Business Council
KfW Development Bank
NUMSA (Eskom)
Banking Association of South Africa