

*This case study explores the key elements of just transitions in South Africa and draws lessons on how investments of the Climate Investment Funds (CIF) have interacted with just transition efforts in the country. It uses an iteration of the emerging framework developed under the Just Transition Initiative – a partnership between CIF and the Center for Strategic and International Studies (CSIS) – to explore the diverse perspectives and approaches of key actors involved in South Africa’s just transitions. The framework highlights the importance of considering both the distributional impacts of climate action, which includes the fair allocation of benefits and harms, and procedural elements that include the recognition of marginalized groups by including them in decision-making processes.*

## CONTEXT & CHALLENGES IN SOUTH AFRICA

South Africa is one of the top 15 CO<sub>2</sub> emitters and the most unequal country in the world. Its continued dependence on coal for more than 80 percent of its electricity has significant environmental, social, and economic costs. The cost of coal to Eskom, South Africa’s state-owned electricity provider, has risen by 300 percent over the past two decades. Moreover, several episodes of rotational national power outages have revealed inadequacies in the maintenance of aging coal-fired power stations, technical issues, and management challenges. At the same time, the declining costs of renewables have made it clear that the high dependence on coal is increasingly unfeasible and unjustifiable.

South Africa’s utilization of coal has also exacted a heavy environmental toll. Each year, 2,239 people die from air pollution produced by Eskom’s coal-fired plants. With coal mining contributing to water pollution and coal-fired power stations consuming vast amounts of water, South Africa’s continuous reliance on coal is intensifying its water shortage and vulnerability to droughts that have been exacerbated by climate change.

There are numerous benefits of renewables, but many stakeholder groups stand to lose substantially in the country’s shift away from coal. They include public and private institutions, as well as vulnerable communities that are highly dependent on the mining sector for their livelihoods and municipal services. Nonetheless, the rising costs and inefficiencies of coal use, as well as an aging fleet of coal-fired power stations, mean that a growing number of coal-fired power plants will continue to be decommissioned which is driving a concomitant decline in employment across the sector.

The implementation of the transition from coal to renewables is complex and can be fraught with tension. For example,



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Eskom’s announcement in 2016 to decommission six coal power plants, which would result in significant job losses, led to labor protests. South Africa’s successful transition to an environmentally sustainable, socially inclusive, and economically beneficial energy regime will require conscious and proactive planning, and the delivery of critical strategies and investments to manage the allocation of benefits and harms due to the transition.

## JUST TRANSITION FRAMEWORK IN THE CONTEXT OF SOUTH AFRICA

Developed under the Just Transition Initiative, the just transition framework encompasses the dimensions of **scope** and **social inclusion**, which help map and define various concepts and practices of just transitions. These dimensions correspond broadly with the notions of distributional justice (i.e. who gets what) and procedural justice (i.e. who decides).

The application of this framework to the South African context shows that achieving a fair and safe transition is profoundly complex. To facilitate just transitions in the long term, key actors in South Africa must continuously acknowledge the diversity of interests and adopt a broad perspective spanning local, national, and international levels. A few highlights from the application of the just transition framework to the South African context are shared below:

### SCOPE

Considerations of scope relate to the breadth of the distributional impacts associated with transitions, as well as the depth of the transformational intent encapsulated in planning for and implementing transitions. These considerations are helpful in unpacking the relationship between energy systems and poverty, along with other socio-economic inequalities.

In the case of South Africa, a broad scope implies addressing the lack of access to affordable electricity for vulnerable communities; tackling the concerns of communities that will be hard hit by a shift away from coal towards renewables due to their heavy dependence on the mining sector for their livelihoods and municipal services; and taking into account economy-wide impacts that any transition might entail. Together, these considerations reveal the incongruity of focusing community benefits around renewable energy projects in one part of the country, while failing to acknowledge the impacts of the transition away from coal in another part.

Another important consideration of transition scope is support from the international community to pursue a transition. South Africa has emphasized that its mitigation commitments under its Nationally Determine Contributions needs to be supported at the international level by significant climate finance and investment; accessible, affordable technology; and substantial capacity building commitments.

In terms of transformational intent, some labor and civil society groups in South Africa have sought to move beyond job preservation and campaigned for a deep transformation of prevailing economic structures and its impact on workers, society, and the environment.



### JUST TRANSITIONS CONCEPTS AND PRACTICES HELP TO FOCUS ATTENTION ON IMPORTANT QUESTIONS RELATED TO CHANGE, INCLUDING:

- Who decides what kinds of transitions are needed?
- How are different groups included in the decision-making processes?
- Who benefits and loses in change processes?
- How can benefits be distributed and losses mitigated in both safe and just ways?

### SOCIAL INCLUSION

Considerations of social inclusion have helped identify intersecting forms of discrimination that have resulted in marginalization along the lines of gender, age, race, and class. In South Africa, female workers are underrepresented in the coal workforce and youth unemployment in coal-based municipalities is extremely high, with some areas approaching 50 percent — almost double the rate of older workers. Racially, there are almost no white people in the lower skill level, and therefore most vulnerable, segments of the coal mining workforce.

These realities clearly imply that substantial work is still required to engage and strengthen the voices of marginalized groups in just transition dialogues at the community level. If the transition is framed as a technological transition from coal to renewables, then participation will be skewed towards engineers and scientists. If, however, just transitions are framed as a political process with implications across all sectors of society, then broad inclusion across businesses, the government, labor, and the civil society would be required.

Meaningful recognition and participation in the transition decision-making processes will require setting up formal institutions within which diverse sectors of society can influence and enact policies and decisions concerning development pathways. The provision of a convening space such as the proposed Presidential Climate Change Coordinating Commission to foster cross-sectoral dialogues at the local, provincial, and national levels is a positive step in ensuring the inclusive representation of diverse voices.

## CIF IN SOUTH AFRICA

CIF's involvement in supporting South Africa's shift towards renewables had two core facets: promotion of cross-sectoral dialogues to develop informed energy policies and plans and provision of concessional financing to renewable energy projects.

The cross-sectoral dialogues, involving the government, Eskom, and CIF's implementing partners, contributed to the development of the Long-Term Mitigation Scenarios (LTMS), which, in turn informed the South Africa Clean Technology Fund (CTF) Investment Plan (2009) in addition to the cross-sectoral and -institutional dialogues facilitated through CIF's programmatic approach to investment planning. The investment plan reflected the South African government's commitment to pursue its renewable energy policy. This strategy was further enhanced by the establishment of the Renewable Energy Independent Power Producers Procurement Program (REIPPPP) in 2011, which opened the way for the government to procure privately supplied renewable energy through a competitive bidding process.

CIF, through three of its six implementing partners operating in South Africa, namely, the International Bank for Reconstruction and Development (IBRD), the African Development Bank (AfDB), and the International Finance Corporation (IFC), stepped in to provide concessional financing to renewable energy projects. The investment amount from CIF's CTF totaled USD233 million, while the Multilateral Development Banks (MDBs) co-financed an additional sum of over USD370 million. Deeper dives into two projects — the Sere Wind Farm and the Xina Solar One Concentrated Solar Power (CSP) plant — show that CIF's provision of concessional financing was critical in showcasing the technical and economic viability of these technologies, thus helping to galvanize private sector investments in renewables in South Africa. Though these projects were not originally designed with a just transition focus, they offer helpful examples of various aspects of just transitions, which can serve as a basis for reflection and learning.

## INSIGHTS, IMPLICATIONS AND OPPORTUNITIES

A literature review, interviews that informed this case study, and deep dives into two CIF projects have provided many insights into and revealed numerous opportunities for supporting just transitions in South Africa:

- **Informed national planning for the long term:** A vital part of initiating a just transition involves the use of socio-economic and climate modeling to develop long-term national plans that are inclusive and transformational. In

South Africa, LTMS informed the first Integrated Resources Plan (IRP) on energy. Ongoing modeling is needed to inform the development and implementation of IRP and other climate-related transition policies and plans. .

- **Inclusive cross-sectoral dialogues at all levels:** Given the breadth and depth of a just transition, it is vital to ensure the fair and inclusive representation of all interests and perspectives through cross-sectoral dialogues taking place at the local, regional, and national levels. The Presidential Climate Change Coordinating Commission is a significant opportunity for providing such a platform that can sustain cross-sectoral dialogues with social inclusivity and distributional impact as key guiding principles.
- **Enabling role of concessional financing:** The provision of concessional financing by climate finance institutions, as CIF has done in South Africa, plays a pivotal role in demonstrating the feasibility of renewable energy projects by de-risking and incentivizing both public and private sector investments in renewable energy. Concessional finance, combined with the other insights and opportunities listed here, has significant potential to de-risk and support South Africa's energy transition and post COVID-19 recovery that could accelerate the country's transition to an inclusive green economy.
- **Anticipatory skills development at the national level:** To ensure that South Africa equips its people with the skills to support the country's shift towards a low-carbon, resource-efficient, and inclusive economy, anticipatory skills development is required. This necessitates a labor market intelligence system that can identify emerging skills and occupations in order to proactively plan for the development of these skills.
- **Adopting a broad perspective:** The shift to renewable energy and other sustainable development transitions will create net employment and development benefits. However, workers and communities in particular areas will lose jobs and livelihood opportunities during these transitions. With vulnerable mining communities concentrated in specific areas, research and planning efforts should create alternative employment and livelihood options in these areas.
- **Built-in non-financial procurement criteria to ensure just transitions:** The incorporation of non-financial criteria in competitive bidding processes can ensure that investments in new low-carbon, climate-resilient infrastructure are more closely aligned with the socio-economic and environmental needs of local communities and national development.