

## SHORT ARTICLE SERIES

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We do this through awareness and interactive education programmes focused on retirement fund trustee, management committee member; and fund member awareness and education initiatives, such as this short article.



# INVESTMENT OPPORTUNITIES PRESENTED BY THE TRANSITION TO LOW-CARBON ECONOMIES

Despite the growing evidence of increasing environmental, economic and social risks due to climate change, the climate investment opportunity presented at the same time is often overlooked. The transition to low-carbon economies provides South Africa with the opportunity to leverage our sophisticated and deep financial markets to serve as a gateway for climate finance for the rest of the continent, which is currently struggling to access its fair share of climate finance.

## CLIMATE-RELATED OPPORTUNITIES FOR SOUTH AFRICA

Many of South Africa's climate-related opportunities lie within the creation and growth of key climate-resilient sectors in South Africa, such as clean energy, low-carbon transport, smart water, circular economies and smart agriculture. Furthermore, an explicit focus on the financial impact of climate-related opportunities will help companies and investors more easily identify and rate the climate-related opportunities that have the potential to form the basis for new or improved products or services.

Perhaps the biggest opportunity in South Africa lies within its energy sector. The current coal-based energy sector will require significant investment to meet a growing gap in energy demand. South

Africa's energy sector is the largest contributor towards its greenhouse gas (GHG) emissions, accounting for almost 80% of South Africa's GHG emissions. Therefore, as South Africa transitions from coal-based energy to renewable energy, there is a need for substantial investment in the renewable energy sector, in particular solar and wind energy, hydropower, hydrogen and biofuels.

There is also an increasing number of additional opportunities available for the private sector, such as the adoption of new products and service offerings to retrofit existing operations to make them more energy efficient and less emissions intensive, as well as the development of new technologies to enable this transition.

Type	Climate-related opportunities	Potential financial impacts
Resource efficiency	<ul style="list-style-type: none"> <li>Use of more efficient modes of transport</li> <li>Use of more efficient production and distribution processes</li> <li>Use of recycling</li> <li>Move to more efficient buildings</li> <li>Reduced water usage and consumption</li> </ul>	<ul style="list-style-type: none"> <li>Reduced operating costs (e.g., through efficiency gains and cost reductions)</li> <li>Increased production capacity, resulting in increased revenues</li> <li>Increased value of fixed assets (e.g., highly rated energy-efficient buildings)</li> <li>Benefits to workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs</li> </ul>
Energy source	<ul style="list-style-type: none"> <li>Use of lower emission sources of energy</li> <li>Use of supportive policy incentives</li> <li>Use of new technologies</li> <li>Participation in carbon market</li> <li>Shift toward decentralised energy generation</li> </ul>	<ul style="list-style-type: none"> <li>Reduced operational costs (e.g., through use of lowest cost abatement)</li> <li>Reduced exposure to future fossil fuel price increases</li> <li>Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon</li> <li>Returns on investment in low-emission technology</li> <li>Increased capital availability (e.g., as more investors favour lower-emission producers)</li> <li>Reputational benefits resulting in increased demand for goods/services</li> </ul>
Products and services	<ul style="list-style-type: none"> <li>Development and/or expansion of low-emission goods and services</li> <li>Development of climate adaptation and insurance risk solutions</li> <li>Development of new products or services through R&amp;D and innovation</li> <li>Ability to diversify business activities</li> <li>Shift in consumer preferences</li> </ul>	<ul style="list-style-type: none"> <li>Increased revenue through demand for lower-emission products and services</li> <li>Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)</li> <li>Better competitive position to reflect shifting consumer preferences, resulting in increased revenues</li> </ul>
Markets	<ul style="list-style-type: none"> <li>Access to new markets</li> <li>Use of public-sector incentives</li> <li>Access to new assets and locations needing insurance coverage</li> </ul>	<ul style="list-style-type: none"> <li>Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)</li> <li>Increased diversification of financial assets (e.g., green bonds and infrastructure)</li> </ul>
Resilience	<ul style="list-style-type: none"> <li>Participation in renewable energy programmes and adoption of energy-efficient measures</li> <li>Resource substitutes/diversification</li> </ul>	<ul style="list-style-type: none"> <li>Increased market valuation through resilience planning (e.g., infrastructure, land, buildings)</li> <li>Increased reliability of supply chain and ability to operate under various conditions</li> <li>Increased revenue through new products and services related to ensuring resilience</li> </ul>

This article is the first in a series derived from the Special Edition ESG-edu publication, *Climate-related financial disclosure: Aligning South Africa to global best practice*. The publication and short article series is supported by South Africa-UK PACT. You can read and download the full publication, at no cost, here: [Read the publication](#)

### About UK PACT | Supporting transformational climate change projects worldwide

In July 2020 The UK Partnering for Accelerated Climate Transitions programme (UK PACT) launched the South Africa-UK PACT country programme to support action in just transition pathways and a low-carbon economic recovery. For more information on South Africa-UK PACT and the projects being funded in South Africa, visit [www.ukpact.co.uk/country-programme/south-africa](http://www.ukpact.co.uk/country-programme/south-africa)

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