South African Green Finance Taxonomy Development
A green taxonomy is a tool that sets out the rules and results for what is green (included as taxonomy-aligned) mutually for all actors.

- A taxonomy is a classification tool that brings clarity to help actors identify and communicate whether an economic activity or project is consistent with an objective.

- It provides a common language, reducing uncertainty, reducing market disparities and encouraging investment.

- This taxonomy’s principal function will be to govern what is recognised as “green” in a credible, consistent and dynamic way for South Africa.

- The taxonomy will be used as a coordination tool, directing and matching activities on the demand side, and the flow of necessary finance for investment in “green” activities on the supply side.
We intend to build a taxonomy governance function and the first classification system with users and future objectives in mind.

1. **Adoption of an agreed governance mechanism to maintain the national taxonomy**
   - This governance mechanism will:
     - Identify the Agency designated with oversight
     - Define the protocol for how the taxonomy can be refined and expanded over time
     - Be the guidance for how to use the taxonomy, considering different users

2. **The first national green investment taxonomy, with further areas for development**
   - The final development output is the first ‘Draft National Green Taxonomy for further consultation’; a first comprehensive draft for the country to take forward and evolve
A taxonomy is one complementary tool amongst and relating to others for sustainable finance, in an evolving practice landscape.
Taxonomies differentiate on foundations, catalogue granularity, and standards; most have some relationship to four main taxonomies:

- **EU Sustainable finance taxonomy**
- **CBI taxonomy**
- **MDB-IDFC**
- **ICMA Green Project Mapping**

**Key**
- Taxonomy available
- Taxonomy in development, states/demonstrates relationship to available taxonomy
- Taxonomy in development, indicatively drawing on available taxonomy
- ICMA states that it does not promote a particular taxonomy; mapping is only to provide indication of theme.
- Only climate change mitigation and adaptation
- Indicated interest to develop / appropriateness for 'transition' taxonomy – very early stage

**Comprehensive principles-derived activity catalogue and standards**
- **Mongolia Green Taxonomy**
- **PBOC Green Bond Endorsed Project Catalogue**
- **MDB-IDFC**
- **ICMA Green Project Mapping**

**Replicates/points to the existing Taxonomy**

**Sty whole on the existing Taxonomy**

**Suggested that it may take lessons from the existing Taxonomy but strongly localise (early stage progress)**

**Thematic catalogue**

**5**
Typically the available taxonomies relate elements of the following structure:

- **Vision for the end state and journey that the taxonomy supports**
- **Defines the principles/rules for inclusion**
- **Confirms the taxonomy focus areas, either one or many**
- **Results from application of first 3 levels, with differing granularity**
- **Contains detailed performance criteria and thresholds**
- **Specific taxonomy user requirement guidance aspects**
- **Relationship to other regulations, standards or guidance**

**OVERARCHING DEFINITION**

**PRINCIPLES**

**OBJECTIVES**

**LISTING OF TAXONOMY-ALIGNED THEMES / (SUB)SECTORS**

**LISTING OF TAXONOMY-ALIGNED Activities/PROJECTS/ASSETS**

**TECHNICAL STANDARDS**

**USER GUIDANCE**

**INTEGRATION**

6 areas 2 areas 1 area 5 areas 6 areas 6 areas 6 areas
Objectives cover six main areas; climate change mitigation and adaptation is covered comprehensively, but mostly to catalogue level.

<table>
<thead>
<tr>
<th>Focus area</th>
<th>EU Sustainable finance taxonomy</th>
<th>Climate Bonds taxonomy</th>
<th>CBI taxonomy</th>
<th>MDB IDFC</th>
<th>ICMA Green Project Mapping*</th>
<th>PBOC Green Bond Endorsed Project Catalogue</th>
<th>Mongolia Green Taxonomy</th>
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<tbody>
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**Key**
- ✔ Focus area fully addressed
- ⬤ Focus area partially addressed or in progress
- ⚫ Only at theme level; objectives are not detailed
- $ Developed to ‘standards’ level
There are similarities in (sub)sectoral coverage and naming, but activity inclusion might differ and be classed in different themes.
As we’ve reviewed int’l taxonomies, we’ve started a concept for high-level thematic/sectoral listing which we plan to develop further.
Four early decision points for further exploration

Benchmark against local policy or international best practice

Apply at an asset level or a value chain level

Focus on just green or include transition assets (even social investment)

Localise international work or develop from the bottom up
The development process is iterative, integrated and cooperative.

The project development process is iterative, for a series of progressively developed taxonomy components and taxonomy drafts...

...as well as market awareness raising on the Taxonomy...

...with a first draft taxonomy to be launched at the end of this first development effort.

Taxonomy project team led work:
- Desktop research and analysis
- Stakeholder focus groups, workshops and meetings
- Document development
- Parallel developments in regulation, standards, taxonomies, TCFD & policy
- Technical contributions and reviews from Experts
- Awareness raising

The first national green investment taxonomy, with further areas for development.
Stakeholder engagement – next awareness raising and market engagement is planned as a kick-off event, and 2 focus group sessions.

<table>
<thead>
<tr>
<th>Scheduled workshops</th>
<th>Stakeholder audience</th>
<th>Date</th>
<th>Purpose</th>
<th>Discussion points</th>
</tr>
</thead>
</table>
| Workshop 1          | Policy Makers        | w/o 27 July | Consensus for economic activation priorities and objectives; highlight “what’s missing” | • Project awareness and purpose  
|                     | Working Group        |      |         | • Project awareness and purpose  
|                     | Financial Users      |      |         | • Inputs to  
|                     |                      |      |         | • Taxonomy framework and use  
|                     |                      |      |         | • Taxonomy scope and vision  
|                     |                      |      |         | • Taxonomy principles and objectives  
|                     |                      |      |         | • Establish priority objectives and depth  
|                     |                      |      |         | • User needs expression  
|                     |                      |      |         | • Views on ambition and particular preferences  
| Workshop 2          | Financial Users (local and international) | w/o 3 August | Detail of how we base and develop technical standards | • Project awareness and purpose  
|                     |                      |      |         | • Briefing on workshop 1 outputs  
|                     |                      |      |         | • Technical focus for  
|                     |                      |      |         | • How to action use preferences, e.g. policy-aligned vs international best practice for climate change mitigation  
|                     |                      |      |         | • How to action principles-based/rules-based preferences, and adaptation of int’l norms  

Critical One-on-One engagements
Thank you