SAICA
DIFFERENCE MAKERS™

Sustainability Snapshot

Volume 2

The state of play

South Africa's just energy transition

South Africa faces increasing climate risk – more so than most countries because it is among the top 15 biggest carbon emitters in the world.

The country has committed to reducing its emissions by 12% (from a 435.8 Mt CO2 eq baseline) by 2030. To achieve this ambition, in 2021 the country embarked in a worldfirst climate pact known as the Just Energy Transition Partnership (JETP) with wealthy nations to decarboniseits economy.

Current commitments by members of the JETP (France, Germany, the United Kingdom, the United States and the European Union), amount to $13.7bn. But much of this funding has yet to be put to work and there is a risk that future climate finance is dwindling as countries become more inward-looking amid geopolitical tensions.

In this issue we answer some critical questions about South Africa's Just Energy Transition (JET), including what the role of the private sector could (should) be in supporting it.

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In This Issue

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What is the JET?

South Africa, like many other countries, faces increasing climate risks. It also happens to be the largest carbon emitter in Africa and among the top 15 highest emitters in the world, owing to its coal-dominated energy sector, which is responsible for most of the country's emissions.

The target

In response, and in line with global efforts, South Africa has made commitments to limit emissions in the economy to a range of 350-420 million metric tonnes of carbon dioxide equivalent (Mt CO2 eq) by 2030.

The challenge

Achieving this target is no small feat. It requires embarking on a complex path to rethink the economy – beyond simply decommissioning coal power stations.

Along the way, there are socio-economic impacts to consider, including the risk of job losses – particularly in the energy and automotive sectors. Efforts to decarbonise the economy must not leave vulnerable communities, workers or businesses worse off. Government's position is that lowering emissions should go hand in hand with protecting the livelihoods of those who depend on the fossil-fuel economy.

Is the target ambitious enough?

South Africa's target has been criticised as insufficient for meeting the global warming target of the Paris Agreement (limiting global temperature increase to well below 2 degrees Celsius).

Efforts to achieve it to date have also been criticised for lacking appropriate urgency, given that emissions reductions so far have been helped by load shedding because of underperforming coal power plants, and not really by intentional changes in the power sector. The expansion of renewable energy has primarily been to resolve the energy crisis and emissions reductions have been a secondary benefit.

A dual perspective

We frame the JET with a dual perspective:

Transitioning out

This requires protective measures for the livelihoods of workers and communities dependent on fossil fuel value chains (energy, mining, automotive sectors). This includes preventing unemployment with reskilling, protecting household incomes with temporary cash transfers or grants and early retirement provisions.

Transitioning in

This refers to proactive measures to create new opportunities in green industries and sectors for a low-carbon economy. This includes job creation through strategies that support local manufacturing, small businesses, upskilling the workforce and empowering historically disadvantaged persons.

The JET is about more than shifting the grid to renewables. It means restructuring the economy in a way that reflects the needs of workers, communities and other stakeholders as they relate to the affects of a changing climate. A truly just transition demands planning, foresight, broad engagement & conviction as well as significant funding.

How will we finance the JET?

Achieving South Africa's JET objectives comes with a hefty price tag. According to the World Bank, the cost of the just energy transition is estimated at a net present value of R8.5tn in the next three decades – that's approximately 180% of GDP. Before 2030, South Africa will need R2.4tn, according 2022 estimates. This means that the funding can't come from government alone. Rather, it will require partnerships, both global and domestic.

The JETP, the IPG and the JET-IP

At COP26 in 2021, South Africa entered into a world first climate pact with France, Germany, the UK, US and EU. Known as the Just Energy Transition Partnership (JETP), these nations – the International Partners Group (IPG) – pledged $8.5bn to help South Africa decarbonise while ensuring a just transition. With Denmark and the Netherlands joining, the pledge has grown to more than $13bn. Spain, Switzerland and Canada have also made commitments, though not as IPG members. Funding includes concessional and commercial loans, guarantees and a small share of grants, aimed at cutting emissions in the power sector, supporting new industries like green hydrogen and new energy vehicles and developing skills and local economies.

The pledges were never meant to cover the full cost. South Africa's Just Energy Transition Investment Plan (JET-IP), published in 2022, sets out a R1.5tn funding need for 2023-2027, with the IPG finance intended to unlock further public and private capital. Multilateral development banks have already extended policy loans, including $1bn from the World Bank and $300m from the African Development Bank, to support transitionrelated policies and programmes. The Climate Investment Funds' $450m highly concessional loan is earmarked for repurposing three coal power stations, with approval opening the door for a further $2.1bn to be raised.

The US's withdrawal

The JETP lost some US funding after the government withdrew $1bn in loans and $53m in grants, of which only $14m had been disbursed.

To cover the gap, the JET Project Management Unit (PMU) turned to other international partners and funders to keep planned projects on track.

Delivery has been uneven. Eskom has been the main recipient, but National Treasury's (NT's) debt relief programme prevents the utility from borrowing more. Guarantees are also limited: only $100m of the UK's $1.3bn pledge has been backed, and these expire in 2025. To date, less than $1bn of $5.6bn (16%) in concessional finance has been allocated. Deployment of commercial capital is lower still at 13%, reflecting a lack of shovel-ready projects in sectors such as green hydrogen and electric vehicles. Most grant funding (91%) has been disbursed, but future flows look uncertain as donor countries divert resources to domestic and security priorities. (See Table 2 in the Annex).

The constraints on sovereign borrowing and shifting geopolitics raise questions about whether IPG partners will sustain their support. Yet the JET platform still offers an opening for business and industry. By partnering on projects – including through corporate social investments – the private sector can help fill funding gaps, accelerate project pipelines and ensure the transition delivers real economic and social benefits.

The JET PMU, the JETFM & the JET Funding Platform

To take the investment plan forward, the Just Energy Transition Project Management Unit (JET PMU) was established in the Presidency in 2023 and tasked with considering input from various stakeholders to develop an implementation plan. The implementation plan sets out a roadmap for each of the investment priority areas and can be tracked and monitored. It also identifies relevant stakeholders or institutions that are key to supporting objectives.

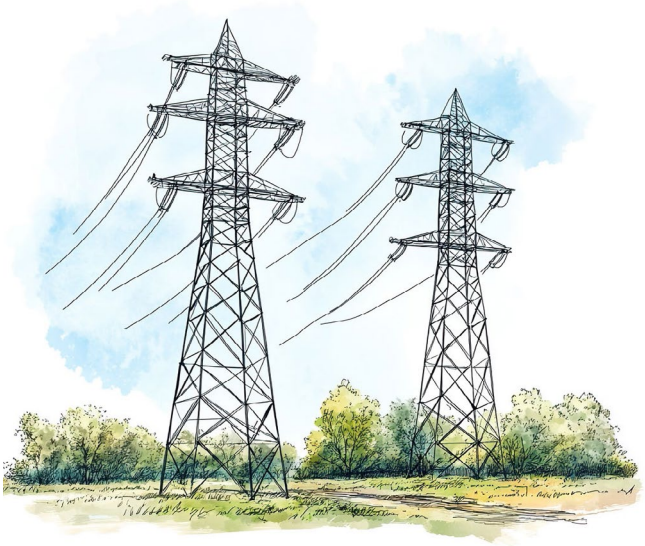
The implementation plan was approved by Cabinet in November 2023. The JET PMU now works to build more partnerships, ensuring funding is mobilised and deployed, along with other measures to overcome challenges in implementing a just transition.

Coupled with this is a recommendation by the Presidential Climate Commission (PCC) to establish a Just Transition Finance Mechanism (JTFM), aimed at mobilising resources for the just transition and deploying capital to a pipeline of projects. As a first step, the JET Funding Platform was launched by the JET PMU in late 2024 – focused on matching grant funding with JET-aligned projects. The JET funding platform exists to support communities and workers affected by the transition away from coal. Unlike most existing grant flows, which have gone into research and technical assistance, the platform focuses on tangible outcomes such as job creation, skills development and start-up capital for small, medium and micro enterprises. It is not a fund in itself, but a matchmaking mechanism that connects just transition projects with potentialfunders, while also helping projects prepare strong applications and improvingtransparency in how grants are deployed.

Since its launch, the platform has run two bid windows. Out of 240 applications, 215 were eligibleand 208 aligned to just transition objectives. The projects were evaluated against criteria, only 49 scored above 70% which means they could be considered for grant allocations. Four were ultimately matched to funding of about R53m. The target for 2025 is far more ambitious: R600m to support 20 projects. Funders include IPG members, donor governments, multilateral development banks, development finance institutions, philanthropies and private sector companies, with corporate social investment and enterprise development funding seen as particularlywell suited.

The platform is still in its early stages andis expectedto evolve with each new bid window. Over the next 18-24 months, it will lay the groundwork for a broader JTFM. This would scale up funding for just transition projects, provide technical support and eventually mobilise investment for infrastructure linked to the transition.

This would be a welcome development, given that, to date, the investment targets for most initiatives have not been met (see Table 1 in Annex).



Where are we on electricity?

South Africa's transmission network must expand significantly to connect new renewable energy projects. The National Transmission Company of South Africa's Transmission Development Plan calls for 14,500km of new lines by 2034. Yet the utility cannot access as much as $5bn in concessional loans for this, as Eskom and its subsidiaries are restricted from borrowing under NT's debt relief programme. To fill the gap, the Department of Electricity and Energy (DoEE) and NT have launched the Independent Transmission Projects (ITP) procurement programme to bring in private investment. The first bid window, launched in July, seeks prequalification of firms to build 1,164km of lines, but the requirements have been criticised for favouring foreign-owned firms, limiting local companies to minority roles. More clarity on local content will follow with the request for proposals to be issued in November.

To encourage private participation, NT and the World Bank will launch a Credit Guarantee Vehicle (CGV) in 2026. This non-life insurance mechanism will replace the sovereign guarantees the government cannot provide, lowering risk for investors. The CGV is being capitalised with $500m from development finance institutions, including the Development Bank of Southern Africa. If effective, it could unlock broader private investment in transmission and other infrastructure projects, even beyond the energy sector, and provide an additional lever for financing the just transition.

Alongside transmission expansion, universal energy access remains a core objective. Municipal distribution networks require major upgrades to integrate renewables and embedded generation while ensuring reliable electrification of households. The JET Municipal Council, set up in 2024, coordinates this work through three streams: capacity (led by the South African Local Government Association and the Department of Cooperative Governance and Traditional Affairs); finance (led by NT and the DBSA); and energy access (led by the DoEE). These streams address weak municipal capacity, poor balance sheets and inequities in access to affordable power.

The council and the JET PMU are developing sustainable funding models for municipal distribution, including concessional loans, as well as revenue and pricing frameworks aligned with just transition goals. This work connects with phase 2 of Operation Vulindlela, which focuses on strengthening local government and basic services.

Businesses should follow these developments closely, as the effectiveness of municipal electricity systems is critical for both community access and reliable operations.

What about coal?

Eskom's decommissioning schedule for three coal power stations, Grootvlei, Hendrina and Camden, was meant to be completed by 2027. But given the energy crisis, government resolved to push out the decommissioning to 2030. Running these power stations for longer than they should is not feasible and would also breach pollution controls.

Retrofitting them with technologies to reduce emissions is also not economically feasible, which is why they are being decommissioned.

The Climate Investment Fund's Accelerated Coal Decommissioning Programme funding of $450m will be used for the decommissioning process of the three power stations as they reach the end of their economic and operational life. It will also go towards the repowering and repurposing of the power stations, including developing solar PV power plants and even battery storage and wind capacity. The highly concessional CIF funding will unlock as much as $2.1bn in additional finance from development banks and the private sector.

The delayed decommissioning buys more time to get the ball rolling on just transition initiatives, such as skills development, socio-economic support and economic diversification of local communities around these power stations.

These projects, which include microgrid factories and coal beneficiation, must ideally be in place and operating before the power stations shut down. Grant finance of $50m is allocated for community and worker focused just energy transition projects, in the private sector can also get involved.

What about affected communities?

The majority of the country's coal power stations are in Mpumalanga, where the bulk of economic activity is driven by the coal power sector and related value chains and industries (mines, petrochemical plants, retailers, other services). The energy transition would have immediate effects on the provincial economy and associated communities.

The JET PMU has been working with Mpumalanga's provincial government and other partners, including the Mpumalanga Green Cluster Agency (MGCA), on ways to diversify the local economy with projects in agriculture, mine rehabilitation and renewable energy component manufacturing and its relevant value chains. Another priority is to create support for community-led projects or

small businesses to be active in this diversified economy. The JET funding platform is a critical element in raising finance for these initiatives, as is the Mpumalanga Just Transition and Climate Change Coordinating Committee, which has been established to lead on stakeholder engagement.

So far, R3.2bn has been committed to Mpumalanga's JET programmes, with the average grant size at R60.27m. Projects focus on training, community development, research, socio-economic investments, technical assistance and infrastructure.

Ensuring that the energy transition is just requires meaningful engagement between affected communities and decision-makers, especially in building a pipeline of credible JET projects around the Grootvlei, Camden and Hendrina power stations.

How do we prepare for the future?

Future skills

A JET Skills desk established by the Department of Higher Education and Training, along with a JET Skills Advisory Forum, was launched on 29 August 2025. The structures are aimed at reskilling and upskilling the domestic labour force to participate in green industries, as existing fossil-fuel dominated value chains decline. It also aims to strengthen curricula at education institutions like technical and vocational education and training colleges to prepare the incoming labour force for jobs in industries such as green hydrogen, new energy vehicles, transmission and renewable energy.

The skills desk and advisory forum will both be housed in the Human Resource Development Council, consisting of government, labour, business and civil society representatives, and is chaired by the deputy president. Upcoming priorities include developing a JET Skills Integrated Plan and establishing Skills Development Zones in Mpumalanga, the Eastern Cape and Northern Cape. So far, 45 grants averaging $3.2m support JET skills projects – covering 2025-2028.

The private sector has a critical role in funding and supporting skills development as part of the just energy transition. By investing in training and education, companies not only help workers adapt to new opportunities but also secure a talent pool that enables them to stay competitive in a changing market. Training hubs are central to this effort, as they link education programmes directly to nearby employment opportunities, ensuring that new skills translate into real jobs. For business, this is not philanthropy but a strategic investment: by contributing to training, firms can align workforce capabilities with emerging industries such as renewables, green hydrogen and electric vehicles, while maintaining relevance and resilience in the transition.

Future industries

Green hydrogen is a priority for the JET as it seeks to provide an alternative energy source to help decarbonise hard-to-abate sectors like steelmaking. Green hydrogen can also be exported to countries seeking to decarbonise their economies, thereby creating a new revenue stream from foreign exchange.

The Industrial Development Corporation (IDC) has set up a project management office for green hydrogen and also managed to secure €23m in funding to help derisk initial green hydrogen projects. A green hydrogen fund, supported with €50m grant funding from the Netherlands, was set up in 2023 to mobilise more funding for green

hydrogen projects. So far, grant funding has been approved for the Coega Green Ammonia projects in the Eastern Cape, led by UK's Hive Energy and SA's BuiltAfrica Group, and another in the Northern Cape, Prieska Green Ammonia. South Africa is also continuing to engage with potential offtakers for green hydrogen, including the Netherlands, Germany and Korea. Standards are being developed for green hydrogen production.

The IDC has also set up a project management office for new energy vehicles (NEVs). The emerging indZustry is necessary to transition the internal combustion engine-dominated automotive industry, which employs over 100,000 people and is responsible for just under a fifth (18%) of South Africa's exports. There is an opportunity to bolster the manufacturing of NEVs and other components like batteries. Engagements on skills development with unions and industry bodies are a necessary part of the just transition. The IDC, Department of Trade, Industry and Competition and the Department of Transport (DoT) are key institutions in this regard. At a policy level, the DoT is developing a Just Transition Transport Plan and updating the Green Transport Strategy. There is a potential to set up a fund for NEV mobility projects, but it has not been confirmed.

Eskom also has ambitions to use NEVs to decarboniseits value chains and potentially balance the grid. In Sept ember, Eskom entered into a memorandum of cooperation with Chinese electric vehicle manufacturer BYD's local arm to support the latter's rollout of the Dolphin Surf electricvehicle on South African roads. Through the agreement, Eskom will help drive the adoption of electric vehicles by expanding public charging infrastructure, and create opportunities for local skills development, job creation and SMMEs in the domestic electric vehicle market. In the long term, there is potential to look into the use of EVs to balance electricity supply and demand, recycle and repurpose batteries and establish renewable energy powered charging stations.

Both green hydrogen and NEV industries have a long way to go to mature, but what is clear is that public private partnerships are critical to getting the off the ground.

What is the role of the private sector?

South Africa's just energy transition cannot be achieved by government alone. It requires an all-of-society effort that includes business, labour, youth, academia and civil society. The private sector in particular has both the resources and a direct stake in making the transition succeed. Companies are central to building new industries, financing infrastructure and ensuring workers and communities are equipped to benefit from the shift to a low-carbon economy.

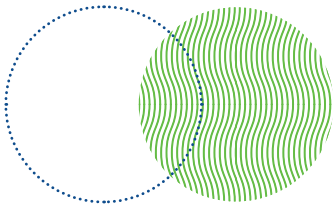
For business, the transition is both a responsibility and an opportunity. Directing corporate social investments, social and labour plans and other community-focused budgets towards just transition projects can create tangible benefits – from jobs and training hubs that link workers to nearby opportunities, to enterprise support that enables small and medium firms to thrive in new value chains.

The JET Funding Platform already provides a channel for such engagement and the planned JTFM will open further space for private sector participation. Investing inskills development and education is particularly strategic, ensuring companies have access to the talent needed to remain competitive as markets evolve.

A dual perspective of "transitioning in" and "transitioning out" can help companies act with foresight. Supporting projects that build the industries of the future, while managing the decline of fossil-based activities, requires different forms of finance – from grants for training and social programmes to commercial debt and equity for arge-scale infrastructure, or catalytic capital for emerging technologies.

By stepping up now, business can not only help ensure the transition is just, but also secure its own long-term relevance in a rapidly changing economy.

But how do we do this?
Be sure to read next month's Snapshot, which will provide more detail on corporate governance for the just transition.



Sneak peek into next month's Snapshot
Corporate governance for sustainability

The private sector sits at the heart of South Africa's just energy transition. Companies are both directly affected by the changes under way and uniquely positioned to support and benefit from them. Yet to seize these opportunities, firms will need governance structures that are robust enough to manage risks and agile enough to respond to fast-moving developments.

In our next snapshot, we explore what best practice looks like for corporate governance in the context of the transition. We will examine how boards and executives can integrate transition considerations into strategy, decision-making and reporting, and how governance frameworks can help companies balance social responsibility with long-term competitiveness.

Strong governance will be essential for business to play its full role in the transition – not only to manage compliance and investor expectations, but also to build resilience and unlock value in a low-carbon economy.

Annex

Table 1: Total IPG investments (in US$ millions) and status of projects across portfolios as at June 2025

JET Portfolio	Planned	Approved	Implementation phase	Completed	Total	2023 - 2027	%
Electricity	460	22	666	905	2,053	47,200	4%
Green hydrogen	84	54	88	2	228	21,200	>1%
Just transition Mpumalanga	46	81	49	5	181	3.4	5%
Municipalities	130	0	60	5	195	21.3	>1%
NEVs	5	0	0	1	6	8.5	>1%
Skills	74	11	44	13	142	180	78%
Total	**800**	**168**	**906**	**931**	**2,804**		

Source: JET PMU, June 2025

Table 2: International pledges as at August 2025

$'m	Grants	Highly concessional loans	Concessional loans	Commercial investments	Guarantees (not real money)	Export credits	Total pledges	Of which true JETP
Canada	1.00	-	91.00	-	-	-	92.00	92.00
Denmark	32.00	-	67.00	75.00	-	-	174.00	99.00
European Union / EIB	180.00	-	1,080.00	32.00	-	-	1,260.00	1,260.00
France / AFD	4.00	-	1,836.00	-	-	-	1,840.00	1,522.81
Germany / KfW	340.00	-	1,804.00	-	-	-	2,144.00	1,826.81
Netherlands	169.00	-	-	-	-	-	169.00	169.00
Spain	16.00	-	-	378.00	-	1,890.00	2,284.00	16.00
Switzerland	39.00	-	-	-	-	-	39.00	39.00
United Kingdom	34.00	-	-	500.00	1,300.00	-	1,834.00	34.00
US	0.00						0.00	
African Development Bank	-	-	300.00	-	-	-	300.00	300.00
Climate Investment Funds	50.00	450.00	1,230.00	875.00	-	-	2,605.00	2,605.00
CIF New			500.00					
World Bank	-	-	1,000.00	-	-	-	1,000.00	1,000.00
Total pledged	**865.00**	**450.00**	**7,408.00**	**1,828.00**	**1,300.00**	**1,890.00**	**13,741.00**	**8,963.62**
Total deployed	**786.00**	**0.00**	**3,951.00**	**238.00**	**100.00**	**0.00**	**5,075.00**	**4,975.00**

Source: JET PMU, Krutham, August 2025