Focus on Just Transition in South Africa

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On the occasion of the COP 24 UNFCCC climate summit where the 'Solidarity and Just Transition Silesia Declaration' was adopted, this policy brief explains the work that FEPS observer member MISTRA is carrying out on this topic, looking at how South Africa can build a socially inclusive economic transformation.

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Introduction

Since FEPS (the Foundation for European Progressive Studies) began working on the topic of Just Transition in 2015 it is gaining ground tremendously. It is mentioned in the preamble of the Paris climate treaty and a declaration has just been adopted on the first day of the UNFCCC COP 24 climate summit in Katowice, Poland, entitled the "Solidarity and Just Transition, Silesia Declaration". Additionally the 'BASIC' countries of Brazil, South Africa, India and China, just ahead of the COP24 starting issued a joint statement emphasising that global climate action "should promote climate justice and a just transition".

Yet how is Just Transition being interpreted across the world and how will it be put into practice?

This policy brief guides us through the context of Just Transition scenarios in South Africa and provides a description of the ongoing project that MISTRA, together with the Friedrich Ebert Stiftung (FES) is carrying out there.

It will be interesting to see if South Africa's position changes during the COP24 negotiations.

South Africa:

How do we build a just transition to a socially inclusive economy by 2063?

Background

South Africa is already facing some of the effects caused by climate change. The recent drought and water crisis in the Western Cape and some parts of the Eastern Cape, Northern Cape and Free State was a wake-up call for the country that was already riddled with rising sea levels, storms, flooding, fires, growing inequality and food and energy shortages (South Africa's First National Climate Change Report, 2015). South Africa's greenhouse gas emissions comprise 1.1% of global emissions, but the Gross Domestic Product (GDP) is only 0.6% of global GDP. Moreover, South Africa's emissions are above the global average at 8.9 tons per capita, which is amongst the highest per capita emissions in the developing world (global average is ~4.9 tons per capita). While the country, has proved its commitment to addressing the challenge of climate change through its participation in the Intergovernmental Panel on Climate Change (IPCC), signing the Paris Agreement, developing its intended Nationally Determined Contribution (INDC) and recently initiating the review of its Integrated Resource Plan (IRP), it remains uncertain whether South Africa is capable and prepared to protect citizens from the future effects of global climate change.

Several factors contribute to this. South Africa's vulnerability to the impacts of climate change is compounded by its disposition of historical inequality that has left the majority of its population in poverty, unemployed, poor, marginalised and illiterate. This has led to an economical dependency on coal as the volatility in energy prices has added to these poor communities struggling to make a living and leaving them with the option of coal as their cheapest and most reliable source of energy. Coal provides more than 70 per cent of South Africa's primary energy and generates over 90 per cent of

electricity (Swilling and Annecke, 2012; Baker et al. 2015). The state-owned utility Eskom has a monopoly over electricity generation and is the sole manager of the national grid, however the country's municipalities control 40 per cent of electricity distribution. Eskom has been historically dependent on a combination of low-cost coal supplies and cheap labour, which has greatly benefited a few industries (Baker et al., 2015). National statistics also reveal that 51% of households experience hunger and 28% are at risk of hunger (Swilling and Annecke, 2012).

Energy prices and price volatility add to the struggle of the poor to make a living. The cheapest and most reliable source of energy remains coal. Even where electricity is available, its price remains too expensive and households tend to continue using coal for heating and cooking, with serious public health consequences (Mdluli and Vogel, 2010). The recently released IRP 2018 envisages the phasing out of coal and increasing renewables to the country's energy mix, as well as procuring nuclear energy after a period of twelve years. However, South Africa is currently building two new coal power stations and there are future plans to build a future ten more, while there are 40 new coal mines also expected to open in Mpumalanga, adding to the already existing 1.600 coal mines (Cock, 2018). In addition, uncertainty around Eskom's financial solvency, including delays in the passing of the Carbon Tax Bill and power purchase agreements with renewable energy companies have resulted in policy uncertainty and declines in investor attractiveness. The uncertainties engendered by the transition thus lend themselves to a scenarios-based exercise.

In response to the uncertainties stated above, the Mapungubwe Institute for Strategic Reflection (MISTRA), in partnership with the Friedrich-Ebert-Stiftung (FES) South Africa, embarked on a scenarios building exercise that began with a facilitated a discussion around the key question: ***How do we build a just transition to a socially inclusive economy by 2063?*** MISTRA has found that past experiences of scenarios have helped provide the platform for strategic conversations to occur – conversations informed by empirical research as well as the insights of experts. The Intuitive Logic approach that was adopted to this scenarios exercise combines evidence-based research with the creative insights of experts, pushing the latter to think beyond the prison of the current reality. The key question was framed in a way that reflects the deliberate move to shift the thinking away from the year 2030 – a marker that is aligned to the United Nations' Sustainable Development Goals (SDGs) and South Africa's National Development Plan (NDP). Using 2063 as a marker thus ensures that the horizon period is beyond your ability to predict some of the most important trends and most importantly aligns to the African Union (AU) Agenda 2063.

The key question was also utilised to emphasise the just transition as a moral concept, with the general notion that people should give and be given what is fair and well deserved. There is thus a pressing need to engage with the fairness of the social, economic and environmental impacts associated with the transition. A more explicit consideration of justice issues in the transition to a low carbon economy is increasingly called for by both governmental and civil society actors in national and international fora. The wide range of issues being considered in notions of a just transition include the asymmetric impacts of climate change on developed and developing countries and regions; fair distribution of (societal, economic, political and environmental) costs and benefits of climate policy and employment/skills issues; differing vulnerabilities and capacities to address mitigation and adaptation; and attribution of responsibility for greenhouse gas emissions (both historic and into the future). Regarding justice in the overall process of transition there are also issues of transparency, participation and legitimacy in decision-making.

Scenarios Methodology

From the key question, a number of sub-questions were derived to inform interviews with experts, thus initiating the Variable Development process. This entailed the drafting of variables impacting on a society, industry/sector or organisation. The variables refer to factors or potential inclinations impacting on the future of transitioning into a low carbon economy between now and the projected horizon. The variables are derived from intuitive responses (based on the key question) from respondents and these were fine-tuned through workshops, commissioned research papers and existing literature to ground them in evidence-based research. A total of 16 variables were identified and developed from the research, however, five of the variables were identified to have the highest impact and uncertainty on the just transition towards an inclusive economy in South Africa. These include:

1. **Ongoing corruption and weakness in societal leadership and institutional capacity;**

   This variable came about from a call for a new type of leadership for South Africa. The variable runs through society and not just limited to the state and government. It manifests itself in the strategic capacity of South Africa's leadership to appreciate the collective interest. It also emerges through the ability to take a long- term view in decision-making, and in the kind of ethics and values espoused and practiced. This came through an acknowledgement that the current mode of governance - across all sectors of society - is not going to be sustainable due to systemic corruption, poor skills and a lack of accountability.

2. **A just transition to a low carbon economy will decrease the levels of fossil fuel-based employment and create jobs in strategic industries;**

   This variable emerged through research that found that carbon intensive industries will introduce new technology and production methods to support the low-carbon economy transition. It is concluded that while this will lead to some job losses in fossil fuel-driven industries, the employment insecurity associated with the shift can be ameliorated by the job opportunities created in the transformed industries such as manufacturing, agriculture, transport, construction and energy. This last point is related to the principle of justice in debates about the transition. Therefore employment opportunities will be linked to low-carbon economic activity such as retrofitting of buildings, expansion of renewable energy, improving public transport networks, and developing Agro-ecology.

3. **Knowledge production will continue to be dominated by science at the expense of other disciplines;**

   Using Latour's criticism of science as a vantage point, this variable description responds to arguments that are grappling with the Indigenous Knowledge–Science divide in the debate on conservation and environmental management. Dominant world views tend to determine and act as yardsticks for truth and accuracy, thus dismissing other narratives (such as those found within the indigenous knowledge movement) as belief systems or superstitions.

   Research participants felt that the concepts contained within the green economy discourse were "merely coined to green the capitalist system instead of it being transformative and

inclusive"[1]. Debates within the conservation community (specifically in the Global South) have highlighted frictions between biodiversity-centred conservation and socio-economically driven conservation. This has in turn prompted calls for knowledge production regimes that entail the recognition of the symbiotic relationship that indigenous communities have with the ecosystems that they live in, and their continuous efforts to conserve these places.

4. **There will be a decisive shift from a centralised economic structure power in the energy industry;**

   This variable recognises that the current economic paradigm in South Africa relies on oligopolies in almost all sectors resulting in entrenched monopolies. However, according to Baker et al. (2015), notes that the economic structure based on a powerful 'minerals-energy complex' characterised by the provision of domestic and foreign capital with cheap and plentiful coal-generated electricity, is no longer economically or environmentally sustainable as it fails to incorporate the interests of society.

   An economy that is growing and transitioning to a low carbon economy needs to open up and allow citizens, civil society and small business to engage with it. An increase of small, medium and micro-sized enterprises (SMME) interjections within the value chain at different points whether at energy production, distribution or maintenance is key. Many sectors, especially civil society stand to benefit from opening up and allowing innovation and entrepreneurs from the communities to drive state owned enterprises as an agent of change.

   Our participants felt strongly about the decentralisation of the energy space and giving communities and individuals more power over their energy needs and energy requirements than companies, so that they may be able to generate for themselves.

5. **An alternative economic model will begin emerging and gain strength;**

   Participants felt that the current "business as usual" economic paradigm has proven to generate socio-economic inequality, social instability and ecological degradation. The transition to a low-carbon economy envisages to address both these systemic structural challenges by introducing political economy interventions to achieve redistribution of wealth and income. Inequality reduction measures will be complimented by economic policy interventions, which support the long-term objectives of eco-circular and social economies.

   The circular economy involves disruption of the linear economy that starts at production and ends with consumption. Its values using waste in production and reuse. The eradication of non-recyclable goods like plastic and polystyrene in industry; to grow the recycling culture and resource efficiency through social engagement and increasing consumer behaviour. The circular economy requires a complete transformation of the current economy; the way things are made; the way things are delivered and how they are consumed.

[1] Direct quote from one of the respondents (Core Participants)

One of the tests of this often-difficult exercise is whether or not participants can agree on how the variable will behave in the 2063 horizon period. If agreement is not possible, suggesting that there is a wide range of possible behaviours of the variable, then it is one of high uncertainty. If agreement is reached, then it is a low uncertainty variable.

After isolating the five (high impact-high uncertainty) variables, we then synthesized them into what we call Key Driving Forces (KDFs). This step is the most crucial part because it involves agreeing on conceptual areas that are most likely to shape a transition to a low carbon economy going forward. After much debate amongst participants, there was consensus to settle on the following KDFs:

i. *Governance,*
ii. *Knowledge Production and*
iii. *Economic Paradigms*.

In terms of the KDF on Governance, it is important to highlight that **governance is not state-centric and refers to the practice or nature of governing rather than the institutional make-up**. Thus, governance takes place in both public and private institutions. The KDF on Knowledge Production should be thought of in terms of **Methodologies, classificatory systems, and disciplinary languages that inform dominant ways of** knowing. In addition, **institutional spaces**, **professional bodies**, the **relationships between disciplines** and **state power** are considered under this KDF. Finally, the notion of Economic Paradigms as a KDF is related to **race-based wealth, income inequality and uneven spatial development** which continue in the post-apartheid era. **The nature of employment and skills** is also central in this KDF.

Towards Storylines

The Storylines that will ultimately lead to full Scenarios for Transitioning to a Low Carbon Economy are currently under development . The implementation of this phase has already been approved and will include further consultation with impacted sectors - to test the internal logic of the scenarios. The participation of unions and business has thus far been noted as a limitation during phases 1 and 2 of the project. Therefore, the next priority will be to engage labour and the business sectors before finalising the storylines.

Räthzel, Cock & Uzzell (2018: 504) however note that South Africa currently lacks popular unions for the environment but has various self-organised groups emerging as "the opposition to extractive mining and its impact on land access and water quality". This tension has been created by the fact that trade unions such as AMCU, NUM, NUMSA and Solidarity represent mine workers or construction workers who tend to be embedded in the industrial processes that negatively contribute to environmental issues. This has led to the emergence of groups who place emphasis on alternative narratives such as food sovereignty, energy democracy, transformative feminism and environmental justice (Räthzel et. al, 2018: 506). The alternative narratives seek to challenge neo-liberal capitalism through a collaboration between conservationists and social movements (Räthzel et. al, 2018: 506). These new forms of organisations have subsequently influenced trade unions such as COSATU to acknowledge the nexus between climate change and neo-liberal capitalism (Räthzel et. al, 2018: 506).

Next Steps

The South African Department of Environmental Affairs is leading climate change adaptation research and scenario planning for South Africa through the Long-Term Adaptation Flagship Research Programme (LTAS). The National Planning Commission (NPC) on the other hand, is also embarking on a process to develop pathways towards a just transition. The MISTRA-FES Scenarios are aimed at complementing these government-led interventions. The scenarios will stimulate a strategic cross-sectoral conversation on a just transition, and will help the country understand the trajectory of the transition including the multiple forces driving it. The process will also facilitate collaboration amongst individuals and organisations in actively addressing their common future. The longer-term developments contained in the storylines will assist in policy formulation.

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