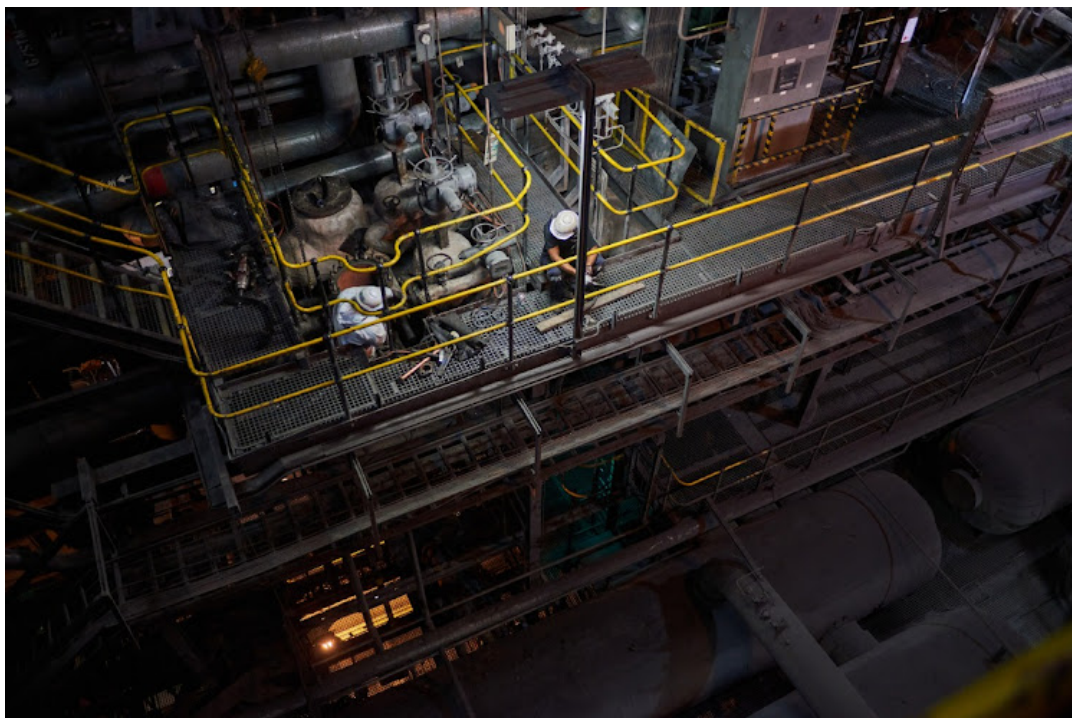


■ OPINION / COLUMNISTS

MMAMOKGOPANE MOKUA: Justifying the just transition not for power and mining sectors only

The unskilled workforce in particular will be affected by the steps the country will be compelled to take

11 AUGUST 2022 - 18:25 by MMAMOKGOPANE MOKUA



Workers carry out repairs on machinery at the Eskom's Tutuka coal-fired power station in Mpumalanga.
Picture: BLOOMBERG/WALDO SWIEGERS

ESG (environmental, social and governance) objectives, which are long-term in nature, have lately been deprioritised in favour of shorter-term objectives. This approach, albeit “kicking the can down the road”, has been what is required from stakeholders in the current environment.

Events such as the Covid-19 pandemic as well as the Russian invasion of Ukraine coupled with sanctions are good examples that required immediate attention from all global leaders and decision-makers.

The media has lately focused on the “E” in ESG and how corporates, governments and countries’ actions affect the environment. Which brings us to the main question ... how should SA respond as a developing nation given all the consequences and considerations, and what can be considered as a just transition?

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A “just transition” according to the international Trade Union Conference, “aims to secure the future and livelihoods of workers and their communities in the movement towards a low-carbon economy”. Ideally, the approach to the transition should deal with inequality, job creation and poverty among other social issues.

To facilitate SA’s just transition, an initial pledge of \$8.5bn over the next three to five years was made by multiple developed countries at COP26 in Glasgow. This pledge could result in SA moving away from its heavy reliance on coal for its energy needs and will go a far way to help the country meet its net carbon emissions target by 2050. Earlier in 2022, the government published its just transition framework. The implementation plan is expected to follow.

The conversations about just transitions seem hyperfocused on the mining and power sector, but many large sectors of the economy will be affected. The transition away from harmful fossil fuels is likely to be compulsory in the future, given the possible introduction of climate change laws. This inevitable transition will affect many th Africans, especially the unskilled workforce. As a result, the

government is likely to be compelled to provide support for those communities and businesses.

In terms of greenhouse gas emissions, most businesses' impact are through their operating activities.

The main contributor in SA is the energy sector, which accounts for just under 60% of SA's greenhouse gas emissions. Eskom, which now supplies 95% of SA's electricity, accounts for 65% of all the coal burnt in SA, contributes 41% of SA's greenhouse gas emissions and employs 1% of SA's workforce.

In 2020 Eskom established its Just Energy Transition (JET) office, looking at repurposing ageing coal fleets such as the pilot project at the Komati power station. The initiative aims to produce power through renewable energy, separate coal, promote green business and more. Like SA, Eskom has committed to a 2050 net zero ambition.

“ Manufacturing industries, which include food and beverages, are greatly affected by extreme temperature fluctuations because of climate change. ”

The transport, manufacturing and construction sectors are also large contributors to greenhouse gas emissions in SA. The transport sector contributes 13% to greenhouse gas emissions, of which 90% is attributed to road transport. The manufacturing and construction sectors together contribute roughly 7% . Manufacturing industries, which include food and beverages, are greatly affected by extreme temperature fluctuations because of climate change.

The petroleum and chemical industry has a large contributor in Sasol, which accounts for 24% of all the coal burnt in SA. Sasol has committed to a 2050 net zero ambition by progressively shifting feedstock away from coal and towards green hydrogen and sustainable carbon over the long term. Other smaller players in this space, such as Omnia, are moving towards managing a lower carbon emissions future and Reunert has a division that assists corporates in moving towards renewable strategy.

At the end of June 2022 the COP26 president visited SA, meeting with the Presidential Climate Finance Task Team and various ministers to

accelerate the transition partnership. A six-month update showed the progress made, which included the tabling of a Climate Change Bill in parliament and the launch of the SA Green finance taxonomy earlier in 2022; developments with green hydrogen; electricity sector reforms, and more. With COP27 being held in Egypt later this year, it is critical that SA shows real progress with the programme, said to be the first of its kind.

We are encouraged to see numerous of our investee companies making commitments to meet their respective sector targets. What is even more encouraging, is that these goals are supported by the respective boards, have the appropriate budgets and many are aligned with executive management incentives. Funders are also stepping up and are increasingly providing cheaper funding to various projects in SA that are focused on the environment, or as it is phrased colloquially, “green projects”.

As part of this journey, All Weather Capital remains committed to doing its part, and we strive to nudge our investee companies to become better corporate citizens in various aspects. One such aspect is the various just transition strategies and targets, which are near and dear to our hearts.

- *Mokua is an ESG analyst at All Weather Capital*

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