

## Govt raises \$3.3bn to support climate change initiatives

Government has raised \$3.3bn so far from multilateral development banks and international finance institutions to support climate change, energy, and just transition objectives.



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Delivering the 2024 National Budget Speech, Finance Minister Enoch Godongwana said National Treasury plays a crucial role in mobilising resources, designing incentives, and influencing policy to mainstream climate change.

"As climate-related disasters intensify, a multi-layered risk-based approach is being developed to manage the associated fiscal risks. This considers various funding instruments from grants to contingency funds, including the Climate Change Response Fund, depending on the incidence and intensity of the disaster event.

"The National Treasury is reviewing disaster response grants to improve efficiency and create incentives for disaster planning, preparedness and risk reduction. It is also developing a climate-budget tagging framework to influence policy, planning, and budget decisions, by tracking climate-related expenditures in public budgets," the Minister said on Wednesday in Parliament.

He said the support of concessional funding providers, such as multilateral development banks, is going a long way to support the country's climate adaptation, mitigation, energy transition, and sustainability initiatives.

## Private sector support

"Crowding-in the private sector is necessary to managing the climate disaster funds. We are actively participating in climate negotiations, aligning with the government's advocacy for reforming multilateral finance institutions.

"We are also working with eight municipalities to adapt and mitigate the effects of climate and weather-related events, by providing technical assistance for climate-responsive capital projects," the Minister said.

According to the 2024 National Treasury Budget Review, the department is finalising a disaster risk financing strategy, centred on innovative financing and risk transfer to effectively mitigate climate impacts.



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The strategy will boost state capacity to fund disaster recovery efforts and expand insurance mechanisms to protect against the financial strain of natural disasters.

"Recent years have seen a significant increase in extreme weather events and economic losses amid mounting concern over the effects of climate change. Between 1980 and 2021, 86 notable weather-related disasters have been recorded, affecting more than 22 million people and causing economic losses of about R113bn.

"The 2017 Knysna wildfires, Cape Town (2015–2018) and Eastern Cape (2015–2020) droughts and KwaZulu-Natal floods in 2022 have heavily affected agriculture and tourism, with negative implications for government spending and revenue.

"These events exacerbate economic inequality, particularly in poor communities that are highly exposed to droughts, floods and wildfires and their consequences," the document said.

## Government incentivises electric vehicles producers

In an effort to encourage the production of electric vehicles in South Africa, government will introduce an investment allowance for new investments, beginning 1 March 2026.

This will allow producers to claim 150% of qualifying investment spending on electric and hydrogen-powered vehicles in the first year.

"The incentive will be implemented in addition to the existing support under the Automotive Production Development Programme. Government has also reprioritised R964m over the medium term to support the transition to electric vehicles," the Minister said.

The <u>Electric Vehicles White Paper</u> outlines government's strategy to transition towards a broader new energy vehicle production and consumption in South Africa, starting with electric vehicles.

It aims to transition the automotive industry from primarily producing internal combustion engine vehicles to a dual platform that includes electric vehicles, by 2035.