

Call for Stakeholder Inputs

Draft National Green Finance Taxonomy

June 2021

Call for inputs on the Draft of a National Green Finance Taxonomy

In June 2020, National Treasury launched a multi-stakeholder process to develop a national Green Finance Taxonomy, which responds to recommendations in the draft Technical Paper on [Financing a Sustainable Economy](#), published in May 2020.

Extensive stakeholder consultations were undertaken between July and November 2020, including oversight by a Technical Working Group. Presentations, webinars, and other materials are available via the following link: <https://sustainablefinanceinitiative.org.za/taxonomy/>

Based on this consultation process, a Draft Green Finance Taxonomy has been developed, supported by the following documents:

1. Draft Green Finance Taxonomy (June 2021)
2. Draft User Guidance Summary Presentation (June 2021)
3. Draft Green Finance Taxonomy User Guidance (June 2021)
4. Listing of developmental aspects (June 2021)

Views, questions, and feedback on the Draft documentation are warmly invited from all interested stakeholders. Your feedback should be sent by 14 July 2021 to:

National Treasury
Ms Sarah McPhail
Email: financial.policy@treasury.gov.za

In particular, stakeholders are requested to provide feedback regarding

- General documentation usability and ease of navigation.
- Technical details of technical screening criteria (See **Listing of developmental aspects** for explanations of key issues for consideration).
- Practicality and level of ambition of each principle, metric, and threshold.
- Practicality of the “Do No Significant Harm” (DNSH) criteria related to the Environmental Objectives.
- Alternative principles, metrics, and thresholds which should be included or substituted.
- Alternative policies and specific technical industry documents which should be referenced.

Next steps

Once the consultation process closes, the Project Team will review and consider all stakeholder comments and feedback received through the consultation process up to the closing date of consultation. The Draft will be updated accordingly and submitted to the Taxonomy Working Group for final review.

What is a green finance taxonomy?

A green finance taxonomy is an official classification or catalogue that defines minimum criteria for assets, projects, and sectors that are eligible to be defined as "green" in line with international best practice and national priorities. This means they address climate change and other environmental priorities, while also seeking to reduce social risks and enhance social impacts.

A Taxonomy helps investors, issuers, and other financial sector participants to track, monitor, and demonstrate the credentials of their green activities in a more confident and efficient way.

How was the Draft Taxonomy developed?

The initiative responds to the recommendations of the National Treasury draft Technical Paper on [Financing a Sustainable Economy](#), published in May 2020. The Taxonomy project is led by National Treasury with the support of IFC, part of the World Bank Group, and has been implemented by National Business Initiative (NBI) and the Carbon Trust.

A Technical Working Group was established to provide strategic guidance. It includes the Prudential Authority; Financial Sector Conduct Authority; Department of Forestry, Fisheries and the Environment (DFFE); Department of Monitoring and Evaluation; Johannesburg Stock Exchange (JSE); local development finance institutions; Banking Association South Africa (BASA); Batseta (Council of Retirement Funds for South Africa), and the Association for Savings and Investment South Africa (ASISA).

The Working Group is an initiative of the Climate Risk Forum, chaired by National Treasury and hosted by Banking Association South Africa.

IFC support is provided in partnership with SECO (Swiss State Secretariat for Economic Affairs) and Sida (Swedish International Development Cooperation Agency).

What are the benefits of a national green finance taxonomy?

The Taxonomy will have a range of benefits. Among other things, it will

- Help the financial sector with clarity and certainty in selecting green investments in line with international best practice and South Africa's national policies and priorities.
- Reduce financial sector risks through enhanced management of environmental and social performance.
- Reduce the costs associated with labelling and issuing green financial instrument.,
- Unlock significant investment opportunities for South Africa in a broad range of green and climate-friendly assets.
- Support regulatory and supervision oversight of the financial sector.

How does the Draft align with international developments and good practice?

The Draft of a national green finance taxonomy (GFT) for South Africa draws on the detail and guidance provided by the final report on the European Union (EU) Sustainable Finance Taxonomy, published in March 2020, which was developed by the EU Technical Expert Group (TEG) on Sustainable Finance.

The European Commission has since released an update to the EU Taxonomy, namely the Taxonomy Delegated Regulation (DR) November 2020 ([Link to Taxonomy Delegated Regulation of Nov 2020](#)); and a further update, the EU Taxonomy Climate Delegated Act (DA) in April 2021 ([Link to EU Taxonomy Climate Delegated Act of April 2021](#)).

Key changes include:

- Addition of new economic activities and associated criteria
- Removal of economic activities
- Renaming economic activities
- Wording updates
- Adjustments to technical screening criteria

The Project Team would like to make specific reference to the following economic activities that were removed from the latest release of the EU Delegated Act (DA) and which are particularly relevant to South Africa's GFT:

- Growing of perennial crops and growing of non-perennial crops (collectively called 'Crop Production' in the GFT)
- Livestock Production (retains the same name in the GFT)
- Electricity generation from gaseous and liquid fuels (called 'Production of electricity, heating and cooling from gas' in the GFT)

Based on these developments, certain economic activities and technical standards have therefore also been shifted from the South Africa Draft to the "**Listing of developmental aspects**". Kindly refer to the Section entitled "**Economic activities relocated from Draft Version GFT requiring further consideration**".

Stakeholders are invited to provide input on the inclusion or exclusion of these economic activities and technical standards, which have been temporarily placed on the "Listing of development aspects".

Please refer to the documentation for the rationale related to each economic activity. Specifically:

- Economic activity '**Production of electricity, heating and cooling from gas**' has been removed and relocated from this version of the GFT, given challenges associated with this economic activity. Natural gas is a fossil fuel and may have a role to play as a transition fuel, as it is considered to play a role in achieving South Africa's decarbonisation objectives. As such, it is considered appropriate to include it for consideration in the development of a future transition taxonomy.
- Economic activity '**Crop production and livestock production**' has been retained in this version of the GFT, however its technical standard has been relocated from the GFT for future development. Therefore, this economic activity is identified in this version of the GFT as "for future development". Challenges regarding agricultural management practices, impact on climate, biodiversity, and land use specifically related to "crop production and livestock production", have emerged and illustrate the need to further consider the technical screening criteria of these economic activities, so that they can be further developed and refined in future.