

SONA 2022: Climate Change

ECONOMICS | SOUTH AFRICA

Climate change moving up the list of priorities

At this year's State of the Nation Address (SONA), the president indicated that South Africa is one of the most affected regions by climate change. The country has often been threatened by extreme weather events such as floods, fires, and other extreme weather conditions associated with global warming. These events have negatively impacted people's lives and critical infrastructure in the country, with recent flooding hitting Gauteng, the Eastern Cape, and KwaZulu-Natal hard. As global warming worsens, these extreme weather events are becoming more frequent and severe, heightening South Africa's vulnerability to these negative impacts.

The president also expressed the need for more renewable energy production which would make electricity more abundant, dependable, and cost-effective – enabling South African businesses to better compete on a global scale. He stressed the need for investments in electric vehicles and highlighted some of the key opportunities available in the uptake of green hydrogen. He highlighted South Africa's competitive advantage given its natural wind and solar endowments. The president perceives great benefit in developing the green hydrogen landscape, viewing it as a critical source of energy, which could secure the country's energy needs and substantial export earnings.

The government then highlighted their approach to fighting climate change as well as some key developments in the country:

- The Presidential Climate Commission was established to support a sustainable, inclusive, resilient, and low-carbon economy. The commission has been charged with building social partnerships around the just transition and tackling the complex decisions required to effectively navigate the country to a just transition.
- South Africa has committed to carbon reduction strategies that are in line with limiting human-caused global warming to 1.5 degrees Celsius – the goal that many countries agreed to as part of the Paris Climate Agreement.
- South Africa managed to secure finance to support the country's proposed just energy transition, which will be used for repowering and repurposing decommissioned and ageing power stations. This process is expected to create employment and business opportunities for the communities most impacted by the transition. The government has successfully secured an R131 billion deal between the European Union, France, Germany, the United Kingdom, and the United States at the UN Climate Change Conference in Glasgow late last year.
- The president has stressed the need for funds to be correctly managed and has appointed Mr Daniel Mminele as Head of the Presidential Climate Finance Task Team to lead the disbursement of these earmarked funds.
- He mentioned the need for a successful Hydrogen strategy and the development of a Hydrogen Society Roadmap – which will span over the next ten years. This roadmap indicates how hydrogen and fuel cell technologies would benefit the South African economy.
- The development of a Green Hydrogen Strategy for the Northern Cape and the development of a green hydrogen pipeline worth around R270 billion

GROUP ECONOMIC UNIT

Tachin Ramnath	+27 10 216 6232	tachinr@nedbank.co.za
Nicky Weimar	+27 10 234 8357	nickywe@nedbank.co.za

DISCLAIMER

The information furnished in this report (the "report"), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgment of the author(s) and the prevailing market conditions as at the date of this report, which judgment and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ("Nedbank"). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee and for which Nedbank accepts no liability.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration. The information contained in this publication may include results of analyses from a quantitative model which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute 'Nedbank's judgment as of the date hereof and are subject to change without any notice. Nedbank and/or its affiliates may make a market in these instruments for our customers and for our own account. Accordingly, 'Nedbank's may have a position in any such instrument at any time.

Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report is intended for use by professional and business investors only. It may not be considered as advice, recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available upon request.

All rights reserved. Any unauthorised use or disclosure of this report is prohibited. This report may not be reproduced without the prior written consent of Nedbank. The information contained in this note is intended solely for the recipient and may not be distributed by the recipient.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.