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CLIMATE COMMISSION
TOWARDS A JUST TRANSITION

**Break Out
Groups**

The PCC draft recommendations for stakeholder feedback

Invest in a least cost pathway and seek all opportunities to accelerate the transition. This means rapid and largescale investment in renewables, storage and peaking support. Investment in upgrading and expanding the grid (both Transmission and Distribution) is essential. The JET-IP is an important platform for advancing the just energy transition and should be supported. There have been valid criticisms raised by stakeholders, and these must be addressed in the process of implementation.



- Given the current limitations on grid access, a spatial planning approach is recommended. Focussed on both transmission and distribution.
- The Presidency needs to undertake a major study into pricing reform in a transparent and participatory manner. This would include considerations of local government business models.
- The Just Transition needs to be a focus in the short and long term, aligned with the Just Transition Framework:
 - To create additional jobs government should incentivise green industrial development, economic diversification, and the localisation of key transition value chains, particularly in regions that are at-risk.
 - Investing in human resource and skills development is an immediate priority.
 - To support those most impacted by load shedding, particularly SMMEs and indigent households, as well as provide and enhance social protection measures, particularly for those workers and communities impacted by the coal transition.



Each break out group will deal with key topics that will inform commissioner recommendations

Electricity Planning and Grid Expansion

- The role of spatial planning
- The need for transparency in planning
- The energy mix in the IRP and energy security
- Anchoring on least cost
- Governance measures to specifically support spatial planning
- The role of distribution
- Emergency response priorities

Electricity governance, access and poverty

- The role of the state in electricity
- The role and needs of local government
- Governance reforms in the ITSMO
- The role of Free Basic Electricity in development
- Enhancing access
- Parallel development issues like air quality, water and food security
- The influence of crime and corruption
- Social protection measures

Localisation, jobs and skills

- Localisation and green industrial opportunities and strategies
- Sub-national green industrial strategies
- Forecasting job demand and skills development
- Procedural justice and involving communities in planning
- Labour markets
- Social ownership approaches

Finance and JET

- The role of the JET-IP and donor funding
- Local government finance and business models
- Institutional capacity to facilitate grant investment
- Private sector and public sector funding strategies
- The role of National Treasury
- Increasing grant support
- The role of blended finance





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Feedback From Breakout Group 1: Electricity Planning and Grid Expansion

The purpose of the breakout group

Discuss:

- Role of spatial planning
- Need for transparency in planning
- Energy mix for energy security and in the IRP
- Least cost measures
- Governance measures including to support spatial planning
- Role of distribution
- Emergency response priorities

Develop recommendations to the PCC for its recommendations to the Presidency



Conclusions

- We are in the middle of a global climate crisis; we must decarbonise
- We are also in the middle of several energy transitions globally
- We have a backlog in transmission and distribution; electricity planning must address short term crisis and long-term planning
- Other goals must be considered: the air pollution challenge, real economic challenges, social inclusion
- IRP is a powerful decision-making tool; process of updating must be transparent; This is important for procedural justice
- BUT IRP update must be considered with the Integrated Energy Plan – needs to be revised as the only plan that can address the issues being raised on this platform
- Agreement has not been reached on the role of nuclear and gas in the IRP
- Justice discussion is coming from the different perspectives of different stakeholders
 - e.g. loss of municipal revenue is integral to the justice discourse
- Private sector participation in the electricity sector has exploded and cannot keep up with demand
- Eskom's weak balance sheet is a constraint to onboarding planned projects
- SA has high quantities of high value energy resources, these must be exploited, but stress testing in the SA context is critical
- PCC report must be based on sound science
- Ancillary services must be explicit in conjunction with renewable energy onboarding
- Modelling must be able to cater for inclusion of nascent technologies as these become viable



Key recommendations

- Maximise use of SA's excellent resources in wind and solar, but ensure adequate technical, policy and financial stress testing
- Revise the Integrated Energy Plan (IEP) and look at energy planning as a whole The IEP is the only plan that can address the issues everyone is raising – people lives, livelihoods and how people live. Ensure that the multitude of plans align
- Ensure total transparency throughout the process and the IRP/IEP
- Consider all elements of electricity supply that will lead us to carbon neutrality including nuclear (in EU taxonomy and should be in ours)
- Ensure least cost measures that consider the total cost to society alongside the full suite of technologies required for system functionality
- Clarify the role of private sector in large/utility scale RE generation capacity, including through municipal procurement
- Adjust IRP methodology to be bottom up to factor in municipal capacity
- Optimise grid management while upgrading the grid
- Conduct electricity planning spatially
- Signal value to the international community through the IRP
- Consider SA's role in pan African industrial policy and planning, and grid integration
- Build a learning culture that leverages our expertise





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Feedback From Breakout Group 2: Electricity Governance, Access and Poverty

The purpose of the breakout group

To unpack and discuss:

- The role of the state in electricity
- The role, needs and capacity of local government
- Governance reforms
- The role of Free Basic Electricity in development
- Enhancing access
- Parallel development issues like air quality, water and food security
- The influence of crime and corruption
- Social protection measures



Conclusions

- Electricity is closely linked to people's ability to participate in the economy and to their access to basic goods and services including health.
- Access to electricity goes beyond installing a plug point in the house, but also include ensuring the people are able to afford electricity
- FBE and affordability of electricity in south Africa – through the lens of minimum wages, electricity because it is unaffordable for most people in south Africa.
- Cost reflective tariffs and affordability need to be viewed as one policy or regulatory area but as separate policy thematic areas that are closely
- Governance - Local gov is central to any solutions implemented, be it FBE or infrastructure development and maintenance. There are multiple challenges that need to be over come to support local gov to be able to deliver on its mandate (Funding, Loc gov revenue model, capacity and governance challenges in local gov). The JET IP to some degree explore this however there are areas within this that need to be explored .
- Governance - The state is critical to our future electricity system. SA is a low capability state, there are key areas that need to function better (Institutional arrangements -i.e. who has the mandate to do what, Regulation (including NERSA), Implementation, collaborative problem solving (we need to develop more capability in the area of Collaboratory problem identification and solving)



Key recommendations

Pricing recommendations –

- Endorsement of the minimum thresholds of national FBE benchmarks of 350kw/HH
- Explore various models (incline tariff costs, balancing Non-payment of electricity – particularly large payments and those that can afford. Is addressing something we are looking at in-depth and a means to subsidies FBE.

Governance

- We need to ensure that we include local government fully in the discussions. Consulting to the fullest level
- Look at the JET in the context of food and Job equity.
- We need to explore the ailing infrastructure situation that we are in, whilst also looking for solutions to address the energy crisis. This includes improving the capacity of municipalities.
- Research and studies on key topics such as Low capability state, Low-cost models, and demonstration projects e.g., access to Solar for low-income houses vs high-income houses – while keeping the learning of other similar projects such as the solar geyser project. NOTE development the Terms of reference for research studies must be developed in consultation with civil society.



Key recommendations

Access

- We need to ensure that we can provide a stable grid – we need to have broad partnerships across government working.
- A Collaboratory approach that encourages and enables social ownership (including ensuring the communities can generate their energy, that SMEs are included in the discussion, and emphasizes the growth of the electricity generation value chain at a local level)
- Innovative approach - waste to energy and leveraging the circular economy. Municipalities are running out of space for landfills. There is scope to utilize this as a resource or alternative fuel for local industries e.g., cement and other waste to-energy type projects.





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Feedback From Breakout Group 3: Localisation, jobs and skills

Purpose

- Localisation and green industrial opportunities and strategies
- Sub-national green industrial strategies
- Forecasting job demand and skills development
- Procedural justice and involving communities in planning
- Labour markets
- Social ownership approaches

Localisation

- What is SA's localization plan within the transition and what is the role of each social partner in the development of the transmission development plan?
- Stabilisation of demand to sustain localisation – needs to be planned and does not happen automatically
- Manufacturers need to identify what they will need for localized production in the next 10 years
 - What support will they need from a CAPEX viewpoint
- Localisation needs competitiveness – what policy instruments are in place to facilitate these
- Call for explicit JT plans by companies, and the role of locals in these plans
- Private (especially mid-tear) companies need to be made aware

Job Creation

- Industrialization plan where we want to see large scale role out of renewables
- SMMEs require support for the transition – access to RE markets, identify and remove red tapes
- Integrate ICT with electricity distribution
- Green supply chains – mitigate risks of CBAM impacts
- Investment in network sectors
 - Ports, transmission infrastructure, roads, rail
- Need for innovative thinking, especially youth

Skills

- Socially owned RE – skilling/ upskilling youth
- What are the critical skills that should be learned for the various pathways to meet the jobs of the future
 - Need for IT specialist skills e.g. manage the solar plants
- Training programmes for solar installations
- Empowering workers to make a choice, have the reskilling opportunities to make it happen
 - There is limited room for failure

Consultation/Dialogue/ Inclusivity

- Need for comprehensive and inclusive dialogue in all areas of the country (**listen, teach and implement**)
- Ghost towns and unemployment being created by mine closure – stakeholders need to be consulted
- Call for municipal involvement in dialogues!



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Feedback From Breakout Group 4: Finance and JET

The purpose of the breakout group

- Unpack critical areas around climate finance and the JET-IP that still need to be discussed among stakeholders.
- Session will go further in informing what the PCC recommendations are going to be to be submitted to the President.
- Conversation on how we unlock financing around the JET Framework, and the sticking points on the JET-IP.
- What the potential sources of finance, structures and instruments to raise the \$98bn that is needed.
- Looking into catalytic finance of projects.



Conclusions

- JET-IP PMU gave space to PCC stakeholder consultation process, to see what recommendations come out of these consultations, for their implementation going forward.
- JET-IP is an investment plan not implementation plan. Longer range plan of catalytic contribution – it's been determined that grant portion is not enough. National Treasury would have had to raise finance in international finance markets in dollar denominated currencies either way, these concessional loans are therefore cheaper than what the NT would've raised that finance for.
- How do we ensure no duplication of projects? etc.
- How do we package these projects to ensure that they stimulate more investment from foreign markets to fund our just transition?



Key recommendations

- Make more **finance available for project development** and open up **access to smaller companies**.
- 3Ts. **Time** – JET-IP implementation timeline (2023 - 2027) Where are the projects? **Transparency** – who's doing what? Shows no coherence even though at the back of loans and sovereign level and society is ultimately paying. **Transmission** – why is so much of the money going to transition? Mpumalanga is going to be impacted the most, why are we spending so much money in transmission lines in the Karoo?
- Blockages – **public finance reform in SA** – corruption and trust deficit domestically and internationally. **Rethink fossil fuel subsidies and penalties** – GH2 seems like a subsidy. **Green taxonomy could be stronger. Tax reforms could be introduced**. Unaligned policies – e.g. with DMRE.
- How we handle this deal is a reflection of how we will handle climate finance as a whole as it comes into the country. Emphasis must be put on **transparency**.
- Corporate PPAs written with risk in mind. Why do we need 20-year agreements – because these will never be stranded assets? Banks require 20-year agreements. Tariff increases coming, **commercial and development banks need to take more risks**. We need to act now.



Key recommendations

- There's no real consideration for demand-side management. There is an unbalanced focus in the supply-side aspect of things. **Distributors need to be brought along to unlock demand option and work with smaller scale suppliers. Need for due consideration for demand-side options.**
- Role of National Treasury – Acknowledges importance of responding to critical issues on their role in Climate Change.
- Setting up internal structures to determine what is needed at different phases of government. Green Taxonomy, Climate Financing, JTF internal structures set up. Decarbonisation of the economy. Defining programme of action. Critical institutionalisation of the management of financial risk, policy discourse, budgeting and economic development. Acknowledgement of broader finance reforms needed.
- Labour – Against privatisation. Recommends that the **exploration of industries such as GH2 be for the private sector.** Are we going down the right path? – GH2 Sasol in Boegobaai (sp) – are they **greenwashing** because project is for manganese?



Key recommendations

- Will we be able to mobilise the money \$8.5bn vs \$98bn? Multilateral finance regime alongside the bilateral. Framework may fail to raise the finance, with no response to other macro-financial policies, e.g. inequality, etc.
- Private equity / “shadow banks” may be reluctant to adopt these policies. Shadow banks operating outside of regulatory confines that undermine the growth of renewables e.g. Fossil fuels. Find a way to **regulate private equity**.
- How are you negotiating on terms of finance? Is it not getting revised? Priority sector adjustment of GH2? Lots of complaints. Suggestion to remove Green Hydrogen altogether.
- How is the rest of the finance is being mobilised? Who’s in? New – MoE comments present a **risk on mobilising finance internationally**.



Key recommendations

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- **Air pollution abatement technology** in decommissioning – **mining rehabilitation**- little attention is being paid to this and this is the just element of the transition in these vulnerable communities.
- What mechanisms are being put in place to ensure coordination of finance in different municipalities, etc. – what is government doing to push transition ahead – private sector requirements. Tax reforms. Focus on C&I offtakes, but why not Social Offtake agreements? Formal vs Informal?
- Procedural issue to **ensure all stakeholders are involved in creating the JET-IP implementation plan.**



Key recommendations

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- **Social ownership modelling** to be explored.
- The funding around JET-IP is around debt, concessional loans, etc. but NT says that decreases in education, etc. has decreased because of the interest on national debt. So what assurances do we have for the budgets towards education and health?
- Recommendation to use Central Bank and National Treasury to go beyond scope of **monetary policy** and provide **access to money** to government for catalytic projects instead of dollar denominated debt funding.





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Thank you and Questions