

Financing the Future: Unlocking Green Investment for Climate Action

2 October 2025

Webinar Video link: <https://youtu.be/BPNVXRiq8eA>



Six Capitals, part of Alternative Prosperity Group



APH has non-controlling shares in Qube BEE Solutions and DNA Economics

Today's Speakers



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Agenda



1. Introduction to Climate Finance
2. Investors and Instruments: Debt
3. Investors and Instruments: Equity
4. Benefits of Climate Finance
5. Barriers to Sustainable Finance
6. 12L Tax Incentive

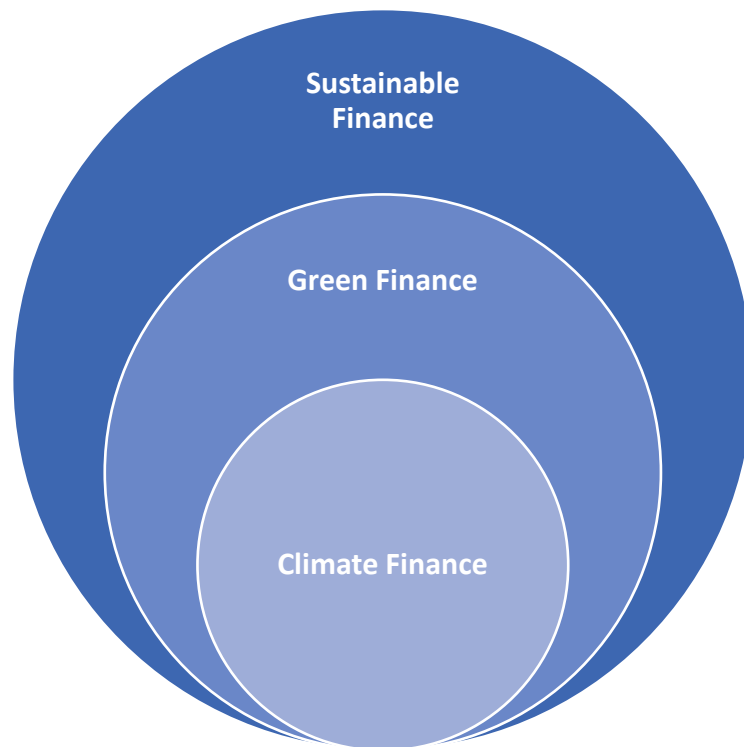
Introduction to Climate Finance

What is Green Finance?

Green finance **directs capital** into projects or activities that **reduce environmental harm or create positive environmental outcomes**, while still **delivering financial returns**.

What is Climate Finance?

Climate finance refers to all **financial flows** (public, private, multilateral sources) that are **directed toward climate change mitigation and adaptation**.



Balancing Green and Financial Objectives

Environmental Benefits



Reduces carbon emissions
(Mitigation)



Builds resilience
(Adaptation)



Supports global goals
(Paris Agreement; SDGs; National Priorities)

Financial Objectives



Competitive returns & risk management

Stable long-term returns, lower risk



Unlocks new industries

Rising demand for green markets



Policy & incentive alignment

Tax and subsidy backing for climate action

Supporting Global Goals

Climate Finance within Global Commitments

Global frameworks for directing investments toward a low-carbon and climate-resilient future.



Paris Agreement

- Limits warming to 1.5-2°C
- Nationally Determined Contributions
- Article 2.1c



UN SDGs

- Global goals adopted by the UN under the 2030 Agenda for Sustainable Development
- Aligns funding with global priorities
- Measures impact and accountability



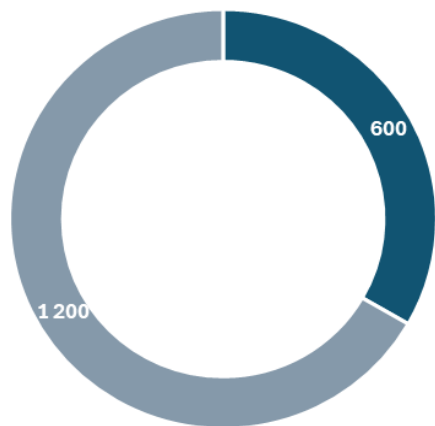


Investors and Instruments

The Current State of Climate Finance

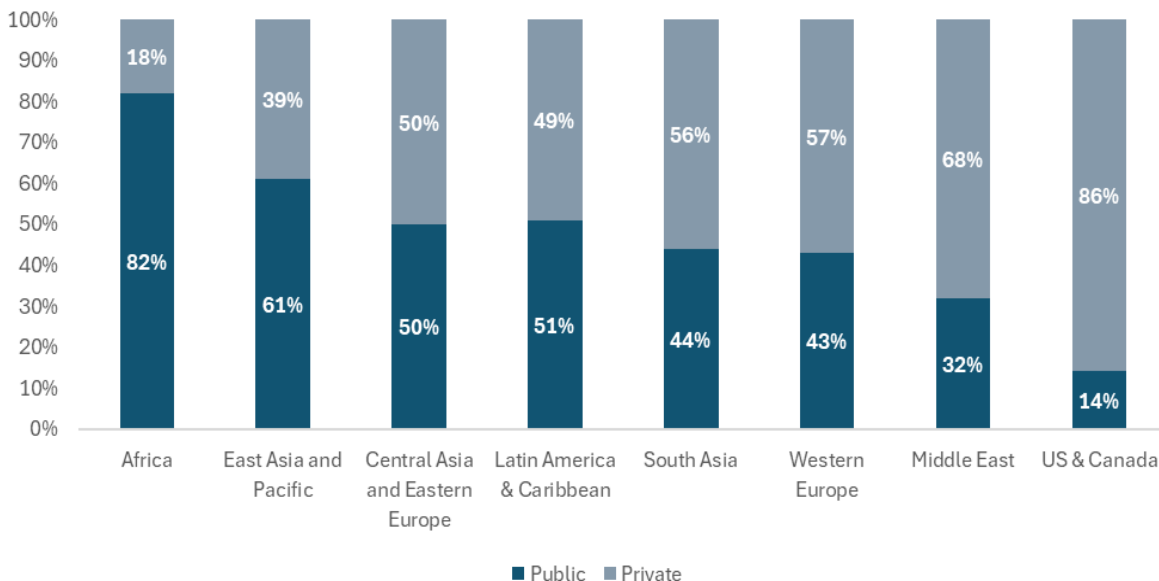
Global climate finance hit a record high of \$1.9 trillion in 2023

Sources of Climate Finance (2023, USD bn)



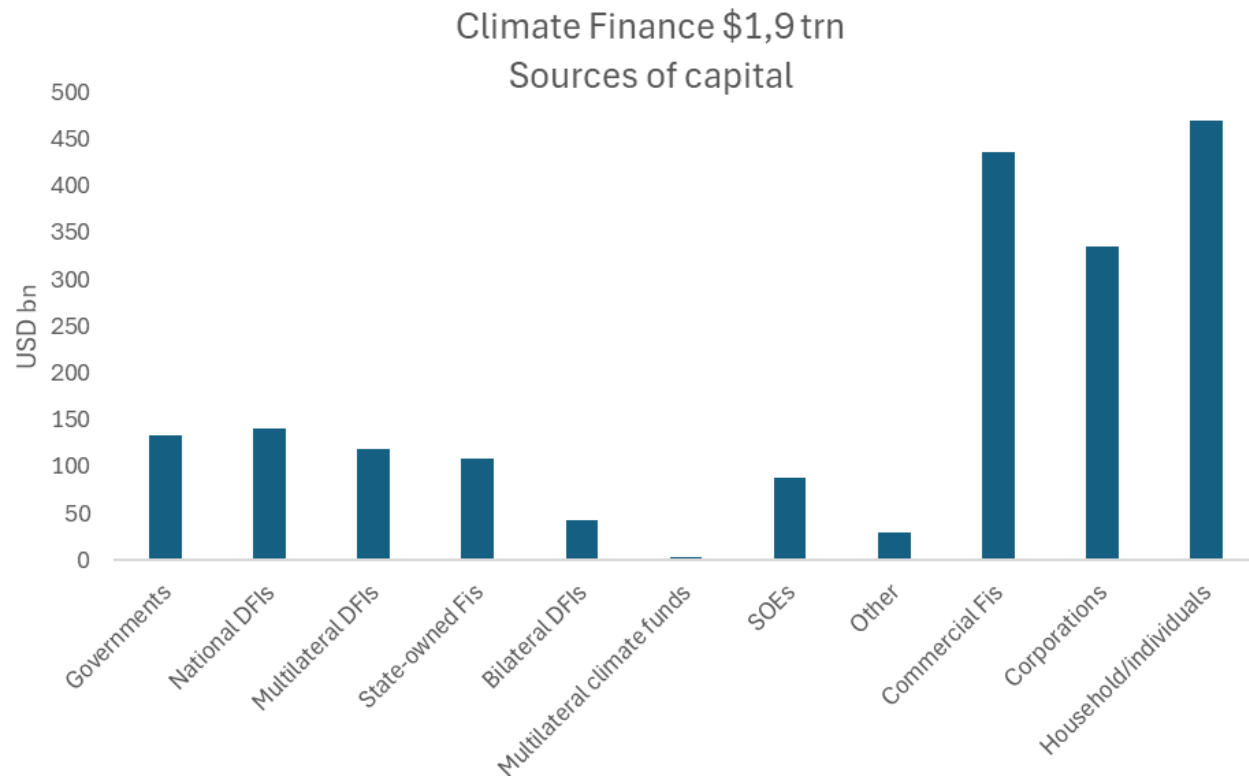
■ Public sources ■ Private sources

Share of Public and Private Finance per Region (2021/2022)



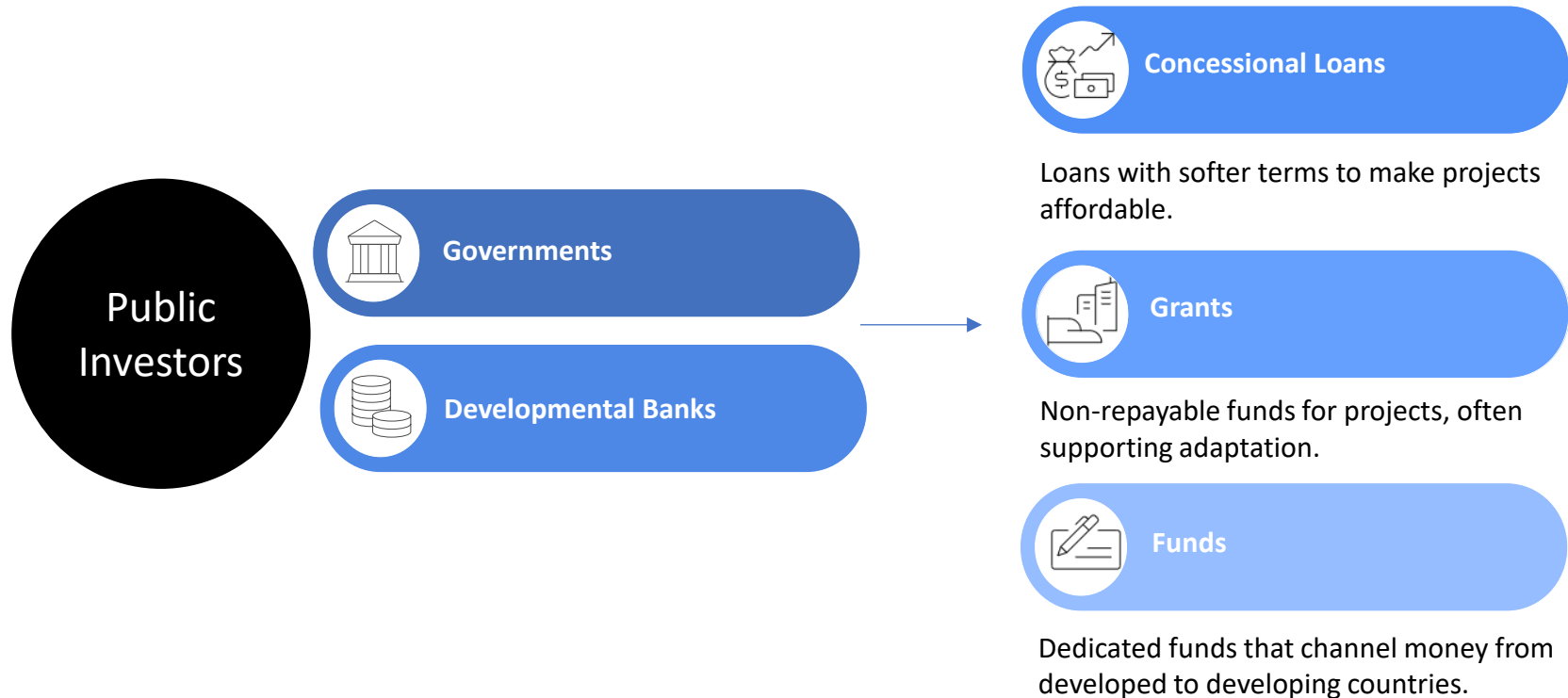
Sources: [IMF; Landscape-of-Climate-Finance-in-Africa-2024.pdf](#); [Climate Policy Initiative: Global Landscape of Climate Finance 2025](#); [World Economic Forum](#)

Sources of Climate Finance



In 2023, **private finance** surpassed **\$1 trillion**, outpacing the growth of public finance.

Climate Finance Sources of Funding: Public Investors



Climate Finance Sources of Funding: Private Investors



Exploring Climate Finance Mechanisms



Bonds

Debt funding used in climate finance to fund green projects.



Equity

Ownership in companies or projects thereby sharing risks and returns.



Blended Finance

Mix of public concessional funds with private capital to de-risk and scale investment.



Carbon Markets

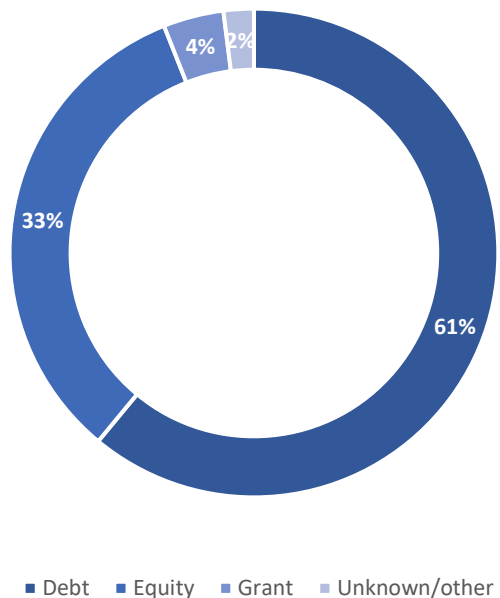
Markets for trading carbon credits to incentivize emission reductions.



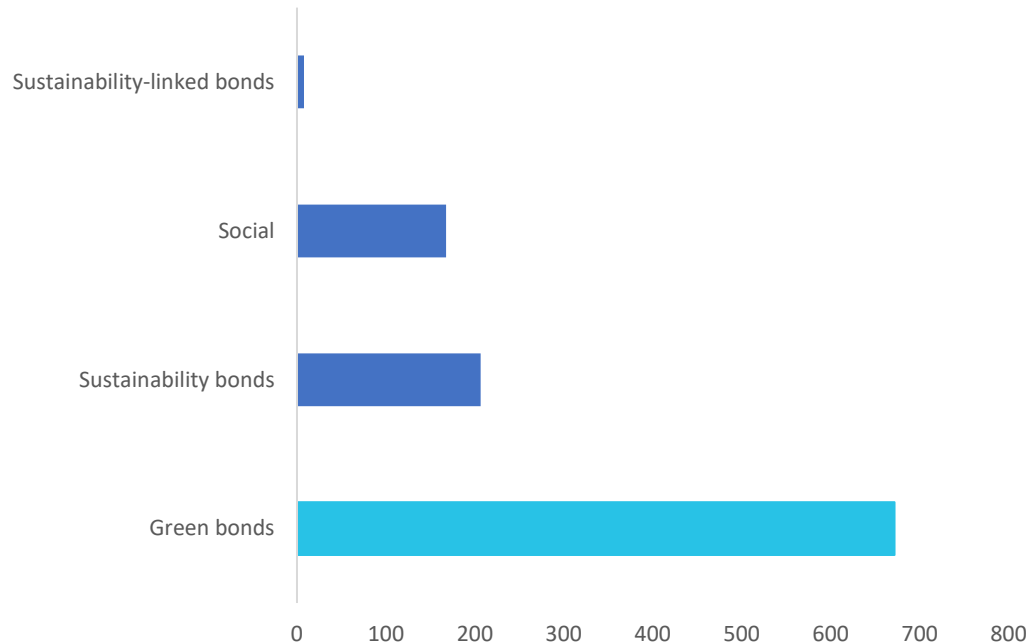
Climate Finance Debt Funding

Climate Finance Debt Funding

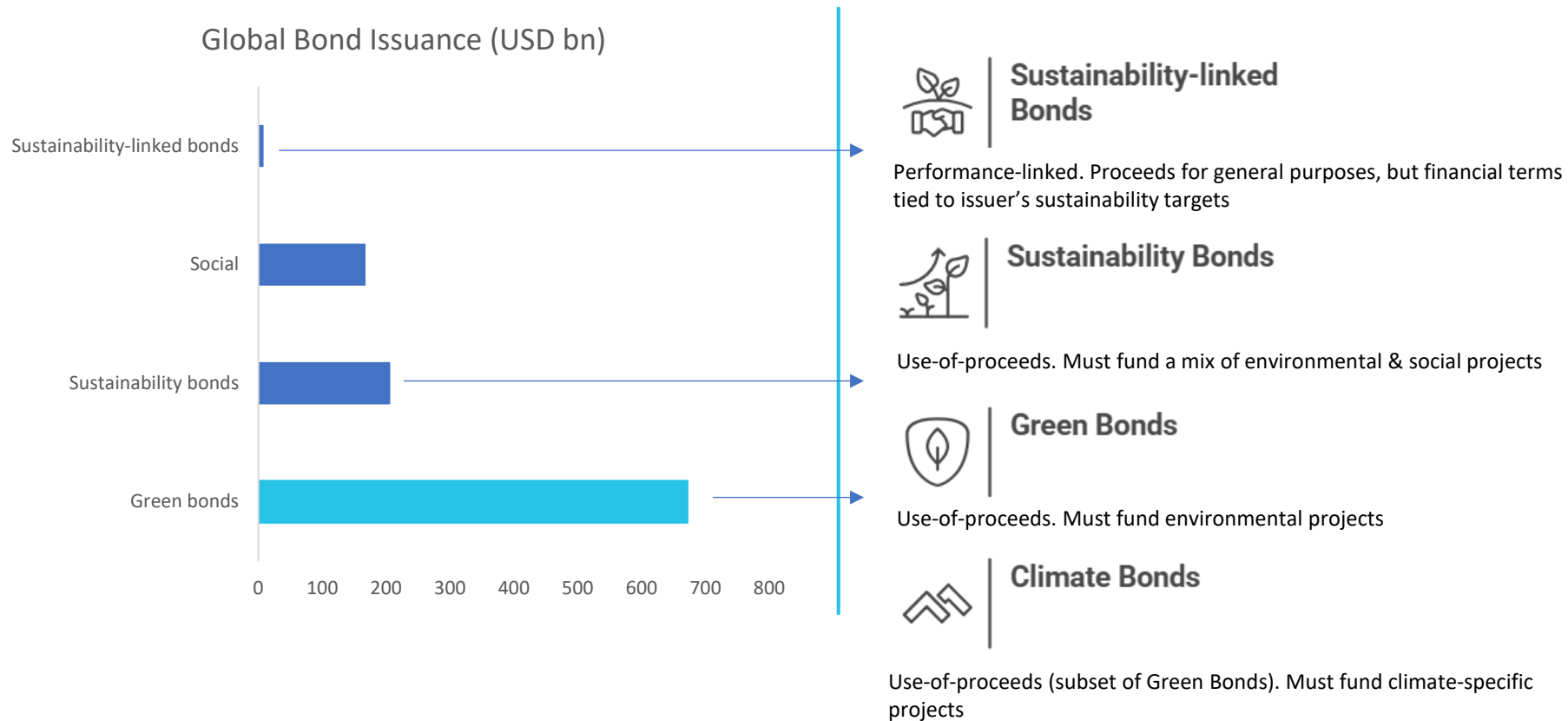
Climate Finance per Instrument (2018-2023)



Global Bond Issuance in 2024 (USD bn)



Climate Finance Debt Funding



Climate Change Mitigation or Adaptation Projects

Climate Mitigation



Renewable Energy

Focus on renewable energy sources to reduce fossil fuel dependence



Energy Efficiency

Becoming more energy efficient thereby reducing emissions and cutting costs.



Sustainable Transport

Low-emission, accessible, and efficient mobility solutions



Forestry & Land Use

Managing forests, agriculture, and ecosystems to reduce emissions, enhance carbon sinks, and protect biodiversity.



Waste Management

Minimizing environmental impact through recycling and reuse



Climate Adaptation



Water Management

Securing and managing water through defences, storage, and treatment systems.



Urban Planning

Making cities liveable under climate stress with resilient design and green spaces



Climate Resilient Infrastructure

Building durable, climate-proof systems to keep transport and power running.

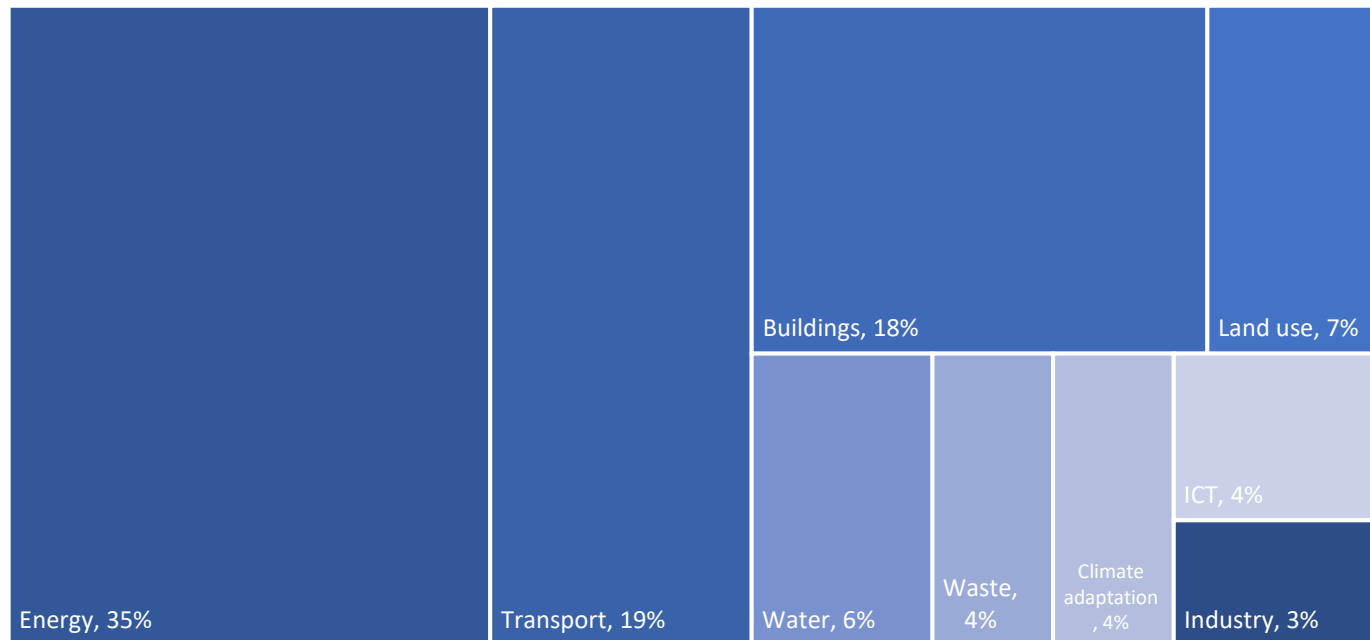


Agriculture & Food Security

Ensuring stable harvests with resilient crops and smarter farming techniques.

Climate Finance Debt Funding per Sector

Green Bond Issuance/Sector





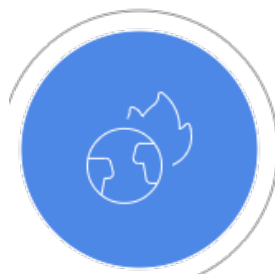
Climate Finance Equity Funding

Climate Finance Equity Finance



Direct Equity

Investors buy shares directly in renewable energy companies, clean tech firms, or climate-focused startups.



Listed Equity

ESG and climate-themed exchange-traded funds, or ETFs, also channel capital from retail and institutional investors.



Private Equity

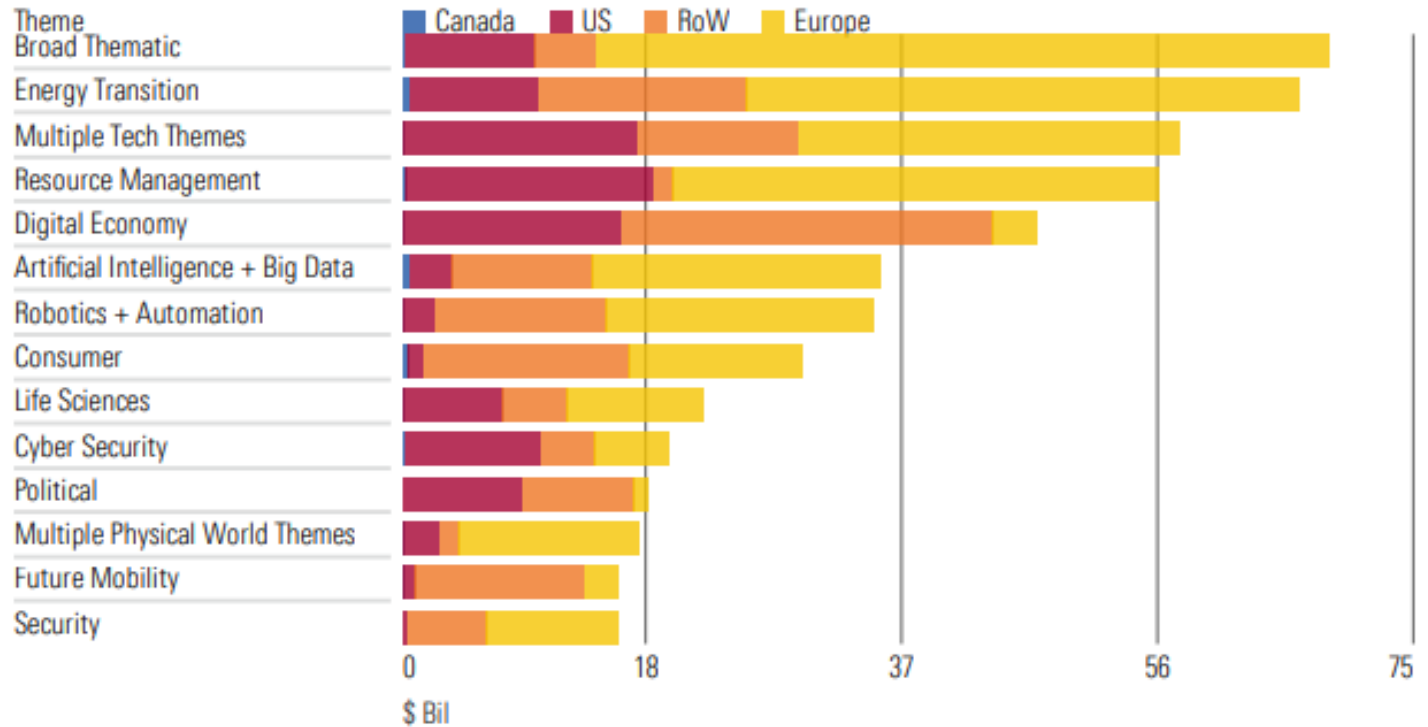
Private equity firms typically back large, scalable renewable energy projects or low-carbon infrastructure.



Blended Finance

Public or concessional investors absorb first losses, reducing risk and attracting private capital.

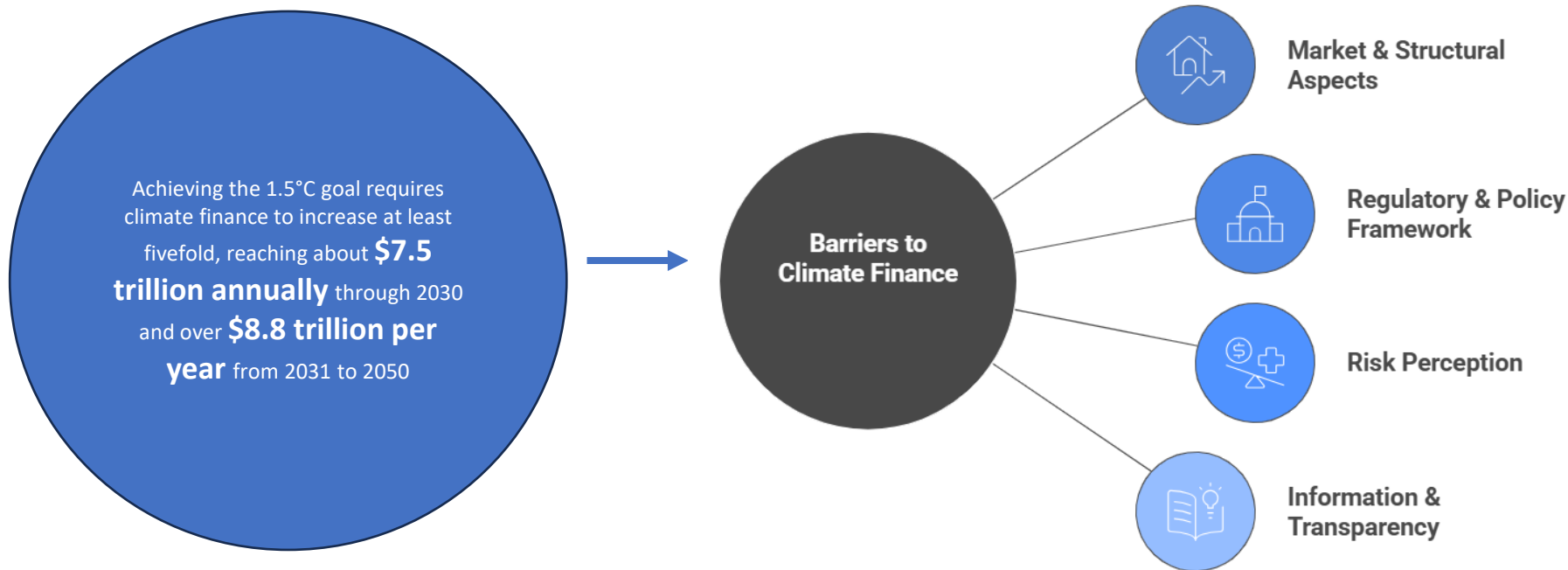
Listed Equity: Thematic Funds by AUM





Barriers & Benefits

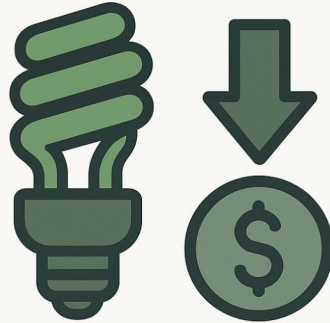
Barriers to Climate Finance



Benefits of Climate Finance



12L TAX INCENTIVE



Background

The Section 12L tax incentive was introduced in South Africa through the **Income Tax Act** as part of the country's broader commitment to energy efficiency, emissions reduction, and sustainable economic growth.

**National Energy
Efficiency Strategy**

**National Climate
Change Goals**

**Energy Security
Goals**

Key Drivers

- Energy security concerns
- Climate Change commitments
- Economic competitiveness
- Investment mobilisation

Not just about tax relief

- driving **behavioural change**
- encouraging a shift towards **sustainable, efficient, and low-carbon operations**
- benefit the economy, the environment, and energy security.

12L Tax Incentive

- Section 12L tax incentive is a South African government scheme that allows businesses to claim a tax deduction based on verified energy-efficiency savings, helping reduce both energy costs and carbon emissions
- The 12 L tax incentive offers tax reductions for energy efficiency in order to combat climate change and address South Africa's energy supply security.
- It is an opportunity for businesses to increase profits through reduced energy costs and tax reductions
- The incentive is available to any profitable commercial business or trading entity.
- Applies to all sectors (industrial, commercial, agriculture, mining, manufacturing etc.)
- No limits to the number of claims or the sizes of individual claims.

**Turning Energy
Efficiency into
Profits**



Profitable organisations can claim a reduction on their year-end taxable income from the South African Revenue Service (SARS), based on verified energy saved savings during a specific tax year.

12L Tax Incentive

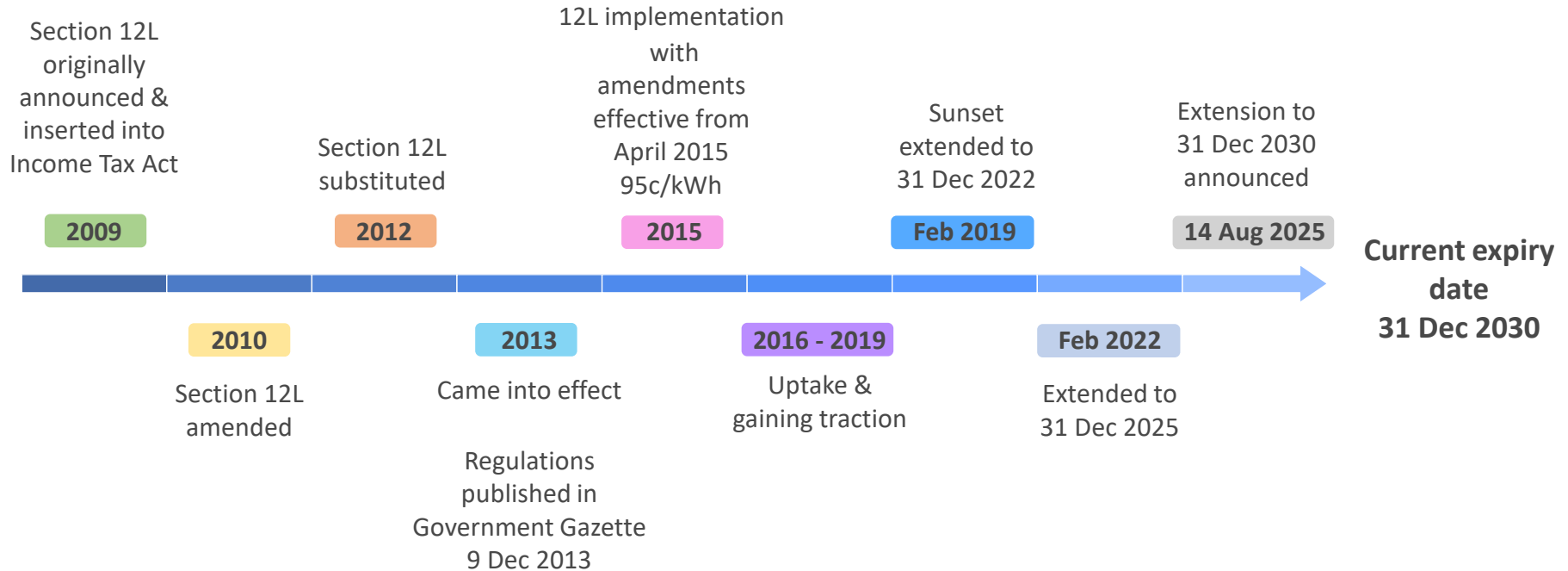
- The tax deduction is calculated at 95 cents per kilowatt hour or kilowatt hour equivalent energy saved



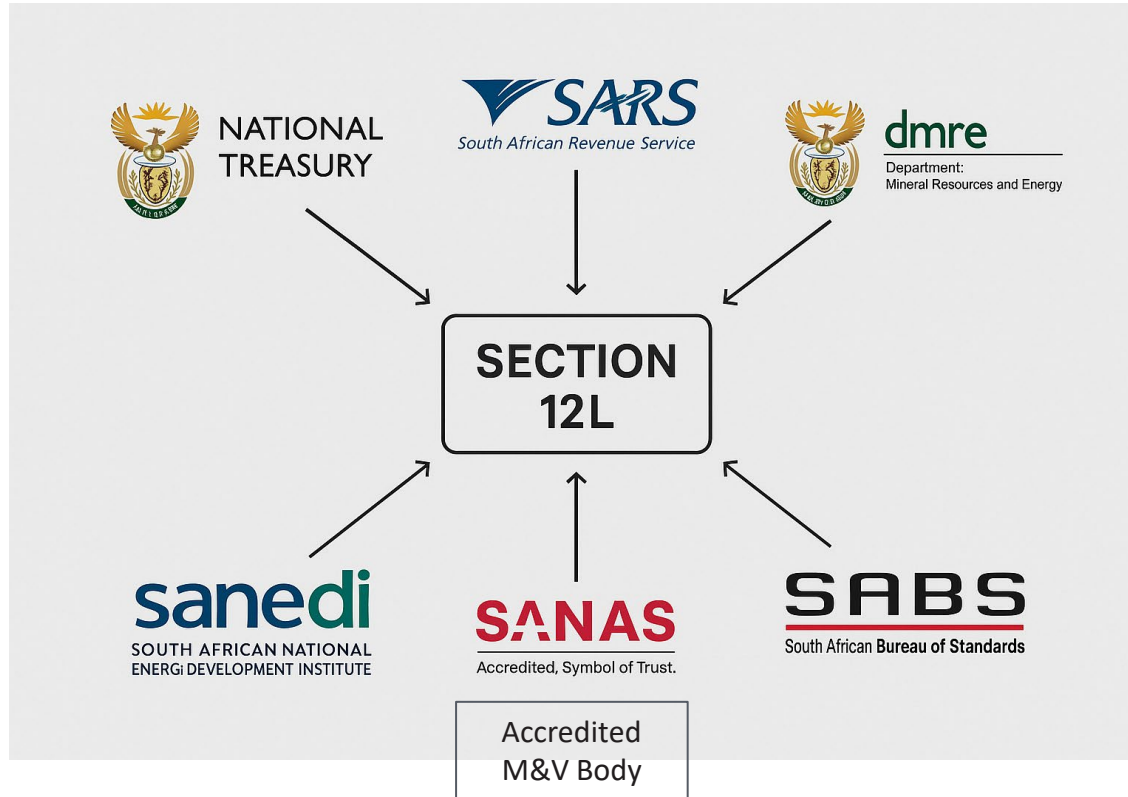
Difference between actual energy used during an activity and the energy that would have been used if the energy-saving measure had not been implemented

- Projects that result in the same production volumes but using less energy
- Projects that result in higher production volumes (more product being produced) while using the same amount of energy (i.e. increased product yield per unit of energy)
- The incentive applies to a consecutive 12 months period of verified energy savings

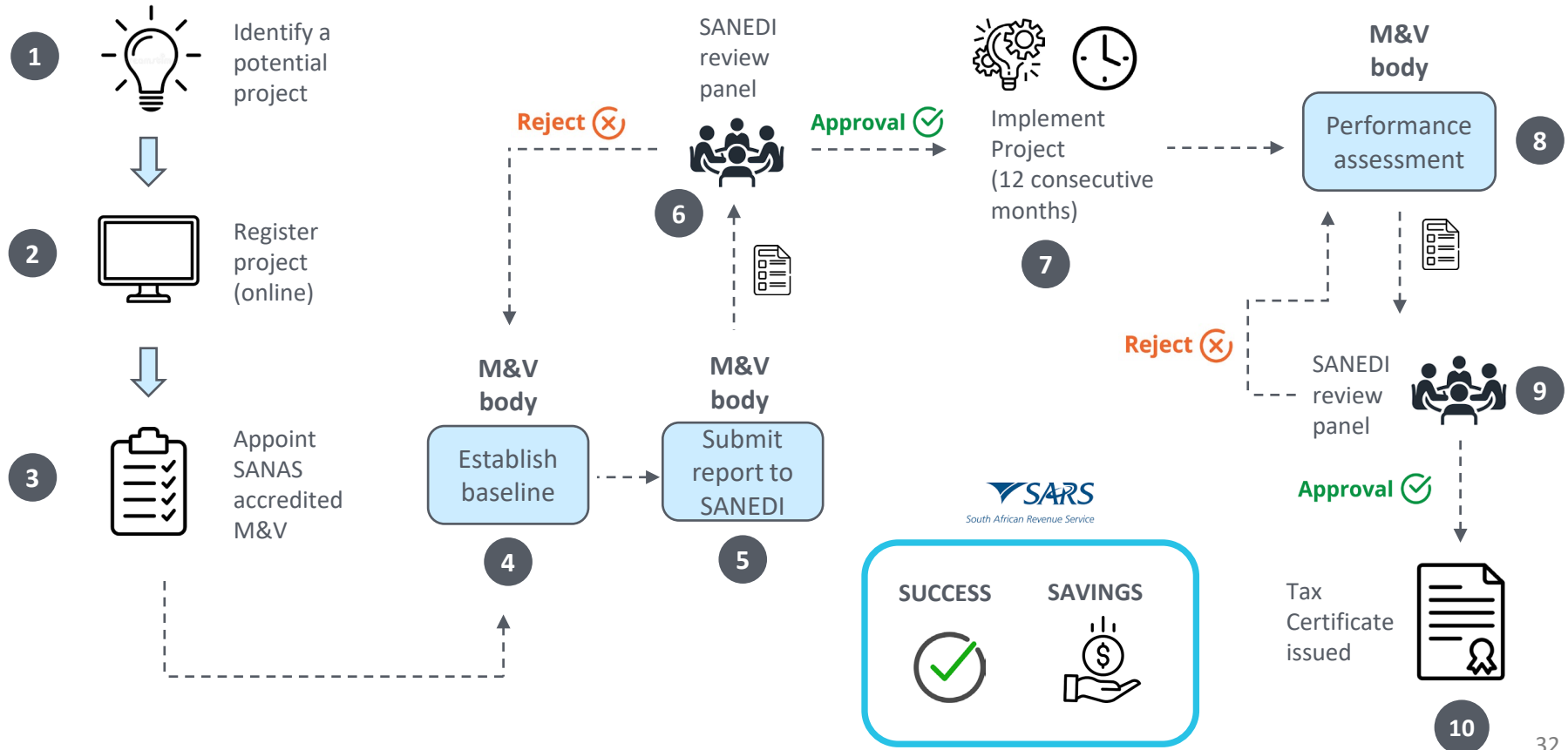
Evolution of Section 12L Tax Incentive



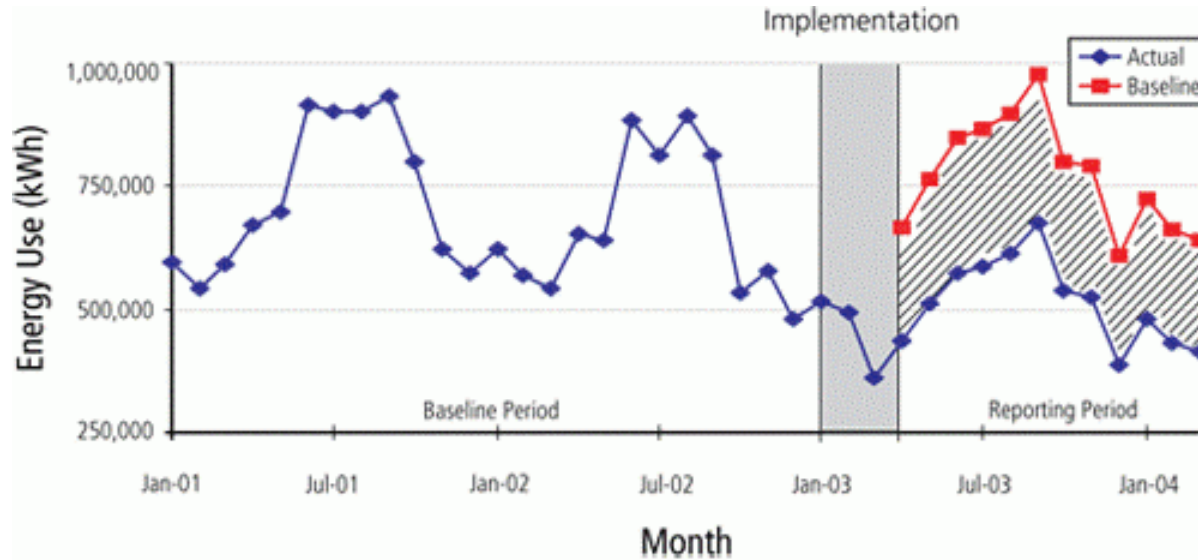
Governing Bodies & Role Players



Process Steps



Energy Savings



BASELINE

Identify Energy Saving Measure

Determine M&V Boundary

Determine M&V Period

Gather Data

Develop Baseline

Sign-off from a SANAS-accredited M&V Body

Submit to SANEDI for Approval

Implement Energy Saving Measure

PERFORMANCE ASSESSMENT

Install Measurement Equipment

Measure & Monitor (12 months)

Gather Data

Determine Energy Savings against Baseline

Draft Performance Assessment Report

Sign-off from a SANAS-accredited M&V Body

Submit to SANEDI for Approval

Example of 12L Savings

Business as Usual

Business annual net profit: R 2000 000

Marginal tax rate: 28 %

Tax payable:

$R\ 2000\ 000 \times 28\% = R\ 560\ 000$



Energy Savings

Verified energy savings: 1 000 000 kWh

Incentive rate: R 0.95 per kWh

Tax incentive amount: R 950 000

12L Tax Incentive

Business annual net profit: R 2000 000

Tax incentive amount: R 950 000

Tax payable:

$(R\ 2000\ 000 - R950\ 000) \times 28\% = R\ 294\ 000$

Money saved with 12L:

$R\ 560\ 000 - R294\ 000 = R266\ 000$

Total Savings:

$R266\ 000 + \text{money saved on energy bills during}$



Projects that Qualify

Projects that qualify for the 12L incentive include:

- **Greenfield projects**, where baselines are established using industry comparatives
- **Energy conversion efficiency improvements**
- **Green building projects** that aim for net zero certification levels
- **Energy conservation projects** that maintain the same output levels
- **Route optimisation projects** for the Logistics and Transport Industry, including aviation
- **Waste heat recovery** and underutilised energy use from industrial processes
- **Co-generation projects** with high energy conversion efficiency



Projects that Don't Qualify

Projects that qualify for the 12L incentive include:

- Renewable energy projects are **generally excluded** unless they meet specific conditions. For example, **Captive Power Plants (CPPs)** can qualify only if they demonstrate an energy conversion efficiency **above 35%** for the assessment year.
- Projects with insufficient or unverifiable baseline data.
- Interventions that reduce output or compromise efficiency.



Considerations



Return on Investment

ROI after accounting for M&V and implementation costs.

1



Timeline

Timeline required to complete verification, certification, and secure the tax benefit.

2



Technical Capacity

Technical capacity to maintain consistent and verifiable energy savings over time.

3

Benefits of 12L

Financial



- Tax Saving
- Improves ROI
- Free up capital, improved cash flow

Operational



- Lower energy bills
- Reduced production cost

Environmental



- Reduced carbon footprint
- ESG reporting and sustainability targets

Strategic



- Improve competitiveness
- Aligns with national CC commitments
- Corporate reputation



Challenges & Best Practices

Challenges



- Complexity of M&V requirements
- Costs of audit and verification
- Limited awareness

Best Practices



- Early planning
- Reputable M&V specialists
- Tax alignment

Projects

Total number of Projects

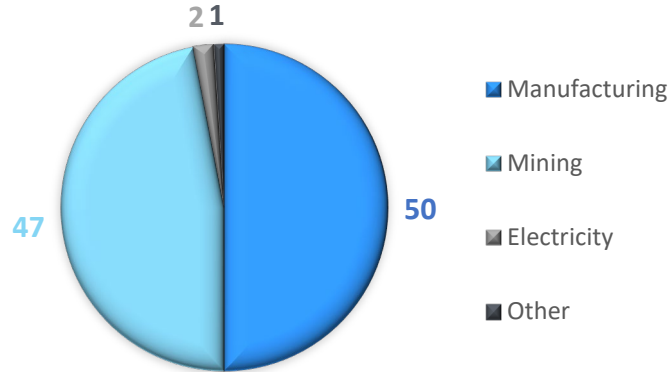
386 projects

Claimed Energy Savings

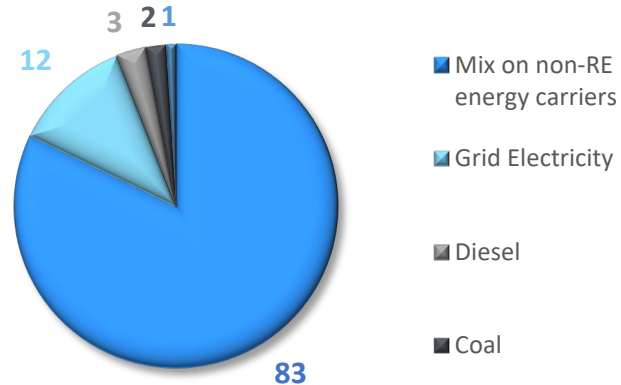
34 540 (GWh)

Claimed Tax Amount

R 29.3 billion



Sector Savings



Carrier Savings

Woolworths Holdings Ltd: 12L Energy Efficiency Project



WOOLWORTHS

Interventions:

- Rolled out clear acrylic door refrigeration equipment to further improve cold chain and reduce energy consumption.
- Improved reporting systems to ensure accurate measuring and monitoring of energy across all their facilities.
- Invested in energy savings solutions for HVAC and refrigeration such as VSD's, electronic expansion valves.
- Made use of more environmentally friendly natural gas (CO₂) as a refrigerant.
- Used recycled waste heat from refrigeration plant to provide underfloor heating.
- Used Automated Load Controls to enable scheduling of lights, air-conditioning.
- Upgraded lighting to more efficient technologies (LED).
- Designed stores to make use of natural lighting whenever possible.
- Rolled out online remote monitoring of electricity & water consumption across all facilities.
- Continued energy management training for store personnel.

Challenges:

- Number and modelling of locations included in the assessment.

Approach:

- Electricity is the only energy source relevant to this intervention
- Meter readings and invoices to measure electricity consumption against ambient temperature.
- All stores were sorted into climate regions and baseline models developed using weather data.
- Models were evaluated and sites with unsuitable models were excluded.
- Non-routine adjustments were performed to account for changes in location size.

Key Achievements



10% savings since
FY15 as per M&V

Reduction in energy
consumption



20 524 736 kWh
since FY15

Energy saved



±R35M worth of
electricity saved
since 2015

Money saved



19 293 tonnes CO₂
(Scope 2)

GHG Mitigated



R100M+ estimated
investment cost

Investment made

Case Studies

Ngqura Brick (Pty) Ltd trading as Algoa Brick: 12L Energy Efficiency Project

The Algoa Brick facility situated in Port Elizabeth manufactures and supplies clay fired bricks to the Nelson Mandela Bay Metro and the greater Eastern Cape. The facility comprises two primary manufacturing plants – Plant 1 and Plant 2 – that include tunnel dryers and tunnel kilns. The facility produces an array of clay masonry and face bricks.

Energy Savings Measures (ESMs)

- Burner System Upgrade
- VSD Technology and Exhaust Fan
- Waste Heat Recovery



Key Achievements



10.33 %

Reduction in energy consumption



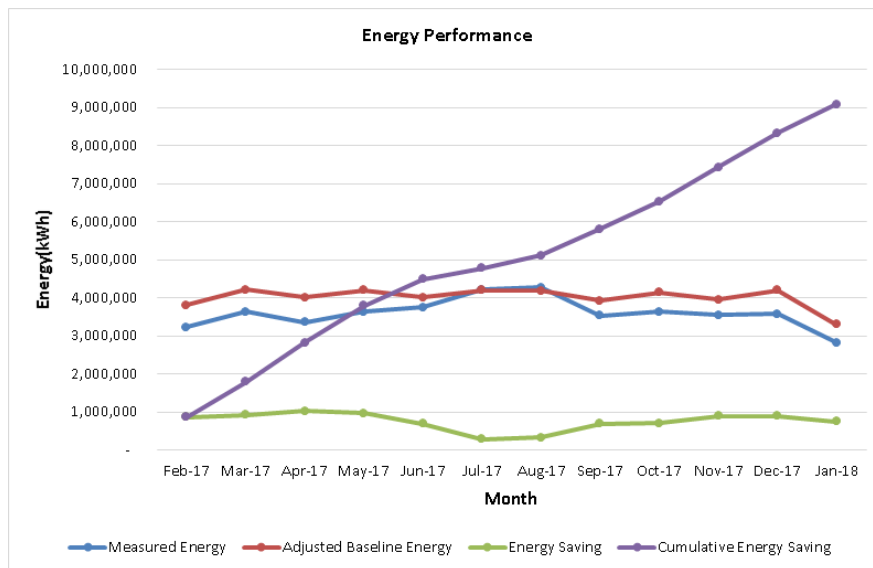
9 084 870
kWh

Energy saved



1506
tCO₂e

GHG Mitigated



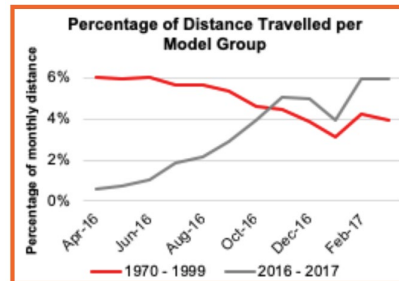
Golden Arrow Bus Services (Pty) Ltd: 12L Energy Efficiency Project

Golden Arrow Bus Services (Pty) Ltd (GABS) is a scheduled passenger transport operator in the City of Cape Town. It owns and operates a large fleet of buses. It currently operates in excess of 1 000 buses during peak hours, serving 1 300 routes. GABS has **focused on improving the fuel efficiency of its bus fleet**. GABS **continuously introduces new, more fuel-efficient buses** to its fleet.

The **modern buses are used more frequently than the older, less-efficient buses** that are still in the fleet. GABS has also focused on **increasing fuel efficiency by optimising maintenance practices and conducting driver training**. An example of the modern buses used by GABS are MAN LION EXPLORER buses which have D08 and D20 common rail engines which increase fuel efficiency. The **modern buses have optimised designs that use lightweight components to reduce fuel consumption per kilometre and also have optimised passenger carrying capacity**.

Whole Facility Method.

The Performance assessment period was from 01 April 2016 to 31 March 2017, and the performance of the entire fleet before the intervention was compared to the performance of the fleet after the intervention.



Key Achievements



2.5 %

Reduction in energy consumption



6 767 153
kWh equivalent

Energy saved
(Using the Calorific Value of 38.1 MJ/l)



R1 800 063
million

Money saved



2 014
tCO₂e

GHG Mitigated

Other Tax Incentives: 11D, 12B, 12BA

Section 11D – Research & Development (R&D) Tax Incentive



Purpose

Encourages investment in scientific and technological R&D



Benefits

Offers a 150% tax deduction on qualifying R&D expenditure



Qualifying Activities

Includes systematic, investigative, or experimental R&D



Process

Involves application, evaluation, and approval by DSI and SARS



Oversight

Managed by DSI, SARS, and National Treasury

Section 12B: Allows accelerated depreciation on renewable energy assets like solar, wind, and biomass.

Section 12BA: Provided a temporary 125% upfront deduction for renewable energy projects. (2023–2025).



Other Tax Incentives: 11D, 12B, 12BA

Section	Focus Area	Type of Incentive	What Qualifies	Exclusions / Limits	Typical Beneficiaries
11D	Research & Development	Tax Deduction (150%) for approved R&D	Expenditure on scientific/technological R&D aimed at creating new knowledge, processes, or products	Routine testing, quality control, market research, social sciences, exploration, IP protection costs	Companies doing innovation-driven R&D (manufacturing, pharma, software, engineering)
12B	Renewable Energy & Energy Efficiency	Accelerated Depreciation (write-off over 3 years)	Capital costs of renewable energy generation assets (solar, wind, hydropower ≤30MW, biomass, etc.)	Non-renewable equipment, costs not linked to generation, operating costs	Businesses installing renewable generation plants
12BA	Enhanced Renewable Energy (fast-tracked)	100% depreciation in year 1 (introduced 2023 as part of “bounce-back” measures)	Solar PV projects (no size cap under emergency rules), energy generation assets put into use between 1 March 2023 – 28 Feb 2025	Only assets brought into use in the qualifying period; excludes OPEX	Businesses, especially large corporates fast-tracking solar installations

Conclusion

12L turns energy efficiency into both a **financial advantage** and a **strategic driver of growth and resilience**

Turning Energy
Efficiency into
Profits



Thank you



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