Ambitious commitments and a just transition: COP26 and Africa

By Dion Shango

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The 26th UN Climate Change Conference (COP 26) occurs at a critical time for Africa. The continent is particularly vulnerable to the threat of climate change and is already susceptible to some of its adverse effects.

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Across the continent, businesses, industries, societies, and the natural environment are under threat from rising global temperatures caused by extremely high levels of greenhouse gas emissions.

In August 2021, the United Nations Intergovernmental Panel on Climate Change released its Sixth Assessment Report stating that the rate of surface temperature increase has been more rapid in Africa than the global average, with human-induced climate change being the dominant driver.

Five climate change messages from the African continent

Nicholas Westcott 29 Oct 2021

Alongside climate change, Africa faces many interrelated challenges: economic disparity, water scarcity, food insecurity, poverty, a lack of local and government policymaking, as well as weak governance and a lack of capital flows and access to climate finance. Climate change exacerbates and complicates these and other challenges.

Urgent action is needed to reduce emissions and build resilience to the accelerating impacts of climate change, in Africa and worldwide. **PwC's Net Zero Economy Index 2021** shows just how fast the world needs to reduce the carbon intensity of our activities - **12.9% a year**.

Currently, we are achieving less than a fifth of that rate. It is notable that even with the hard lockdowns across the globe, the world has still not achieved the annual required decarbonisation rate to limit global warming to 1.5◦C, falling short by more than 10%. Considering Africa's vulnerability to climate change, this is certainly not enough progress.

We recognise that action must happen now and that **significant steps must be taken by 2030**. From COP26, we want to see ambitious commitments that put the world on a **1.5-degree** trajectory, with the goal of halving global GHG emissions by 2030 and achieving net zero by 2050.

To achieve that goal, we need to harness the power of the market. Presently, capital is not flowing at a sufficient scale or speed towards addressing the biggest challenges the world faces in terms of both mitigation and adaptation. Things are changing, but too slowly.

Five ways in which finance for climate adaptation in Africa falls short
Georgia Sawidou and Christopher Trisos 25 Oct 2021

Currently, there is limited progress on climate finance in Africa. In 2009, developed countries committed to deliver $100bn annually in climate finance by 2020 to less developed countries. To date, this commitment has not been delivered fully; sub-Saharan Africa has received just 10% of approved multilateral climate funds since 2003.

For instance, much of the funding that South Africa has received is Clean Technology Fund (CTF) supported, including the Eskom renewable energy programme. The government of Kenya has estimated that USD40bn would be needed by 2030 to meet its nationally determined contribution (NDC). To date, Mauritius has received USD81m from the Green Climate Fund. Nigeria has developed a CTF investment plan for an expected $250m to contribute to national strategies for sustainable, low carbon development.

To achieve 1.5 degrees, **we also need regulatory and policy changes** that further enable shareholders and stakeholders to reward both enterprise and societal value creation. Policies like carbon pricing, R&D incentives or support for renewables can shift market incentives and enable a just transition to a net zero future.

COP26 needs to conclude with clear commitments by the world's governments to deliver regulatory and policy changes in line with a 1.5-degree target, as well as targets for delivering climate finance through 2025. Africa will benefit from these targets and renewed commitments.

Climate change action is a must

Developing economies are joining the movement in taking climate change action and are putting measures in place to achieve their nationally determined contribution (NDC). Some African countries have taken steps to introduce policies and other incentives directed at business. Examples include tax reforms and incentives, alternative energy incentives, new energy products, and regulations for reporting on ESG and climate disclosure. A few countries have revised their NDCs and are developing long-term strategies.

Although governments can implement meaningful policies and introduce initiatives on climate change, they cannot meet net zero targets without transforming their economies and industries. During the past year, a number of businesses in Africa have announced net zero targets. With regulation and policies evolving, shareholder pressure is also mounting on businesses to meet net zero targets. Increasingly, companies are expected to produce emissions-reduction targets as well as climate transition plans, and to conduct climate risk assessments.

There are several key drivers for assessing climate-related risks within businesses:

● **Climate-related risk is likely to have a major impact on value chains**, such as from disruption to supply chains, increasing costs, an inability to operate or changing markets and consumer preferences for products or services.

● **Institutional investors are increasingly obligated to consider climate change risks and opportunities**. This is driving action to maintain investment flows.

● **Industry groups** such as the Principles for Responsible Investment (PRI) and Institutional Investors Group on Climate Change (IIGCC) **are backing the need for climate risk assessments**.

To address the risks associated with climate change, business leaders urgently need to develop and begin executing business strategies that address climate change challenges if they have not done so already. Part of that strategy could include building towards a net zero transition, which requires accountability at the top level, realigning the business strategy with net zero, as well as transforming the entire value and supply chain to support the transition.

Working to assist a just transition

In line with our global strategy, The New Equation, PwC's community of solvers is assisting clients and businesses to reach net zero by supporting strategy and transformation. This is especially the case for clients in difficult-to-decarbonize sectors (e.g., fossil fuels, heavy manufacturing, extractives), which will require extra support and innovative thinking to ensure a **just transition**.

We are also helping clients to track and report their progress, communicating their delivery of sustained outcomes. We would encourage companies to make use of reporting frameworks already established, such as the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), but we also recognise the need for a substantial improvement in the data available to track progress.

It is critical that businesses in Africa remain focused on risk assessment, mitigation and transition. Implementing well-designed strategies for managing identified risks and vulnerabilities, and reducing emissions in line with science-based targets, can help Africa's businesses to manage change.

These efforts have many benefits: building trust amongst a wide array of stakeholders, improving competitiveness, delivering value and sustained outcomes and inspiring people, communities and governments to make a difference.

ABOUT THE AUTHOR

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