South Africa's Climate Policy Evolution:

Insights from SAICA's Response and the GRI Climate Standard

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Advancing Robust Climate and Energy Strategies through policy, disclosure, and collaboration

Introduction

South Africa stands at a pivotal juncture in its climate and energy transition journey, marked by a convergence of new policies, international commitments, and the ongoing evolution of corporate reporting standards. The South African Institute of Chartered Accountants (SAICA) has responded to the South African government's recent policy stance and the introduction of the new **Global Reporting Initiative's (GRI) Climate and Energy Standard**. Their response, grounded in practical experience and stakeholder engagement, underscores the urgency for streamlined regulation, proactive private sector involvement, and transparent, auditable climate disclosures to navigate the complexities of a changing global landscape.

Climate Change Act: Precedence and Streamlining

The enactment of the Climate Change Act has established a legal foundation for transformative change, taking precedence over other climate legislation and policies. Its phased approach to preparing for the implementation of Sectoral Emissions Targets is a bold step towards achieving South Africa's long-term emissions reduction objectives. However, SAICA highlights the need for regulatory reforms that simplify the legislative framework. By streamlining these regulations, the government can mitigate legal ambiguities, reduce litigation, and create greater tax certainty for businesses. Clarity and predictability in policy are essential to motivate long-term investment in climate action.

Electricity Regulation Amendment Act 2024: Generation Capacity and Private Sector Role

The Electricity Regulation Amendment Act of 2024 signals the government's intention to boost electricity generation capacity. However, SAICA emphasizes that state-led initiatives alone will not suffice. Encouraging private sector participation is crucial, as a collaborative approach can accelerate innovation, infrastructural investment, and technical expertise. Adequate funding for skills training and administrative reforms must also be earmarked to ensure market readiness and drive tangible progress in the energy transition.

Anticipating the Carbon Border Adjustment Mechanism (CBAM)

The **European Union's Carbon Border Adjustment Mechanism (CBAM)**, coming into effect in 2026, will have significant repercussions for South Africa's manufacturing, heavy industry, and agricultural exports. Notably, coal, which remains central to South Africa's electricity generation, is among the sectors most exposed. SAICA advises that climate policy reforms should be integrated with trade and industrial strategies, ensuring the country's ongoing competitiveness in international markets. This may include derisking through alternative trade agreements and developing comprehensive plans to adapt to new regulatory realities.

G20 Collaboration for Progress

Led by Dr. Dion George, South Africa's Minister of Forestry, Fisheries, and the Environment, the meeting was designed to ensure alignment between

A unique platform for dialogue and collaboration, including those involving DFFE, SAICA, and GRI, delved into the role of sustainability disclosures in advancing climate action and energy transition. Douglas Kativu, GRI's Director for Africa, emphasized the standards' value in guiding organizations on climate strategies, transition and adaptation plans, GHG emissions reduction targets, and managing workforce impacts.

Reporting Disclosures and Transition Risks

SAICA strongly advocates for the inclusion of robust reporting disclosures as a critical guidance tool. These disclosures enable targeted diagnostics on areas such as the transition risks associated with a low-carbon economy and shifting energy mix. With global policies, technological advancements, and market dynamics in flux, businesses must adapt to new risks and opportunities. Investors are increasingly evaluating companies based on Environmental, Social, and Governance (ESG) principles; thus, those with demonstrably lower carbon footprints will benefit from reduced costs of capital and enhanced credibility.

Banks and Financial Institutions

Financial institutions, including banks and insurers, face their own unique set of challenges and responsibilities. Understanding and managing transition and physical risks is vital for long-term stability and compliance with evolving regulations. The new Basel regulatory framework is positioned as a key instrument for integrating climate and physical risks into credit assessments and overall financial risk management. SAICA observes that these risks are already influencing financial system risk management approaches and heightening stakeholder concerns, and hence, more effective integration is required to ensure resilience and adaptability.

Insurance, Vulnerable Communities, and Economic Value of Climate Risks

As extreme weather events increase in both severity and frequency, insurance providers—historically risk-averse—are reevaluating their positions in high-risk markets. Escalating premiums are approaching unaffordable levels, leaving disadvantaged communities, often residing in vulnerable locations, exposed to greater risk due to a lack of coverage. SAICA identifies two possible government and financial sector interventions:

- The adoption of country-level adjusted insurance mechanisms, such as parametric insurance, which respond rapidly based on predefined metrics, providing swift support in the wake of climate disasters.
- Enhancing insurance literacy through financial literacy advocacy, empowering communities to secure appropriate coverage and even consider community-led insurance models.

Both approaches address the fundamental challenge of quantifying the economic value of climate risks and opportunities, ensuring that no community is left behind.

From Commitment to Action: Aligning with the Paris Agreement

SAICA stresses the importance of moving from policy commitments to actionable strategies that align with the Paris Agreement. Achieving consistency, transparency, and interoperability in financial instruments and reporting practices is essential for meeting global climate targets. Regulators and professional bodies must drive the transition from voluntary climate disclosures to mandatory, auditable, and interoperable reporting. The GRI Standards, as highlighted by DFFE's Chief Director of Climate Adaptation, offer a pathway for transforming policy mandates (such as adaptation planning and workforce transitions) into measurable, corporate-level disclosures. This approach will help close the persistent gap between intention and implementation.

Capacity Building and Just Transitions

In a rapidly changing global landscape, bridging the gap between high-level ambitions and on-the-ground action requires capacity building at every level. Strengthening institutional and community resilience, supporting just transitions for vulnerable sectors, advancing green skills development, and leveraging digital technologies for robust data management are all critical pathways forward. These efforts ensure that the transition to a low-carbon economy is both fair and inclusive, upholding the principle of "not leaving anyone behind."

Integrating Policy, Investment, and Innovation

SAICA's response underscores the necessity of cross-sector collaboration to harmonize policy, investment, and innovation. Both public and private stakeholders must work in concert with our global partners to make real progress, fostering a culture of shared responsibility and a willingness to adopt new paradigms of accountability. As financial literacy and insurance literacy become increasingly important, banks and insurers are called to play a proactive role in ensuring that underserved populations have access to the coverage and knowledge needed to weather future shocks.

Conclusion: A Transformative Path Forward

The journey towards a low-carbon, climate-resilient South Africa is complex and demands unwavering commitment. By embedding sustainability at the core of all decision-making, nurturing robust frameworks for transparent disclosure, and championing cross-sector collaboration, South Africa can not only comply with global standards but also lead in transformative change. SAICA's response, rooted in practical insight and stakeholder engagement, serves as a clarion call for a united effort, moving beyond commitments to decisive action, ensuring that every stakeholder has a role in shaping a sustainable future for generations to come.