INTRODUCTION

• Treasury’s financial stability mandate is to protect SA economy and citizens from shocks to the financial system, building resilience through solvency and effective risk management

• Climate change poses significant risks for the financial sector: physical, liability and transition risks

• For financial institutions- this requires identifying, managing and disclosing environmental and social risks in their portfolio through strengthening the regulatory framework and uptake of best practices

• Sustainable finance includes social finance, and green finance which in turn includes climate finance, which is where the initial focus will be

Link to draft technical paper:

• Towards an Economic Strategy for South Africa
• Environmentally related taxes; tax incentives and subsidies
• Fiscal allocations and sector policy
• Mainstreaming climate responsiveness in cities; provinces and disaster management response
• Climate budget tagging and infrastructure appraisal
• Long terms fiscal and economic modelling
• International finance
• Debt markets and entity oversight

• Just Transition to a Low-Carbon, Sustainable Future
• Climate Change Bill and Presidential CCCC
• Nationally determined contributions, low emissions development
• Disaster management and risk reduction
• Renewable energy programme, clean energy, energy efficiency
• Green Transport Strategy
• Circular economy, ecological infrastructure

• Covid-19 Response and Recovery
"Sustainable finance encompasses financial models, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the sustainable development goals and climate resilience”

- An evolving area and emergent global practice and trend
- The first formal steps to develop a more comprehensive approach
- Sustainable finance as an enabling framework for investors, to align private and public finance
- Developed by a Sustainable Finance Working Group led by the Treasury
- The technical paper has recommendations for Banks, Retirement funds, Capital Markets, CIS, Insurance, Private Equity and Venture Capital
- The recommendations will be taken forward through working groups
- Build on a sustainable finance narrative in SA and networks of cooperation and coordination
INITIAL FOCUS AREAS

• Taxonomy: developing a green taxonomy and governance framework for future iterations
  • Taxonomy is a classification system identifying activities, assets, and/or project categories that deliver on key green objectives with reference to identified thresholds and/or targets.
  • It should incentivise capital to flow towards green activities

• Financing instruments: such a green and social bonds
  • Map the universe of sustainable instruments and understand applicability and appetite to SA.
  • Recommend enabling environment for sustainable finance to grow

• Disclosure as per the TCFD- Task force on Climate Financial Disclosures
  • Establish a baseline, develop minimum disclosure requirements; engage regulators; identify relevant guidance for SA context; Monitor adoption and application.

• Develop a benchmark climate risk scenario for use in stress tests by the sector.
  • Starting with insurance and banks

• Building sector capacity
  • Partner/collaborate/ facilitate development of training. Raise awareness and provide training on materials developed by the various working groups.

• Develop an Action Plan
GREEN TAXONOMY DEVELOPMENT

• Establish a 'Version 1' green taxonomy: Definition and principles; thematic areas; screening criteria; dimensions of economic activity; local context.
• Governance Structure: Custodian of the taxonomy; process for adaptation, iteration and refinement
• Govern what is recognised as green in a credible, consistent and dynamic way for South Africa.
• A coordination tool, matching activities on the demand side, and the flow of necessary finance for investment in green activities on the supply side.
• Aim to draw from international taxonomies and consider local context: SA policy, transition pathways
• 12 month project, starting June 2020