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Dear Sarah and Lusanda

Commentary on National Treasury's Draft Technical Paper: Financing a Sustainable Economy 2020

1. We refer to the above and make these submissions on behalf of the Life After Coal campaign (LAC)[1] and 350Africa.org.[2]

2. LAC and 350Africa.org comprise civil society organisations working towards climate justice and the advancement of the right to a healthy environment for present and future generations.

3. Climate justice links human rights and development to achieve a human-centred approach, safeguarding the rights of the most vulnerable people and acknowledging the need for equitable stewardship of the world's resources. Climate justice necessarily involves a just and inclusive response to climate action implying equitable access to finance and the use of international climate finance in a transparent manner. Through grassroots mobilization and climate action, supported by strategic legal interventions and scientific expertise, the Life after Coal campaign and 350Africa.org are galvanising support for a just

[1] Life After Coal is a joint campaign by Earthlife Africa, groundWork, and the Centre for Environmental Rights, which aims to: discourage the development of new coal-fired power stations and mines; reduce emissions from existing coal infrastructure and encourage a coal phase-out; and enable a just transition to sustainable energy systems for the people. See https://lifeaftercoal.org.za/

[2] 350Africa.org is a non-profit organization building an African movement to flight climate as part of a global climate movement that campaigns through grassroots organising and mass public actions in 188 countries. See https://350africa.org/

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transition[3], away from a reliance on coal and towards sustainable energy systems for all people. In this regard, groundWork has found that:

> "*The central organising principle of economy should be sustainability founded on economic, social and environmental justice. This means a commitment to growing human solidarity and equality as well as a relationship to the environment which enhances rather than degrades the functioning of eco-systems both for their intrinsic value and for the eco 'services' they provide … [T]his does not imply that economy and production are unimportant, but that the economy must serve people rather than people serving the economy. This would create the basis for a just transition*."[4]

4. The Life after Coal campaign, and 350Africa.org, have a range of expertise and experience in advancing and campaigning for climate and environmental justice. This includes:

   4.1. Years of experience in engaging and working with communities affected by toxic greenhouse gas ('GHG') emissions and other forms of pollution caused by the mining and burning of coal;

   4.2. Specialised legal expertise, particularly in relation to environmental laws and regulations, as well as voluntary codes which deal with climate risks and climate-related financial disclosures; and

   4.3. A history of organising and mobilizing support for climate action and the global campaign for a just transition to sustainable energy systems.

5. We therefore have immense individual and collective experience in engaging with and advancing climate justice in South Africa and we understand the critical role that financial institutions play in enabling a just transition to sustainable energy systems, and in building a climate resilient economy that advances a healthy environment for our people and for generations to come. For example, 350Africa.org recognises that South Africa's cross-cutting inequities, fiscal deficit, and economic challenges make it extremely vulnerable to the volatility of this new climate reality, especially as the country's public finances are exposed to fossil fuel assets. To highlight the urgent need to manage the extremes of a warming South Africa, 350Africa.org has urged public finance institutions with a development mandate to stop financing fossil fuels and to instead embrace the catalytic role that they can play in driving a just transition away from fossil fuels.

6. We have engaged with a number of financial institutions in relation to their role in supporting the fossil fuel industry, particularly the coal industry, and we have used various strategies and approaches to influence these financial insitutions; top emitters and polluters; shareholders and regulators to effect change, including policy change, in order to address climate risk. The public nature of our campaigns and reports have provided consumers and the general public with a better understanding of corporate non-compliance with laws and/or voluntary standards, as well as the role which financial institutions, regulators and professional associations play in supporting such corporations. Importantly, we consider

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[3] Citing the International Trade Union Federation, LAC finds that, *"*A Just Transition secures the future and livelihoods of workers and their communities in the transition to a low-carbon economy. It is based on social dialogue between workers and their unions, employers, government and communities. A plan for Just Transition provides and guarantees better and decent jobs, social protection, more training opportunities and greater job security for all workers affected by global warming and climate change policies*."* See https://lifeaftercoal.org.za/about/just-transition

[4] See groundWork report 2017, "*The Destruction of the Highveld*" http://groundwork.org.za/reports/gW_Report_2017.pdf

whether corporations and financial institutions are actively taking steps to encourage and implement sustainable practices.

7. We recognize that financial institutions and their regulators have the power to effect positive, systemic and mass change at a critical juncture in the history of South Africa and the world.[5] The Covid-19 pandemic has highlighted and reinforced the fault lines in our economic and social systems and this Draft Paper comes at a time when the necessity for systemic change on how we approach environmental degradation, poverty and inequality has never been more evident. There is therefore significant opportunity for the state and private actors which encompass our financial architecture, to take bold and innovative steps to realizing meaningful change for a more fair and sustainable society.

8. In these submissions, we provide high level commentary on the key issues and recommendations made in the Draft Technical Paper 2020 published by National Treasury entitled, "*Financing a Sustainable Economy*" ('Draft Paper'). We welcome National Treasury's initiative in this regard and recognize the Draft Paper as being exceptionally critical to advancing climate action and responding to our obligations, as a country, under the Paris Agreement.[6]

About National Treasury's Draft Technical Paper

9. We understand that the Draft Paper is a framework for financial institutions to better disclose information on their green practices and investments in order for interested and affected stakeholders to assess how financial institutions are taking account of climate change and other social and environmental risks.

10. In addition, we understand that the Draft Paper does not deal with all sustainable finance instruments and broader environmental, social and governance ('ESG') issues but represents the first formal steps towards developing a comprehensive approach to sustainable finance for the financial sector. In this regard, the Draft Paper aims to:

    10.1. Harmonise definitions and disclosure standards; and

    10.2. Guide the governance approaches needed to effectively identify, quantify and manage such risks within SA's financial institutions and regulatory activities.

11. According to the Draft Paper, National Treasury convened a working group of financial sector regulatory agencies and industry associations on a voluntary basis. The Draft Paper includes draft recommendations on sustainable finance initiatives to be undertaken in banking, insurance, retirement funds, asset management and capital markets. We note that the Draft Paper was released for stakeholder comment, to strengthen the recommendations and develop a comprehensive approach and action plan to encourage the financial sector to play its role in sustainable finance and development.

[5] See Chantal P. Naidoo, C, "Environmental Innovation and Social Transitions" https://doi.org/10.1016/j.eist.2019.10.004
[6] Paris Agreement under the United Nations Framework Convention on Climate Change, 2015. Ratified by South Africa in November 2016.

High Level Submissions

12. As indicated, we welcome the publication of the Draft Paper and the work done to consider the response of South African financial institutions to the global climate emergency; however, we have a number of concerns about the Draft Paper, its objectives and potential efficacy. We have therefore made key high-level submissions under the headings below. We have refrained from detailed commentary in relation to sections 5 – 10 of the Draft Paper and opted to make high-level submissions within our area of focus and expertise.

The Declaration of a Climate Emergency

13. We note that the Draft Paper contains a great summary of the urgent climate change imperatives that influenced the work of National Treasury and the working group in addressing financial stability, resilience and sustainable development.

14. We hope that there is a real and genuine appreciation of the urgency of the steps required to avert a climate crisis. Given the role of EU-led initiatives in framing the Draft Paper,[7] it is important to note that in addition to the European Commission providing policy direction on financing a sustainable economy, the European Parliament declared a climate emergency on 28 November 2019. We recommend that National Treasury engage with Parliament around taking a similar step. South Africa's declaration of a climate emergency would signal a significant policy and political shift in respect of the urgency and seriousness of the climate crisis, particularly bearing in mind South Africa's vulnerability to climate impacts.[8] The urgent finalization of our Climate Change Bill, as another major shift in the climate and finance sector, should be prioritized and National Treasury could play a significant role in highlighting the urgency of its finalisation.

15. The adoption of binding measures for state and corporate actors would be a strong incentive for financial institutions to change their approach to continued financing of fossil fuels, hastening their commitments to financing renewable energy. National Treasury's engagement with Parliament in relation to these steps would be important because it appears that the Sustainable Finance framework[9] is not intended to be binding on financial institutions and is limited to only requiring *disclosure* of the risks facing financial institutions. We do not support such a voluntary approach; as indicated further below, we submit that National Treasury could, at the very least, play a more active role in the formation of national policy and legislation, as it relates to climate change.

Beyond disclosure: A Finance Pathway to Climate Resilient Development

16. The Draft Paper states that its primary objective is to consider the role of financial institutions in disclosing public information on green practices and investments, therefore enabling stakeholders to assess how financial institutions are addressing environmental and social risk. The stated intention of the Draft Paper

[7] Draft Paper, page 7
[8] Draft Paper, page 1
[9] Draft Paper, page 17

seems to be at odds with the title of the paper, which speaks to "Financing a Sustainable Economy." This contradiction is explored further below.

17. While the Draft Paper acknowledges South Africa's submission of its Nationally Determined Contribution (NDC)[10] in terms of the Paris Agreement, it is unclear how the Draft Paper or subsequent action plan, will aid in practically realizing South Africa's commitments to reducing GHG emissions.

18. In this regard, South Africa's current NDC has been found to be 'highly insufficient'. Climate Action Tracker has found South Africa's NDC to be inconsistent with holding warming to below 2°C, let alone with the Paris Agreement's stronger 1.5°C limit.[11] It was found that implementing the Integrated Resource Plan (IRP) 2019, would enable South Africa to achieve its 2030 NDC target, but that to be in line with the Paris Agreement goals, South Africa would need to adopt more ambitious actions by 2050, beyond the IRP 2019.[12] This would include even further increasing renewable energy capacity by 2030 and beyond, fully phasing out coal-fired power generation by latest 2040, and substantially limiting natural gas use. The Draft Paper describes South Africa's NDC as being "ambitious" but the NDC was found by Climate Action Tracker to be 'highly insufficient.'

19. We would like to understand National Treasury's role in engaging with the Department of Environmental Affairs, Forestry and Fisheries (DEFF) in respect of South Africa's revised NDC which is due to be submitted to the UNFCCC this year, as part of the Paris Agreement's ambition-raising target. If South Africa is to meet any revised targets, then there would need to be significant shifts towards increasing renewable energy capacity, beyond what is anticipated in the IRP 2019, as well as fully phasing out coal-fired power generation by latest 2040. This would require National Treasury to adhere to Article 2(1)(c) of the Paris Agreement, which aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development.

20. If the Draft Paper is only aimed at creating a "framework for financial institutions to better *disclose* public information on their green practices and investments" and to enable various stakeholders to "assess how financial institutions are taking account of climate change and other environmental and social risk" - then the Draft Paper fails to recognize the need for a practical response from financial institutions in respect of meeting South Africa's international obligations.

21. If National Treasury is to make 'finance flows consistent with a pathway to low greenhouse gas emissions and ensure climate resilient development,' then the Draft Paper and any framework and action plan which emerges from this process, needs to *move beyond disclosure* and require binding commitments from various financial institutions in respect of ensuring that South Africa is able to meet international climate obligations and ensure a just transition.

22. In this regard, National Treasury's approach appears to be largely about disclosure and "mobilizing resources" and there is no explicit reference to efforts, which would be required to ensure that our

[10] Draft Paper, page 10
[11] See https://climateactiontracker.org/countries/south-africa/
[12] See above

country's finance flows are made *consistent* with a pathway to low GHG emissions and climate resilient development. The following questions are therefore pertinent:

22.1. Would any framework or action plan which emerges from the Draft Paper, support the South African government's response to article 2(1)(c) of the Paris Agreement?

22.2. What will National Treasury's role be in creating and promoting new sustainable finance pathways, through the creation of incentives or other measures?; and

22.3. Will risk analysis, a new "green taxonomy" and disclosure, as set out in the Draft Paper, enable the practical realization of sustainable finance pathways and support South Africa's emissions reduction targets?

Composition of the Working Group, Transparency and Accountability

23. We note the significant work done by the working group, within their various areas of expertise and specialization, in preparing the Draft Paper. However, the working group has thus far, only consisted of regulatory agencies and industry associations, leaving out trade unions, civil society, project developers, academia and other potential beneficiaries of Treasury's approach.

24. The current representation of the working group is exclusive and there is a marked lack of transparency in respect of the composition of the working group, the process followed for their selection and the information which guided their work in preparing the Draft Paper. The lack of transparency, in relation to both substantive guidance and the process followed by the working group, is inherently flawed and has resulted in an exclusionary process of engagement.

25. Such an approach has meant that civil society and other stakeholders are commenting on the outcome of a process that has been hidden from view and without the necessary background, context and other documentation necessary to inform our submissions. In this regard, National Treasury, as a government department listed in Schedule 1 of the Public Service Act, 1994 – should advance the basic values and principles governing public administration, including responding to people's needs and encouraging the public to participate in policy-making.[13]

26. The approach taken by National Treasury, in appointing a working group, out of public view and with only regulatory and industry bodies, is to be contrasted with the approach of the European Commission's High Level Expert Group on Sustainable Finance (HLEG). The HLEG was established in 2016 and comprised 20 senior experts from civil society, the finance sector, academia and observers from European and other international institutions. A similar group was established by the government of Colombia (SISCLIMA) and involved a very broad group, enabling transparency and oversight of measures by public and private finance alike, using an initiative called Protocol Verde and an inter-governmental committee to support its implementation. Based on comparable frameworks, and without

[13] Section 195(1)(e) of the Constitution.

reference to all interested and affected parties, such as civil society, the paper is missing specific preliminary sections and contributions by:

26.1. Public finance institutions (both the National Treasury itself and its budget and market support processes; its challenges and limitations);

26.2. Development finance institutions;

26.3. South African Reserve Bank in terms of its regulatory and oversight roles;

26.4. Small, medium and micro enterprise (SMME) financiers;

26.5. Fintech and other platforms through which finance flows;

26.6. Informal finance channels (shadow banking, community co-ops etc.);

27. We suggest that National Treasury review the composition of the working group so as to ensure that all necessary expertise, experience and interests are reflected in any work going forward. Sub-working groups in various technical areas of specialization may very well work to develop sector specific recommendations and guidance but any high level-working group must include broad representation. In addition, National Treasury should ensure that the following information is made publicly available:

27.1. Information on the processes for the appointment of the working group or any sub-working groups;

27.2. Documents which served before it, including guidance notes and strategic planning documents such as a vision, mission or theory of change; and

27.3. Forward-looking governance measures to enable stakeholders to follow, interrogate or provide other input on the development of any framework or action plan.

28. Civil society, in particular, have a role to play in not only sharing expertise and experience, but in ensuring that any recommendations or action plan is widely disseminated and utilized as an accountability mechanism. Civil society play, and can continue to play an important role in holding the finance sector accountable in respect of any laws or voluntary codes and standards that may emerge from this process, as is evident from the Centre for Environmental Rights[14] (CERs) body of work which has involved assessments of top emitters and banks against voluntary recommendations. In this regard, the CER has conducted systematized assessments of some of South Africa's biggest polluters and the major financial institutions which support them, including development finance institutions (DFIs), in relation to legal obligations as well as voluntary codes and international best practice that require disclosure and transparency.

[14] https://cer.org.za/.

29. CER has used disclosure as a means to understand and illustrate the environmental and climate risks facing corporations and the impact of their operations on affected communities and on the environment. The CER's Full Disclosure series of reports assesses the public disclosures of listed South African companies with significant environmental and climate impacts. The reports analyse the extent to which these companies accurately reflect their environmental compliance records, and their environmental impacts and liabilities, in their reports to shareholders.

30. In 2019, the CER launched the fifth assessment in its Full Disclosure series. The report, entitled "*Full Disclosure 5: The Truth About South African Banks' and Companies' Ability to Identify and Address Climate Risks*", considers South African banks' and companies' disclosure of and engagement with climate risks. The report raised critical questions about how major South African corporates are preparing for a low carbon economy, and how such preparation will give some companies a competitive advantage over others. Relying on the Recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD Recommendations), CER assessed the climate-related disclosures of fifteen JSE-listed companies, considering the extent to which these companies report on climate change as well as the quality of existing disclosures. These companies comprise ten of the largest emitters of greenhouse gases in South Africa, and the five major banks.

31. However, the CER has recognized that disclosure is just the *first step* in engaging with and advancing corporate accountability. Significant work is required to ensure that disclosures are carefully interrogated and incorporated into systematized assessments, which can then be utilized to challenge corporate non-compliance in a rigorous manner. Oftentimes, corporations and financial institutions only respond to issues of non-disclosure or failure to comply with voluntary standards, when their conduct is publicly challenged.

32. The trade-off between voluntary standards versus mandatory requirements for financial institutions should be deeply investigated and interrogated and National Treasury and the working group should consider whether SA requires a portfolio of both voluntary and mandatory measures. As indicated, this means that the process of developing this paper further should not fall only to regulators and practitioners but also include civil society and other independent academics or practitioners to enable accountability, efficacy and transparency.

33. We therefore submit that National Treasury rethink the value and efficacy of creating voluntary standards that have no mechanisms for oversight to ensure meaningful compliance. We submit that National Treasury and the working group consider the creation of binding or mandatory obligations and strict governance processes, in respect of oversight and monitoring in respect of such obligations.

National Government Policy on New Coal: An Obstacle to Sustainable Finance

34. While we note the Draft Paper's summary of various renewable energy projects and initiatives,[15] the continued financing of coal mining and pollutant coal industries significantly undermine any efforts towards a just transition.

[15] Draft Paper, page 13 – 14

35. In this regard, it is useful to note that Earthlife Africa and groundWork have engaged in sustained pressure against the independent production of coal-fired power generation and have submitted various licence objections and internal appeals in order to ensure that environmental considerations in the granting of such licences are considered carefully in any decision-making process. Some of these legal challenges are referred to in your statement that the "one bid window which is not included in the table is the call for independently produced coal-fired power as that has not been successfully concluded. There are legal challenges based on water usage, pollution and climate change impact as well as banks and other financiers' reluctance to fund new coal-fired energy generation."[16]

36. Both organisations have also challenged the Environmental Impact Assessment process for the 3300MW coal plant and land-clearing for the Limpopo Musina-Makhado Special Economic Zone (MMSEZ) metallurgical complex. This is a major concern for the climate, health and water struggle in SA and it is interesting to note that the funding for this new coal plant, with massive environmental, social and climate impacts, will:

> "*come from the National SEZ Fund and from National Treasury and various development finance institutions (DFIs), including the IDC and DBSA, while the provincial government has also budgeted a significant amount of money for infrastructure beginning in the next financial year*.''

37. LAC has also indicated concern about the Integrated Resource Plan (IRP) published in October 2019, which makes provision for substantially less new coal generation capacity as compared to the 2016 draft but 500MW more than the 2018 draft. In November and December 2019, LAC sought, from the Minister for Minerals and Energy and the National Energy Regulator for South Africa, reasons related to the 2019 IRP; including the inclusion of 1500MW of new coal capacity, despite the IRP's own admission that new coal capacity does not form part of a least-cost energy plan.

38. The private and public financing of new coal fired power capacity is a major stumbling block to South Africa being able to meet global commitments to reduce greenhouse gas emissions in terms of the Paris Agreement especially given our already 'highly insufficient' NDC and to shift towards a low-carbon economy as per South Africa's National Development Plan. Moreover, the MMSEZ project and the inclusion of new coal fired power in the 2019 IRP signals contradictory policy making in respect of the phasing out of coal-fired capacity in South Africa.

39. Although the coal sector provides a number of jobs, these jobs are unsustainable and as cited in the Draft Paper, "*the choice we are making is not between jobs and the natural environment but whether we are going to keep both or none of them*."[17]

40. Continued public and private finance for new coal fired power generation as well as coal reliant MMSEZ means less capital allocation for cheaper more sustainable forms of energy. In this regard, current government policy references new coal fired power generation despite having an abundance of other energy options at its disposal.

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[16] Draft Paper, page 14
[17] Draft Paper, page 9

41. We are therefore concerned about the approach that National Treasury is taking in relation to “Financing a Sustainable Economy” in circumstances where the Department of Minerals and Energy has taken a fundamentally different approach and *while National Treasury and our DFIs are cited as key funders of the MMSEZ project.*

42. It is even more concerning, given the impact of energy policy on climate commitments and financing, that the Department of Minerals and Energy was not represented on the working group which prepared the Draft Paper. The importance of national policy alignment with national legislation and international commitments, supported and driven by coherent financial policies and frameworks, as well as mechanisms for accountability, cannot be emphasized enough.

43. First, energy policies at a national level need to indicate a clear shift towards renewable energy and away from coal fired power generation. If at a national level, there is schizophrenic approach to the continued use of and support for fossil fuels, a lack of compliance and enforcement for breaches of environmental laws and regulations (including the granting of rolling postponements for compliance with air quality legislation) by top emitters and mining companies - then the clear message being sent to financial institutions, which support such emitters and coal mining companies, is that the continued mining and burning of coal, even when massively non-compliant with laws and regulations designed to curb emissions and protect human health and well-being,- is acceptable by the South African government.

44. This in turn leads shareholders and investors to believe that their investments are secure, that there are no short term or even medium term risks associated with pollutant industries and that pollutant industries are tolerated by the SA government, even to the point of endangering health, well-being and the environment. Investors can take a different approach, having full knowledge of the risks but most would remain unmoved and believe that they do not need to divest from fossil fuels, question corporations over ESG issues, or hold such corporations accountable for lack of sustainable practices. Such investors then do not use their power to force change, including demands for research and development in order for corporations to secure more sustainable practices.

45. For as long as the SA government tolerates non-compliance and fails to hold corporations accountable, the financing of corporations with unsustainable and polluting practices, will continue unabated as the level of risk facing shareholders and other financial institutions, is significantly lowered and certainly not made material for purposes of their decision-making.

Summary of Recommendations in the Executive Summary

46. We note the definition of sustainable finance contained in the Draft Paper:

> *“Sustainable finance encompasses financial models, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the sustainable development goals and climate resilience.”*

This is achieved when the financial sector: Evaluates portfolio as well as transaction-level environmental and social risk exposure and opportunities, using science based methodologies and best practice norms; links these to products, activities and capital allocations; maximises opportunities to mitigate risk and achieve benefits in each of the social and environmental and economic aspects; and contributes to the delivery of the sustainable development goals."

Sustainable finance should therefore comprise the collective set of actions, processes, policy, regulations, goods and services that actors in the financial service sector give effect to in the enablement of the global Sustainable Development Goals or the closely-correlated National Development Plan 2030 (NDP)30, with consideration for the short, medium and long-term interests of South African citizens.

47. Our view is that the basis and underlying assumptions for developing the sustainable finance definition is unclear. The proposed definition is missing a critical explicit reference to the lowering of harmful greenhouse gas emissions (which is an explicit objective of the Paris Agreement in addition to building climate resilience). In addition, the sustainable finance definition refers to the SDGs but not the Paris Agreement yet makes strong claims in relation to addressing and focusing on climate change. The following questions arise:

47.1. Is the lack of reference to the Paris Agreement an omission or is such an approach a deliberate positioning?

47.2. Of what use is the definition and taxonomy in promoting systemic level changes if the measures are largely voluntary?

47.3. How will National Treasury hold the industry and regulators to account for creating a financial system that supports climate action and the SDGs?

48. In the framing of the definition of sustainable finance, it is stated "m*any of the transition risks identified result from transitions in the global economy and cannot be prevented by any national government, but require rapid adaptation by all players public and private"*.[18] This statement requires further elaboration as it appears to ignore the fact that South Africa is a significant contributor to global emissions and suggest. Please explain further what is intended by this statement?

49. The adoption of and reference to the TCFD, suggests a focus on business and economic losses in the context of disclosure. Please indicate whether National Treasury and the working group have carefully considered the need to link risk analysis to poverty and inequality in South Africa and the extent to which this critical focus will drive ongoing work around the sustainable finance framework.

50. The cost of transition also relate to the costs of doing nothing (coal risk being one dimension), some of which is already estimated via the Climate Policy Initiative report. Further, DEFF has developed some initial estimates of adaptation risks and costs. The sustainable finance framework appears very skewed towards financing mitigation (for which practical solutions have been developed), from the vantage point

[18] Draft Paper, Page 2

of risks posed to the financial sector. However, the framework is significantly remiss in addressing the social consequence and costs, including adaptation and transition effects. The social costs should be unpacked further, to understand the scale and scope of the financing challenge. We suggest that a specific focus on understanding the scale of the financing challenge and the elements included in "costing South Africa's transition" be a particular focus for one of the working groups. This would enable the framing of the finance challenge to be broader by enabling a system, programme and project level considerations that do not only focus on specific financing instruments aimed at "managing risk". More importantly, understanding the financing challenge results in the inclusion of different actors in public and private domains and from both mitigation and adaptation perspective.

51. The cost of transition also relate to the costs of doing nothing (coal risk being one dimension) and the estimates of adaptation risks and costs have been developed by DEFF. The sustainable finance framework appears very skewed towards financing mitigation (for which practical solutions have been developed), from the vantage point of risks posed to the financial sector. The social costs should be unpacked further, to understand the scale and scope of the financing challenge. Perhaps it would be useful for this to be a particular focus for one of the working groups. This would enable the framing of the finance challenge to be broader than a system, programme and project level, and would result in the inclusion of different actors in public and private domains and from both mitigation and adaptation perspective.

52. The Draft Paper indicates a definition of sustainable finance but continues to use sustainable and green finance interchangeably. Please explain the choice to do so and what that means for the definition given the difference between sustainable and green finance?

The Role of Development Finance Institutions

53. The Draft Paper only mentions DFIs in relation to private equity and fails to acknowledge that the development finance interventions which government promoted, have struggled to achieve scale because of limited private sector support (e.g. Green Fund administered by DBSA, the international climate finance facilities administered by SANBI and DBSA on Adaptation Fund and the Green Climate Fund).

54. It is not clear why DFIs are not referenced in the Draft Paper but some of our work in relation to the role of development finance in advancing sustainable development may be useful. Earlier this year, the CER, in collaboration with 350Africa.org launched an assessment of the investment policies of two South African development finance institutions and found that their investment policies did not meet international social, environmental and governance standards and were not being deployed to support a just transition towards a climate resilient future. Using the methodology of the Fair Finance Guide International[19] and international research group Profundo, the study assessed the sustainable development and corporate social responsibility commitments of six development finance institutions (DFIs) around the globe against social, environmental, and governance standards in relation to specific themes and sectors. The report provided the results of the assessment in relation to the Industrial Development Corporation (IDC) and

[19] https://fairfinanceguide.org/.

Development Bank of Southern Africa (DBSA), with particular emphasis on two themes: climate change and power generation.

55. 350Africa.org has also developed a mobilization strategy to respond to the DBSA and IDC's use of public funds for fossil fuels. Since 2018, 350Africa.org has generated and sustained a public finance campaign that demonstrates opposition against public funds being used to finance fossil fuels. This has involved direct engagement with public finance institutions, public meetings, creative stunts, and media opportunities, petitioning, community awareness-raising, rallies, and demonstrations. To overcome the political limitations that public finance institutions would have in taking decisive action to phase out fossil fuel financing, 350Africa.org has at strategic moments called on the Finance minister, Tito Mboweni to insist that DBSA and IDC put in place measure measures to fully exclude fossil fuel loans and investments from their operations and to instead centre climate justice in their lending and investment choices.

56. Our study and the work of 350Africa.org has revealed that South AfricanDFIs can potentially play a massive role in advancing sustainable development but have not taken enough steps to do so and have certainly not produced policies to signal such intent. In our report, we indicated that:

> "*DFIs are critical for ensuring sustainable development. In line with their specific development mandates, DFIs (unlike private institutions) have a special responsibility to carefully consider the wider development impact of their financing. In South Africa, their developmental mandate requires DFIs to identify and address poverty, inequality, and rising unemployment. Commitments to sustainability – and, indeed, legal obligations – require them to ensure the protection of the environment for generations to come. DFIs must formulate finance and investment policy frameworks that take into consideration the connections between economic, social and environmental concerns. However, in balancing these considerations, they cannot be allowed to ignore one aspect over another. The global climate crisis has revealed the inextricable link between the protection of the environment and the protection of other human rights. This link is of paramount importance in a developing country such as South Africa – a country plagued by issues of poverty and inequality, and vulnerable to the effects of climate change*."

Conclusion

57. We have illustrated through some examples of our work in the climate justice sector, the nature and extent of our work and our acute understanding of the legal, socio-economic and political landscape that frames climate justice in South Africa. We hope that our submissions will prove useful in your deliberations. In conclusion, it is important to emphasise the findings of the Global Commission on the Economy and Climate:

> "*We are entering a new era of economic growth. This approach can deliver growth that is strong, sustainable, balanced, and inclusive. It is driven by the interaction between rapid technological innovation, sustainable infrastructure investment, and increased resource productivity … [T]his new growth approach will deliver higher productivity, more resilient economies and greater social inclusion. The poorest do not benefit from the current low-productivity agriculture nor from landslides resulting from deforestation. They do not benefit from inefficient cities where daily commutes often take hours*

a day, exposed to highly-polluted air. The poor are those most exposed to the impacts of climate change, with just one bad weather season having the potential to push low-income families below the poverty line. This new approach is the only economic growth path that is sustainable. It is the growth story of the 21st century.

This is our 'use it or lose it' moment. Getting it wrong, on the other hand, will lock us into a high-polluting, low productivity, and deeply unequal future. For example, the multi-trillion-dollar Belt and Road Initiative will have a significant impact on the shape and sustainability of growth in the over 70 countries in Asia, Africa, and Europe it spans."

58. Given the immense importance of the issues which are being considered in the Draft Paper, which include global climate, economic and health crises, there is both risk and opportunity and we hope that National Treasury and the working group take urgent steps to ensure meaningful and positive change.

59. In particular, our submissions in relation to transparency of the process and the composition of the working group needs to be properly addressed. The Draft Paper implicates a number of cross-cutting issues of great significance to a wide range of stakeholders and all interested and affected stakeholders should have an opportunity to have their views heard, considered and addressed.

60. Please do not hesitate to contact us and we are amenable to further engagements as necessary.

Yours faithfully

Ahmed Mokgopo
Campaigner
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Leanne Govindsamy
Centre for Environmental Rights
On behalf of the Life after Coal Campaign