An alternative financing framework for a worker-centred just transition

WITS Global Climate Finance Conference 2025: Financing the global net-zero transition

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Research Question and Motivation

A just transition:

- Must centre workers and people
- Extends beyond only the energy sector – including transport, food, agriculture and so on. It includes the whole economy.

Existing JET-IP:

- Myopic focus on energy transition
- Favours profit over people
- Relies heavily on private sector and international funding.

The proposed financing framework

- Prioritises an economy wide transition
- Centres the transition as a public good
- Focuses on supporting the deep structural transformation required to move the economy towards a climate-resilient and green growth path.

Methods, Data, and Descriptive Analysis

BACKGROUND:

JETP

- Established at COP 26 (2021)
- SA and the IPG [France, Germany, the UK, the US, and the EU.

JET-IP

- Released for comment November 2022.

RESPONSE:

Symposium

- September 2024
- Brought together key stakeholders in climate action, economic justice and labour rights to debate and engage with key issues regarding the JET financing.

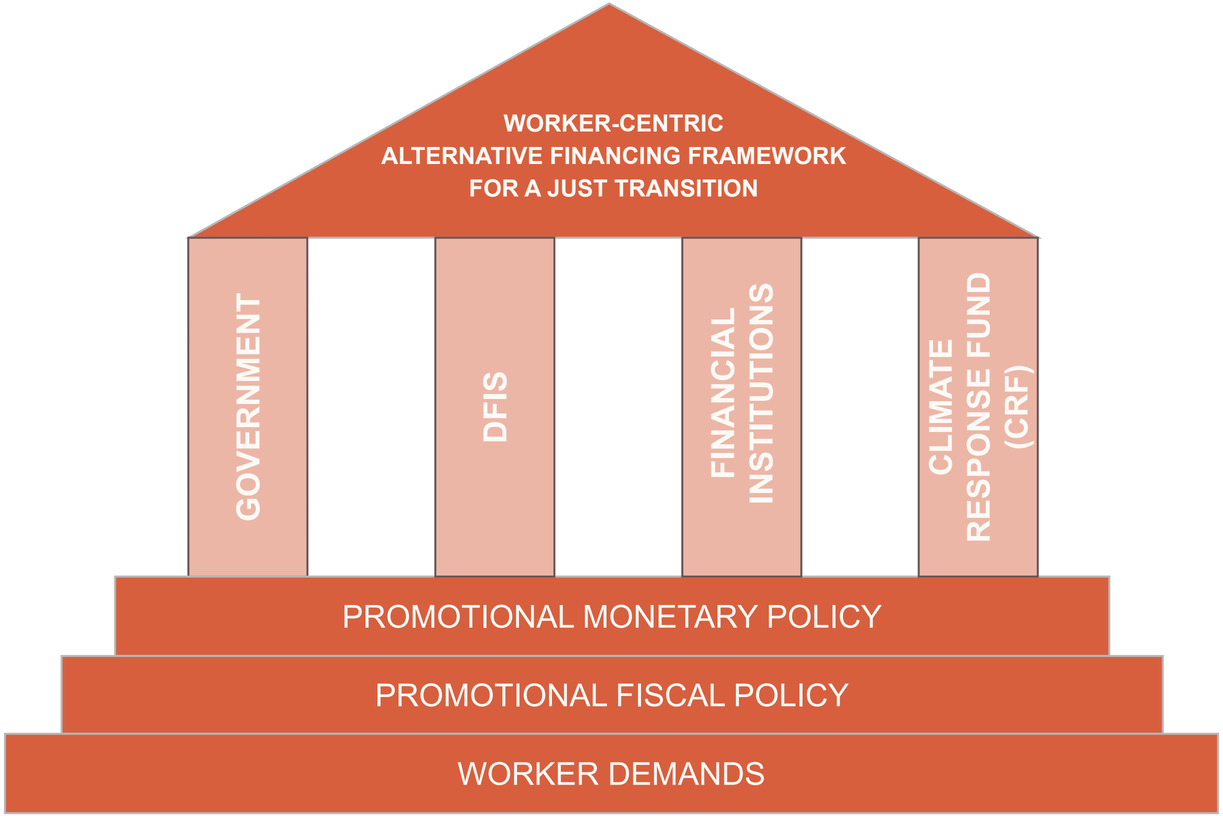
Working papers and policy briefs

- Outcome of the symposium
  - Scaling up DFI financing
  - Leveraging fiscal policy
  - Leveraging Monetary policy.

Framework

- Brings together this work into one document

An Alternative Financing Framework



OUTCOME

INSTITUTIONS OF DELIVERY

A NEW MACROECONOMIC FRAMEWORK

MANDATE

Worker demands

- Based on the COSATU Just Transition Blueprint for Workers (2022)
- Provides the mandate for policy reform
- Outlines demands per sector and structural demands

- **Structural demands address**
- The economic system and institutions of the country
- The socioeconomic rights of workers

- **Three sub-groups**
- (1) Support for workers, and people over profit
  - linked with employment creation, upskilling and reskilling existing workers, the relocation of workers, funding decent work packages including health and retirement benefits, and financing a basic income grant to bridge the gap for those unable to transition to new jobs initially.
- (2) The equitable use of land, water and energy
  - focused on the provision of land and access to basic services such as water and electricity.
- (3) Governance
  - focused more on the enabling mechanisms to ensure funding is available, such as ending corruption, using the carbon tax for financing the just transition and ending budget austerity measures.

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Fiscal policy

Austerity since 2015 has gutted essential and basic services and investment in climate and human capital.

- This underlines focus on private sector financing for JET

What does this mean?

- Private ownership of infrastructure built for the transition - not the people of South Africa
- No guarantee investment in the green economy will be linked with social and economic justice
- Private sector will recoup the costs through high user fees - to recover costs and make profits.

Government may have to take on debt to entice private sector and/or subsidise user costs

- Previous experience with PPPs indicates this model will likely increase debt and the cost of providing services to the public.

Promotional fiscal policy

- Fiscal policy working paper proposes government funds a significant portion of the just transition
  - Climate response fund
  - Green bonds.

- Climate Response Fund (CRF) ~ R100 bn p.a.
  - Hold funds for changing needs over the next 30 – 50 years
  - Address the lumpiness, unpredictability and inconsistency of most blended and private financing models
  - Made up of climate-type tax revenues
  - Cover gaps in mitigation and adaptation funding
  - Support a socially just and worker-centred transition, while ensuring equity through climate events
  - Reviewed regularly and remain flexible.

Instrument		Estimate
Carbon tax (50%)	Increase effective rate from R7/ton to R500/ton (to 2040)	R22bn
General Fuel levy (30%)	No increase	R33bn
MPRR (100%)	No increase	R13bn
Restructuring savings (50%)	Govt restructuring and consolidation	R13.2bn
Retirement reform	Reduce tax-free allowance. Impacts R750k and over	R20bn

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Monetary policy

Current situation underpinned by existing structure of SA economy - mineral, energy and financial sectors

- sustained investment in the capital-intensive minerals and energy sectors
- under investment in other industries
- limited spillover effects through job creation and development outcomes
- reinforced patterns of inequality in the country

SARB **policy independence pursued over the mandate of cooperation** and thus a more developmental growth path.

Inflation targeting - adopted 2000. BUT inflation imported not demand driven AND climate change will lead to rising prices and fianncial instability.

Propose –

1. **Regulatory changes –** SARB Mandate; SAGFT; Mandatory disclosure; measurement and modelling of climate risks
2. **Credit allocation** – green differentiated capital requirements, interest-based or asset-based instruments

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Institutions of implementation

4 identified institutions

1. CRF
2. Government
3. Financial institutions
4. DFIs - In 2023 DFIs only contributed R10 billion to climate finance in South Africa - less than 1% of total climate financing
    - JET-FM emphasises the role of public finance in de-risking and for government and DFIs like the Industrial Development Corporation (IDC), Development Bank of southern Africa (DBSA) and National Empowerment Fund (NEF) to work in concert together.

IDC

- largest DFI in South Africa
- specifically tasked with industrialisation, localisation, job creation and skills development
- best entry point for a national DFI to support the JET
- PFMA established IDC as self-sustaining = profit driven; behaves like a commercial bank; & fails in its mandate of providing long-term patient capital in riskier and socially beneficial sectors/projects

Revise

Sources of capital Recapitalisation by leveraging fiscal and monetary instruments

Ways of lending Scaling concessional lending, equity injections and grant financing

Governance Democratise Board representation and transparent decision making

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Next steps

- Existing levels of finance, and instruments are failing to meet expectations and requirements

- This framework is a living document that can be amended and expanded
  - Regulating private finance
  - Climate and gender responsive budgeting
  - Impacts of changing adaptation and mitigation requirements on financial stability and funding

- Framework extends beyond JET
  - Guiding industrial policy and investment in infrastructure and energy while addressing the social risks associated with the transition
  - Presenting an opportunity to build a new growth trajectory
  - Value to many regional economies both from DRM and regional market development

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THANK YOU!

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