



PRESIDENTIAL CLIMATE CHANGE COORDINATING COMMISSION (P4C): UPDATED NATIONALLY DETERMINED CONTRIBUTION (NDC) DIALOGUE

BUSA CEO Perspectives on what should be a just Nationally Determined Contribution for South Africa (10 minutes)

7 May 2021

INTRODUCTION

Good morning and thank you Deputy Chair (Mr Valli Moosa) and Executive Director: Mr Crispian Olver,

Minister Barbara Creecy;

Other Minister's in attendance;

P4C Commissioners;

Representatives of labour, civil society, fellow business colleagues and other stakeholders –

All protocol observed.

Ladies and gentlemen, thank you for the opportunity to put forward BUSA's perspectives on what a just Nationally Determined Contribution for South Africa should be.

THE P4C

First, let me take this occasion to welcome the establishment of this Commission. It was Business that put forward the need for such a structure to "*provide independent advice and facilitate a common vision for a just transition to a low carbon, climate resilient economy and society*".

The functions and objectives of this Commission have been well captured in the Climate Change Bill and the Cabinet approved Terms of Reference.

Business, through our mandated representative, is honoured to be part of the Commission and its important work. We look forward to finding an efficient and effective way of delivering the most comprehensive, holistic, and robust climate change response and just transition for the country.

THE NDC

I will now turn to the updating of the NDC. I am pleased to say that Business broadly supports the updating and enhancement of the "first NDC". We recognise that this update represents an increased level of ambition from the current NDC. It also takes into account our vulnerable national circumstances, and we are encouraged by the balance of mitigation, adaptation and the means of implementation included in the draft.

Business recognises the need for more ambition to reduce our GHG emissions and manage climate change. BUSA is also aware that the mitigation ambition has been rated by the Climate Action Tracker group as insufficient. We are also keenly aware of global pressures and other considerations to ensure achievement of a 1,5-degree world by 2050. But framing the discussion *only* around net zero and the science, does not account for justice, national circumstances, the costs of transitioning or any structural constraints.

Business does desire greater ambition sooner. We see the opportunities for access to capital and potentially higher investment. You've heard our member CEOs speak at the P4C meeting last week about their climate and transition plans, but they've also indicated that opportunities to transition sooner are constrained without a conducive and enabling environment to do so.

The creation of an enabling domestic policy environment, supported by much-needed financing is currently absent in South Africa. Business has started a process of defining the transition pathways, through the BUSA/NBI/BCG Climate Action and Just Transition Pathways Study, which aims to describe how greater ambition can be achieved together with a view of the social and financial impacts thereof.

However, this study is not yet complete and has not been adopted or incorporated into South Africa's policy. We are also still missing the critical agreement from all social partners on the vision, pathways, implementation roadmap, policy enablers, incentives, and technology opportunities required to achieve our vision. We see much of this work as being the remit of the P4C and this has only just begun.

In this context, increasing ambition beyond what is proposed in the draft updated NDC in the 2025 – 2030 period is premature. If South Africa makes such commitments without first undertaking the work and having the critical elements in place for success, we run a high risk of causing economic destabilisation.

That being said, there are some clear “no-regret” decisions that can and must be taken now for a low carbon path, particularly in the energy sector. Here, the advancement and acceleration of renewables and green hydrogen will play a key role in greater ambition post 2030. Business has clearly expressed interest in developing these technologies to create a sustainable low carbon economy. We are keen to work closely with this Commission and the relevant government departments to ensure that the right policies and funding are in place for greater ambition sooner.

This is particularly critical in respect of energy policy, where there are significant opportunities in accelerating decarbonisation of the electricity sector. It is widely acknowledged that the combination of renewable energy technologies and transition gas is the least-cost energy mix, and the fastest route to decarbonisation. This energy mix would result in more affordable energy, thus stimulating investment to support inclusive economic growth, and laying the foundation for further ambition from the hard-to-abate sectors.

With this in mind, the call for financial and technological support as a developing country, is supported. Indeed, these means of implementation are critical to South Africa achieving its NDC and working to increase its ambition and will also assist Business to accelerate the transition.

A balance must be struck to ensure that South Africa is not left behind and can access necessary support, and to allow for economic recovery. A just transition provides opportunities to attract development funding and investment through an accelerated decarbonisation programme, particularly in the energy sector. We believe it is imperative that work in this space must be expedited.

NATIONAL CIRCUMSTANCE

For us, transitioning to a low emissions economy in a managed and just manner is paramount. The draft NDC update correctly identifies the triple challenges of poverty, inequality, and unemployment as a key consideration in South Africa's level of ambition. The need to transition justly to ensure that "no-one is left behind" is underpinned by the structural makeup of our economy, and our workers and communities, which are reliant on currently high carbon-emitting sectors and hard-to-abate activities.

The realisation of the proposed NDC, and any contemplation of increased ambition must consider the constraints on the country's ability to reduce emissions more quickly – the state of our economy, transition impacts, and the lack of energy alternatives at scale. These constraints, as well as an enabling policy framework and the costs of transitioning, particularly in a post-COVID-19 environment are certainly top of mind for Business.

The COVID-19 pandemic has caused a global economic and unemployment crisis. These negative impacts have not been evenly distributed - with developing nations such as ours forecast to record the lowest GDP growth in 90 years, with an anticipated economic decline of at least 7.2%. Climate impacts are similarly unevenly distributed, as noted in the President's remarks at the Leaders' Summit on Climate.

The recovery effort from the pandemic and the need to address climate change collectively, presents an unprecedented opportunity to transition our economy toward one that is more environmentally sustainable, low carbon and inclusive. As Business, we welcome this opportunity and call on government to pivot policy to take advantage of this and position South Africa for economic growth based on low carbon sustainable energy, minerals, and manufacturing.

Accordingly, the next few years will be critical for business and the economy to recover. Efforts to decouple economic growth from GHG emissions must be made as companies aim to “build back better”, though much of the technological advances required for a low carbon economy may only become economically viable in the mid-2030’s.

We do acknowledge that the transition is already happening, and that this adds to the urgency for progress in finding solutions that are just and equitable.

We propose a balanced approach, particularly with respect to the PPD range for 2025 of the updated NDC. This is needed to allow economic recovery and stabilisation to take place.

WRAPPING UP...

Business strongly believes that inaction on climate change and a just transition is unacceptable, but we should be careful not to allow the NDC process to circumvent the work that must be done for an informed ambition to be developed. **Let us pull together and get the work done – develop the roadmaps and implementation plans; build the necessary policy for implementation; and attract the required funding and investment.**

In conclusion, BUSA recognises the need for greater ambition premised on a solid evidence base. There must be a managed and orderly transition towards a low carbon and sustainable economy. Over and above the evidence-base and enabling policy, this requires partnerships across all facets of society to unlock innovation and greater ambition. .

In our view, it would be irresponsible to act without this work - our economy is far too fragile to do so. The social and economic implications of unplanned shifts would be too devastating to contemplate. Critical pieces of the greater ambition puzzle will support informed changes to the PPD for future iterations of the NDC, which we will believe can be done in readiness for submission by the country in 2025.

Thank you for your time.