

A MISTRA Policy Paper

THE BURNING ISSUES: NAVIGATING AFRICA'S ROAD TO COP27

by Nqobile Xaba, Researcher, MISTRA

October 2022

INTRODUCTION

The transition to a low carbon economy to mitigate against the impact of climate change is a complex issue, especially on the African continent, part of the developing world. The African continent will be disproportionately affected by the impacts of climate change, while only contributing to 4% global emissions.¹ Therefore, strategies must be adopted to assist developing countries to curb the impacts of climate change through their transitions, as outlined in the Paris agreement.² These climate negotiations are tabled at the United Nations Framework Convention on Climate Change (UNFCCC) conference of parties (COP) and this year's 27th COP will be held from 6–18 November in Egypt. This location will bring the focus to Africa, providing an opportunity for a strong African voice to be dominant and for issues that are specific to Africa to be resolved.

South Africa is currently in transition to a low carbon economy: A 'Just Transition Framework' for South Africa, drafted by the Presidential Climate Commission (PCC), has been adopted by Parliament;³ the Climate Change Bill has been introduced;⁴ and the Electricity Regulation Act (Act no. 4 of 2006) has been amended to allow for uncapped power generation for independent power production.⁵ These are some of the critical policies that *enable the development of an effective climate change response* in South Africa. These policy milestones, coupled with the revised National Determined Contributions (NDCs), will place South Africa in a better negotiating position at the upcoming COP27.

This Policy Brief aims to highlight the issues important for the African continent, and for South Africa in particular, that will need to be tabled and addressed at COP27. The recommendations in this Brief on issues to be covered in COP27 are based on research, stakeholder engagements and discussions that the Mapungubwe Institute for Strategic Reflection (MISTRA) has conducted on South Africa's transition to a low carbon economy. This Policy Brief also builds on the findings of MISTRA's edited volume, *A Just Transition to a Low Carbon Future in South Africa* (2022).⁶

- 1 CDP, March 2020. CDP Africa Report: Benchmarking Progress Towards Climate Safe Cities, States, and Regions. https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/023/original/CDP_Africa_Report_2020.pdf?1583855467, accessed 10 August 2022.
- 2 The Paris Agreement is a legally binding international treaty on climate change adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016 <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>, accessed 9 September 2022.
- 3 Presidential Climate Commission, 2022. A Framework for Just Transition in South Africa <https://pcccommissionflow.imgix.net/uploads/images/A-Just-Transition-Framework-for-South-Africa-2022.pdf>.
- 4 Department of Forestry, Fisheries, and the Environment (DFFE), 2021. The Climate Change Bill, Gazette no. 45299, Republic of South Africa. https://www.gov.za/sites/default/files/gcis_document/202203/b9-2022.pdf.
- 5 Department of Mineral Resources and Energy (DMRE), 2022. Electricity Regulation Act 2006, No. 45898, Republic of South Africa https://www.gov.za/sites/default/files/gcis_document/202203/45898gon1746.pdf.
- 6 Xaba, N. and Fakir, S. (eds.) 2022. *A Just Transition to a Low Carbon Future in South Africa*. Johannesburg: Mapungubwe Institute for Strategic Reflection.

COP 27: NAVIGATING THE ROAD

POLICY CONTEXT, ARISING OUT OF COP 26

Significant milestones were reached at COP26 in Glasgow, although these have not translated into climate action and the world is still on track for warming by 2.4 degrees. COP26 was able to take forward some contemporary issues, including the commitment to phase-down coal and other fossil fuels; the acknowledgement of the loss and damage associated with climate change impacts; the creation of technical steps to address loss and damage; the doubling of adaptation finance; a commitment to halt deforestation; and the finalisation of the rulebook on Article 6 of the Paris Agreement facilitating carbon trading. COP26 had been termed the ‘last best chance’ to resolve climate change and the conference fell short of this goal. These issues will be taken forward to this year’s conference.

THE CENTRALITY OF AFRICA

COP27 will be held on the African continent and that presents an opportunity to refocus the negotiations on the 2015 Paris Agreement guidelines. The previous COPs have not followed through on the Paris Agreement guidelines, resulting in slow progress on addressing critical issues. This has placed the African continent, as the most vulnerable to climate change impacts, at a disadvantage in terms of making progress in combating climate change. The Paris Agreement recognises that agreements reached will be implemented to reflect equity, and the principle of common but differentiated responsibilities and respective capabilities.⁷

CLOSING THE FINANCE GAP

South Africa must push for international recognition of Africa’s unique needs and circumstances. The Paris Agreement also clearly outlines who carries the obligation to decarbonise. Yet we have seen how developed countries have not honoured this part of the agreement. The Paris Agreement also remains clear on the obligation of developed countries, which both historically and currently have had high emissions, to assist developing countries to make the transition. The developed countries must provide adequate climate finance resources and transfer environmentally sound technologies to African countries. The developed countries must also pledge to meet their pre-2020 climate finance gap of \$100 billion.

⁷ UN, 2015. The Paris Agreement, Article 2 (2)

South Africa secured a concessional finance commitment from developed countries from the negotiations held during COP26 through a partnership with the United States of America, United Kingdom, France and Germany. The partnership proposes that the funding be used for accelerated decarbonisation of South Africa's electricity system; for the development of new low-carbon sectors such as green hydrogen and electric vehicles; and to ensure a just transition for affected workers and communities, in the context of South Africa's growth and development priorities. The international interest in the partnership has been increasing, with many countries keenly watching whether South Africa will set a precedent for how to negotiate such arrangements and utilise international climate resources to support a just transition. Further issues to be taken forward at COP27 are discussed in this section.

THE PHASING DOWN OF FOSSIL FUELS

The African continent is still faced with challenges of energy shortages and access to energy. This is evidenced by the fact that South Africa faces power blackouts and some rural or remote areas have never had access to electricity. It is imperative that phasing down of fossil fuels is done in a manner that will not further perpetuate energy poverty and worsen the socio-economic conditions of workers and poor communities. In particular, South Africa, as a coal-dominant economy, should not be pressured to hastily retire its coal plants without the resources and infrastructure required to meet the energy needs of the country. South Africa should be given leeway to pave its own path regarding the low carbon transition without the current pressures from developed economies.⁸ The Russia-Ukraine war exposed the fact that developed economies will prioritise energy security over climate change by ramping up on coal or other fossil fuels. This tramples on efforts to fight climate change and will delay the current global ambition of a net zero target. Meanwhile, South Africa has committed to transition away from coal. Investments will be required for the retiring of coal plants, and for ramping up renewable energy; beyond that, coal communities will require alternative development to sustain livelihoods.

LOSS AND DAMAGE

The African continent is vulnerable to climate change impacts. Extreme weather events will continue to wreak havoc in communities and therefore need urgent solutions. What has been termed 'loss and damage' is the crucial third pillar of climate action for helping people after they have experienced climate-related impacts. Loss and damage in UN climate negotiations refers to consequences of climate change that go beyond what people can adapt to, or when options exist but a community doesn't have the resources to access or utilise them.⁹ It is crucial that loss and damage be addressed, and the necessary financing mechanisms for doing so must be secured.

8 Developed economies refer to counties and regions with mature economy, advance technological infrastructure and these are leading green-house gas emitters globally e.g. United States of America, China, Russia, Europe.

9 Bhandari P, Warszawski N, Cogan D and Gerholdt R, 2022. What Is 'Loss and Damage' from Climate Change? 6 Key Questions, Answered, World Resource Institute, 6 April 2022.

Efforts to mitigate and adapt to climate change will not be able to match the speed and scale of climate change impacts. Therefore, there is an urgent need to secure separate financing mechanisms for loss and damage. COP19 paved a way for addressing loss and damage by establishing the Warsaw International Mechanism (WIM); this was reviewed at COP25 and resulted in the establishment of the Santiago Network. This Network aims to catalyse technical assistance to relevant organisations, bodies, networks and experts to assist them avert and minimise loss and damage in developing countries.¹⁰ These functions of the Network were then confirmed by Parties¹¹ at COP26, and a process was established to further develop institutional and funding arrangements for the Network. Further, the parties set up the Glasgow Dialogue, intended to roll out over the next three years, to discuss arrangements for funding activities to address loss and damage.

Thus, the Glasgow Dialogue must be utilised as the forum for parties seeking to establish a loss and damage fund, and to negotiate and table their proposals. There are key issues relating to assessing loss and damage which need to be discussed. These include the types of support that effectively address loss and damage; and understanding loss and damage funding with regard to adaptation funding; and distinguishing the loss and damage fund from disaster risk management funding and from humanitarian and development funds.

BUILDING RESILIENCE AND ADAPTING TO CLIMATE CHANGE IN AFRICA

South Africa revised its Nationally Determined Contributions to be in line with the global 1.5 degrees target and also to be a supposedly ‘fair’ reflection of our obligation, namely one that is commensurate with our emissions. However, Africa contributes much less to global emissions than developed economies and, therefore, should not be pressured into the phenomenon of what is regarded as a so-called ‘fair share’. The African continent at large is threatened by climate change and faces additional socioeconomic issues. It is crucial that the complexity of the challenges that Africa faces is taken into consideration when setting climate targets for the continent.

African resilience will be best achieved by adopting renewable energy pathways and developing national and regional value chains around the deployment of renewable energy technologies. Energy integration and trade within the continent as a green recovery on the continent can be achieved through strengthening the grid, deployment of renewable energy and continent-wide energy trade. Such steps are critical for wider access to renewable energy and to address energy shortages.¹²

10 Huang, J., Wenger, C, and Guilanpour, K. 2022. Loss and Damage: Issues and Options for COP27, *Center for Climate and Energy Solutions*, 1–9. <https://www.c2es.org/wp-content/uploads/2022/06/Loss-and-Damage-Issues-and-Options-for-cop27.pdf>.

11 Parties refer to the countries that are part of the UNFCCC and those that have signed the Paris Agreement <https://unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states>, accessed 24 September 2022.

12 Nkhonjera, M. 2022. Green industrial development under the African Continental Free Trade Area (AfCFTA): Positioning South Africa’s renewable energy manufacturing. In Xaba, N. and Fakir, S. (eds) *A Just Transition to a Low Carbon Future in South Africa*. Johannesburg: Mapungubwe Institute for Strategic Reflection.

Resilience through adaptation is economically critical and yet remains under-resourced. A global goal on adaptation was one of the significant outcomes of COP26. The latest Intergovernmental Panel on Climate Change (IPCC)¹³ working group report on Impacts, Adaptation and Vulnerability,¹⁴ estimates the annual cost of adaptation in developing countries to reach \$140–300 billion by 2030. The amount of \$450 million pledged towards the Adaptation Fund at COP26 is therefore insufficient.¹⁵ Adaptation financing pledges should aim to match the figures outlined by the IPCC. It is therefore important that COP27 makes the crucially needed progress and urges all parties to demonstrate the necessary political will towards enhancing resilience and assisting the most vulnerable communities.

Resilience towards climate change in Africa must be built around all priority systems. Climate solutions are a health priority; and therefore health matters should be prioritised as part of the plans to combat climate change. This is not yet reflected in most health systems in Africa. Rising temperatures coupled with food insecurity, insufficient clean water sources, and higher levels of air pollution result in diseases that threaten lives. The Paris Agreement explicitly links climate action with a healthier environment. Climate change resilience can be built by creating new ways to use the planet’s resources wisely to protect human health and natural ecosystems.¹⁶

THE INADEQUACY OF CURRENT CLIMATE FINANCE

The \$100 billion of climate finance required for the transition remains an unfulfilled pledge, even though some financing milestones were achieved at COP26. These include an additional \$300 million that developed countries have pledged for the Least Developed Country Fund; and the \$450 million allocated to the Adaptation Fund. Also included is \$8.5 billion for the South African political declaration partnership,¹⁷ established between South Africa and France, Germany, the United Kingdom, the United States and the European Union to support a just transition to a low carbon economy and a climate-resilient society in South Africa.

Developed countries will need to commit to fulfilling their obligation of a \$100 billion for finance and to provide clear signals of this commitment. Further, the scale of investment required for South Africa, to achieve the ambitious targets outlined in its updated Nationally Determined Contributions far exceeds US\$8.5 billion. Therefore, an increased new and quantified long-term goal for finance should be negotiated, along with outlines for plans for how such support will be committed and delivered.

13 The Intergovernmental Panel on Climate Change is a United Nations body responsible for advancing knowledge on human-induced climate change.

14 IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press.

15 United Nations, 8 November 2021. New Announcements Relating to Adaptation Made at COP26 <https://unfccc.int/news/new-announcements-relating-to-adaptation-made-at-cop26>, accessed 15 September 2022.

16 UNFCCC, <https://unfccc.int/climate-action/un-global-climate-action-awards/planetary-health>, accessed 10 August 2022.

17 DFFE, 10 May 2021. Report on Outcomes of COP26, Implications for SA & COP27 Preparation; Climate Partnership Fund for just energy transition in South Africa; with Minister. <https://pmg.org.za/committee-meeting/34854/>, accessed 10 August 2022.

The financing package and investment plan, delivered through the partnership, must address South Africa's fiscal realities and priorities, and uphold the development and climate finance principles applicable to developing countries generally. In practice, this translates into:¹⁸

- The quantity (amount of flows) and the quality (access, design and implementation modalities) of the financing package should reflect the obligation that developed countries have to support mitigation and adaptation measures in developing countries.
- Financing instruments should reflect South Africa's unique needs and fiscal challenges and incorporate appropriate and equitable risk-sharing arrangements. These include, for example, risk mitigation instruments, and the appropriate balance among such instruments, such as grants, concessional loans and other appropriate tools (financial or otherwise) that contribute to the costs of the country's transition without negatively impacting the country's fiscal position.
- Any debt-related terms should be more attractive than those that the country could secure in the capital markets without unduly onerous reporting requirements.
- The level of concessionality of any debt-related instruments must reflect both the obligation of developed countries to finance mitigation and adaptation measures in developing countries, and the significant cost of these measures.
- Finance flows from the partner countries through the partnership need to be predictable and certain, to enable the sustained momentum of South Africa's investment plan for achieving the country's target of net-zero carbon emissions by 2050.

18 Keynote address by Mr Daniel Mminele, Head: Presidential Climate Finance Task Team, at the Policy Discussion on Just Transition Finance, convened by MISTRA, 09 May 2022.

SUMMARY OF RECOMMENDATIONS FOR KEY POLICY ISSUES TO BE ADDRESSED AT COP27

- Climate change negotiations must focus on the Paris Agreement as a guiding document and rule book to hold countries accountable, including the principle of a just energy transition.
- Loss and damage must be addressed using financing mechanisms that are separate to those for mitigation and adaptation.
- Resilience in Africa will be achieved through reducing emissions in a just manner coupled with prioritising economic growth, job creation and planetary health – these considerations have to anchor deliberations.
- Climate financing must go beyond simply supporting mitigation measures. It must extend to building countries' adaptive capacities to protect people and economies against climate change shocks, and provide for the inevitable impacts of climate change.
- Countries should be required to fast-track the preparation of national adaptation plans, including adaptation communications, in order to enhance the implementation of adaptation measures.
- Developed countries will need to commit to their finance obligation of a \$100 billion, and provide clear signals of meeting this commitment.
- Climate finance should not perpetuate the debt crisis in already debt-vulnerable economies.

About South Africa and its own transition specifically: Urgent interventions required to achieve a just transition to a low carbon and climate resilient society in South Africa

- South Africa should not be pressured to transition away from fossil fuels without the provision of resources and infrastructure to meet the energy needs of the country, and to pave the country's own (urgent) path regarding the low carbon transition.
- In order to transition away from coal and ramp up renewable energy, South Africa will require investments and funding, and alternative economic development plans for all affected. This is crucial, as climate resilience in South Africa must be built around renewable energy, and South Africa should play a greater role in facilitating this on the wider continent.
- South Africa is vulnerable to climate change impacts and therefore a loss and damage fund must be negotiated at COP27.

- The \$8.5 billion deal is progressive but an increased, quantified long-term goal for finance should be negotiated, along with plans for gaining commitments to such support, and for how it will be delivered.
- The financing package and investment plan should reflect and address South Africa's fiscal realities and priorities, and should uphold development and climate-finance principles applicable to developing countries.