Country engagement strategy: South Africa

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**CONTENT**

[PART A: STRATEGIC CONSIDERATIONS 1](#_Toc139365176)

[1 Background 1](#_Toc139365177)

[2 Priorities arising from the bilateral climate policy dialogue 3](#_Toc139365178)

[3 Relevant cooperation activities through other European projects 4](#_Toc139365179)

[4 Thematic priorities for EUCDs 5](#_Toc139365180)

[Identified priorities 5](#_Toc139365181)

# PART A: STRATEGIC CONSIDERATIONS

1 Background

South Africa (RSA) is a middle-income developing country with one of the highest inequality indices globally. Its economy relies strongly on mining and heavy industry, which employs approximately 464 000 individuals. South Africa is going through its worst economic crisis since 1994, intensified by the Covid-19 pandemic impact. According to Stats SA (2023) the official unemployment figure at present stands at 32.9% , among the highest in the world, while the expanded definition of unemployment - which includes those discouraged from seeking work - has increased 1.2 percentage points to 44.4%.

RSA’s per capita **greenhouse gas** (GHG) emissions are higher than EU average[[1]](#footnote-1) and its emissions per capita have increased slightly since 2009. This is by and large due to South Africa’ reliance on coal. About 77% of South Africa's primary energy needs are still provided by coal. Despite an increase in absolute renewable energy supply, it only covers about 5% of electricity demand, mainly wind and solar energy, procured from independent power producers. RSA also ranks medium for its energy use per capita.

The **Integrated Resource Electricity Plan** (IRP) submitted in 2019 provides for a significant increase of renewables-based power generation capacity from wind (15.8 GW) and from solar (7.4 GW) by 2030. Coal would reduce to less than 60% of electricity source, wind energy would become the 2nd source of electricity with 18% through annual connection of 1.6 GW wind capacity for the next 10 years).

Despite the success of South Africa's **Renewable Energy Independent Power Procurement Programme** in the past and promises by the President to fast track the programme, so far there have been considerable delays in connecting projects to the grid. The chronic underinvestment in transmission infrastructure and uncertainty around state utility ESKOM have been the main reasons impeding progress on renewable capacity extension.

South Africa remains a **steadfast supporter of the UNFCCC process**, is one of the G20 countries that has announced a net zero carbon economy target by 2050 and submitted its long-term low greenhouse gas emission development strategy to the UNFCCC.

The domestic implementation of the Paris Agreement is led by the Department of Forestry, Fisheries, and the Environment (DFFE). The Climate Change Bill was introduced to Parliament on 18 February 2022, until it enters into force, coordination of key players (Provinces, Municipalities, National Treasury, Department of Mineral resources and Energy, National Planning Commission) remains a challenge. President Ramaphosa established a Presidential Climate Commission (PCC) in 2018 to advise on the country’s climate change response and pathways to a low-carbon climate-resilient economy and society. The PCC has played a positive role to enhance South Africa’s climate ambitions.

South Africa submitted its updated first **Nationally Determined Contribution** to the UNFCCC secretariat in September 2021. The updated NDC complies with the guidance adopted at the 2018 UN Climate Change Conference in Katowice on transparency on the emission reduction ranges.

South Africa commits to keep **emissions** within 398-510 Mt CO2-eq in 2025 and 350-420 MtCO2-eq in 2030 (as recommended by the Presidential Climate Commission). Compared to the first NDC the upper end of the target range in 2025 has been reduced by 17%, and the upper end of the target range in 2030 has been reduced by 32%, and the lower range by 12%. The range between upper and lower bounds narrows significantly, from 216 Mt to 112 Mt in 2025 and 70 Mt CO2-eq in 2030. The updated NDC foresees the possibility to use **Article 6**. There is fierce debate on climate policies, which has flared up due to South Africa’s higher ambitions.

The basis for South Africa’s NDC is the assumption that **support** will be provided for mitigation, adaptation and loss and damage. SA has received over USD 2.4 Billion/ year in climate finance in 2018/2019, and would now require USD 8 billion/ year by 2030 – equally distributed between mitigation and adaptation. SA has consistently called for climate finance to be separate from ODA and to provide support through grants, not to burden the country and developing countries with more debt.

There is a comprehensive **adaptation** component included in the NDC that reflects the objectives of the 2020 National Climate Change Adaptation strategy. It includes an estimate of the actual and foreseen expenditures to adapt to climate change.

The **Climate Change Bill was submitted** to the National Assembly in October 2021. The Bill seeks to *‘enable the development of an effective climate change response and a long term, just transition to a climate resilient and low carbon economy and society for South Africa in the context of sustainable development’*. The Bill is a key piece of legislation as it proposes to integrate climate action across all areas of Government, opening the way for emission reductions in all economic sectors and for climate adaptation responses from local to national levels. The Bill would also give a legal status to the **Presidential Climate Commission**, established for now by Executive decision of the President.

The **National Carbon Tax** came into effect on 1 June 2019 with a low carbon price and large tax rebate allowances until 2022. The carbon price could be stronger in the 2nd phase kicking in 2023. It remains uncertain how the carbon tax will be implemented together with the sectoral carbon budgets foreseen in the Climate Change Bill.

National Treasury has developed **a sustainable finance strategy** and a draft sustainable finance taxonomy, taking inspiration from the EU taxonomy.

In its collaboration with the EU, South Africa acknowledges the importance of addressing determinants of GHG emissions and climate change in a wide and crosscutting manner. As such, South Africa harnesses the value of co-benefits generated by **nature-based solutions and increased efficiency in resource use**. This includes ambitious policy frameworks on biodiversity and landscape conservation, on sustainable water management, and on the development of circular economy.

**Natural disasters** in South Africa (e.g. droughts, floods, storms) have led to significant social and economic losses, which is anticipated to exacerbate as consequence of climate change. South Africa is a water-stressed country and droughts are regular occurrence. Droughts significantly affect human health, destroy crops, and have a negative impact on other economic sectors like mining and electricity generation in South Africa. The likelihood of annual severe drought is projected to increase. Floods are a recurring natural disaster in the country and is usually attributable to sudden heavy rainfall incidents. Temperatures have been rising steadily in South Africa. Very high temperatures mean that parts of the country will be much drier and increased evaporation will cause an overall decrease in water availability in an already water stressed country. Frequent wildfires due to extreme temperatures are a major concern causing loss of life and damage to infrastructure.

South Africa ranks medium in the INFORM risk index:



2 Priorities arising from the bilateral climate policy dialogue

South Africa is the **only EU Strategic Partner in Africa** and a preferential trade partner thanks to the EU-SADC Economic Partnership Agreement (EU-SADC EPA). The Trade, Development and Cooperation Agreement (TDCA) is the legal basis for the overall relations between SA and the EU, although the EU-SADC EPA has superseded the TDCA trade rules. EU interests in the country remain strong, especially in bilateral trade and investment, African agenda, and global issues. In addition to the Southern African region (Zimbabwe, Mozambique), SA is an influential actor on the continent (Great Lakes, Libya, African Union), some non-African regions (e.g. Gulf region) as well as an important multilateral global player in the context of G20, G77, UNEP, BRICS. SA is therefore an important counterpart for implementation of partnership between Europe and Africa as well as for advancement of global priorities – especially the green deal agenda.

EU-bilateral Summits at Presidential level are organised in the framework of the Strategic Partnership of 2006 and the Joint Action Plan of 2007, which identified **climate change as a common concern and an area for cooperation**. The seventh RSA-EU Presidential Summit took place in 2018 and called to further SA-EU bilateral partnership in environment, climate change and water and to involve private sector. Yearly meetings have taken place on these topics since then between the European Commission and representatives of the South African government (Department of Environment, Forestry and Fisheries (DEFF) and Department of Water and Sanitation (DWS)). Executive Vice-President Timmermans last visited South Africa in February 2020.

The **main themes of our co-operation with South Africa on climate action are** just energy transition, NDC/long term climate strategy implementation (economy-wide and by keys sectors: energy, industry, etc.), sustainable finance and adaptation challenges. There are regular bilateral exchanges in preparation of UNFCCC COP negotiations as well as UN Environment Assembly, Convention on Biological Diversity and other multilateral environmental agreements, where South Africa is one of the leading African voices. South Africa is influential at Head of States level in the Committee of African Heads of State and Government on Climate Change (CAHOSCC), at Minister of Environment levels in the African Ministerial Conference on the Environment (AMCEN) and with negotiators in the African Group of Negotiators (AGN). Their main demands in the negotiations concern climate finance, adaptation and loss and damage. At COP26, they did not support the EU’s position on coal phase-out.

The EU together with France, Germany, UK and the US signed a political declaration with South Africa at COP26 in November 2021 to initiate a **Just Energy Transition Partnership** (JETP). The International Partners Group (IPG, currently DE, FR, EU, UK, US) intends to mobilise approximately USD 8.5 billion over the next three to five years to support South Africa in achieving the ambitious goals set out in its updated Nationally Determined Contribution, subject to an investment plan, brought forward by RSA. These funds would be mobilised through combining: multilateral and bilateral grants, concessional loans, guarantees and private investments, and technical support. By COP27, a detailed agreement will have to be formalized and delivered. The JETP is also a source of great controversy in the public debate.

Throughout 2020-2021, South African partners implemented SPIPA activities with a positive policy impact:

* the SPIPA contract with National Business Initiative directly facilitated RSA business leaders voicing their support for an ambitious mitigation target in South Africa’s updated NDC;
* the SPIPA contracts to GreenCape, gave visibility to the concrete benefits of the European Green Deal for South African SMEs, cities and society at large;
* the SPIPA contracts with Trade and Industrial Policies Strategies (TIPS), Council for Scientific and Industrial Research (CSIR), University of Cape Town (UCT), the South African Institute Of International Affairs and Wildlife and Environment Society of South Africa (WESSA) fed the Presidential Climate Commission public debates just transition and we instrumental to advocate for an ambitious updated NDC.

3 Relevant cooperation activities through other European projects

The EU and its Member States present in South Africa are developing since 2021 a Team Europe Initiative on: “A Just and Green Recovery” to tackle the socio-economic challenges of South Africa simultaneously reducing its emissions[[2]](#footnote-2).

The TEI on a just and green recovery encompasses 3 pillars of work:

1. **Policy reform** to inform green recovery to support the country delivering on its international commitments on climate change, environment and biodiversity, as well as on the responsibility to protect its citizens from climate change. Ultimately, this effort is to encourage a shift in budgetary allocations to mitigation and adaptation that ensures equitable and green growth in South Africa.
2. **Unlocking green investments**: Public and private sector blending and investments for green infrastructure for adaptation, inclusive economic recovery, greener long-term competitiveness and service delivery. Through this pillar, the EU and its Member States would showcase how they invest in public and private operators to achieve mitigation and adaptation with the objective of an inclusive, low carbon and equitable South Africa.
3. **Building a knowledge-based transition**, including civil society voice, through joint research and joint innovation, knowledge exchange, evidence building, and piloting and experience sharing. This pillar reflects EU and its Member States engage with South Africa’s society to share knowledge, experience and technology from transition in Europe and we provide finance to South Africa’s scientific community.

The EU and its Member States present in South Africa have also integrated green economy opportunities under the TEIs “Jobs for the future South Africa”.

The TEIs on Just and Green Recovery and on Jobs for the future South Africa will contribute to implementation of the JETP.

## 4 Thematic priorities for EUCDs

Identified priorities

In the new context of the European Green Deal, several of the priorities identified under SPIPA 1 CES remain valid for 2022-2023:

**Priority 1 - Just Transition**

EUCDs funding should be mobilised to deliver on the priorities of JETP (see above).

The following key activities should be pursued:

* Peer-to-peer exchanges between just transition stakeholders, supported by research into specific issues (e.g., building on just transition finance peer-to-peer exchanges in 2020, National Energy Regulator of South Africa (NERSA) energy tariff exchanges of experiences with EU in 2021, etc.);
* Stakeholders’ engagement to contribute to South African ownership of the implementation of JETP declaration.
* Just Transition actions at local level, e.g., Mpumalanga Province to engage more with business and other actors who are to make just transition happen in regions in transition.
* Support to the development of circular business models based on the exploitation of mining residues (e.g. ashes).

**Priority 2 - Climate awareness, communication, and visibility activities**

EUCDs funding should be mobilized to strengthen awareness in the general public about the Paris Agreement, on South Africa’s climate policies and on EU’s support to achieve them.

The following key activities should be pursued:

* Public diplomacy and outreach events addressing key concerns raised in relation to climate and environment action in South Africa (impact on jobs, growth, investments, inequalities and vulnerable communities);
* Public diplomacy and communication events on the European Green Deal, highlighting also the inter-connection between the climate, biodiversity and resource-use crisis and EU support for South Africa’s climate objectives;
* Public diplomacy and outreach events on key international commitments, such as the Global Methane Pledge initiative.

**Priority 3: Climate policy/ NDC implementation and long-term strategies**

EUCDs funding should be mobilized to strengthen South Africa’s climate policy framework and its capacity to implement an ‘all of Government’ / ‘whole of economy’ approach.

The following key activities should be pursued:

* Mobilise key groups of stakeholders in the definition and implementation of climate policies.
* Collaborate with the Presidential Climate Commission, which has the political weight to broker a national consensus on climate action.
* Support the development of circularity in industrial sectors with highest potential to reduce their GHG emissions related to resource extraction and use (e.g. food; constructions and building);
* Foster nature protection initiatives bringing perennial and affordable co-benefits for climate mitigation and adaptation (e.g. landscape restoration; nature-based wastewater treatment).

**Further potential areas of cooperation**

**New priority:**  **Renewable hydrogen and electric vehicles**

Collaboration on renewable hydrogen and electric vehicles is an intrinsic part of the just energy transition partnership with UK, US, FR, DE and EU.

The following key activities should be pursued:

* Research / peer-to-peer exchanges / outreach and public diplomacy / stakeholder engagements.

All activities supported under these four priorities should be aligned with national policy timelines and initiatives and avoid duplications with other sources of funding.

1. From Joint Research Centre (JRC) EDGAR datasets: RSA 8.31 tCO2/cap in 2018, the same level as in 1990, vs. EU28: 6.78) [↑](#footnote-ref-1)
2. AT, BE Flanders, DE, DK, FI, FR, IT, NL, SE, BG, CZ, ES, LT, PL, and PT. EIB, AFD, KFW, GIZ are associated as well as possibly FMO, CDP, Copenhagen Infrastructure Partners (CIP) and PROPARCO) [↑](#footnote-ref-2)