



**national treasury**

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## **SPEECH BY DIRECTOR-GENERAL**

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# **CLOSING REMARKS AT THE 2024 NATIONAL TREASURY CLIMATE RESILIENCE SYMPOSIUM, 17 JULY 2024**

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Thank you, and good afternoon, ladies and gentlemen.

It is my honour and pleasure to give the closing remarks at the National Treasury Climate Resilience Symposium.

This symposium has brought together diverse voices from our President and other policymakers, scientists, economists, the youth, business and community leaders, highlighting both our progress and the areas needing further attention in our fight against climate change.

Our theme, "Moving the Needle on Climate Change," underscores the commitment of everyone here to making tangible progress. The theme also suggests a shift from the "business as usual" approach and underlines a need for urgent reforms that require innovative approaches to existing policy and fiscal levers. It is positive to note the urgent tone expressed in many of our discussions here over the past three days.

### **Reflections**

Allow me now to share some of the reflections from the symposium as we consider the way forward. The 2024 Symposium highlighted the need for innovative approaches to enhance climate resilience. It also expressed the importance of maintaining and further strengthening the link between science and policymaking – to support an evidence-based policy-making approach.



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One of the key resolutions from the symposium included the need to scale and improve the quality of finance for a just transition, by exploring and tweaking the National Treasury's instruments and policies. Key issues raised included shortcomings in funding for municipalities and SOEs due to revenue-raising challenges and weak project pipelines. It was noted that international support for South Africa's just transition through the JETP programme has been encouraging, but challenges remain, including low levels of grant availability and expectations for sovereign guarantees in the support linked to SOEs and municipalities.

We will therefore continue to work closely with our development partners to increase the scale of concessional funding, and to make sure that the terms of the funding and the risk appetite of the lenders is in line with the capacity of our municipalities and SOEs.

We also need to work together to develop a comprehensive JET project pipeline that can be linked to the available concessional funding. The infrastructure reforms that the National Treasury is currently working on for announcement at the time of the MTBPS in October, will be important to support this work. In particular, the emphasis from today's session on pipeline visibility and the capacity required to build these project pipelines are both very welcome.

### *Financial Sector Policy Response*

The symposium also discussed the macro-fiscal risks associated with climate change, emphasizing the policy interactions between financial sector risk, financial stability and fiscal policy.

To address these risks, our regulatory authorities have developed voluntary guidance relating to disclosure of climate related risks for banks and insurance companies that need to embed mandatory regulatory instruments going forward. In addition, appropriate climate resilient investment instruments need to be enabled through regulatory frameworks. This will be reflected in the Conduct of Financial Institutions Bill we will introduce in Parliament later this year.



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Collectively, we hope these measures will recognise climate risks, promote the internalisation of risks by the financial sector and promote the transition to climate resilient sustainable assets and businesses.

### *Carbon taxes, addressing leakage through Carbon Border Adjustment Mechanisms and Alternative Approaches*

The symposium discussions highlighted carbon pricing as an apex mitigation policy, contributing to the suite of climate change policy instruments to achieve our Nationally Determined Contributions. The transitional support through the tax-free allowances provides high emitters the time to transition their operations to cleaner technologies through investments in energy efficiency, renewables, and other low-carbon measures.

The presentations highlighted that carbon pricing is becoming increasingly important globally as more carbon pricing instruments are being introduced in various countries.

A credible, well-functioning carbon credit market, which reduces the cost of climate resilient assets, is being developed. To achieve this, we will publish policy recommendations on enhancing carbon markets.

We are also coordinating to align with the new Article 6 mechanism under the Paris Agreement. Carbon offsets are a key component of the carbon tax design and have stimulated carbon markets in the country. To provide policy certainty to taxpayers, a discussion paper outlining proposals for the second phase of the carbon tax will be published for public comment and consultation later in the year.



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### *Global Loss and Damage Fund and national approaches to loss and damages*

We were fortunate to have received perspectives on the strides made to operationalise the global loss and damage fund, which is intended to bridge the adaptation finance gap and international commitments to climate change action. The deliberations emphasized the importance of balanced finance for mitigation, adaptation, loss and damage, and economic diversification.

We keenly anticipate the work led by the Department of Forestry, Fisheries and the Environment in outlining operational modalities for the South African loss and damage fund. We will also work closely with the Presidential Climate Commission on the strengthening of our Climate Change Response mechanisms and funding.

### *Disaster Risk Financing*

While deepening finance for disaster response is necessary, so too is getting the basics right. We need to ensure that the delivery of services, particularly core basic services that reduce the vulnerability of citizens, is effective and universal. This requires institutionally and financially resilient municipalities that are investing sufficiently in both maintaining and building infrastructure that also adapts to and mitigates climate impacts.

A cornerstone of this effort is the enhancement of our data collection and management capabilities. We must prioritise the creation of a comprehensive national disaster database, which will be instrumental in shaping our risk financing strategies.

### *Enhancing Transparency on public climate flows*

The symposium has also provided an opportunity to profile progress on the climate budget tagging system that is intended to improve transparency on public climate flows. Through various pilots, the National Treasury is simplifying the methodology in preparation for rolling out implementation.



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At the symposium, we received presentations on the international experiences in institutionalising Climate Budgeting Tagging (CBT), including reflections on the experiences of cities and metros while highlighting improvements for future iterations.

### *Climate-economy modelling*

The discussions on the development of a hybrid climate-economy model reflected on the complexities of introducing finance and a damage factor into economic models. The collaboration among modellers and policymakers to develop appropriate models and tools is encouraging. These models play a crucial role in guiding sustainable development.

Their value lies in facilitating informed decision-making, highlighting both opportunities and vulnerabilities in the economy as it interacts with climate change impacts.

### *Harnessing Collective Wisdom*

As I conclude, I want to repeat the President's message that the Treasury plays a very important role in South Africa's response to the shocks of climate change, as well as the opportunities to use the just transition as a springboard to build a more inclusive, resilient and sustainable economy.

He encouraged this Symposium to draw on the wisdom in the room over the three days of the gathering of minds. As we reflect on the insights from this symposium, it is essential to translate this collective wisdom into action.

In this symposium, again and again, we were told of the importance of collaboration. Fortunately, in the last few years, we have developed various effective models for dealing with 'wicked' problems through collaboration. Operation Vulindlela (OV) is one example of how collaboration can fast-track policy implementation. The research partnership between the National Treasury, UNU-WIDER, SARS and others, is another example of how we can collaborate to strengthen the importance of evidence in policymaking. The National Energy Crisis Committee (NECOM) and National Logistics



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Crisis Committee (NLCC) are both excellent examples of how the government has taken a different approach, in collaboration with the private sector, to solve the structural constraints to growth.

While this symposium has provided a critical platform for dialogue and learning, it is only the beginning. The National Treasury remains committed to wise, informed, and inclusive climate action.

Finally, allow me to thank those inside and outside the Treasury that have contributed to this wonderful event as well as the donors and various contributors. We have all of you to thank for the making this event a success.

Thank you.