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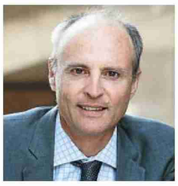
Team SA needs to plan for COP26



James Formby

SA will need financial aid to cope with the impacts of climate change, including flooding and drought. Picture: Werner Hills

Not since COP21 in 2015 (the meeting that produced the Paris Accord) have we seen such hope on global agreements and commitments around climate change as we do for the forthcoming UN Climate Change Conference of the Parties 2026 – or COP26 – set to take place in Glasgow from October 31 to November 12.

Globally, the focus is now shifting to climate finance to enable the transition to greener economies. Countries need to mitigate and adapt to the increasing impacts of climate change on their citizens' lives, and they need funding to do it.

Developed economies have promised to raise at least $100bn (about R1.48-trillion) every year in climate finance to support developing countries.

We therefore expect to see increasing flows from countries to support the "just transition", which means moving to a more sustainable economy in a way that's fair to everyone – including people working in industries affected by decarbonisation.

Competition is intense for these financial flows and the window is closing for countries to attract them. Not having access could hamper countries' ability to transition. This will have far-reaching economic implications, through carbon border taxes for exports, which would jeopardise trading prospects – taxed exports will be competing against those from other countries that don't have a tax drag.

As the world's 13th-highest carbon emitter, and the highest emitter in Africa, SA will come under the spotlight. But the attention is also an opportunity to present the country as a leader in the transition to a greener economy.

It is essential that the South African delegation presents a unified and considered position at COP26. We need to quantify our financial needs and commitment to transitioning our economy in a just way. SA has a great story and opportunity to position itself to be a recipient of climate finance at a country level, which can be a catalyst for economic opportunities.

> **The attention is also an opportunity to present the country as a leader**
>
> James Formby
> CEO, Rand Merchant Bank

There have been encouraging signs with the establishment of the Presidential Climate Commission. And think-tanks such as the National Business Initiative have assisted with a science- and data-driven approach to highlight viable transition pathways for our major industries. This, however, needs to be backed by a cohesive, overarching narrative, with the government and business working towards the same goal, and concrete policy action communicated in a co-ordinated manner at COP26.

Helpfully, Eskom is now making the right noises on how to approach and finance the just transition. Successful implementation will require extensive public-private partnerships. The new 100MW private power generation initiative unlocks additional opportunities. Through integrated thinking such as this, we can achieve systemic economic growth and job creation through green infrastructure build and manufacturing opportunities.

Fortunately, moving to a greener economy is no longer seen as a trade-off between development and transition – it is fundamental to economic development in the future.

If this is implemented in a coherent and consultative manner, new-job creation and economic growth should be the outcome – which means the goals of the government and the private sector are in alignment.

Environment minister Barbara Creecy recently told a ministerial meeting on key issues ahead of the COP26 talks that countries should agree on a quantifiable improvement in the ability of vulnerable communities to adapt to extreme weather events and sea level rise.

Creecy said the focus should be put on enhancing health benefits and food and water security, and on adapting infrastructure to cope with climate impacts, particularly in Africa, small island developing states and least developed countries.

Ahead of COP26, it is clear we must work together to unleash the trillions in private finance that is needed to power us towards net zero CO_2 emissions by the middle of this century.

To do this, every financial decision from now on needs to take climate into account. This includes all private investment decisions, but also all spending decisions that countries and international financial institutions are making as they roll out stimulus packages.

Companies also need to be transparent about the risks and opportunities that climate change and the shift to a net zero economy pose to their business. Central banks and regulators need to make sure that our financial systems can withstand the impacts of climate change and support the transition to net zero.

Banks, insurers, investors and other financial firms need to commit to ensuring their investments and lending are aligned with net zero.

Under the Paris Accord, countries agreed to establish a global goal on adaptation to enhance nations' adaptive capacity, strengthen resilience and reduce vulnerability to climate change.

But the accord stopped short of setting out what the goal should look like and how progress should be assessed.

Measurable targets will likely be addressed by COP26.

We need to be ready.

* Formby is RMB CEO

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