



**PRESIDENTIAL
CLIMATE COMMISSION**
TOWARDS A JUST TRANSITION

The South African Climate Finance Landscape 2023

A technical report prepared for the Presidential Climate Commission

29 November 2023



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GreenCape

Methodological approach

Methodological approach

Climate finance: “Local, national or transnational financing, which may be drawn from public, private and alternative sources of financing. These financial resources are intended to cover the costs of transitioning to a low-carbon global economy and to adapt to, or build resilience against, current and future climate change impact.”

Sectoral classification: **South African Green Finance Taxonomy**

General Principles: Conservative; avoids double counting; and project-level (vs aggregated data)



✓ **Tracks:** **Committed primary capital flows** directed toward low-carbon and climate-resilient development interventions with direct or indirect greenhouse gas mitigation or adaptation benefits.

Calendar years **2019, 2020** and **2021**.

Inflation adjusted numbers using SA's official consumer price index.

USD/ZAR conversion using World Bank's Development Indicators database.

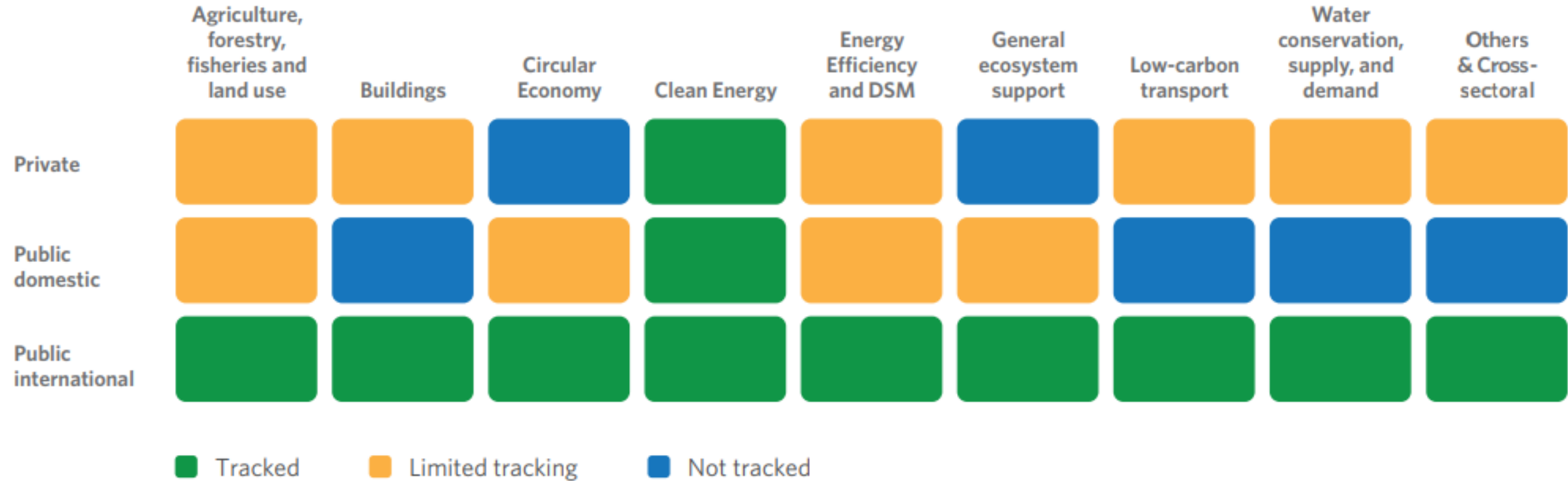


✗ **Does not track** secondary market transactions, transition finance, disbursements, guarantees and insurance.

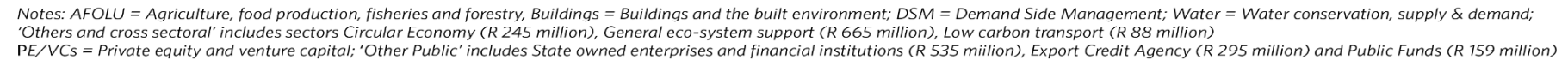
South African Climate Finance Landscape typology



Tracked and untracked climate finance by source and sectors



Findings



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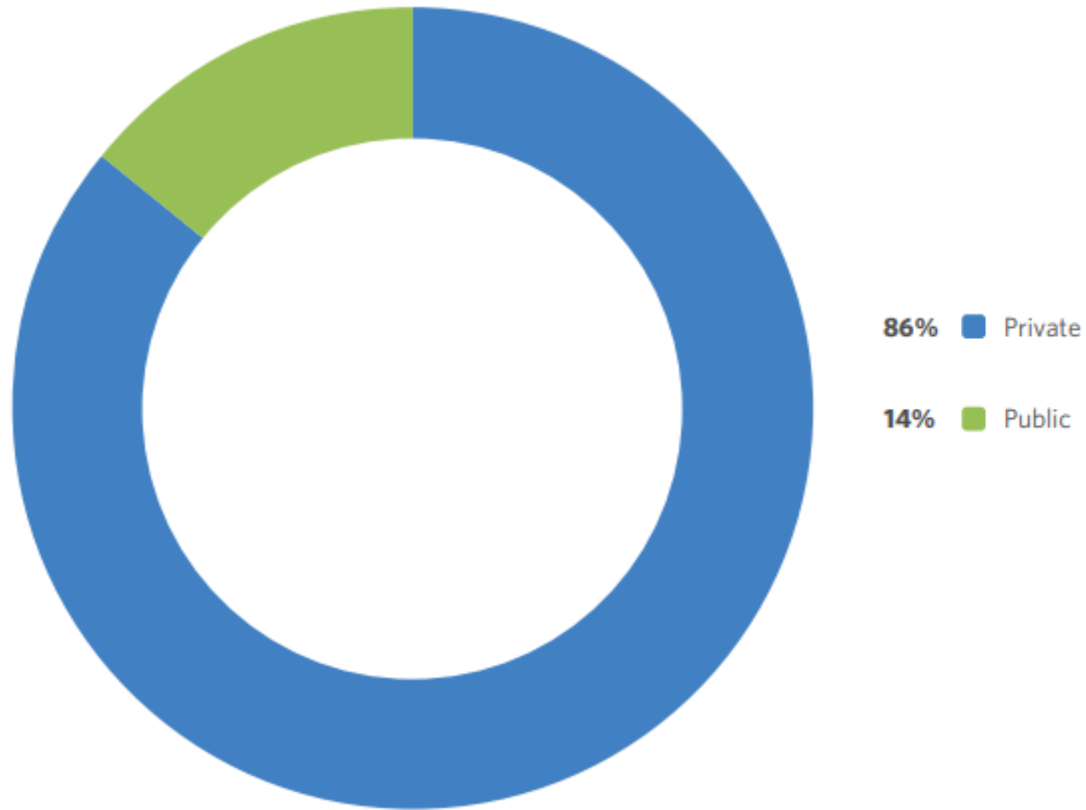


Domestic sources of climate finance in South Africa accounted for **91% (R119 billion p.a.)**; with **9% (R12 billion p.a.)** coming from **international sources**



91% Domestic
9% International

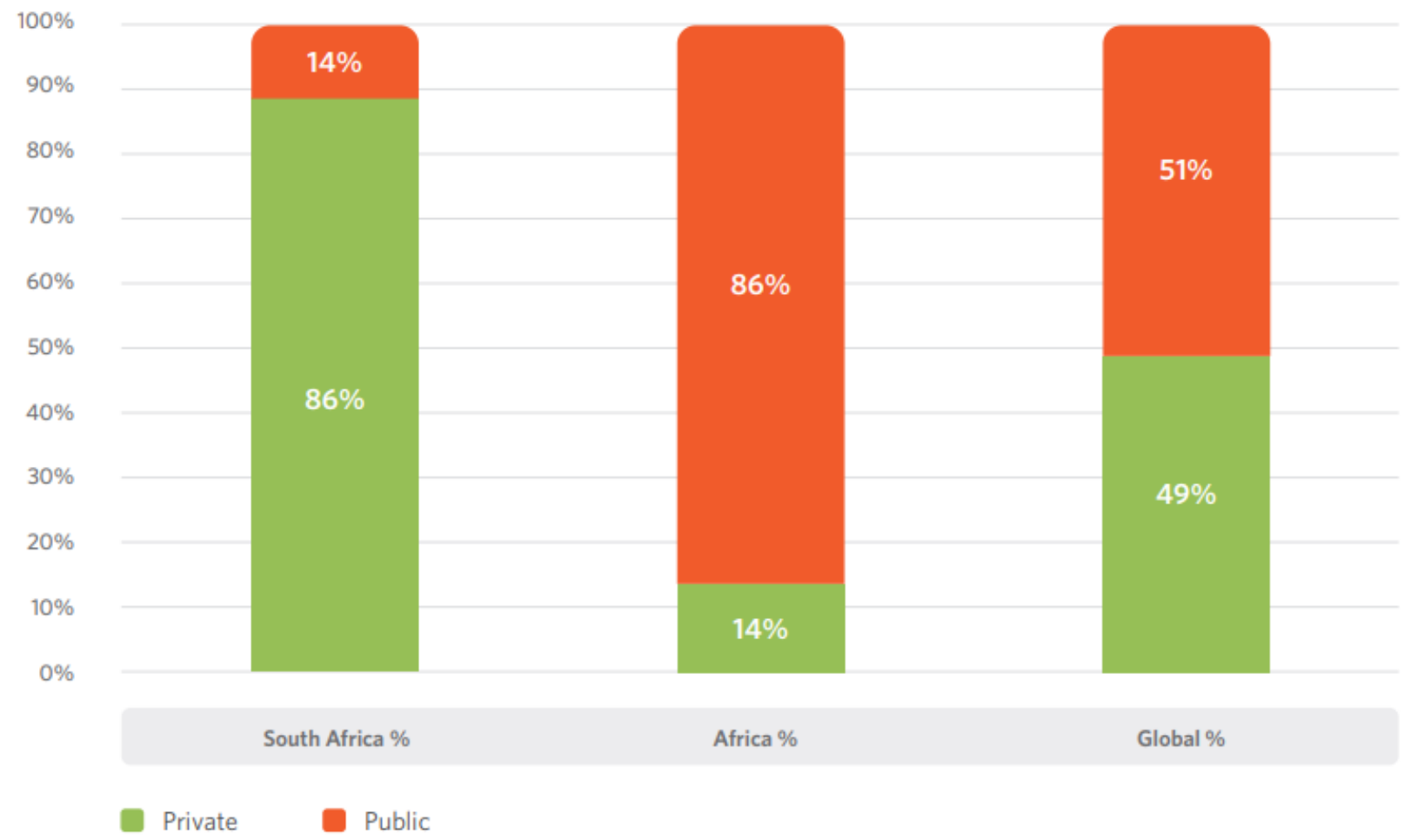
Private actors were the predominant source of climate finance in South Africa at **86% (R113 billion p.a.)** with the **public sector** accounting for **14% (R18 billion p.a.)**



- **Commercial banks** represented **61%** of all **private finance** (R69 billion p.a.), followed by institutional investors with 29% (R33 billion p.a.)
- **Public finance** commitments by **bilateral, multilateral and national DFIs** combined with **multilateral climate funds** collectively presented the largest portion of public finance at **R10 billion p.a. (55%)**



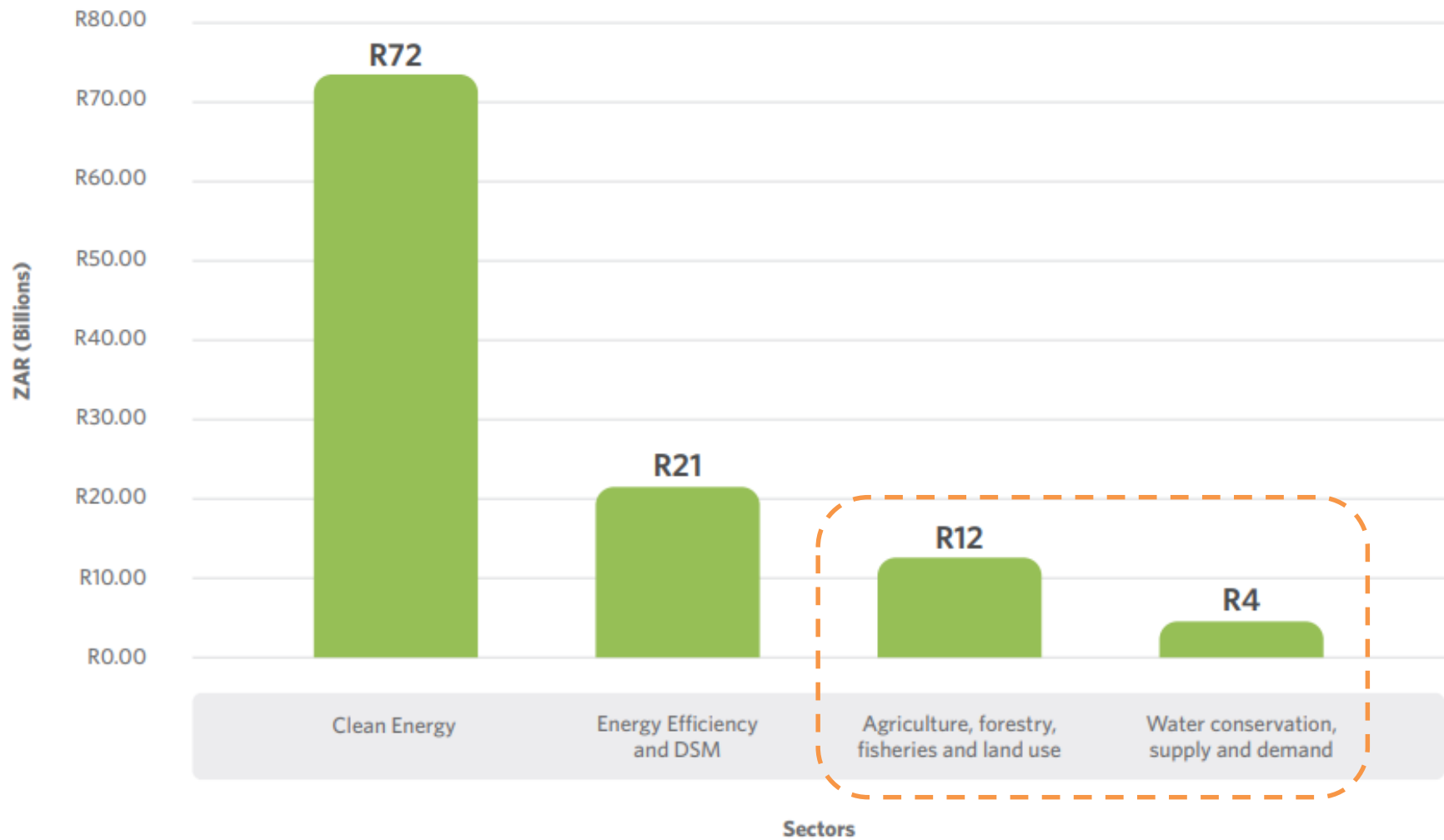
Total climate finance tracked per public and private sectors for South Africa, Africa and global perspective (%)



Source:
[Landscape of Climate Finance in Africa](#) (2022)
[Global Landscape of Climate Finance: A Decade of Data](#) (2022)

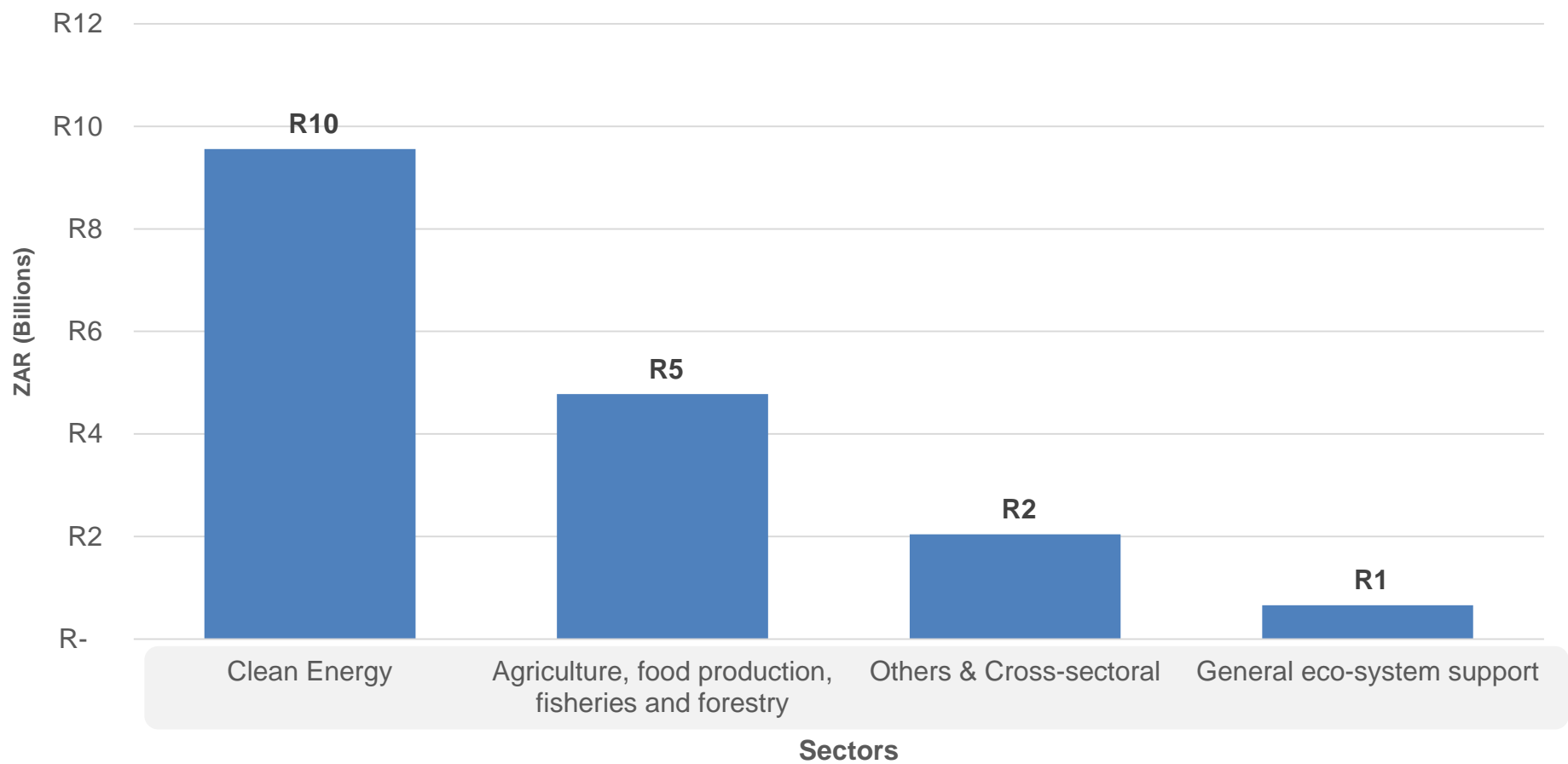


Clean energy secured the largest proportion of **private climate finance flows** with **65% (R72 billion p.a.)**; followed by **energy efficiency and demand side management (DSM)** which received **19% (R21 billion p.a.)**

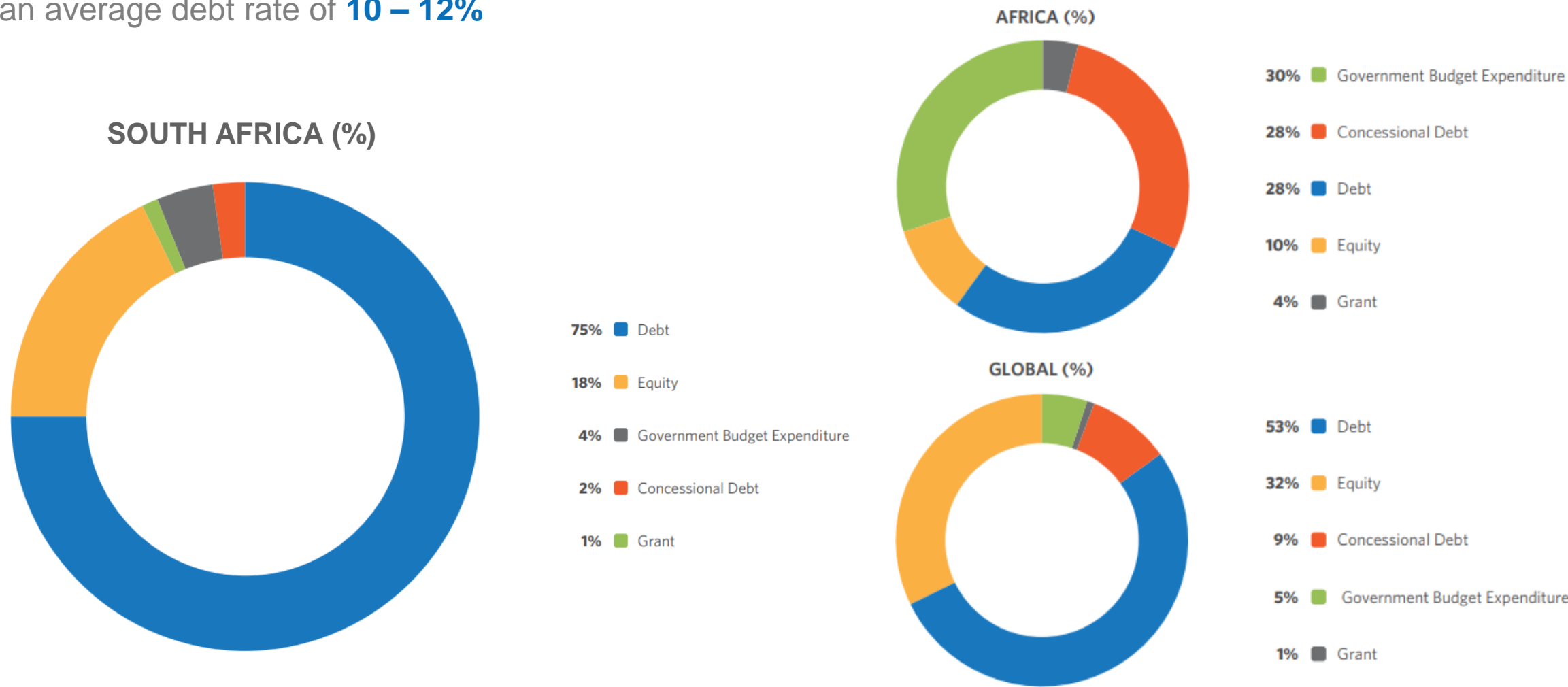




Tracked **public climate finance** similarly showed **clean energy (53%)** as the dominant sector with **agriculture, fisheries, forestry and land use (26%)** following behind



Debt emerged as the predominant financial instrument for climate finance at an average of **R 97 billion p.a. (75%)** with an average debt rate of **10 – 12%**

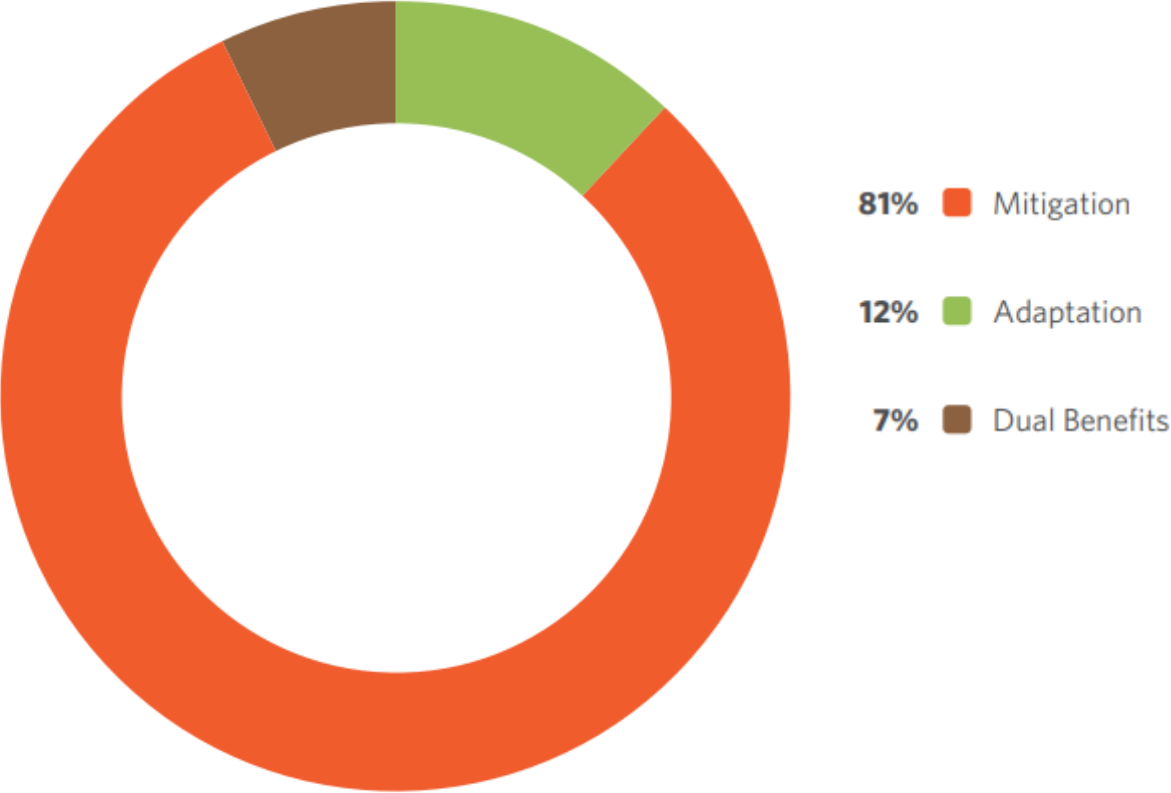


A comparison of South Africa, Africa and global climate finance landscape per financing instruments

[Landscape of Climate Finance in Africa](#) (2022)
[Global Landscape of Climate Finance: A Decade of Data](#) (2022)



Adaptation finance accounting for R16 billion (12%) of tracked climate finance, and remains below the African continent average of 39% (CPI 2022)



Climate finance flows to three primary use categories:

Mitigation finance: reduce or remove GHGs

Adaptation finance: respond to climate-related risk

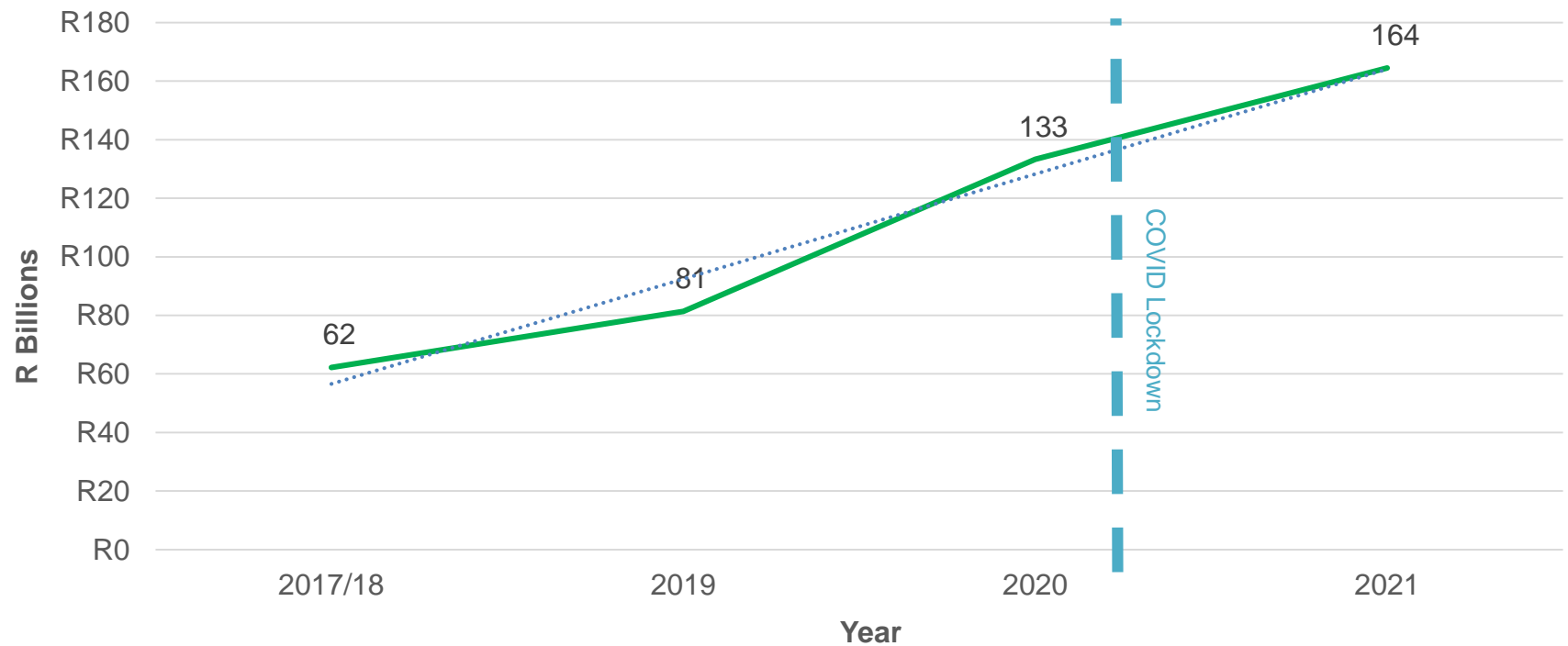
Dual benefit finance: Mitigation and adaptation

Future work is needed to include **Just Transition finance**

Notable similarities and differences between the 2020 and 2023 landscape reports

Climate finance commitments **more than doubled** from **2017 to 2021** with annual average of **R62 billion p.a.** vs annual average **R131 billion p.a.**

This however needs to increase by at least three to fivefold to achieve the country's climate objectives.



****Data shows no negative effect of the COVID-19 pandemic on the availability of climate finance**

Common trends between the 2021 and 2023 Climate Finance Landscape reports

1. **Private actors** (commercial banks and institutional investors) continue to account for the majority of the annual investments tracked.
2. Minor movement down for public finance (increase in accurate tagging).
3. **Clean energy (generation and efficiency)** continues to be the dominant sector for investments.
4. The majority of climate finance flows are facilitated through market-rate **debt instruments**.
5. **Less than 12%** of the tracked annual climate finance flows are into **adaptation projects**.

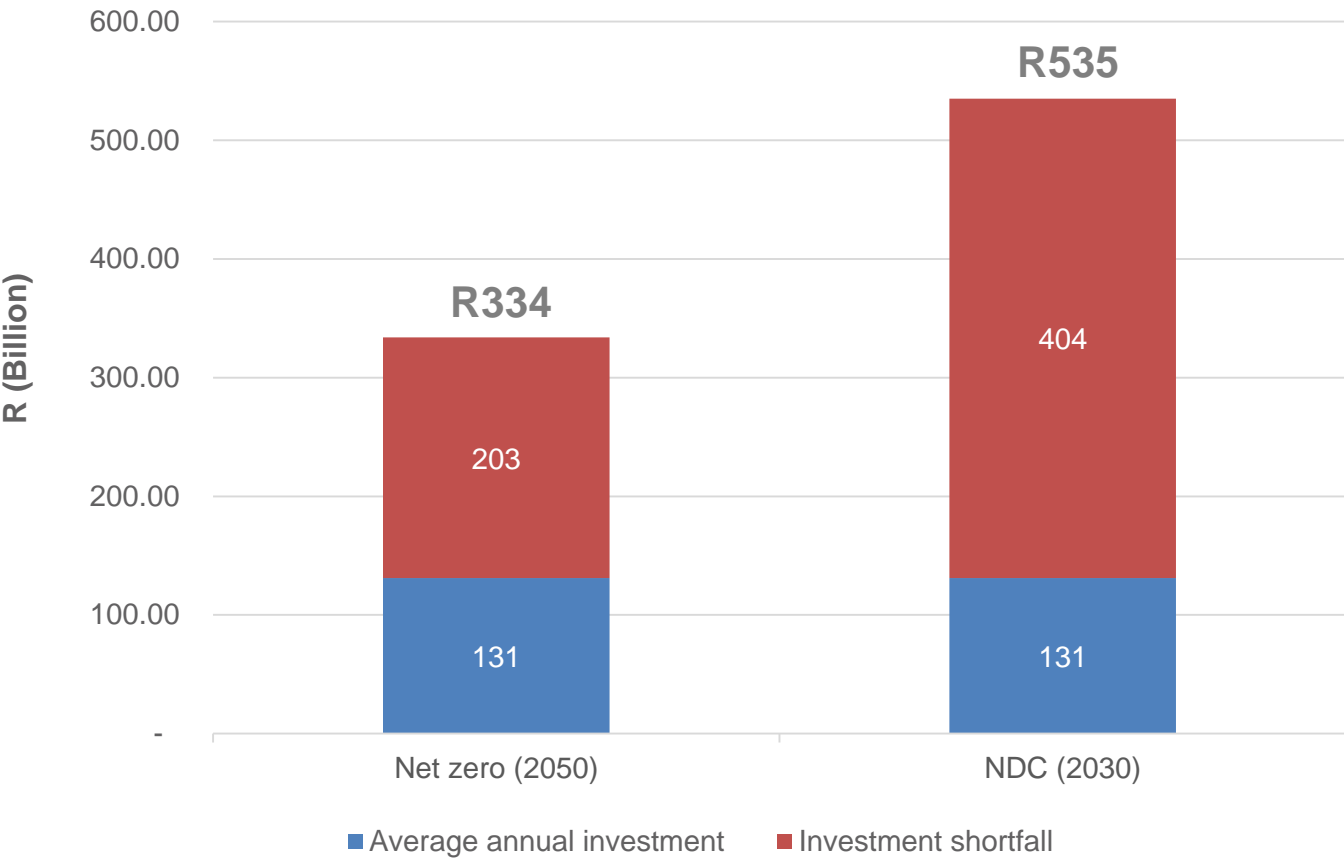
Notable differences between the 2021 and 2023 Climate Finance Landscape reports

1. **Grant financing** tracked in 2019-21 accounted for **less than 1% of climate finance tracked** 5% ↓ 1%
2. The landscape showed both an **overall decrease in the amount of concessional debt available**; but also a **reduction in the blending ratio** for the available concessional debt.
3. The **agriculture sector** experienced continued expansion attracting private investors R1.6bn ↑ R16.7
4. A **marked increase in private-sector investments in water** (waste water and drought) R1.9 bn ↑ R4.8bn
5. There was a reduction in **low-carbon transport** R2.2bn ↓ R87 mil

South Africa's climate finance needs



Multiple studies have been undertaken by organisations to cost **South Africa’s net zero** and **NDC commitments**



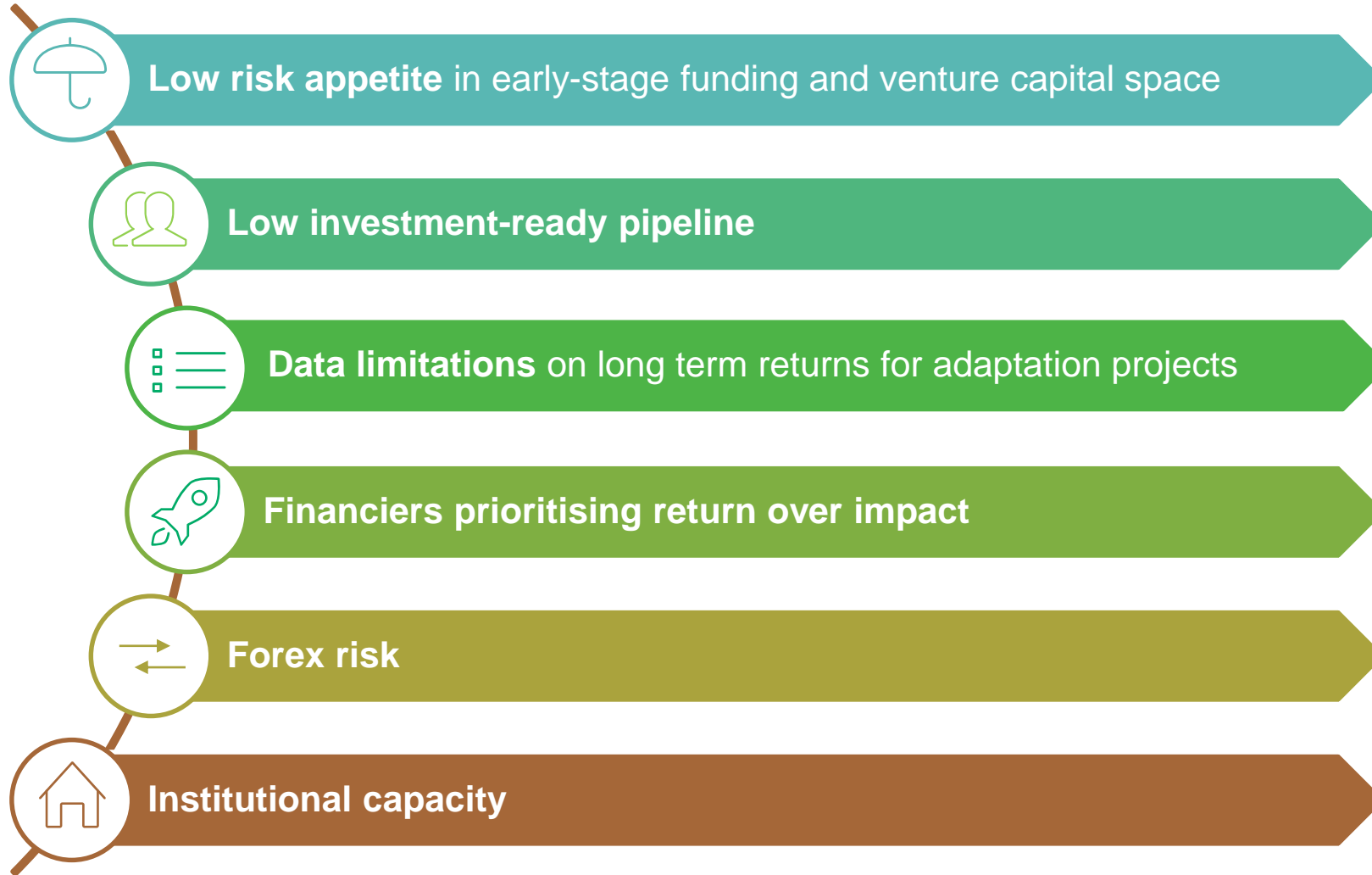
South Africa requires on average
~R334 billion p.a. and **~R535 billion p.a.**
to meet net zero by 2050 and NDC by
2030, respectively.

Barriers and challenges to facilitate climate finance

Mapping of investment barriers and investment sentiment by sector

Sector	Barrier			Investment sentiment	
	Economic	Policy	Skills	Climate finance availability assessment	Investment risk assessment
Clean energy	Low	Medium	Medium	Mature	Low
Energy efficiency and demand side management (DSM)	High	Low	Low	Emerging	Low
Low-carbon transport	Medium	High	Medium	Nascent	Medium
Water conservation, supply and demand.	High	Medium	Medium	Nascent	High
Agriculture, food production, fisheries and forestry	Medium	Medium	High	Nascent	High
Circular Economy	Medium	Low	Medium	Mature	High
Buildings and the built environment	High	Medium	Low	Nascent	Medium
General eco-system support	High	Medium	Low	Emerging	Low

Climate finance barrier



Key takeaways

Key takeaways related to data tracking

- **Alignment on the South African Green Finance Taxonomy (GFT)** as a standardized approach to measure and track climate-tagged data.
- **Update the South African GFT to international best practice (UK, Europe, and Asia)** north and south.
- **Greater alignment and transparency partnered** with more detailed reporting on impact outcomes between local and international development finance institutions (DFI's).
- **Incorporating gender, equality and social inclusion considerations in climate budget tagging** is essential for promoting gender equality, a crucial element in climate resilience and the Just Transition.

Key take-aways

1. South Africa requires on average **~R334 billion p.a.** and **~R535 billion p.a.** to meet its NDCs and net-zero pledge, respectively.
2. **Awareness, capacity building and alignment** must be the centre points of a coordinated effort from all stakeholders.
3. **Early stage capacity building and project preparation facilities**, which utilise blended finance structures, should be established to increase the number of bankable projects.
4. **Tracking, measuring, monitoring and reporting** on both climate finance flows; and the needs of South Africa to meet its NDCs and net zero.
5. **Greater alignment and transparency** between local and international DFI's (avoiding multiple funders all pushing support into one sector).

The South African climate finance landscape is a complex adaptive system in which **many independent elements or agents interact, leading to emergent outcomes and a web of linked balance sheets.**

