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Dear Sirs and Mesdames

**Accelerating Coal Transition Investment Plan (ACT-IP) for South Africa: Comments on behalf of the Life after Coal Campaign and the Fair Finance Coalition Southern Africa**

1. We refer to the above and confirm that these submissions are made on behalf of the Life after Coal Campaign (LAC)<sup>1</sup> and the Fair Finance Coalition Southern Africa (FFCSA)<sup>2</sup>.
2. We address our brief submissions on the [ACT-IP](#) under the following headings:
  - 2.1. ACT Financing
  - 2.2. Monitoring, evaluation and due diligence
  - 2.3. Implementation risks
  - 2.4. Air quality and regulatory compliance
  - 2.5. Civil society and community consultation

**ACT-IP Financing**

3. We refer to the Just Energy Transition Partnership (JETP) and work being done by the Presidential Climate Finance Task Team (PCFTT) to develop a JETP Investment Plan (JETP-IP) in response to the COP 26 Political Declaration, which stated that USD 8.5 billion would be committed to South Africa's Just Energy Transition by Germany, France, the United Kingdom and the United States.

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<sup>1</sup> Life After Coal is a joint campaign by organisations Earthlife Africa, groundWork, and the Centre for Environmental Rights, which aims to: discourage the development of new coal-fired power stations and mines; reduce emissions from existing coal infrastructure and encourage a coal phase-out; and enable a just transition to sustainable energy systems for the people. See <https://lifeaftercoal.org.za/>

<sup>2</sup> Fair Finance South Africa is a civil society coalition working towards ensuring Development Finance Institutions invest in a socially and environmentally responsible manner. The coalition focuses on issues of climate change and transparency. Fair Finance South Africa consists of 350.Africa, the Centre for Environmental Rights (CER), the Centre for Applied Legal Studies (CALs), the African Climate Reality Project (ACRP), Oxfam South Africa, Earthlife Africa and Justice Ambiental (JA!).

4. We note that paragraph 123 of the ACT-IP states that the ACT funding is part of the USD 8.5 billion JETP. We note further that in the summary of the financing plan for South Africa<sup>3</sup> it is stated that the total ACT financing is estimated at USD 500 million with USD 50 million as grant funding and USD 450 million as concessional loan funding.
5. In respect of additional co-financing arrangements, in the summary of the financing plan it is estimated that USD 2.1 billion – USD 2.3 billion will be provided by the World Bank; International Finance Corporation; the African Development Bank, country counter-parts, the private sector and others.
6. The ACT-IP also highlights activities funded by other donor partners and refers to donor financing from Norway, the US and the UK, to be coordinated with the local private sector. To this end, it is stated that the Norwegian Development Finance institutions and the UK's CDC group have partnered to invest over USD 37 million in a South African private sector renewable energy company, while USAID will support Eskom with technical assistance funding for the procurement of Independent Power Producers.
7. Further reference is made to complementary work by other development partners which involve funding from the following sources:
  - 7.1. Technical assistance funding from Danish Ministry of Climate, Energy and Buildings for the Department of Energy (approximately USD 157 million);
  - 7.2. Grant and loan funding from the AfD for JET projects; (USD 83 million and USD 66 million respectively);
  - 7.3. GIZ technical advisory and socio-economic support grant funding (USD 70 million);
  - 7.4. Loan funding from the KfW to the IDC for green hydrogen development (USD 220 million);
  - 7.5. Technical assistance funding from KfW to Eskom (USD 220 million);
  - 7.6. Budget support loan from KfW to National Treasury (USD 330 million);
  - 7.7. KfW loans to the City of Cape Town, City of Johannesburg, City of Durban and eThekweni Metropolitan Municipality (USD 605 million in total);
  - 7.8. Funding and other support from the United Kingdom's Partnering for Accelerate Climate Transitions (UK PACT) (£11.6 billion over five years);
8. In addition, we refer to various media reports which highlight bilateral arrangements between various northern countries and the government of South Africa as well as various public or private institutions in South Africa. This includes a potential loan of €300 million, as part of a wider engagement over €700 million from Germany, with similar loans from France.<sup>4</sup> The World Bank is expected to conclude an agreement with Eskom for USD 476 million to help repurpose the Komati coal fired power station, what is referred to as the Eskom JETP (EJETP).<sup>5</sup>

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<sup>3</sup> See ACT-IP at page 41.

<sup>4</sup> See [https://www.engineeringnews.co.za/article/germany-france-in-climate-deal-loan-talks-with-south-africa-2022-09-27/rep\\_id:4136](https://www.engineeringnews.co.za/article/germany-france-in-climate-deal-loan-talks-with-south-africa-2022-09-27/rep_id:4136)

<sup>5</sup> See [https://www.engineeringnews.co.za/article/eskom-expects-476m-world-bank-loan-decision-by-november-2022-09-16/rep\\_id:4136](https://www.engineeringnews.co.za/article/eskom-expects-476m-world-bank-loan-decision-by-november-2022-09-16/rep_id:4136)

The South African Local Government Association has also indicated that it is collaborating with USAID to obtain technical assistance in order to procure electricity independently.<sup>6</sup>

9. In light of the summary above drawn from paragraphs 123 – 134 of the ACT-IP, we seek clarity on the following:
- 9.1. Is it correct that an estimated USD 2, 605 billion, forming part of the ACT-IP is to be included as part of the JETP-IP amount of USD 8.5 billion?
  - 9.2. Please indicate the concessional loan rates applicable to the loan portion of the ACT-IP Financing plan? Importantly, we would like to understand the estimated debt and debt repayment schedules which would be applicable should South Africa accept the estimated concessional finance;
  - 9.3. What is the status of the various engagements on co-financing arrangements in the amount of USD 2.1 billion – USD 2.3 billion? Importantly, since these co-financing arrangements do not contain further detail, please provide information on estimated percentages of grants, concessional finance, guarantees or other financing arrangements;
  - 9.4. Please specify who comprises the country-counterparts in the ACT-IP financing plan and the steps taken thus far to engage with them?
  - 9.5. Please provide more detail on the private sector reference in the ACT-IP financing plan?
  - 9.6. Please indicate whether the activities funded by other donor partners or complementary work by other development partners, referred to in paragraphs 7 and 8 above, is included as part of estimated financing in the ACT-IP financing plan or alternatively, will be included as part of estimated financing in the JETP-IP?

### **Monitoring, evaluation and due diligence**

10. We refer to paragraph 151 of the ACT-IP which states that a monitoring and evaluation framework will be established by government and national implementing entities, in cooperation with the MDBs, for the purpose of tracking and reporting on progress in achieving ACT objectives and outcomes. There appears to be a missing link to the document which should contain the “chain of IP activities.” Please provide us with a copy of the document?
11. We note that monitoring and evaluation will be coordinated by the DFFE, as the ACT national focal point, and that “transformational changes” will also be tracked in accordance with the CIF monitoring, evaluation and learning approach, using the ACT integrated results framework as a guiding tool.
12. In light of the importance of coal affected communities in oversight, monitoring and evaluation related to the implementation and efficacy of just transition projects, there should be a concerted effort to involve coal affected communities in any monitoring and evaluation processes. This would include regular and detailed updates from the DFFE, as the ACT national focal point, on the tracking and reporting of progress against ACT objectives and outcomes.

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<sup>6</sup> See <https://www.engineeringnews.co.za/article/salga-to-assist-municipalities-with-energy-infrastructure-challenge-2022-09-27>

13. It is of utmost importance that proper governance and accountability mechanisms are formulated in consultation with all relevant stakeholders in order to ensure the highest standards of accountability and transparency related to the ACT-IP.
14. Irrespective of the institutional arrangements related to project finance and implementation, there would need to be close tracking and monitoring of all finance flows. This would include tracking of finance from donors and any applicable conditions, tracking and monitoring the allocation of such funds, including ongoing due diligence related to expenditure and the facilitation of regular progress reports on project implementation. There should be an accessible monitoring and reporting system that allows for transparent decision making and allocation. In the report, "Making Climate Capital Work," the authors note that an essential principle to ensure climate commitments are fit for purpose is to "embed transparency and accountability into climate pledges, specifying the source and type of funds and establishing disclosure and reporting requirements."
15. In relation to monitoring and evaluation, it would be important to also monitor impact as it relates to the realisation of social outcomes and progress against key projects and programmes established to advance the Just Transition.

### **Implementation risks**

16. We refer to paragraph 148 of the ACT-IP which states that given various implementation risks "*there will be not be more than a handful of implementation partners to manage the implementation process... [t]his risk is mitigated by working largely with Eskom for public sector implementation, with a provincial economic development agency such as the Mpumalanga Green Cluster Agency for much of the community-based development activities and with the private sector to expand investment in renewable energy generation.*"
17. Ongoing due diligence related to project implementation necessarily involves coal affected communities and civil society more broadly. Regular reporting on the status and progress of projects as well as the creation of effective grievance mechanisms will be vital to the success of the ACT-IP projects.
18. We suggest that there be due consideration for the remedial powers which will be available to coordinating departments/ institutions in the event that implementing agencies or partners do not comply with due diligence requirements or fail to ensure proper and timely implementation.
19. We understand that the role of MDB's will be important, particularly in relation to financing mechanisms for the implementation of the ACT-IP. FFCSA has had immense experience in engaging with DFIs and MDB's and are concerned about a lack of transparency and accountability in relation to project pipelines, approvals and ongoing due diligence. We would demand enhanced due diligence processes and much higher standards of transparency and accountability. MDBs cannot adopt a 'business as usual' approach to their role in the climate finance deals.
20. We refer to existing recommendations in the CER's [Financing Fairly report](#) which assessed finance and investment policies of DFI and MDBs for responsible and sustainable investments. This report concludes that the role of DFIs and MDBs are critical in pursuing inclusive and sustainable development, and as public institutions, must maintain a publicly accountable mandate.

21. In relation to the implementation of the EJERP, paragraph 135 states that, “A private sector organization will be competitively selected to establish and manage the activities under the component which will include: (i) transition support to Komati workers; (ii) community development and economic diversification that will involve piloting/scaling-up of innovative initiatives in the energy sector...” Please explain the role of the private sector in relation to the EJERP component and whether community organisations in Mpumalanga will be regarded as leading partners on Just Transition projects.
22. We remind you of the findings from the [PCC’s report on Community and Stakeholder Engagement on the Just Transition](#).<sup>7</sup> It should be noted that a key concern raised by communities was that they would only be consulted once, and not updated or consulted in relation to further developments related to the Just Transition. This would include any climate finance related issues such as the ACT-IP. Some of the findings which are relevant to the work of the PCFTT and the JETP Secretariat include the following:

*“Communities are willing to engage in and support a just transition but only if they are integral to the decision-making process. Communities want a say in their future and an inclusive role in making that future happen. Many community members expressed the need to be empowered through a seat at the decision table and to have ownership of the process of the transition.”<sup>8</sup>*

*Communities are willing to support a just transition, but they want to see meaningful economic benefit arising from its implementation. Not all communities want handouts or social grants development. Members want relevant and meaningful skills, appropriate to alternative development pathways in the transition, as well as access to ways to produce goods or services as the transition is taking place.*

*Financial support for local actors. There are several local actors already working with communities on climate change and the just transition across the country. The question therefore becomes: “Is it possible to leverage financial support for these actors as partners in and champions of the just transition?”<sup>9</sup>*

*Communities are not necessarily anti-development, rather they are against development that does not address their needs; is inappropriate for the local context; and which does not deliver tangible benefits.”<sup>10</sup>*

## **Air Quality and Regulatory Compliance**

23. We refer to paragraphs 68 and 69 of the ACT-IP, which states that Eskom estimates the cost of full compliance with the Minimum Emissions Standards (MES) to be over R300 billion and that as an alternative to expensive retrofits on its ageing coal plant fleet, Eskom argued that its planned emission reduction plan included investing in technology retrofits to reduce emissions, the progressive closure of older stations, and the move to a cleaner energy mix. We understand that these statements are obtained from Eskom’s exemption application to the DFFE in relation to MES compliance as well as from Eskom’s JET plan (for which we have access to a summary PowerPoint presentation, but not the complete JET plan). Please provide us with copies of both these documents?

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<sup>7</sup> Communities consulted by the PCC in relation to the Just Transition Framework included those living in Emalahleni (Mpumalanga); Lephalale (Limpopo); South Durban (Kwa-Zulu Natal); Xolobeni (Eastern Cape); Gqerberha (Eastern Cape); Hotazel (Northern Cape); Secunda (Mpumalanga).

<sup>8</sup> See [PCC Report on Community and Stakeholder Engagement on a Just Transition in South Africa](#) at page 6.

<sup>9</sup> Ibid at page 9.

<sup>10</sup> Ibid at page 12.

24. Please indicate whether the ACT-IP and the DFFE fully endorses Eskom's plans around emission reduction plans? Would Eskom's plans be fully endorsed even in circumstances which lead to non-compliance with MES?

### **Civil Society Consultation on the ACT-IP**

25. We note that the ACT-IP, is dated 23 September 2022. Unfortunately, we were only made aware of the ACT-IP being made available for public comment less than a week before the deadline for comments. These submissions are therefore brief and are intended to address the high level issues raised therein. However, please confirm the date on which the ACT-IP was made available for public comment and what steps were taken by the DFFE to publicise the call for comments? Further to this, please indicate whether there will be public hearings or consultation in relation to the ACT-IP, and if so the dates for such hearings.

### **Conclusion**

26. In light of the above and having regard for the Life After Coal Campaigns previous statement and stance in relation to the Climate Finance deal, we kindly request that you consider the following:

26.1. Any climate finance should fund:

26.1.1. the development of publicly owned and community owned renewable energy, including at a municipal level. Renewable energy must be prioritized and rapidly scaled-up in order for SA to meet decarbonisation requirements; and

26.1.2. energy efficiency policies and measures must be developed and promoted to assist and support users to utilise electricity more efficiently without reducing economic activity or outputs.

27. We reiterate our previous statements on what should not be financed through any climate finance deals/s. We submit that there should be no financing of any new fossil fuels, including:

27.1. Coal: A condition of this finance must be that the South African government abandons plans to develop any new coal power and accelerates the decommissioning of existing coal power;

27.2. Gas: this includes Eskom's proposed R85 billion 3000MW gas plant and any repurposing of coal plants to gas power;

27.3. Nuclear: which has been promoted as carbon free and 'green' but is neither green nor affordable;

27.4. The implementation of emissions reduction plans by South Africa's big corporate greenhouse gas emitters, including in particular Sasol and ArcelorMittal South Africa;

27.5. Privately owned renewable energy. We submit that there is adequate private funding for privately owned renewable energy; and

27.6. Finally, the deal should not be conditional on cost-reflective tariffs or other measures that impose increased economic hardship or austerity on low-income electricity users.

28. There is great public interest in the climate finance deal, which include the ACT-IP and the JETP-IP, given the impact it will have on all South Africans, we therefore hope that future processes for comment and engagement are widely publicized and that public hearings and engagement will be held in relation to the ACT-IP and any implementation or other plans which are developed going forward.

Yours faithfully,

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**On behalf of the Life After Coal Campaign**

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