

Life after Coal and Fair Finance Coalition Southern Africa: Reflection on the PCC's Recommendations on a Just Transition Financing Mechanism

Introduction

1. In July 2024, the Presidential Climate Commission ("PCC") launched a report with [Recommendations on a Just Transition Financing Mechanism](#) ("JTFM Report"). This followed a brief period of consultation with civil society. In January 2024, the Life after Coal Campaign ("LAC") and the Fair Finance Coalition Southern Africa ("FFCSA") provided [written comments](#) on the draft JTFM. We were later invited to a bilateral consultation with the PCC in April 2024, following a number of concerns¹ which we raised about the nature and substance of the consultation process up till then.
2. LAC and FFCSA are pleased to note that a number of our comments and suggestions have been incorporated into the PCC's final JTFM report and recommendations, which includes the decision to delay the establishment of a permanent JTFM until more knowledge and information is generated to support the operationalisation of a permanent JTFM. We also welcome the PCC's endorsement of our Community Just Transition Fund, as an example of a bottom-up community project being led by civil society.
3. We do however note that there are some issues which require further attention and we remain committed sharing our collective input and expertise in order to advance more democratic and community centred finance outcomes – informed by principles of restorative, procedural and distributive justice.
4. In the paragraphs which follow, we summarise the key recommendations of the JTFM report and then provide our reflections on some key issues.

Summary of Report Recommendations

5. In the JTFM report, the PCC highlights both systemic and project specific barriers to the sustenance and scaling of just transition finance and identify three overarching challenges. These include the absence of a universally accepted definition of a just transition; the lack of a viable project pipeline;

¹ A [draft JTFM](#) was first published for comment on 5 December 2023, with comments due on 25 January 2024. Civil society raised concerns about insufficient comment time frames, including the fact that most organisations would have been closed over much of the comment period. Although the JTFM Recommendations indicate that public consultations were held on 8 August 2023, 17 October 2023 and 18 March 2024, it should be noted that these consultations were often ineffective and frustrating for civil society. This was due to a lack of clarity on the purpose of consultations as well as lack of detailed information about the JTFM as well and the absence of question and answer sessions in order for civil society to make meaningful input. While the bilateral consultation with LAC and FFCSA in April 2024 went some way in ensuring more meaningful engagement, we note that a number of civil society organisations working on these issues would not have had a similar opportunity.

insufficient project preparation support; and a mismatch between available funding sources and the specific requirements of just transition projects and programmes.

6. The PCC therefore proposes the creation of a Just Transition Financing Mechanism that will *'raise and channel funds towards the just transition, provide bottom up responses to the just transition, and facilitate the development and successful implementation of just transition projects'*.²
7. The PCC proposes two phases for the establishment of the JTFM, which are as follows:
 - 7.1. In the short to medium term (18 – 24 months), the JET-IP PMU ("Just Energy Transition – Investment Plan Project Management Unit") located within the Presidency) will establish its funding platform and provide critical matchmaking services, including targeted support for SMME development. The Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC) and National Empowerment Fund (NEF) will collaborate with each other and other institutions and address currently siloed and fragmented efforts and engage in a process to develop a cohesive strategy to enhance JTFM functions in the long term.
 - 7.2. In order to address immediate functional gaps, there will be a process to mainstream just transition concepts in the finance sector, endorse and support community and worker led projects and mobilise local and international finance, including engagement with the private sector. This includes:
 - 7.2.1. The PCC's establishment of a private finance taskforce;
 - 7.2.2. The PCC's development of a stakeholder engagement charter;
 - 7.2.3. The establishment of an expert group to test, refine and validate a project assessment framework to guide the market on quality just transition projects. The expert group will be established by the PCC and PMU.
8. According to the recommendations, over the long term, the JTFM will evolve into a more permanent and centralised entity to comprehensively address functional gaps. It is recommended that the process of establishing a permanent entity should also be co-designed with stakeholders, be fit for purpose and accepted at community, municipality, provincial and national levels.
9. The report finds that, *"a JTFM that evolves out of the JET PMU Platform will need to address matchmaking and project preparation functions in support of projects within the overall Just Transition Framework, which may be geographically more diverse or beyond the energy sub-sectors covered by the JET-IP but are critical aspects of a Just Transition"*.³

LAC and FFCSA reflections

10. We have organised our reflections on key issues which are relevant to the work and focus areas of LAC and FFCSA. While we have noted that the PCC's report and recommendations have been responsive to our comments and suggestions, we also flag issues which need further consideration, appreciating the sentiments expressed in the report about continued stakeholder engagement and a process of "learning by doing". We hope that these reflections will form part of a continuous process of learning and review, as indicated in the report.

² Presidential Climate Commission's Recommendations on a Just Transition Financing Mechanism ("JTFM Report"), page 5

³ JTFM Report, page 14

Community Just Transition Fund

11. We welcome the endorsement of the Community Just Transition Fund, as an example of a bottom-up community project being led by civil society. The Community Just Transition Fund is being established by groundWork, the Centre for Environmental Rights, Earthlife Africa, the Environmental Justice Fund, the South Durban Community Environmental Alliance, Vukani Environmental Justice Movement and the Vaal Environmental Justice Alliance. Projects that will be supported by the Fund include those that fall broadly within Life after Coal's [Just Transition Open Agenda](#) and it also references groundWork's [Urban Movement Incubator Energy Democracy Project](#) (UMI Project).
12. LAC and FFCSA are pleased to see that our submissions on community projects are being considered and endorsed, bearing in mind that we have been seeking information on the scope for the funding of community projects since 2022.
13. In our [September 2022 letter](#) to the Presidential Climate Finance Task Team and to the PCC, we had submitted information on the UMI Project as well as on our partnerships with various community organisations who have a long history in advancing just transition outcomes. It is very important that civil society, including community based organisations be recognised and accepted, not merely for purposes of stakeholder consultation, but as key partners who offer solutions and insight into just transition outcomes that will truly serve people and advance environmental and social justice.

Understanding the JTFM in the context of Broader Just Transition Reforms

14. We note that the PCC recommendations have accepted our input on the lack of information on the proposed operational and governance structures. We had submitted that the draft JTFM report had not provided sufficient information or details on how the JTFM would be operationalised within the DBSA or as a joint DBSA and IDC function. We had noted that without such detail, it would be difficult for us to make meaningful comments.
15. We therefore welcome the revised PCC recommendations which recommend a delay in implementing or operationalising a permanent JTFM, until there is an opportunity to review the work of the JET PMU and the role of the DBSA, IDC and NEF. We look forward to engaging with the review process as it unfolds.
16. A number of questions do still remain. We are unclear about who will be responsible for reviewing the JTFM functions after 18 – 24 months of implementation. We are also unsure about the role of National Treasury in these processes and how the recommended fiscal review by National Treasury will impact on the permanent establishment of a JTFM, if at all. It is also unclear as to who will be responsible for overseeing the work of DFIs who are currently holding JTFM functions, as well as ensuring that the DFIs are also engaging with civil society.
17. The debate around decentralised versus centralised options for the JTFM also seems to already favour a centralised JTFM. While we recognise that the Report finds that “the PCC is not recommending any particular institution at this stage and that a final decision should be based on a deeper analysis of all available options and informed by further stakeholder consultation and input”, we are concerned about predetermined conclusions and insufficient opportunity for civil society input in any review process.

18. In our view, just transition finance and activities should be embedded across government departments and institutions, with the PCC and JET PMU playing an important role in alignment and matchmaking, as well as sharing of information. We simply do not have enough information on the need for a centralised approach and hope that the PCC will provide information on ongoing research, monitoring and assessment ahead of the 18 month review so that we can meaningfully contribute to such decisions.
19. The report also finds that, “the PCC fits into a broader ecosystem of discussions and policy design work on how to finance the just transition at scale and over the short and long term.”⁴ While we appreciate the complexities of such an ecosystem, there are number of issues which arise in relation to the role of the JTFM within a broader ecosystem that is not clearly mapped out or well understood. In this regard, LAC and FFCSA note that there are a number of different institutions and programmes involved in financing the just transition. We have made numerous requests for a more detailed explanation of different entities, programmes or work streams which are being developed or revised in this regard.
20. We are therefore seeking an organogram or explanatory note on the “broader ecosystem” involved in financing the just transition in order to enable access to information requests as well as general engagement with relevant institutions. We would also need to understand who is responsible for consultation on specific work streams, policies or programmes in order to ensure that our knowledge and expertise is shared and utilised in project and finance decision making.
21. In order to engage meaningfully with the JTFM and the nature and extent of its role, we first need a better understanding of the broader ecosystem and an explanation of revised roles and projects related to it. We think that this is crucial work which the PCC should be undertaking in order for there to be a holistic understanding of the roles and functions of various departments, entities and institutions. In our view the PCC can play a more meaningful role in highlighting what other institutions are doing, in tracking ongoing projects and being an intermediary and point of connection on the wider climate finance and just transition ecosystem, without playing an implementation role. In our previous comments, we highlighted the need for the PCC and/or JTFM to be a hub for resources, information and coordination. We had raised concerns about the duplication of functions being performed by financiers and intermediary financial institutions, together with various government institutions who are mandated to sign off on financing and debt, particularly in relation to bilateral agreements.
22. We therefore remain concerned about the lack of information on the broader ecosystem and the lack of information on how the JTFM will complement such work as opposed to duplicating work being done by or through existing institutions. While some of the matchmaking work of the JTFM is quite clear and necessary, it is still not clear that there is a need for a centralised institution as opposed to a coordination hub, which explores ways of working and creates a space for interconnectedness and cohesion around an overall vision for a JT.
23. In terms of project and policy alignment, the JET PMU needs to play a much stronger role in highlighting the risks posed by incoherent decision making on fossil fuel support in South Africa. The decision to extend the life of coal fired power plants already threatens the CIFF ACT financing, and other decisions are being taken which will compromise the ability of the JET PMU to mobilise additional financing for our just transition.
24. For example, a decision has been taken by the DFFE Minister to grant an environmental authorisation for the contentious Karpowership Floating Gas project despite several environmental and social

⁴ JTFM Report, page 14

concerns. Moreover, given that Eskom faces reduced demand, with 5700 MW of rooftop solar being added to the grid as of June 2024, it is not clear why there is reliance on energy demand as a key factor in making that decision.

25. Other JET-IP priorities which do not serve a truly just transition, relate to Green Hydrogen Commercialisation - a trade and industrialisation pathway that will compromise scarce water and land resources. This is a prime example of green extractivism in the context of our JET. We need to reconsider the multiple industrial pathways being pursued across various government departments, including by National Treasury and we need pathways that are aligned and informed by community centred principles for a Just Transition.
26. While the JET PMU Funding Platform will provide the public with regular analysis of the deployment of *grant* funds to JET projects, we are concerned about there not being a similar platform to support access to information on loans, guarantees and other sources of funding which are being directed to just transition activities in SA. We need to ensure access to ongoing information on financing for JET projects, together with access to loan agreements and conditions.

Reforming Development Finance Institutions

27. We note that our comments and suggestions are reflected in the report and recommendations. We had submitted that DFI processes should be carefully interrogated and considered to ensure that the JTFM is capable of advancing procedural justice. We had submitted further that the revision and democratisation of DFI processes and decision-making, improved access to information and transparency and the development of 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.
28. The PCC subsequently recommended that, “existing development finance entities must also undergo a process of internal alignment and transformation, as their capabilities in these crucial areas remain siloed and fragmented, both between and within organisations. This will ensure that these entities embody the principles of the national JTF and are fit for providing comprehensive JTFM functionality in a way that responds to new and emerging demands for finance and financing modalities for a just transition, including procedural justice.”⁵
29. We appreciate the inclusion of our recommendations and look forward to engaging with the PCC as well as DFI’s on reforms which will be necessary for DFI’s to embody the principles of the JTF. We have already provided submissions on our existing research and will share the outcomes of our 2024 DFI policy assessment in November. The FFCSA has a great deal of knowledge and expertise to share in relation to the reform of DFI policy and we hope that any processes followed by DFIs in relation to such reform or “internal alignment and transformation,” allows for meaningful civil society engagement and participation. The FFCSA has engaged the DBSA with a proposal for a civil society forum with the Bank, and this could be implemented and additional DFIs included in the forum.
30. We wish to reiterate the role of DFIs in advancing a Just Transition, with particular reference to their constitutional and legislative mandate. In particular, section 7(1) of the [Climate Change Act](#) reinforces the need for DFI’s to reform their policies in order to address climate risk, providing that:

⁵ JTFM Report, page 40

“Every organ of state that exercises a power or performs a function that is affected by climate change, or is entrusted with powers and duties aimed at the achievement, promotion and protection of a sustainable environment, must review and if necessary revise, amend, coordinate and harmonise their policies and measures, programmes and decisions in order to—

- (a) ensure that the risks of climate change impacts and associated vulnerabilities are taken into consideration; and*
- (b) give effect to the principles and objects set out in this Act.”*

Private Finance Task Force vs CSO Charter and consultation issues.

- 31. We note that the PCC has recommended the establishment of a private finance task force as well as an expert group to work on the project assessment mechanism. Parallel to this, a stakeholder engagement charter will be developed.
- 32. Our view is that civil society should be involved both in the private finance task team as well as the expert working group on the project assessment mechanism. We need to be included as equal partners even while a stakeholder engagement charter is being developed to facilitate ongoing procedural justice. There are processes which are currently underway to address immediate gaps and we need to be involved in such processes instead of having to wait for the formulation and finalisation of a stakeholder engagement charter.
- 33. We note the PCC’s reference to the LAC and FFCSA recommendation for the establishment of a Just Transition Finance Civil Society Forum. The report mentions that the JET Advisory Board will need to consider the proposal which we have submitted. We have approached the JET Advisory Board for a decision on the establishment of the Forum.

JT Tagging Framework / Project Assessment Mechanism

- 34. We also note that our comments on the Just Transition Tagging Framework have also been considered and incorporated, and that the confusing point allocations have been removed. The report states that, in light of stakeholder comments (notably for simplification and to ensure a fit for purpose framework) and the current shortage of projects, the PCC proposes the removal of points based scoring for the assessment framework, although projects will still need to contribute to the key categories to ensure requisite ambition. Given the need to align, streamline and integrate approaches, this report recommends a unified project assessment tool as reflected in Appendix B. Broad principles, such as [those developed by civil society form JETP recipient countries](#), could serve as reference here.
- 35. A critical role for the JTfM will be to apply this unified framework, collect data and provide guidance to project developers and financiers. The report also states that the continued development of the green finance taxonomy to incorporate a just transition lens is important as is National Treasury’s Climate Budget tagging (for public sector expenditure). The report states that this will be monitored through periodic fiscal reviews as well as guidance to private sector lending and investment institutions to report on their just transition activities.
- 36. We have considered the current information in Appendix B as well as the report recommendations and are still uncertain about the need for a unified project assessment mechanism in the context of the Green Finance Taxonomy and Climate Budget Tagging process. We will require a presentation on

National Treasury's fiscal review, once complete, as well as an explanation of why our existing taxonomy cannot be updated to reflect Just Transition finance outcomes.

Conclusion

37. While we appreciate the efforts to incorporate our submissions into the final JTfM report, we are also keen to engage more carefully with the process, as it unfolds. We hope that these reflections are useful to civil society and other actors who are also engaging with the process.

Leanne Govindsamy
Life after Coal Campaign



Glen Tyler-Davies
Fair Finance Coalition Southern Africa

