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Africa must be decisive in defining the path to its own sustainable future

With the UN Climate Change Conference of the Parties (COP26) a matter of days away, the global community is very much alive to the sustainability clock and that it is ticking loudly.

In recent years, we have witnessed a huge increase in funds dedicated to sustainability efforts, with stakeholders from governments around the world, investor groups, civil society and NGOs all doubling down on their efforts to strengthen and improve corporate Environmental, Social and Governance (ESG) regulations and their interpretation.

The run-up to this crucial 5th COP after the Paris Agreement's signature in 2015 has underscored the need for increased impetus, from new legislation, policies and regulation, particularly around sustainability and environmental practices. This is evidenced by the real-world impacts climate change is having on our societies and environment and economy - and its ominous accelerating pace.

Already we are seeing many nations and corporates 'walking the walk' with numerous new commitments pledged to coincide with COP26.

Here in South Africa, President Ramaphosa last month pledged to set lower targets for greenhouse gas emissions as part of his drive to decarbonise the country's economy.¹ This follows the Presidential Climate Change Coordinating Commission previously advocating more ambitious plans to achieve zero emissions on a net basis by 2050.

Covid has expedited the need for a different way of investing. Since the origins of the pandemic, there has been a broader step change. With forceful efforts from institutional investors globally on ESG, policy makers and regulators are also more acutely aware than ever of the need to strengthen disclosure requirements to drive real change.

There is now far greater expectation that companies will develop new practices and adapt business models that prioritise ESG dimensions and metrics in what the World Economic Forum has coined, "stakeholder capitalism".

Indeed, institutional investors are increasingly scrutinising ESG disclosures by corporates. According to our latest Resilience Barometer released in September, more than three quarters are looking for more information about ESG strategies and nearly 90 per cent support governments setting targets for corporate non-financial reporting.

The European Union (EU) is widely acknowledged to be leading the world from a policy perspective. While the EU is a champion for the sustainability cause, Africa must also define its part in the sustainability challenge and champion its own goals.

¹ <https://www.sanews.gov.za/south-africa/transition-low-carbon-emissions-economy-%E2%80%98urgent%E2%80%99-%E2%80%93-president-ramaphosa>

We know that Africa has immense obstacles to overcome if it is to positively adapt to the threats of climate change. Many countries across Africa are grappling with very different challenges from an ESG perspective to those of some of our more developed counterparts.

The path to 'reset' requires new funding mechanisms, practices and business models that prioritise ESG policies. During covid, we have seen the rise of alternative vehicles for example, to help fund the rebuilding process post the pandemic for emerging economies so they can start to carve out a path to future economic growth.

As President Ramaphosa highlighted in his weekly newsletter earlier this month, climate change risk threatens South Africa's health, environment and economy. Fundamentally, Africa's ESG journey is inextricably linked to its economic future. But we must act now and for the long-term to address the deeply structural nature of the problems that have to be solved, and for these challenges to be turned into opportunities.

As a continent, the decision regarding the direction of Africa's sustainability journey should support the transition of its emerging economies. This can only be achieved by Africa taking its place within the global ecosystem to use its voice to ensure it is not disadvantaged by broader adoption of principles and frameworks.

Current debate centres on which of the various disclosures should become the dominant benchmark. The creation of a parallel universe of frameworks, with developed and developing markets potentially opting to adopt different ones, risks further delaying and perhaps catastrophically, the necessary global climate action.

As an issue enveloping the entire global community of stakeholders, the solution to climate change should be relevant and implementable globally as well. It is therefore critical that as a continent, Africa does not deviate from the global standard.

Instead, the continent should work collectively with partners, regulators and multi-laterals to influence how countries embark on their path of decarbonisation and set net zero targets that ensure harmonisation with broader global standards.

There are compelling reasons for this. As the global supply chain increasingly extends its way into countries across Africa, the continent cannot afford to be the weakest link as the outlier of net-zero carbon emissions. If it is to cement its inter-continental trade potential and create wealth from lucrative exports, African nations must be aligned with the same standards regarding net zero carbon emissions as the rest of their trading partners.

For much needed foreign investment, universal benchmarks can enhance the ability to attract capital, potentially at a lower price and with financial incentives that can help developing nations adapt to climate change. We are increasingly seeing international, as well as our own financial institutions realign their investment policies away from fossil fuel investments towards cleaner, renewable energy following shareholder activism.

To create the step changes required, new opportunities need to be sourced with the help of innovation. We cannot look at our sustainability journey solely through the lens of the cost or complexity of compliance with the Sustainable Development Goals targets.

The creation of alternative growth areas to ensure affected fossil-fuel powered sectors and their stakeholders can find new opportunities to thrive is critical for Africa to undergo its just energy transition. During the migration towards a low-carbon economic future, we must harness the potential of our investment into alternative industries that build new areas of expertise within the green economy.

Just as we are seeing companies embrace ESG and moving from an agenda of regulatory compliance to one of leadership through innovation that attracts investors and delivers growth opportunities, so countries must focus on the same. These opportunities need to be environmentally and socially sustainable that can extend across all sectors of the economy to create meaningful impact across every stage of the value chain.

Never has the case for sustainable economic growth in Africa been greater – and it is imperative that it is urgently made a reality.

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