The Integrated Resources Plan (IRP 2019) serves as the blueprint for the South African energy sector—providing guidance on how to de-commission aging coal power stations and the future expansion of national energy mix in response to the country’s growing energy demand. In addition, South Africa is developing a ‘2050 Vision’ which will guide just transition pathways in the energy, water, and land-use sectors toward a [net] zero-carbon economy by 2050. The challenge, however, lies in the effective implementation and alignment of such set of policies and strategies.

Other private sector challenges to implement adaptation and mitigation actions in South Africa include:

a. Establishing the business case for adaptation planning and action, particularly where climate change is regarded as an environmental issue, rather than as a risk that could impact medium to long-term organisational survival;

b. A lack of sector coordination and collaboration, which limits information sharing, regional adaptation and mitigation planning and the achievement of economies of scale;

c. The availability of locally relevant climate change data and tools, in particular the ability to access high resolution climate modelling data (both temporal and spatial) with known levels of uncertainty, in order to support decision making;

d. Investment planning, and the difficulties associated with developing a sound financial case for spending on future anticipated risks and mitigation options;

e. The need for stronger policy and legislative frameworks as well as support and coordination mechanisms to guide and enhance private sector adaptation and mitigation actions;

f. Policy related: Misalignment between green economy vision, industrial policy and structure of the financial system;

g. Structural: (a) Financing early-stage (b) high risk projects and for moving projects from early development as well as its first Nationally Determined Contribution (NDC) that is committed to have GHG emissions peak during 2020-2025, plateau for a decade, and then decline in absolute terms.

The government’s climate change policy landscape also recognizes the importance of private sector funding in achieving national climate change response actions and will work with the financial sector to explore the most appropriate mechanisms to achieve adequate funding flows. Moreover, the government seeks to implement climate action at scale and provide the greatest opportunity for attracting, mobilising and leveraging investment from both the private and public sectors towards South Africa’s NDC priorities.

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South Africa’s Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) is a good example of what can be achieved with ambitious energy sector reform, coupled with political leadership and an engaged private sector. Government guarantees helped to de-risk the long-term power purchase agreements. Proposed opportunities to mitigate or address some of the identified challenges include:

**PRIVATE SECTOR OPPORTUNITIES**

a. Adopting a more strategic approach to climate finance access would help local government to leverage further funds from donors and development banks.

b. Climate finance could be strengthened through tracking and monitoring the progress of climate change across all spheres of governance.

c. A call for a revision of the intergovernmental grants for climate resilience and low carbon development through transformative approaches in order to reduce national poverty, unemployment and inequality (the triple challenge).

d. Alternative municipal revenue models should be considered, given the transformation that embedded electricity generation will bring.

e. Interpretations of the regulatory framework, such as the MFMA, should be reviewed in light of South Africa’s triple challenges (poverty, unemployment and inequality), low carbon and climate resilient development future.

Elaborate further on opportunities (besides those in the energy sector) for example, sustainable cities (green building, etc.), sustainable transport, water, agriculture or waste (e.g. recycling).

**RECOMMENDATIONS**

a. Companies should focus on good corporate governance of climate change and on integrating climate change into existing risk management systems.

b. Companies should turn climate risks into business opportunities. This includes opportunities to strengthen customer, supplier and community relationships, as well as to develop new products and services that are climate-smart.

c. Companies should recognize the benefits of collaborative partnerships. This includes the sharing of costs, expertise and resources to improve shared infrastructure, local capacity, disaster preparedness as well as business opportunities.

d. Companies should make informed decisions by undertaking climate-related vulnerability and risk assessments, including partnering with subject matter experts.
RECOMMENDATIONS

to understand company-specific climate impacts and opportunities.

Large standalone climate change projects involving the private sector should consider the following:

a. Establish a South African climate change Lab, similar to the Brazil Lab or India Lab, to finance NDC actions and green investments;

b. Identify and incubate standalone high-impact, transformative projects.

c. Request for proposals (RFP) by local Accredited Entities (AE) and the major local commercial banks in partnership with AE, with targeted funding windows, based on either (i) specific GCF results areas (ii) type of funding support required based on stage/maturity of project. These RFPs, would complement any RFP’s issued by the GCF.

d. Sustained capacity building with respect to project development, project finance and project implementation, especially at the sub-national level (municipalities and local project developers and local financial institutions), including support for an enabling environment through policy advocacy and technical assistance.

e. Incentivize commercial banks to innovate and scale funding for green projects (e.g. Energy Efficiency, Climate Smart Agriculture, Green Buildings, Social Sustainable Housing), through co-finance and/or outcomes-based grants and highly concessional loans for a specified period to build the respective markets.

Large standalone climate change projects involving the private sector should consider the following: