Experiences in the development of the inaugural comprehensive national tool
Overview of the South Africa Process, and lessons from aligning with EU approach

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24 February 2021
First Meeting of the SBFN
Sustainable Finance Instruments Working Group
South African Green Finance Taxonomy development process

Oversight
- Established a Taxonomy Working Group and consider governance and maintenance
  - Multi-representative TWG for 1st development
  - Coalition governance & maintenance arrangements design to continue

Vision and relevance
- Defined the overarching definition, purpose and objectives
  - Define economic transformation objectives ('environmental dimension')
  - Consider other dimensions
  - Establish Principles & Objectives

Adopt & adjust
- Early Draft Version, adapting from the EU Taxonomy
  - Localise functional structure
  - Policy & regulatory referencing translation
  - Introduce additional local activities
  - Test ambition maintenance and address ad-hoc complexities

Buy-in
- Different market engagement approaches
  - Early stage awareness raising sessions (6x)
  - Highly engaged public comment process
  - Bilateral engagement with key stakeholders
  - Volunteer FIs' draft tests
  - Regulators & key market actors capacity building
  - Workshops & implementation concepts
  - Market engagement knowledge products

Refine
- Finalise 1st draft Version and complementary knowledge
  - Updates & refinements from tests, engagements, and public comments
  - Key localisation technical developments
  - Develop and refine accessible user guidance and

Launch & deepen
- Create awareness and launch 1st Version, plan to learn, update and bring others together
  - Communications efforts and launch planning
  - Effective market signalling
  - Market uptake demonstrations
  - Regulators' forward planning
  - Taxonomic tools' role in and underpinning continued financial sector 'pivot'
Degrees of difference between EU and SA approach and result

Figure 1: Comparing environmental objectives between the EU and SA

Minimum Social Safeguards
Technical Screening Criteria
(2 x MSC)
(6 x DNSH)

Figure 2: Comparing economic activities consolidated between the EU and SA

Resilience test disclosure

SA make significant contribution criteria alignment with EU

High alignment - criteria show major similarities compared to the EU with performance requirements strongly maintained

Moderate alignment - criteria show close similarities compared to the EU with minor differences in referenced performance requirements

SA do no significant harm criteria alignment with EU

EC - Economic Activities

* 1 additional activities exist in SA compared to the EU

Number of EU economic sectors
Number of EU economic activities
Number of SA economic sectors
Number of SA economic activities
Number of EU economic activities consolidated into single standing SA economic activities
Number of economic sectors not yet included in SA taxonomy
Number of economic activities not yet included in SA taxonomy

* 1 additional activities exist in SA compared to the EU

10c (23%)
33c (77%)

7c (16%)
36c (84%)

12 4 8
99 29 45

EU SA
Knowledge products and engagement are vital to address a spread of understanding and encourage uptake.

- The process and insights from the development of the 1st Edition of the South African Green Finance Taxonomy
- Rationale for a phased approach to developing South Africa’s Sustainable Finance Taxonomy
- Proposed Governance Mechanism for the Review and Refinement of South Africa’s Green Finance Taxonomy
- Testing the South African Green Finance Taxonomy: Insights from South African financial market practitioners and case studies compendium
- Draft South African Green Finance Taxonomy: June 2021 public consultation comments and responses received analysis

+ subpage on sustainable finance website for updates and resources
+ tailored trainings with key market proponents on request
An essential element has been market trust, and buy-in – white papers, explanation briefs, experiential inputs, etc. all key

1. Consult with stakeholders, understand thematic / specific concerns, challenges and underlying issues
   Ensure feedback mechanisms that acknowledge and (if possible) address concerns (forward planning)

2. Encourage policy development
   Send market signals to bolster confidence
   Develop roadmaps and provide technical assistance to enabling actors

3. Develop pilot projects (combining capacity building and technical assistant) to different types of taxonomy users
   Develop and promote open access knowledge products
Embedding the use of the taxonomy is the next important task: a Theory of Ecosystem Change

**ECOSYSTEM & POLICY REFORM**

- Establish the taxonomic ‘touchpoints’ in existing financial sector oversight mandates, functions and instruments
- A combination of ‘step-lightly’ early stage studies and activities
- A vital market signal
- Work towards integrating to relevant economic and market oversight touchpoints

**ACCTIONS OF INDIVIDUAL ACTORS AND COALITIONS**

- Introductory awareness raising and building understanding
- Technical implementation capacity building in FIs and supporting industries
- ‘As-lived’ experiences vs supported implementation
- Practical user application tools
- Case studies
- Webinars (knowledge, practice, demo)
- A repository of resources

**accelerate learning and adoption rates**

- target policy subsystems, work with enabling actors

- create demonstrations of practical achievability and value, diffuse knowledge
Q&A

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