

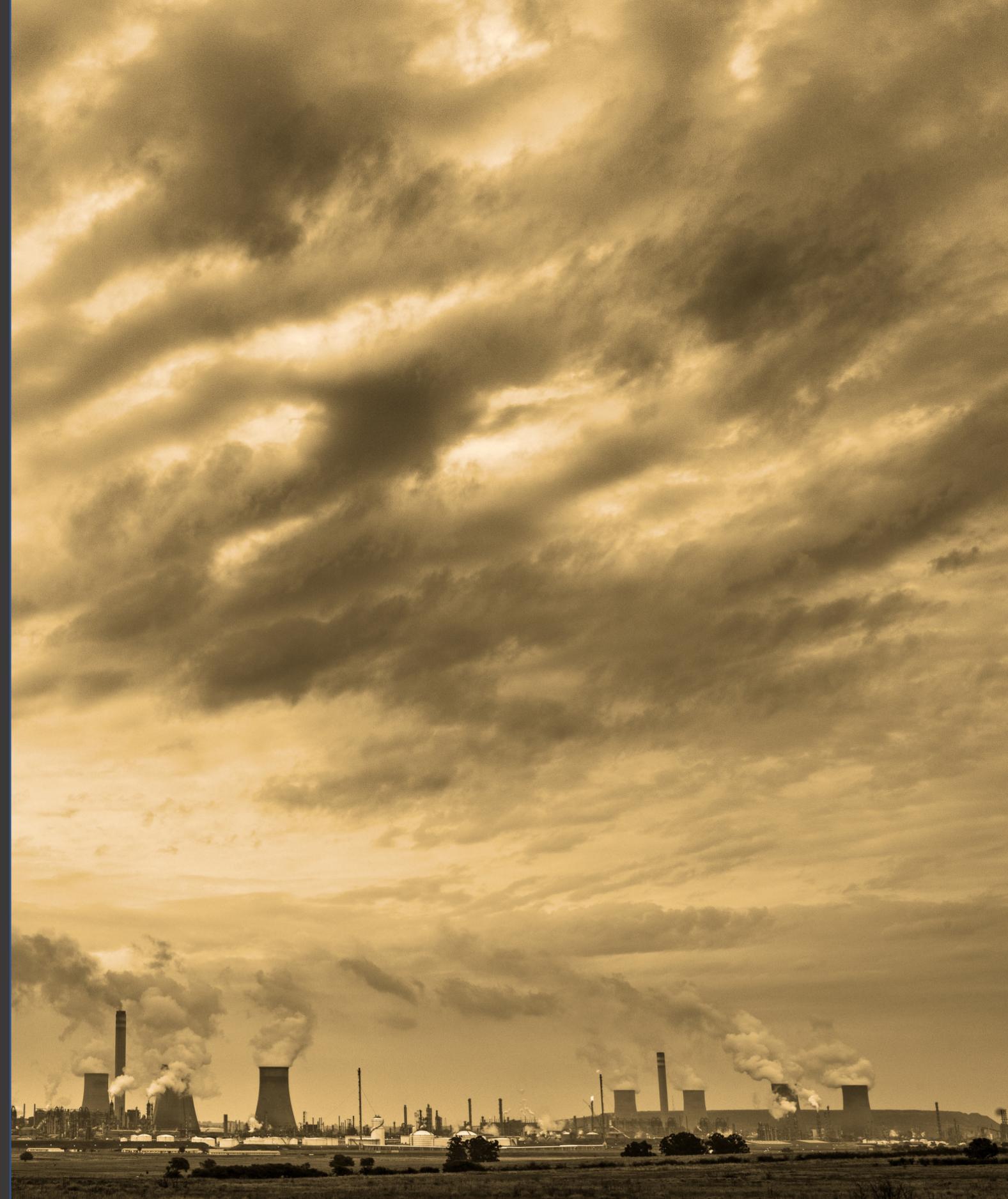
# The morbid symptoms of the Interregnum

.....

A sense-making journey of experiences, and  
concepts on sustainability transition processes  
and financial responses

University of Stellenbosch, CST Guest Lecture

6<sup>th</sup> February 2023





“THIS CRISIS EXISTS PRECISELY IN THE FACT THAT THE OLD IS DYING AND THE NEW CAN NOT BE BORN, IN THIS INTERREGNUM A VARIETY OF MORBID SYMPTOMS APPEAR”

“If the ruling class has lost its consensus, i.e., is no longer ‘leading’ but only ‘dominant,’ exercising coercive force alone, this means precisely that the great masses have become detached from their traditional ideologies, and no longer believe what they used to believe previously”

An aerial photograph of a lush green forest. A stream flows through the center, leading to a small waterfall. The water is white and frothy as it falls. The surrounding trees are vibrant green, and the overall scene is serene and natural.

## Interregnum

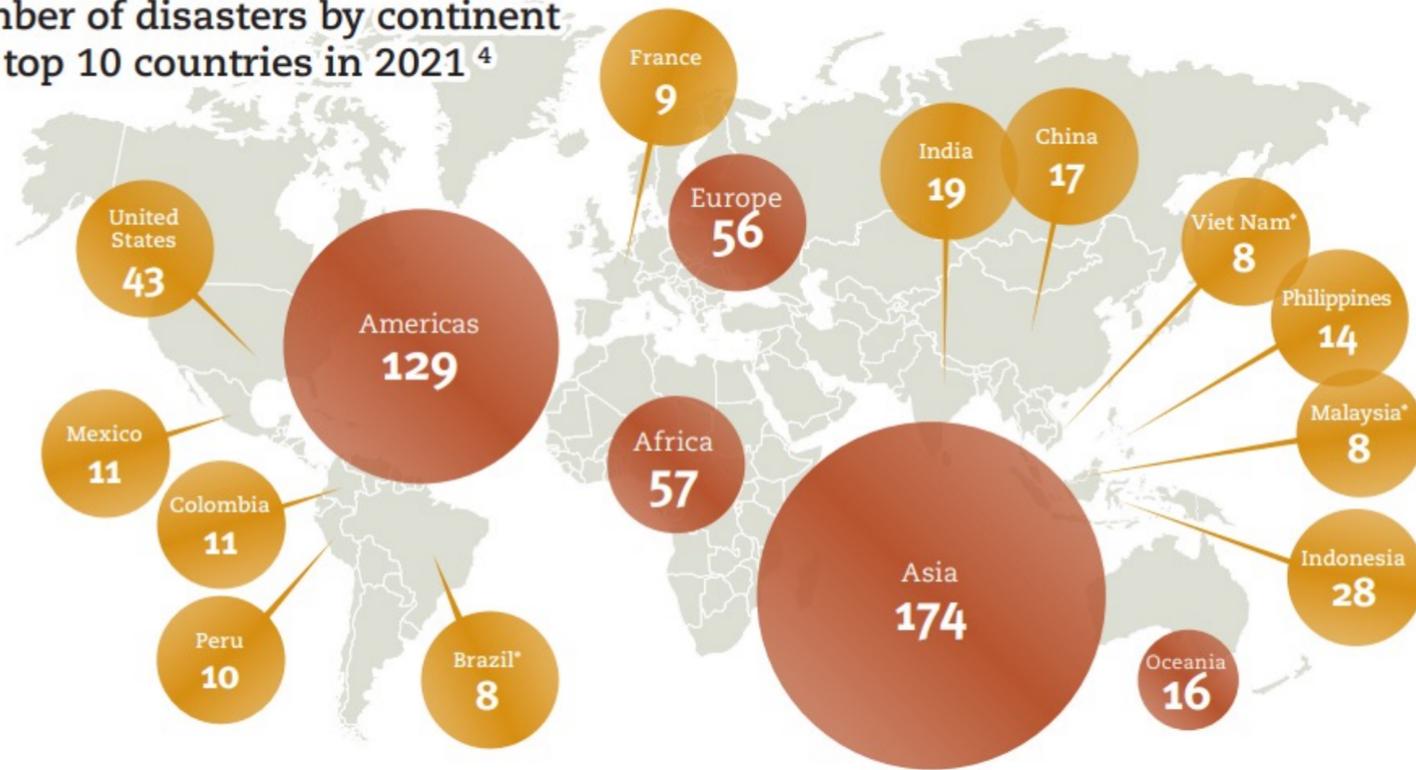
A time of  
discontinuity,  
chaos,  
confusion,  
disruption,  
uncertainty,  
morbidity,  
obscurity,  
incumbency

# The Great Breakdown



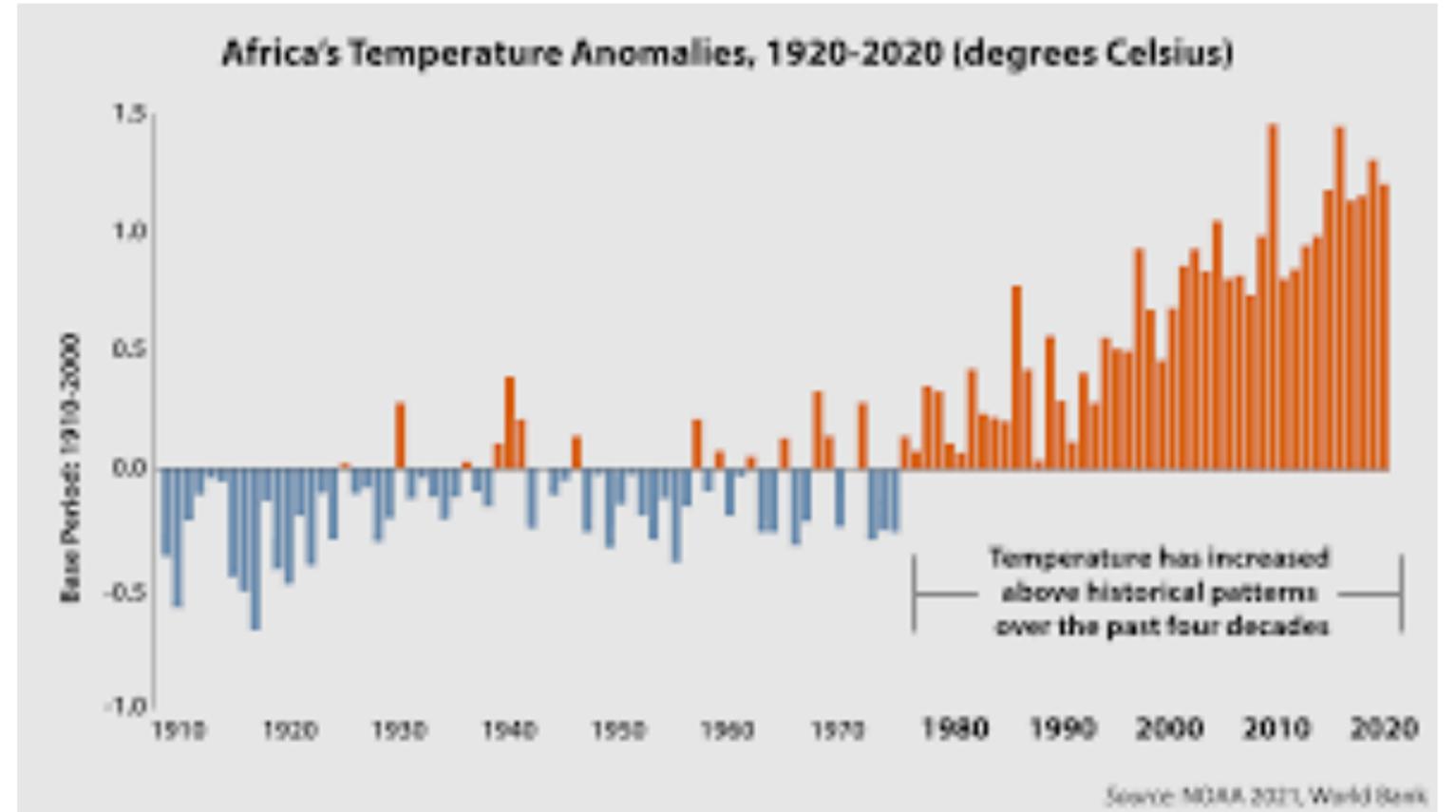
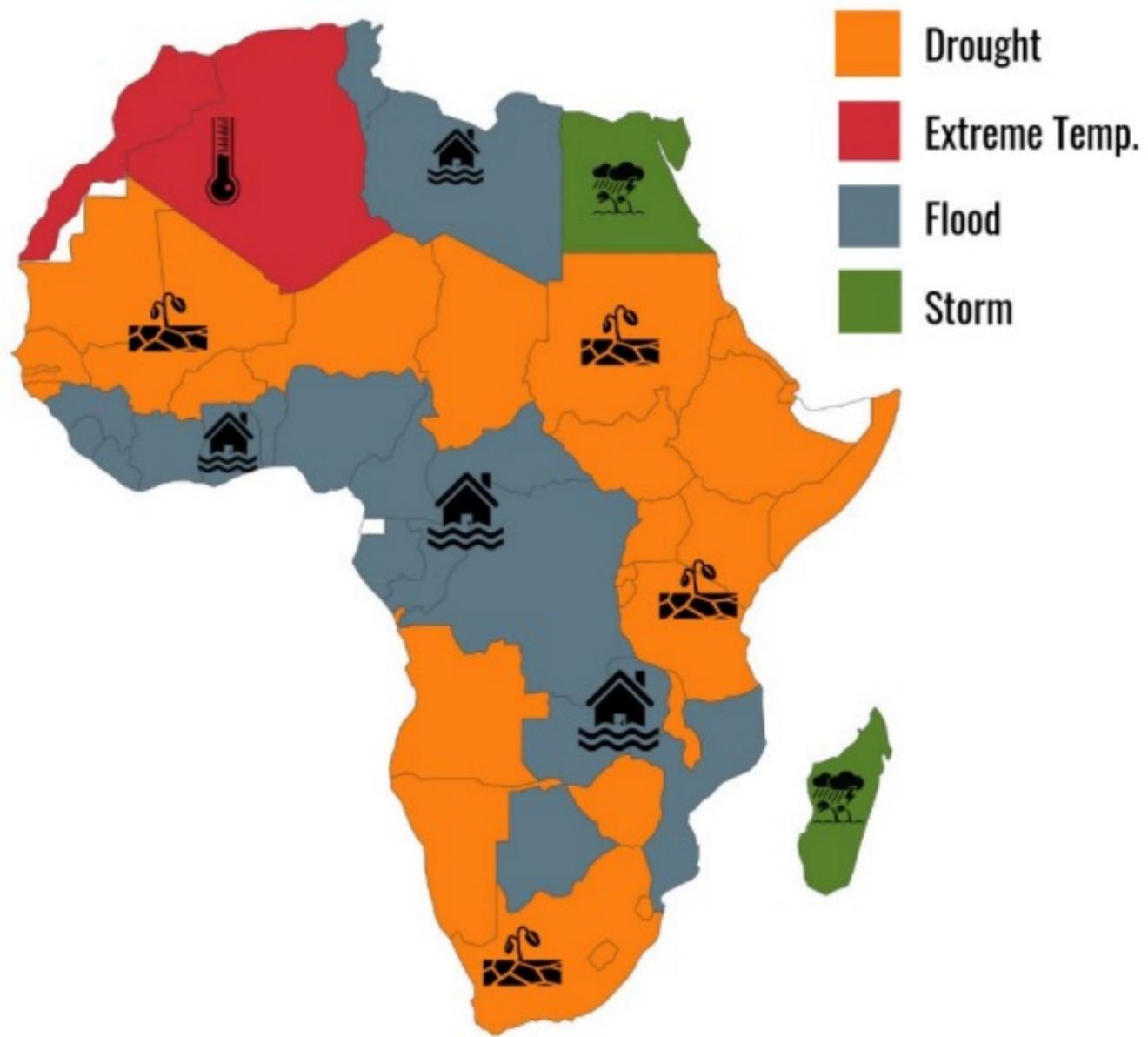
# First half of 2022 superseded all recorded events btw 2002 and 2020

Number of disasters by continent and top 10 countries in 2021 <sup>4</sup>

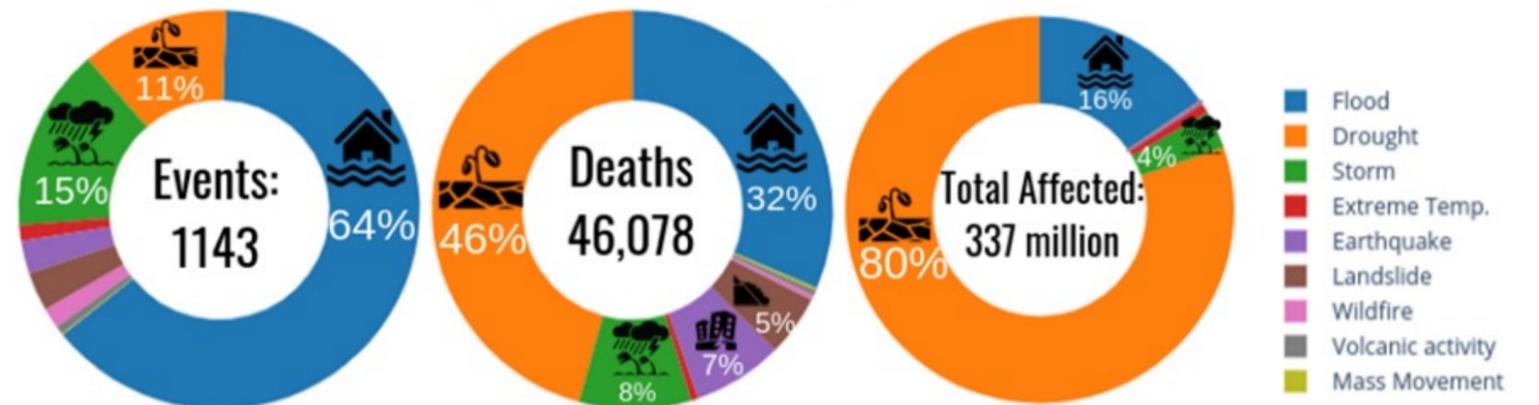


# Africa physical risk and vulnerability intensifying

Geographic distribution of natural disasters in Africa (2001-2019)

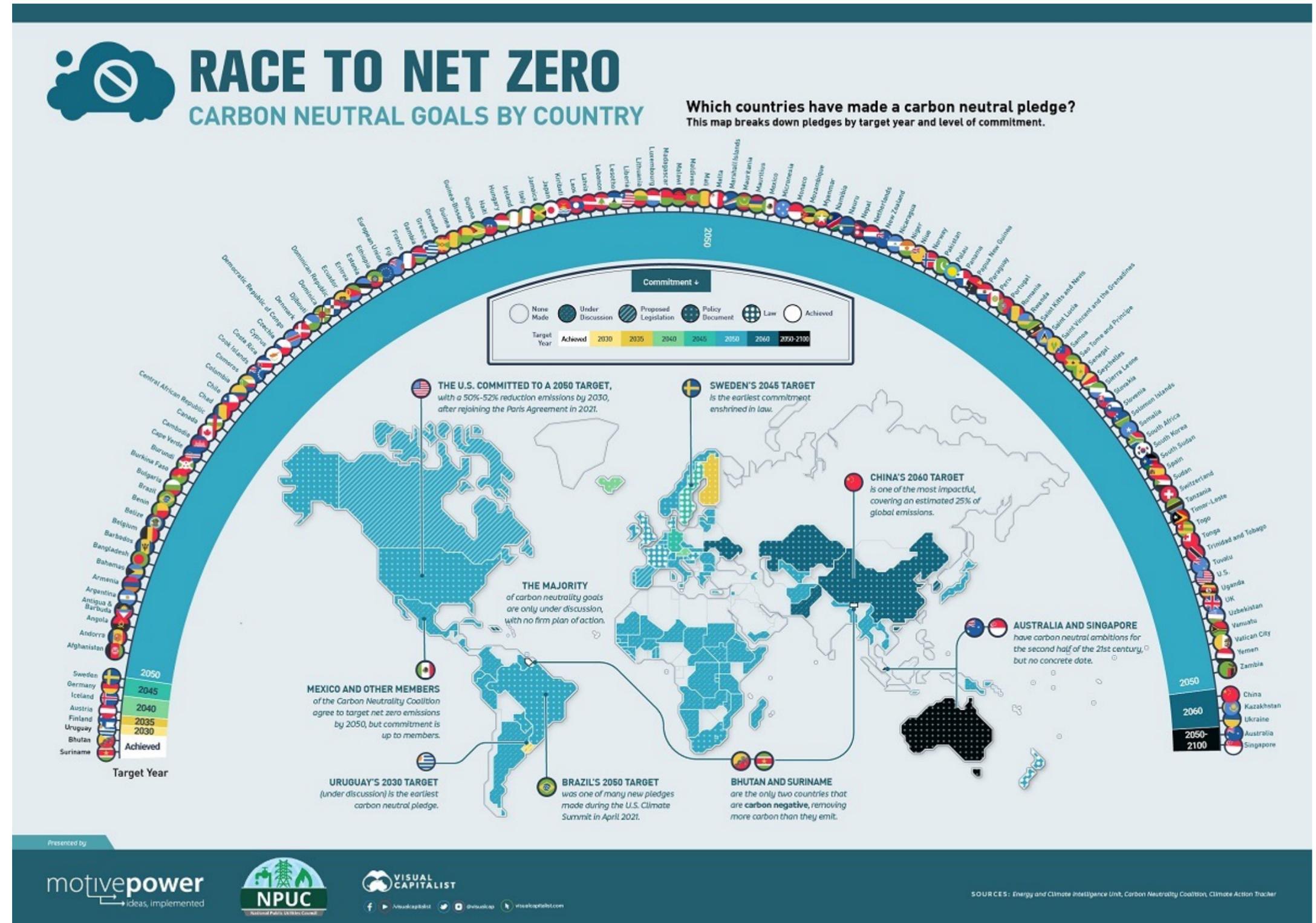


Impact of natural disasters in Africa (2001-2019)



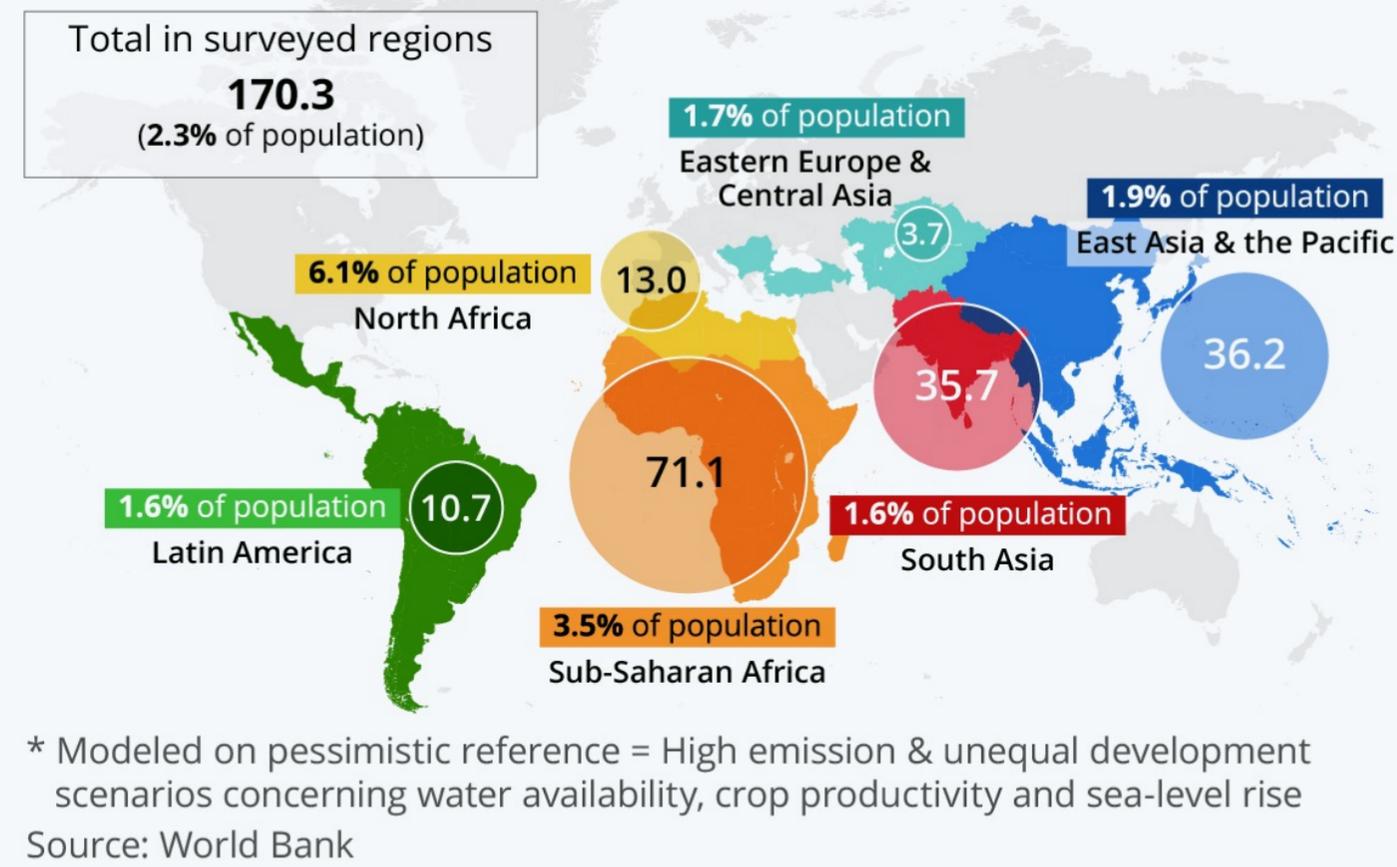
# Economic risk arises from temporal differences, dependencies and access to resources for alternatives

- Impact of carbon border tax adjustments
- Existing dependency on fossil fuels
- New discoveries of fossil fuels
- Development space and use of transition fuels (e.g. gas)
- Access to technology, financial and other resources
- Interdependency of sub-regions across Africa
- Justice – as basis for transition



# Social effects are immense

- Climate migration / refugees
- Shifts will impact jobs
- Water shortages
- Rising climate related conflicts
- Rising insurance vs uninsurable
- Climate innovation and community based/ first responder bases growing
- Geopolitical tensions in global north will impact access to finance and other resources



ENVIRONMENT

## Hefty insurance premium hike for people living in disaster-risk areas

Mandisa Nyathi 10 Sep 2022

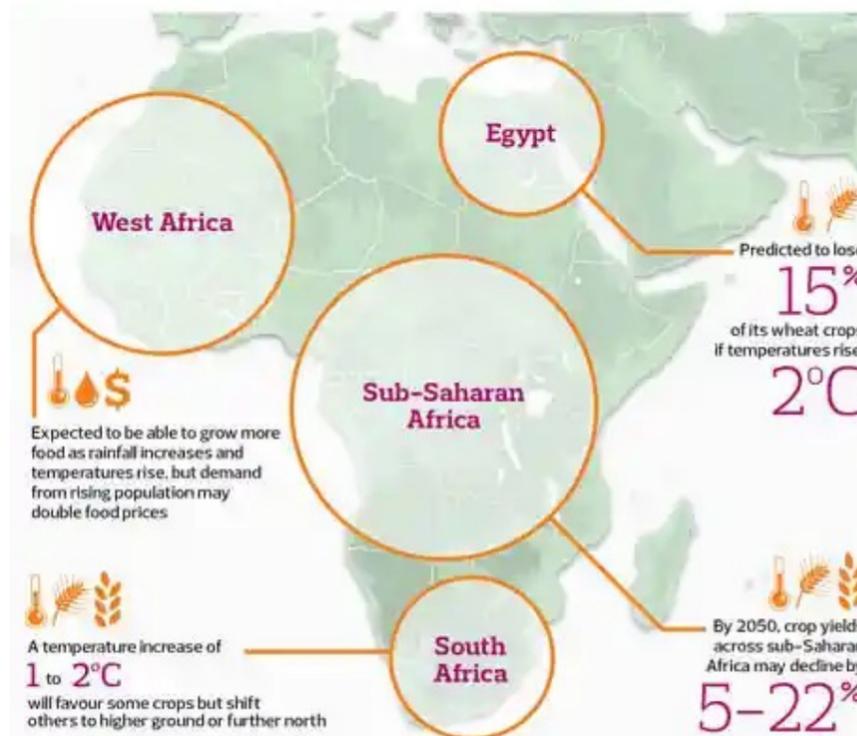


Water, water everywhere: Flood damage to a house in KwaZulu-Natal earlier this year. Photo: Delwyn Verasamy

### AFRICA

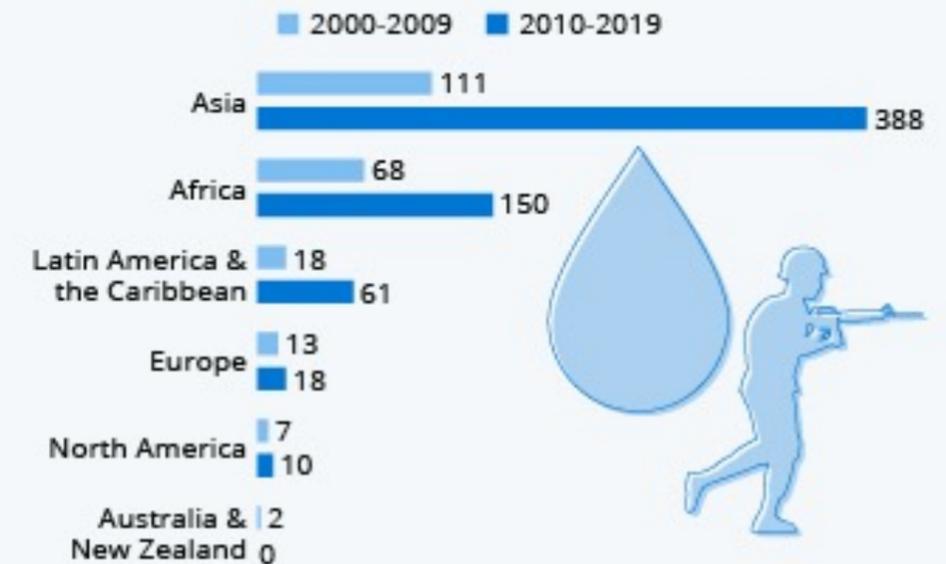
Africa will be the worst hit by climate change. It has the most hungry people, the fewest resources to adapt and its population will double

in the next 40 years. Some countries may be able to grow more, but others may come to depend on food aid.



## Water Conflicts Are on the Rise

Number of water conflicts worldwide by region\*



\* Cases in which water is used as a weapon in a conflict or in which water is the cause of a conflict and the objective of violence

Source: Pacific Institute

Environment & Climate

## Climate change is forcing care workers to act as first responders

A new pilot program in California aims to provide the training and resources they need to take care of their clients and themselves. But advocates say increased responsibility should equal more pay.

# Mounting pressures: Financial intermediaries are expected to drive climate response through their portfolio strategies (invest, divest, no new invest)



## IX. Finance

30. *Highlights* that about USD 4 trillion per year needs to be invested in renewable energy up until 2030 to be able to reach net zero emissions by 2050,<sup>18</sup> and that, furthermore, a global transformation to a low-carbon economy is expected to require investment of at least USD 4–6 trillion per year;<sup>19</sup>

31. *Also highlights* that delivering such funding will require a transformation of the financial system and its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors;

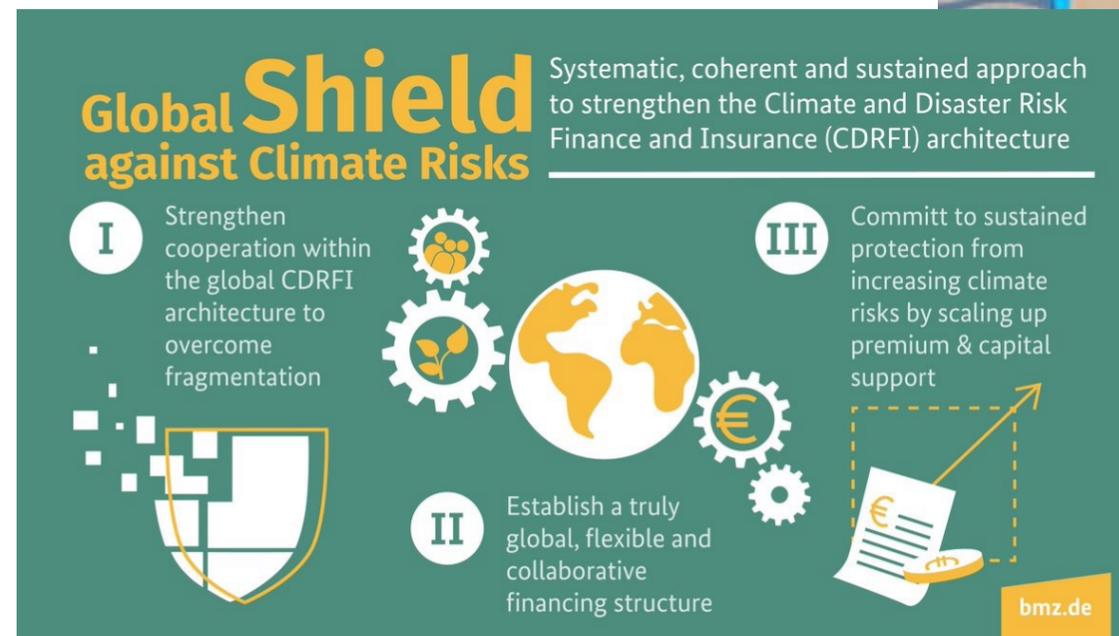
32. *Notes with concern* the growing gap between the needs of developing country Parties, in particular those due to the increasing impacts of climate change and their increased indebtedness, and the support provided and mobilized for their efforts to implement their nationally determined contributions, highlighting that such needs are currently estimated at USD 5.8–5.9 trillion<sup>20</sup> for the pre-2030 period;

33. *Expresses serious concern* that the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020 in the context of meaningful mitigation action and transparency on implementation has not yet been met and *urges* developed country Parties to meet the goal;<sup>21</sup>

34. *Emphasizes* that accelerated financial support for developing countries from developed countries and other sources is critical to enhancing mitigation action and addressing inequities in access to finance, including its costs, terms and conditions, and economic vulnerability to climate change for developing countries,<sup>22</sup> and that scaled-up public grants for mitigation and adaptation for vulnerable regions, in particular sub-Saharan Africa, would be cost-effective and have high social returns in terms of access to basic energy;

## HOW TO PAY FOR CLIMATE JUSTICE WHEN POLLUTERS HAVE ALL THE MONEY

*The COP27 climate conference, in Egypt, was in large part a global search for cash.*



# Many “tools”: How does this advance plight of vulnerable people & planet?



- 1 A Global Biodiversity Framework to set target
- 2 “Nature Positive” becomes the flagship mission
- 3 Business implications of Target 15
- 4 Finance to play a key role
- 5 Frameworks for disclosing nature-related impacts

FT Asset Management Fund management + Add to myFT

### ESG: the next mis-selling scandal?

Plus, taming the buyout barbarians, gold outperforms, and farewell PJ O'Rourke

Many executives are starting to worry about the ESG marketing wording they have been using in fund documents © FT Montage/AFP/Getty

## Don't abandon emerging markets in net-zero push

‘Portfolio purity’ will not bring about the change needed to tackle the climate crisis

Hendrik du Toit

11 October 2021 • 3 min read

**Sense-making  
and holding  
complexity**



# Conceptual rabbit holes for relating finance to transitions

- **Sustainable finance literature:** Stranded, fragmented, not mainstreamed, focused on project not process or systemic dimensions, risk and return focused, not systemic or strategic or process related
- **Main departure point** – what is possible within the existing realms of the financial system, underpinned by an assumption that the financial system is static and need not change
- **Economics of Innovation:**
  - Innovation as the driver through various “revolutions” or major world shifting innovations”
  - Useful work on technological innovations and financial capital (Perez, O’Sullivan, Mazzucato, Schumpeter).

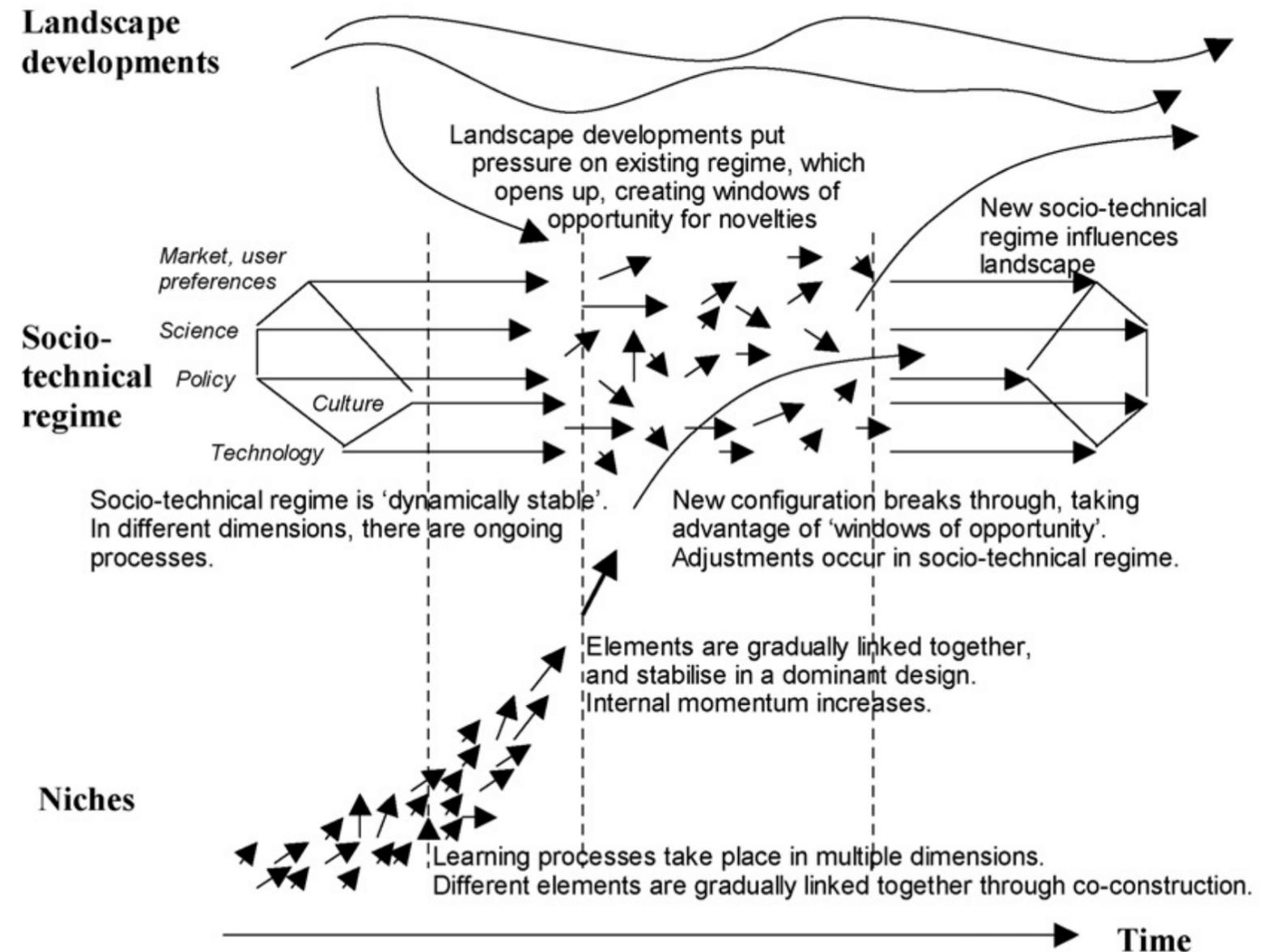
# Field of Sustainability Transitions

Study of the *process* of sustainability – means by which sustainability outcomes are achieved

Its primary heuristic is the **Multi-Level Perspective (MLP)** – centered on defining a socio-technical system

Framing finance as a “resource and function” (passive, background role) – limited value in describing how finance needs to respond to change processes

**Critiques** argue for more deconstruction of assumptions underpinning heuristic construction



Source: Geels 2004 (adapted)

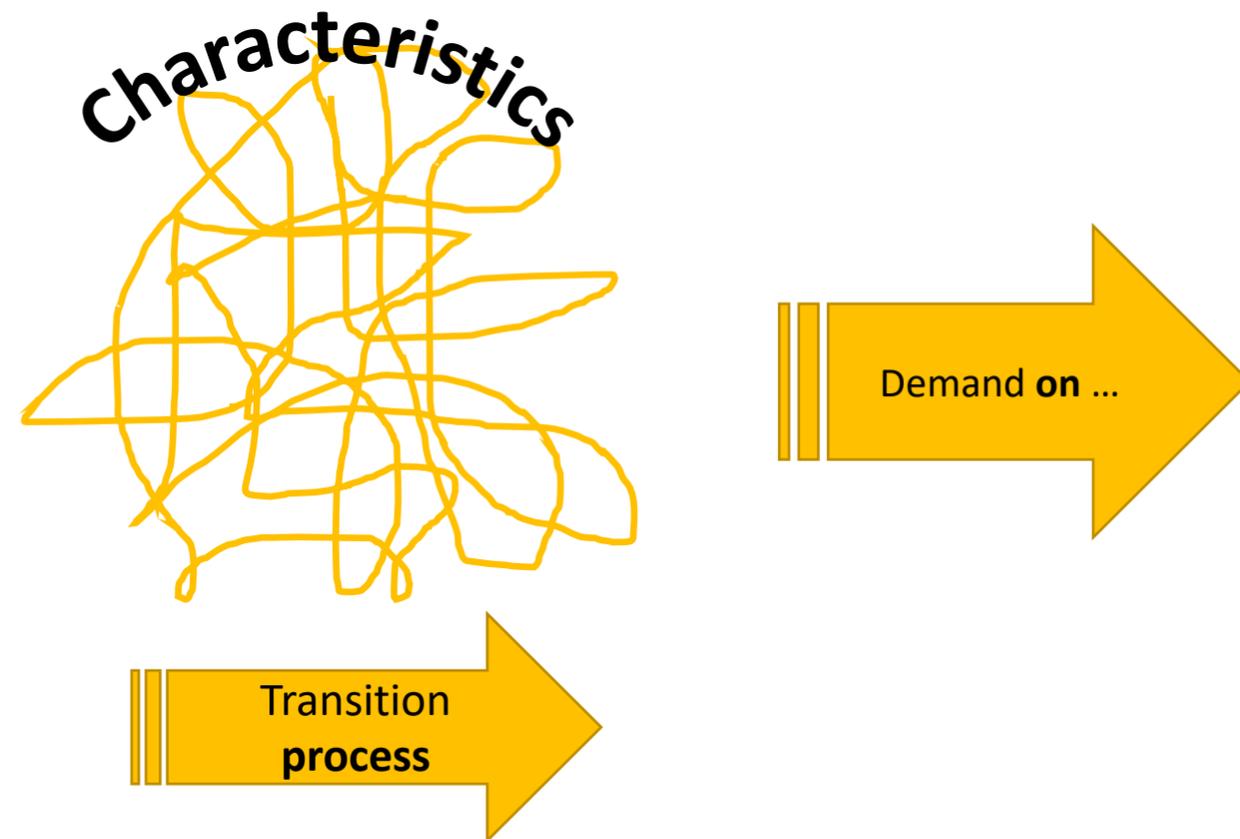
A circular hole in a brick wall, looking out onto a bright sky. The bricks are dark red and arranged in a regular pattern. The sky is a mix of light blue and white, suggesting a bright, sunny day. Some bricks are scattered around the hole, as if they have been removed or are falling out.

## Deconstruction

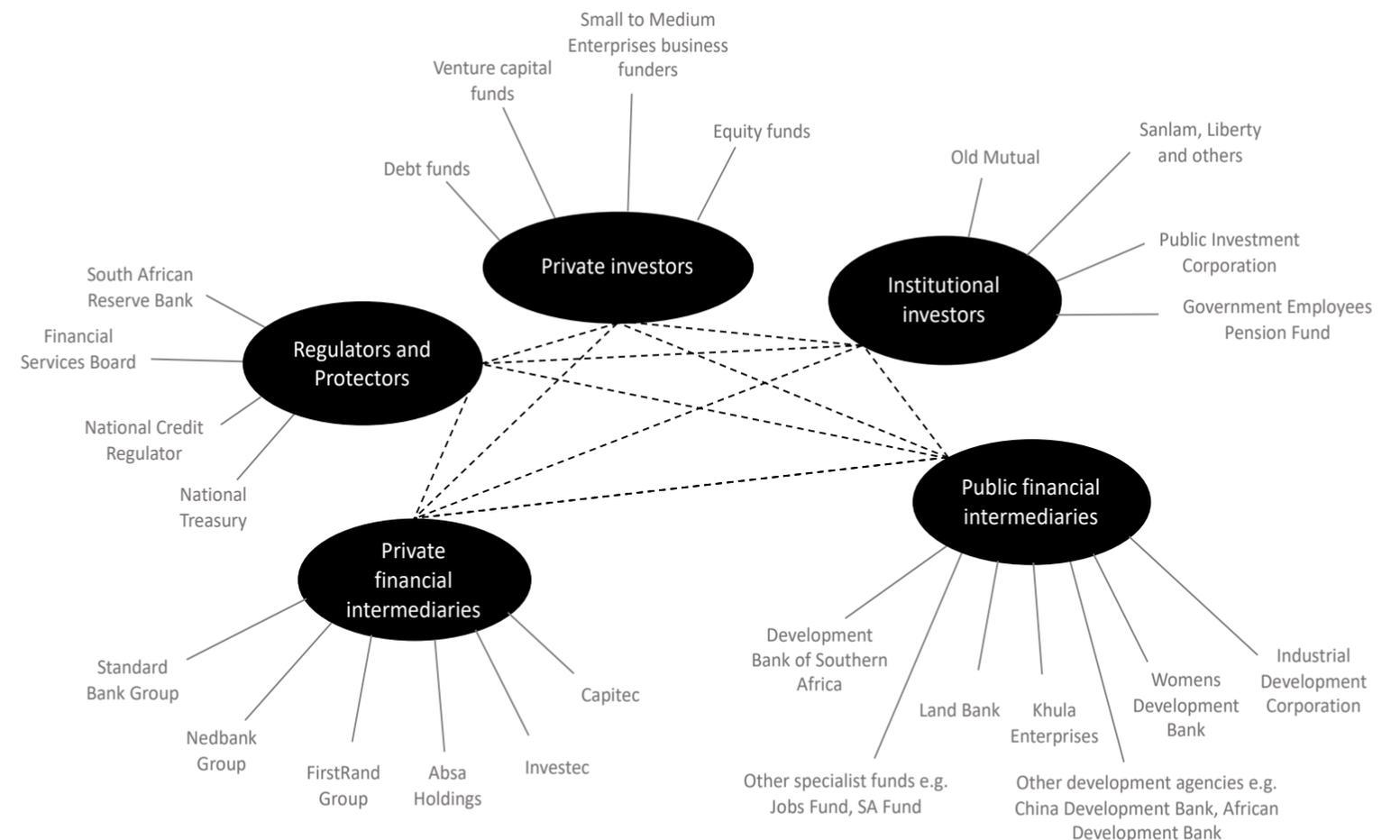
“*Différance* refers to the fact that meaning cannot be regarded as fixed or static, but is constantly evolving”

# Departure point: Characteristics of process informs the response

Hypothesis by Perez (2002) and O’Sullivan (2005) that “the characteristics of the innovation process inform the demand for finance”.



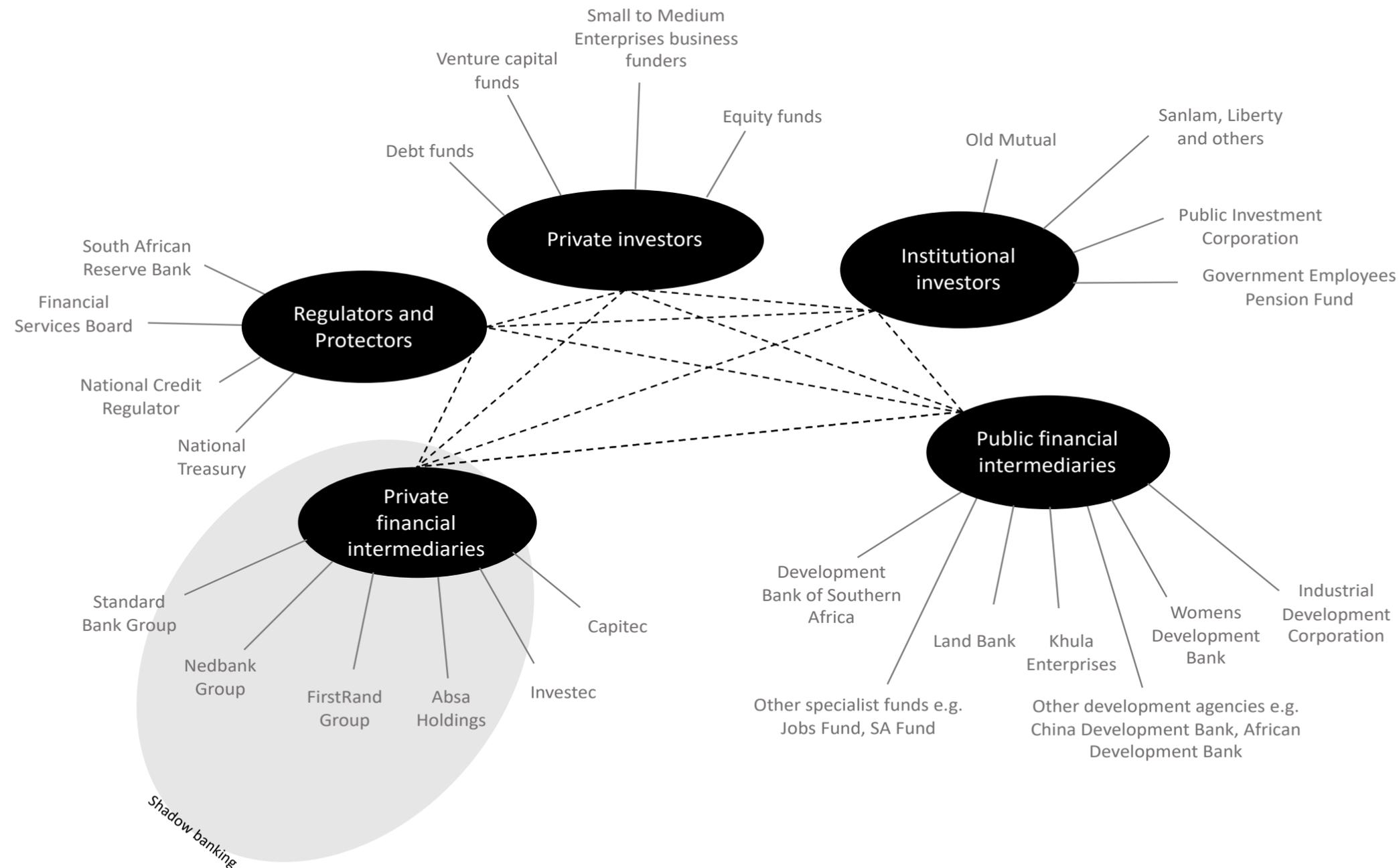
## Financial system response?



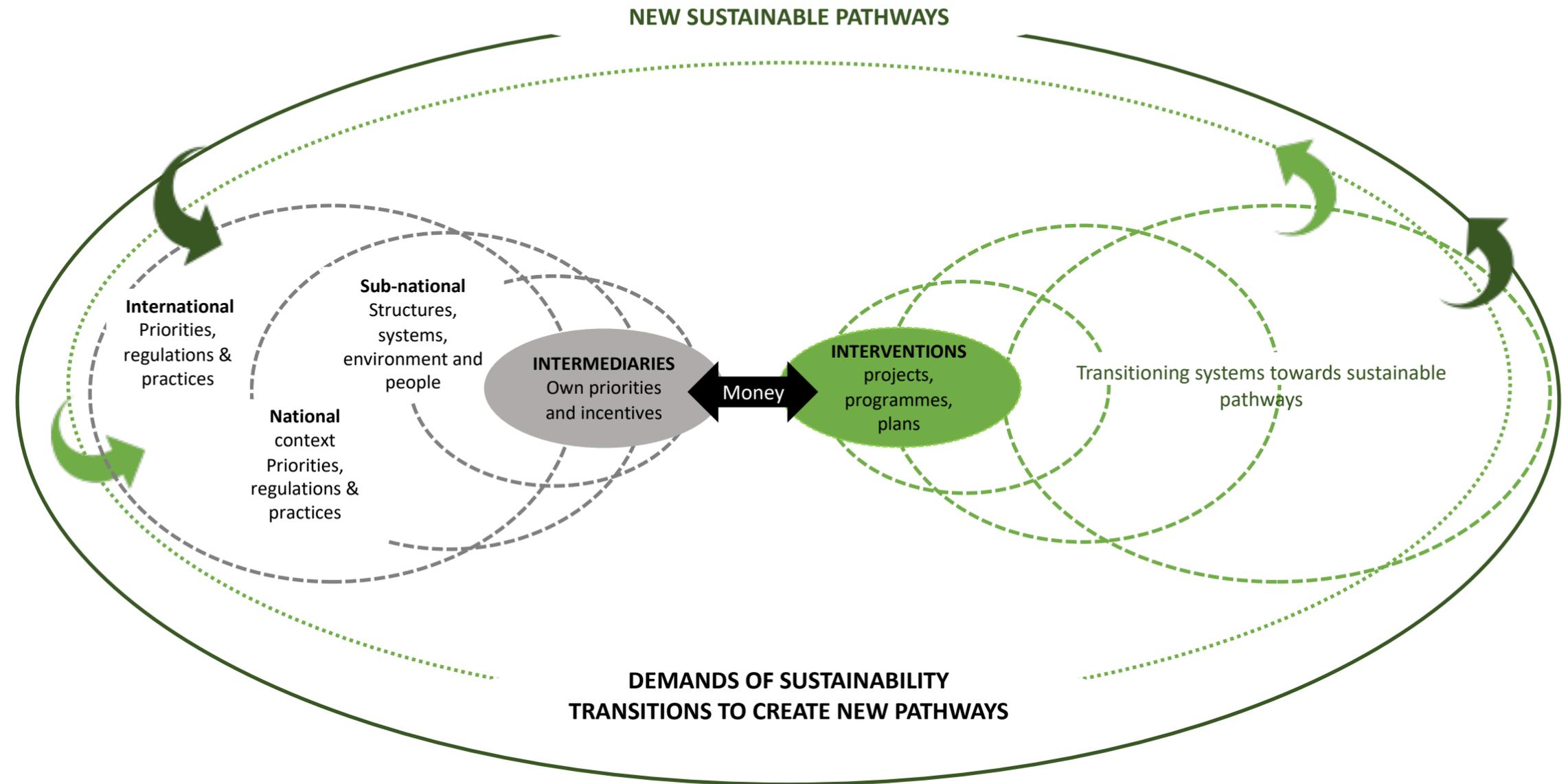
## Landing point: Transition demands framework

Characteristics	Demands on finance
Directionality	Consistent shift away from unsustainable and to sustainability investment and practices
Temporality	Accelerate response (not incremental, or gradual)
Systemic effects	Create new, and simultaneously disrupt and de-stabilise old systems
Social contest	Stakeholder rather than shareholder, justice, inclusivity, incumbents
Experimentation	Adaptive, embrace uncertainty, no 'failed' investments only learning

# Leading to the next question: Are global/ national finance systems able to meet the demands from transition processes?

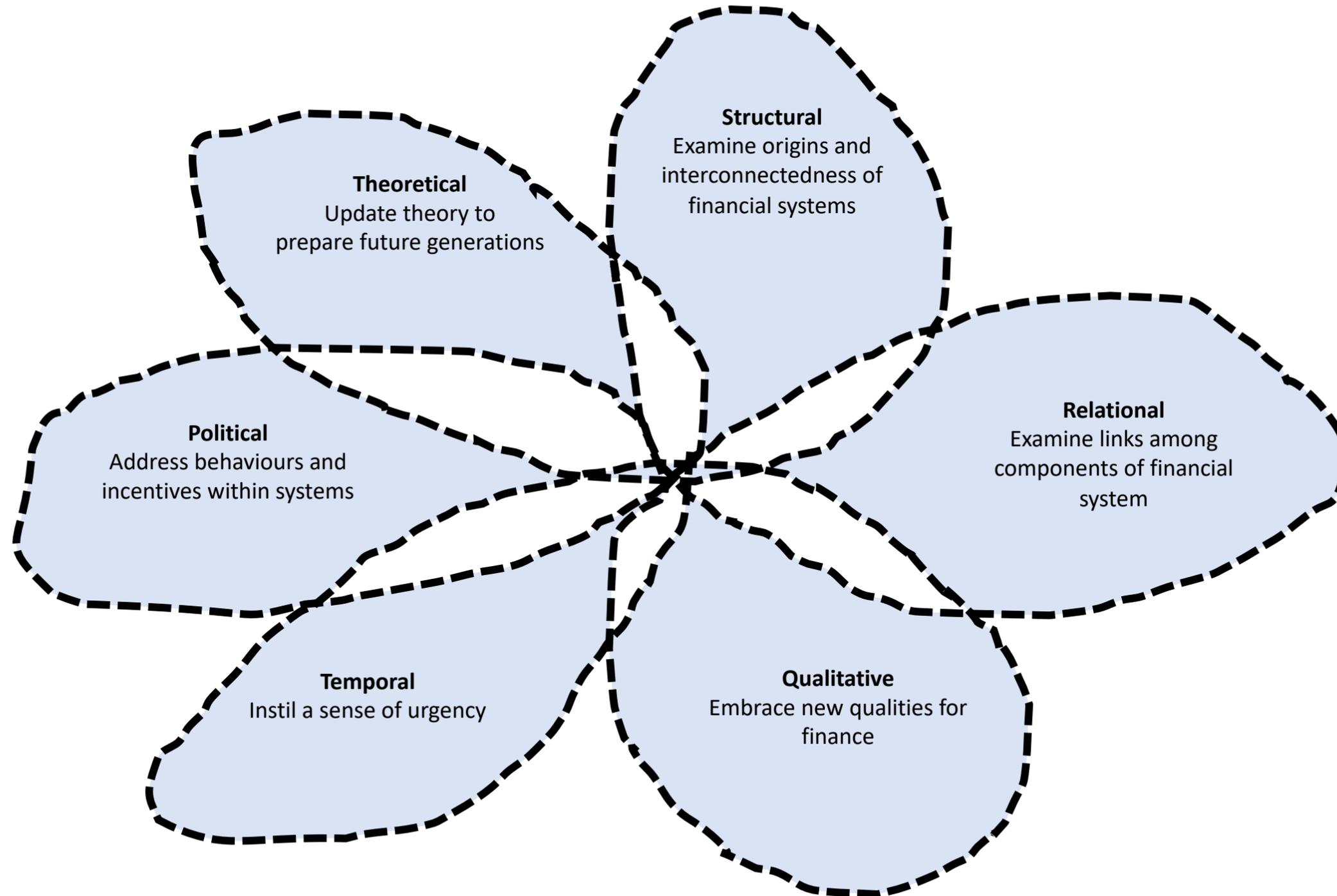


# Radical change can manifest at the interface of intermediaries and their interventions



Source: Naidoo, 2020. Transcending the Interregnum: Exploring the role of financial systems in sustainability transitions, University of Sussex.

# Proposed feathered design features to advance financial system response

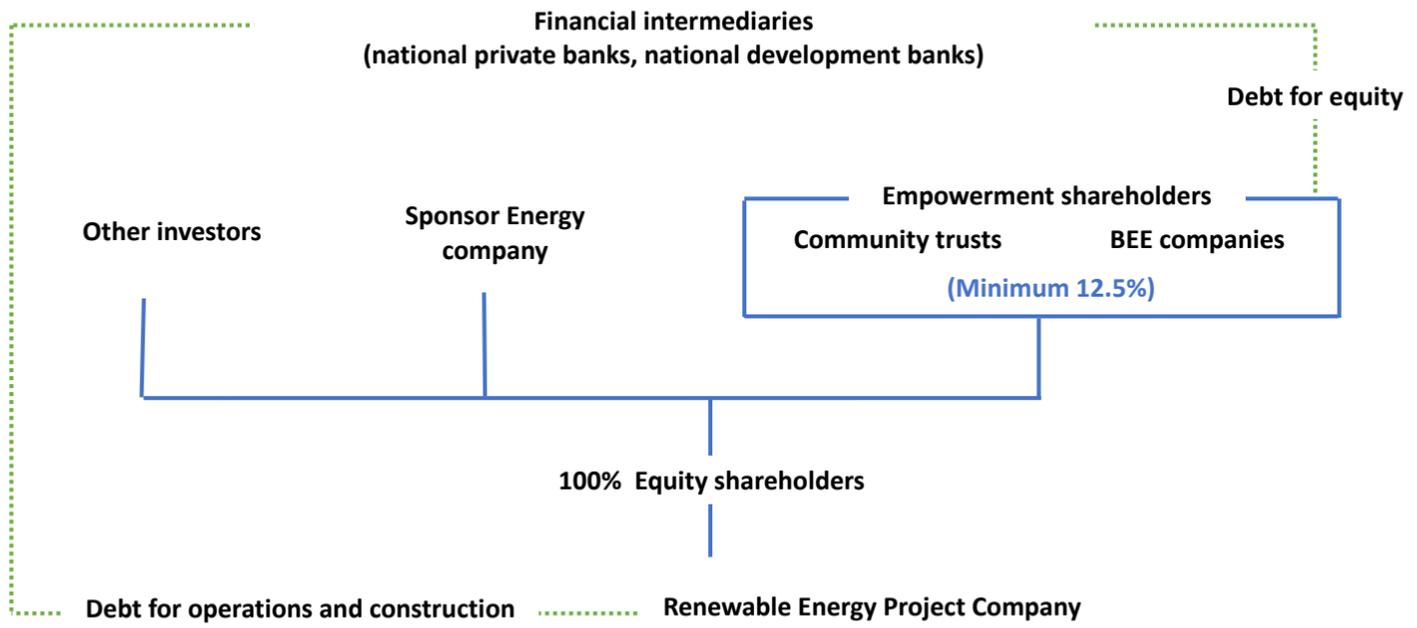
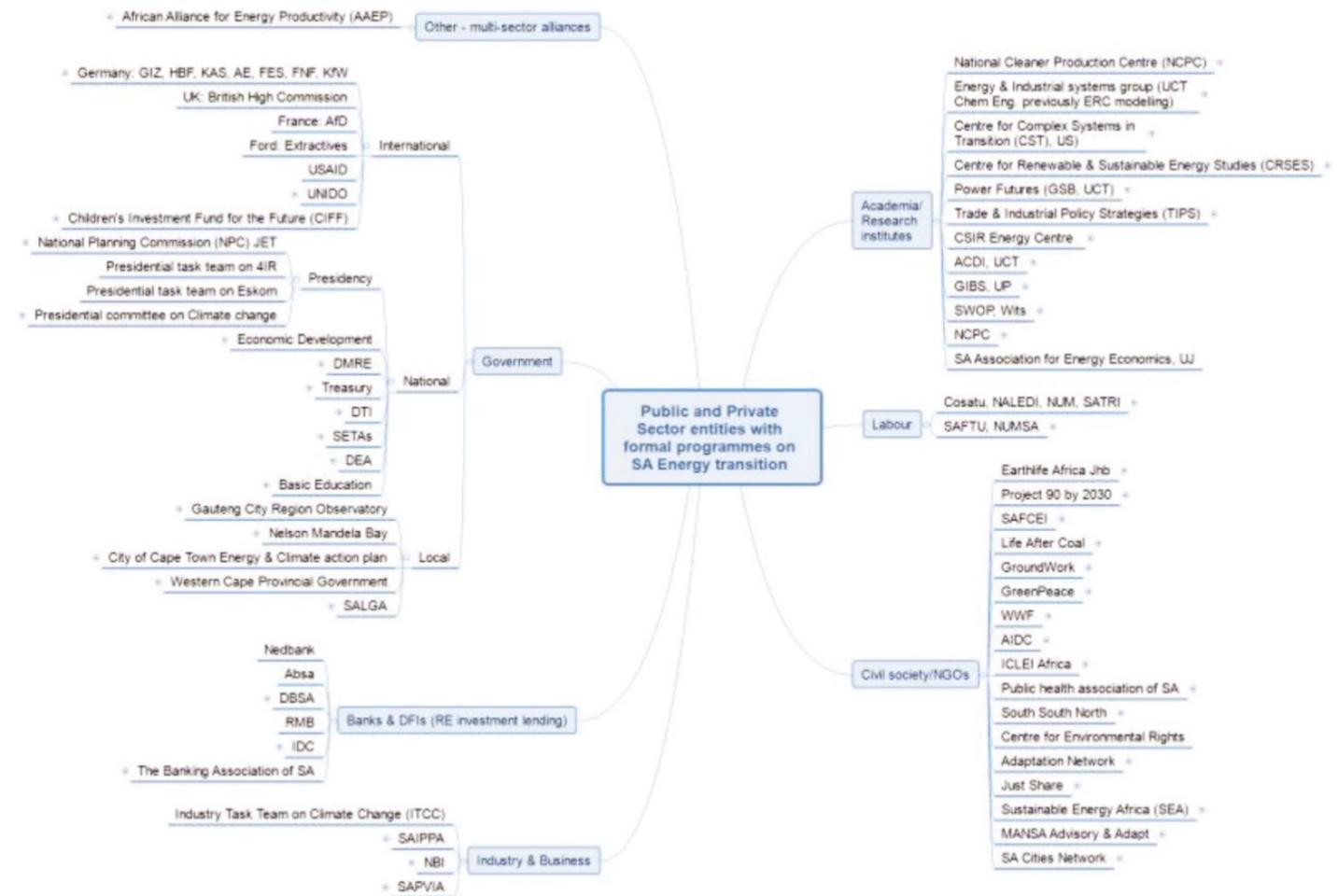


# Spaces and level

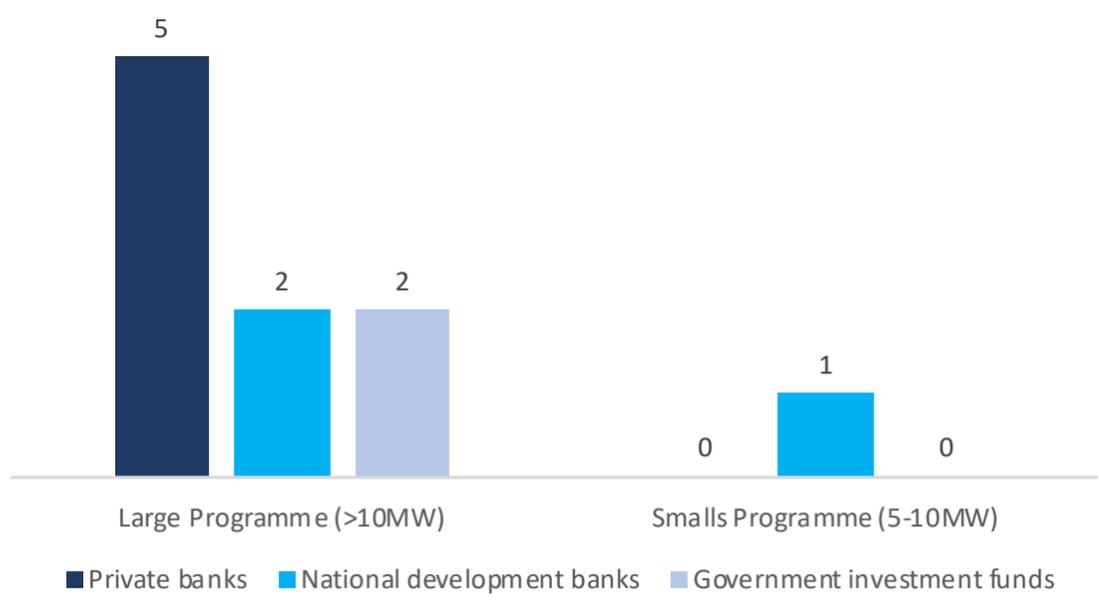


# South Africa's Renewable Energy programme 2011 - ...

ca. \$25bn for solar, wind, other clean techs

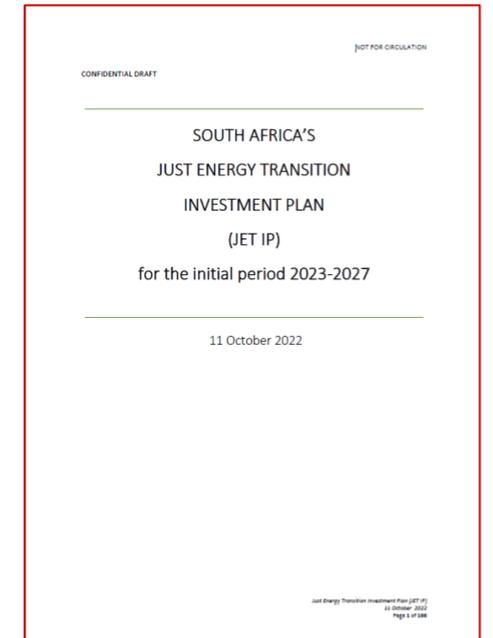
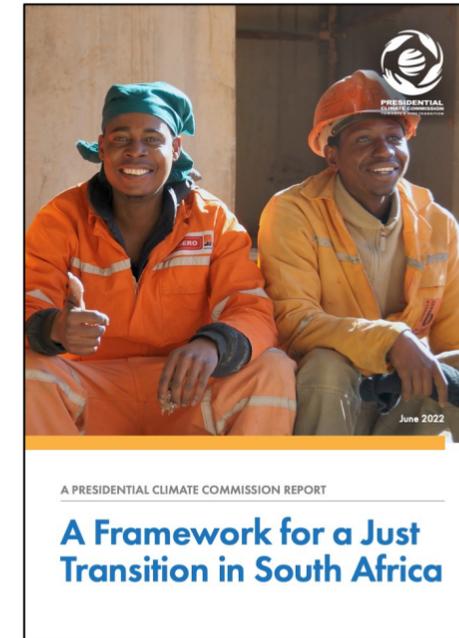
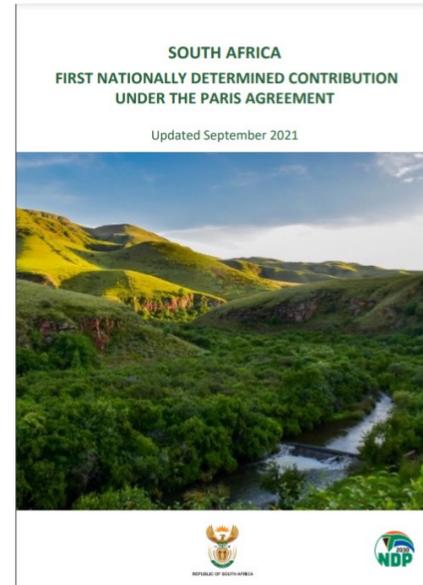
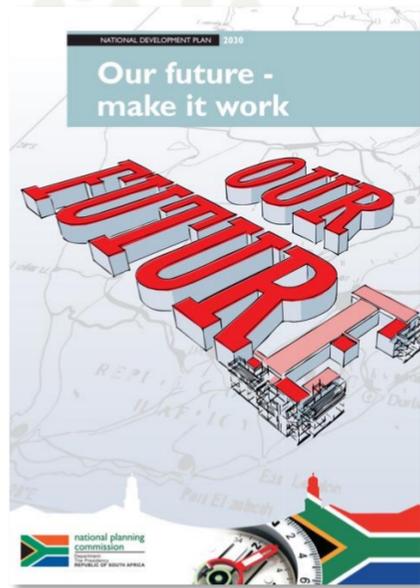


..... Indicates flow of funds  
 — Indicates relationship  
 ( ) Minimum shareholder required by South African government



# Cumulative process from NDP towards the JET Investment Plan

The Investment Plan builds on long-term development ambition for low carbon economy, & more recently, the Just Transition Framework



**National Development Plan (NDP)** with its focus on tackling the country's systemic challenges of **poverty, inequality, and unemployment**; and is located within an evolving suite of policies supporting the transition to renewable energy.

The updated NDC commits South Africa to an ambitious carbon reduction target range by 2030. It makes clear its achievement is **dependent on international support**.

The Political Declaration envisaged, **subject to the concurrence on an investment framework**, the IPG to mobilize an initial US\$8.5 billion over three- to five years to support the achievement of South Africa's low carbon future **in line with the most ambitious NDC scenario possible**.

South Africa is developing its initial **Just Energy Transition Investment Plan (JET IP) 2023-2027**, which sets out the scale of need and the investments required to contribute towards its decarbonisation commitments.

It is built on the principles of the Just Transition Framework adopted by Cabinet in September 2022, of procedural, distributive and restorative justice. The PCFTT and PCC together engaged with various stakeholders to garner their views on essential features to be included in the JET IP.

# South Africa's Just Energy Transition Investment Plan (JET IP)

1. **Special needs of fossil fuel dependent countries** acknowledged as means to Paris Climate Agreement
2. Acknowledges **transition risks and fosters social preparedness** as South Africa shifts its energy system and grows new green industries
3. **Needs-driven five-year initial plan**, with clear financing principles and preferred terms and conditions, which promotes a transformative approach
4. The JETP is a **funding partnership** making a contribution to the JET IP
5. **Portfolio of investments and other interventions** in the JET IP reflect an intersectoral and just transition approach, showing need to move beyond a programmatic funding track
6. **Just transition focus** recognises location and sector-specific vulnerabilities (care, preparation, social infrastructure), intergenerational effects.
7. Emphasises the **sequence of investments and interventions** to achieve outcomes (order, pace of investments relative to priorities within the JET IP portfolio)

**AMBITION: Goal to decarbonise SA's economy to within the NDC target range of 350-420 Mt CO<sub>2</sub> eq by 2030 in a just manner**

**~ ZAR 1.5 trillion\***

**With estimated funding gap of 44% (ZAR 700 billion\*)**

## **3 priority sectors**

(Electricity, New Energy Vehicles and Green Hydrogen)

## **Cross cutting measures**

Addressing skills development, and municipal readiness

# Portfolio construction: Transition effect, spatial, pace & co-benefits

## Environment



- Reduced GHG to within the NDC target range of 350-420 Mt CO<sub>2</sub> eq by 2030
- Improved air quality and positive health and well-being impacts

## Social



- Inclusive, direct access to finance and equitable ownership structures
- Skills development and re-training for future fit employment

## Economic



- Contribution to South Africa's NDP goals – reduce fiscal burden
- Growth in innovative sectors and economic diversification, job creation

## Governance



Sound and robust implementation and accountability measures

The JET IP requires expedited investments to build strong foundations for these outcomes in the long term – but .... these have to happen in a particular sequence and at a particular pace and in concert + there are trade-offs to be made

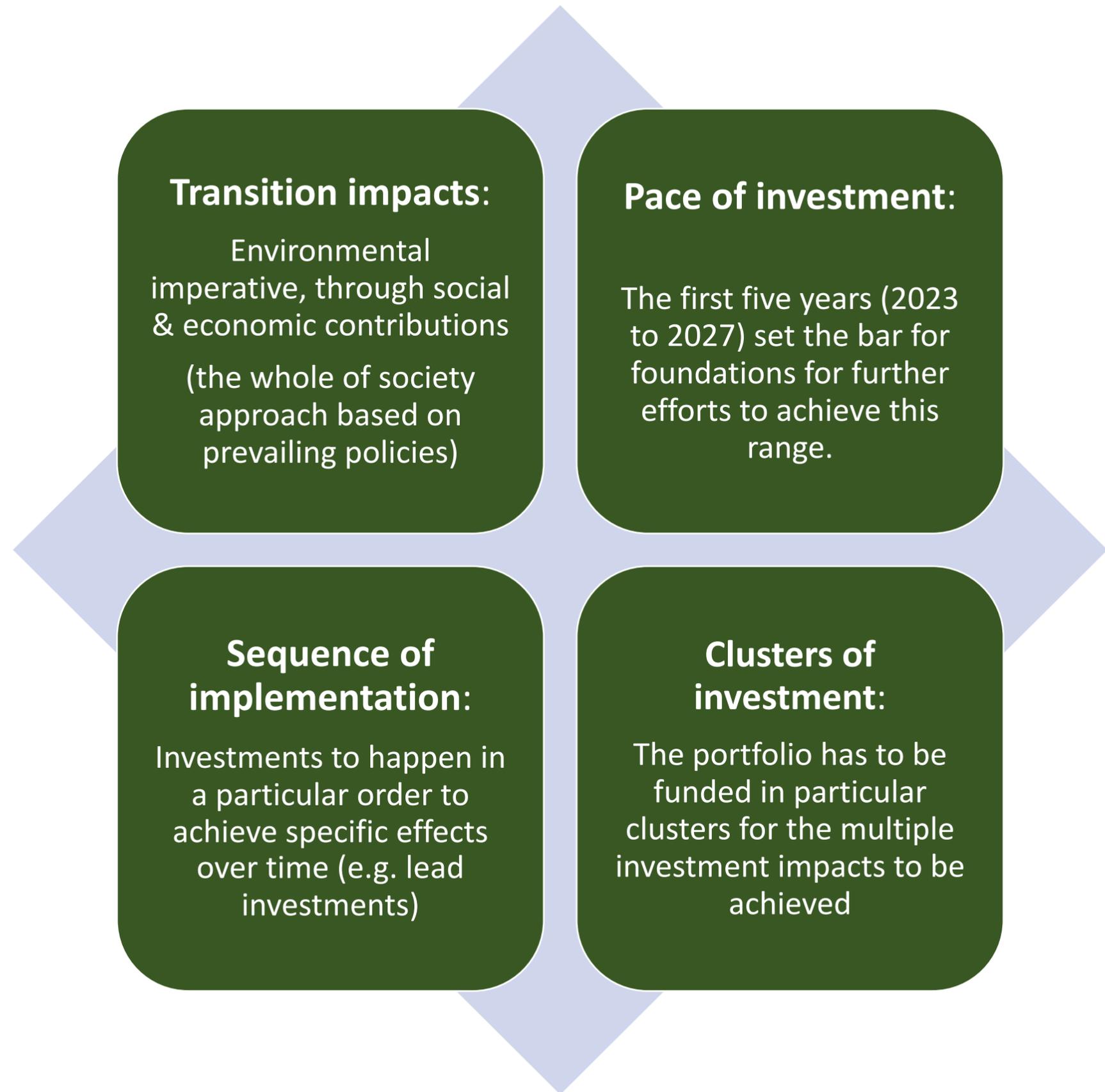
# Principles to advance needs-based financing for transitions

## PRINCIPLES

- #1 Follow UNFCCC obligations: of developed countries' to developing countries to support climate response
- #2 Be additional: New funding with no diversion from critical development assistance or repackaged support
- #3 Reflect SA needs: Appropriate for fiscal sustainability, and shared risk between countries
- #4 Mainstream justice: Portfolio to embed just component – not as separate track of investment
- #5 Be concessional: More attractive terms than what South Africa's National Treasury could secure in capital markets
- #6 Be predictable and certain: Timing to align with desired transition impacts, no undue delays
- #7 Be accessible through effective institutions: National institutions and those close to where funding needed
- #8 Foster risk sharing: through partnerships with the private sector and other financing partners
- #9 Be properly governed: Governance and safeguards to manage risks

# Challenges the JET IP poses for financial system

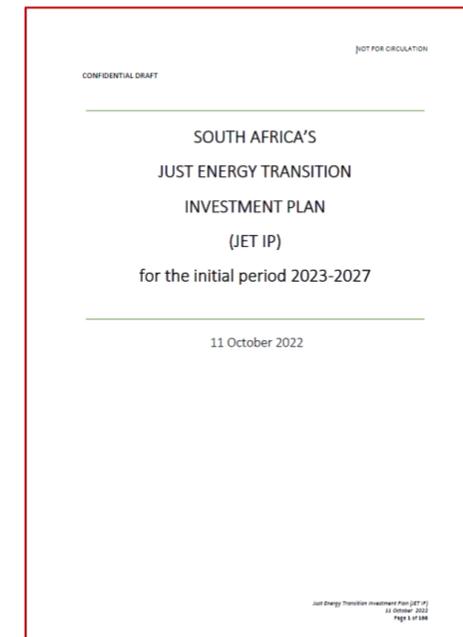
Be and do different .....



# Moving from plans to action ...

less about the substance and more on the politics

Plans are not enough



# “Transcending”

“be or go beyond  
the limits of a field of  
activity or  
conceptual sphere”

searching for the  
‘tensions, the  
contradictions, the  
heterogeneity within  
[the] corpus’  
(Derrida)

## Firebreaks and pauses

in the rush  
towards  
“solutions”:

do we  
understand the  
problem, and  
its causes, and  
the  
assumptions  
underpinning  
our  
positionality?



I used to think the top environmental problems were biodiversity loss, ecosystem collapse, and climate change. I thought that with 30 years of good science, we could address those problems. **But I was wrong.**  
The top environmental problems are selfishness, greed, and apathy and to deal with those we need a cultural and spiritual transformation. **And we scientists don't know how to do that.**  
- Gus Speth -

“The purpose of life is evolution  
from lower to higher  
from ignorance to knowledge  
darkness to light”

<http://www.lahotar.com>



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