



Presidential Climate Commission

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The Potential of a Just Transition Financing Mechanism: Comments on behalf of the Life after Coal Campaign and the Fair Finance Coalition Southern Africa

1. We refer to the above and confirm that these submissions are made on behalf of the Life after Coal Campaign (LAC)¹ and the Fair Finance Coalition Southern Africa (FFCSA)².
2. The draft document titled, "[Scaling Finance to Support a Just Transition: The Potential of Just Transition Financing Mechanism](#)," ("JTFM report") was published for comment on 5 December 2023 with comments due on 25 January 2024. We note that the document was made available for comment towards the end of the year, with a number of organisations closed during most of the comment period. It is also uncertain as to whether the draft has been circulated widely for comment and we request that the comment period be extended so as to allow more organisations to participate fully in this process.
3. In the limited timeframe made available, we have formulated brief comments and questions below. We would like to highlight that there are a number of questions which arise in relation to the proposals which have been made, with significant gaps in the proposed institutional functioning of the JTFM. It is therefore important to ensure that question and answer sessions are held as soon as possible, followed by another round of written and oral submissions. This process will ensure that there is proper and meaningful consultation in relation to the JTFM report.
4. It is also important to note that the JT Tagging Framework³ requires more careful consideration and attention, both by the PCC and by those who are engaging with the JTFM report. It is not merely an addendum but is an exceptionally important document, and one which will provide much needed guidance on the classification of Just Transition projects. It is therefore important to allocate proper time to engagements on the JT Tagging Framework, with focused discussions and feedback, as well as the timely circulation of any supporting research and other resources.

¹ Life After Coal is a joint campaign by organisations 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 The Fair Finance Coalition Southern Africa is a civil society coalition working towards ensuring Development Finance Institutions invest in a socially and environmentally responsible manner. The coalition focuses on issues of climate change and transparency. Fair Finance South Africa consists of 350.Africa, the Centre for Environmental Rights (CER), the Centre for Applied Legal Studies (CALs), the African Climate Reality Project (ACRP), Oxfam South Africa, Earthlife Africa and Justice Ambiental (JA!).

³ JTFM report, page 66 – 74, Addendum "A"

5. We note that the JTFM report highlights the issue of lack of consultation as a key barrier to ensuring procedural justice, as required by the Just Transition Framework. To address this significant risk, we cannot emphasise enough the need for rigorous question and answer sessions, meaningful engagement and advance planning and preparation for direct engagement around the JTFM and the JT Tagging Framework.
6. With limited time frames for comment, we are making some high level input and will expand on these issues during further rounds of consultation.

Energy Policy Alignment

7. We would like to state at the outset that current energy planning and policies are likely to create significant barriers to attracting and mobilising Just Transition finance and to retaining pledged finance. In this regard, the Draft Integrated Resource Plan, 2023 provides for the extension of the life of coal plants and new fossil gas projects and developments. Such an approach undermines South Africa's commitments to decarbonisation and the Just Energy Transition, particularly in the context of growing competition for JETP funding, with such partnerships being announced in several jurisdictions.
8. The lack of transparency related to IRP decision making is another cause for serious concern, as it is unclear on what basis such decisions are being taken. We would like to highlight the [request by the Centre for Environmental Rights](#) (CER) related to the "VGBE Report." This refers to a report commissioned by National Treasury for the independent review of Eskom's 14 coal fired power plants. The review was conducted and the report was handed over to the National Treasury in September 2023. The CER submitted an access to information request for the report and was informed that the report would only be made available once it had been presented to Parliament, in January 2024. To date, the report has not been made publicly available. The lack of proper evidence and justification for decision making in relation to energy planning and policy undermines efforts to support coherent and transparent planning and processes. It is important to note that any decision to extend the life of coal-fired power plants would increase deaths and potentially risk financing committed to the country under the Climate Investment Funds' Accelerating Coal Transition (ACT) investment program. This involves \$500 million of highly concessional ACT funding which is expected to directly catalyse \$2.605 billion as part of our JETP, for repurposing and replacing coal-based power generation capacities with dispatchable renewable power generation.
9. Our JT Framework rests on a transition to renewable energy that would address energy poverty; create jobs in new sectors; reduce pollution and the health impacts which arise from the burning of coal; and reduce emissions. In relation to gas, the PCC's own recommendation provides "for 3 - 5 GW peaking support e.g. gas, running at low utilisation." While the South African Renewable Energy Masterplan (SAREM), clearly states that "renewable energy technologies provide the least-cost avenues to generate electricity."⁴ The SAREM is also very clear about the need to drive demand for renewable energy, with investments to follow demand and growth.
10. In these circumstances, Just Transition financing and projects rest on sensible, least cost approaches to energy planning, in order to unlock the industries and actions that are needed for the transition.

⁴ South African Renewable Energy Masterplan, page 6

11. Energy planning and policies need to be supportive of and advance the objectives set out in the JT Framework. Delaying the decommissioning of coal fired power stations, delays the inevitable and potentially risks the financing that would support a Just Transition in coal affected communities. While this significant barrier may not be within the control of the PCC, it would be important to consider the risks posed to financing of the Just Transition.

Institutional Options for the JTFM

12. We note that the JTFM report provides for the consideration of a number of options for the establishment of the JTFM but that the PCC proposes the consideration of a joint structure where both the IDC and the DBSA could act as potential hosts for the JTFM. It is stated that, *“by integrating the JTFM within a combined DBSA/IDC framework, it could be possible to not only tap into both entities’ experience in fund management and partnership cultivation but also leverage their abilities in attracting both domestic and international investments.”*
13. It stated that, *“existing DFIs could offer an expedient route to set up the facility, leveraging their expertise in fund management and capital mobilisation,”* and that, *“establishing a new entity, while compelling in its design features, may present challenges in terms of time and governance.”*
14. We note that the JTFM report states that the PCC is not favouring any particular approach at this stage, but it does appear that the option of locating the JTFM within the DBSA or a joint DBSA and IDC structure, is in fact favoured. We would tend to agree that locating the JTFM within an existing entity, such as a DFI, would be most expedient, however, we simply do not have sufficient information on the proposed operational and governance structures, in order to make meaningful comments. Indeed present DFI governance structures do not have civil society representation, or mechanisms for civil society to hold them accountable.
15. As stated, the JTFM report does not provide any additional information or details about how the JTFM could be operationalised with the DBSA or as a joint DBSA and IDC function. It is unclear as to which of the DFI policies, processes and practices would be applicable to the JTFM, or how decisions would be taken. Each DFI is governed by its own legislation and policies, with different mandates and governance structures, and the nature and scope of the JTFM within such structures, is not clearly set out. It is crucially important that these details be shared and discussed, so that stakeholders can have a better understanding of what is being proposed.
16. In general terms, should the JTFM be located within a DFI or as a joint structure, we would suggest that DFI processes be carefully interrogated and considered to ensure that the JTFM is capable of advancing procedural justice. The revision and democratisation of DFI processes and decision-making, improving access to information and transparency and developing new policies, including fossil fuel exclusion policies, would be important for the advancement of a widely accepted JTFM that truly embodies the principles of the Just Transition Framework.
17. The establishment of a permanent Just Transition Finance Civil Society Forum would also be important in securing ongoing engagement and information sharing between the JTFM and civil society. In this regard, here is a [proposal](#) for a Civil Society Forum that the FFCSA was invited to develop by the DBSA.

18. Another crucial operational issue relates to ongoing due diligence and monitoring and grievance mechanisms. It is unclear as to how existing DBSA and/or IDC processes and platforms would be able to serve the JTFM, if at all. Moreover, where finance is secured through other public or private finance institutions, there would be specific due diligence, monitoring and grievance mechanisms attached to such financier. It is unclear how such financier led mechanisms and processes would interact with the JTFM whether located within the DBSA or as a joint DBSA/IDC function, Further details and discussion around these issues will assist in assessing the feasibility of various institutional options.
19. It is important to note that FFCSA has a unique perspective and understanding of public finance institutions, including the DBSA and IDC, and will make more nuanced submissions once more detailed information is made available on the nature and scope of various proposals. Once we understand how various proposals will be operationalised, we will be in a much better position to advance meaningful submissions.
20. For purposes of this brief comment, it is important to note that, since its inception, the FFCSA has developed a particular understanding and series of resources on Development Finance Institutions in the region. This has been done through research, multiple investment policy assessments, case studies and stakeholder engagement both locally and internationally.
21. In 2022 the Bertha Centre produced the research report Understanding South African Development Finance Institutions to Promote Accountability which examined the political emergence and role of DFIs in response to climate change. The report produced actionable recommendations for DFIs in service of strengthening transparency, accountability and responsible investments in working towards realising public mandates, particularly whilst facing the climate crisis.
22. Our analysis of the political landscape within which DFIs have emerged and operate in South Africa and our in-depth case studies profiling community experiences in South Africa could ensure that the JTFM integrates social, environmental and economic justice in all stages of the financial process. At this point, we submit that the FFCSA research, policy assessments and the proposal for DBSA civil society forum are all relevant and would enhance the robustness of the JTFM in favour of transparency, accountability, governance and inclusivity. Here is an example of recommendations which we have formulated in relation to DBSA policy:
 - The finance and investment policies of the DBSA should, overall, support the realisation of sustainable infrastructure development in Southern Africa, as per its mandate.
 - Policy assessments in 2020 and 2022 conducted by FFCSA have revealed that the DBSA's policies are not yet fully aligned with international standards and best practices in relation to transparency and climate change. Accordingly, we recommend that the DBSA's finance and investment policies, including its decision-making and project pipeline processes:
 - Be transparent, publicly available and accessible;
 - Be aligned with South Africa's commitments under the Paris Agreement and the global climate goals of limiting the temperature increase to 1.5 degrees celsius and making finance flows consistent with a pathway to low greenhouse gas emissions and climate-resilient development;

- Phase out existing fossil fuel investments and exclude new fossil fuels (including coal, oil and natural gas extraction and power generation) from their finance and investment portfolios with clear timelines and targets;
- Integrate rigorous due diligence criteria for new development projects;
- Include access to effective remedies for those impacted by financed projects;
- Be aligned with our right under section 24(b)(iii) of the Constitution to have the environment protected for present and future generations through ecologically sustainable development that promotes justifiable economic and social development.

Functions of the JTFM

23. While we agree that the JTFM would be exceptionally important in performing a number of functions listed in the JTFM, we are concerned about the JTFMs role in actual project selection and project finance related functions. We understand that such functions would already be performed by financiers and intermediary financial institutions, together with various government institutions who are mandated to sign off on financing and debt, particularly as this relates to bilateral agreements.
24. Our preliminary view is that the JTFM should serve more as a resource or hub for connection, guidance and information as opposed to being involved in project preparation, assessment and selection. It is in any event unclear as to how the JTFM could perform functions related to project preparation, assessment and selection given the scale of finance which is required.
25. The JTFM should outline the processes and guidelines to enable the government to embed Just Transition principles and projects within all applicable spheres of government, which then allows for project preparation and negotiation of finance, as opposed to centralizing such functions within the JTFM. The JT tagging framework and guidance needs to be developed so that financiers and beneficiaries can be aligned on key indicators for change. Information on projects and financiers and/or available funding also needs to be shared through the JTFM, in line with established priority sectors, however it may also be beyond the scope and ability of the JTFM to be involved in project preparation, oversight and ongoing due diligence. We also need to consider the role of public finance institutions, private financiers and other government institutions who have their own project finance teams and who establish due diligence and oversight mechanisms on a project by project basis.
26. In addition to the functions outlined in the JTFM report, we suggest that the following functions could be important:
 - 26.1. Providing a landscape and overview of climate and just transition finance in South Africa, and how various tagging and other climate finance processes interact. For example, an explanation of the green finance taxonomy in relation to the Climate Budget Tagging and Just Transition Tagging;
 - 26.2. Providing an explanation of policy and regulatory uncertainty and the challenges and opportunities which arise in the context of such uncertainty or incoherence;

26.3. Creating a platform or project pipeline process which accommodates applications from community based organisations, with guidance on the application of the JT Tagging Framework; priority JET sectors as well as information on philanthropic consortiums and other sources of grant funding. In this regard, community based organisations and civil society organisations are crucial intermediaries in connecting community partners to processes and projects which may be underway, and need to be accommodated into this process as real partners. The recognition of the role of such organisations in the informal economy or sustainable food production as well as in helping communities participate in democratic processes, is really important.

Conclusion

27. We trust that you have found our comments helpful and we look forward to further engagement and dialogue.

Yours faithfully,

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