Should South African Businesses Transition to a Low-Carbon Future?

For South African businesses, going low-carbon is no longer a nice-to-have tucked away in the sustainability department. It is becoming a question of competitiveness, resilience and, quite simply, staying in business.

Climate change is already affecting the conditions in which companies operate. Extreme weather can damage infrastructure and disrupt supply chains, while energy constraints, water scarcity and changing international trade requirements are adding pressure from several directions.

So, should South African businesses transition to a low-carbon future? The bigger question may be: can they afford not to?

Climate risk is already a business risk

A business does not have to be located next to a flood-prone river or depend entirely on coal to feel the effects of climate change.

Extreme heat, droughts, floods, storms and water shortages can affect buildings, transport networks, production, agriculture and supply chains. These are known as physical climate risks, and they can translate into very real financial consequences.

A damaged facility can mean costly repairs. A disrupted supply chain can mean delayed orders. Water shortages can affect production. More frequent extreme weather events can also increase insurance costs or make cover harder to secure.

South African businesses are therefore increasingly having to think beyond short-term operational risks and ask whether their assets and supply chains are resilient enough for a changing climate.

The global market is changing too

There is another reason businesses need to pay attention: South Africa does not operate in an economic bubble.

International customers, investors and supply-chain partners are increasingly assessing the environmental impact of the products and services they buy. For exporters, this can create additional pressure to understand and reduce the emissions associated with production.

The European Union's Carbon Border Adjustment Mechanism (CBAM) is one example. The mechanism places a carbon price on certain carbon-intensive goods entering the EU, making emissions an increasingly important consideration in international trade.

For South African companies competing in global markets, understanding their carbon footprint is therefore becoming part of understanding their commercial future.

But transition comes with real challenges

South Africa's transition cannot simply copy the approach of wealthier economies. The country remains heavily reliant on fossil fuels, while businesses are already dealing with infrastructure constraints, high operating costs, energy challenges and pressure to create jobs.

A rapid transition that ignores these realities could create high economic and social costs. That is why the idea of a **just transition** matters. The goal is not simply to reduce emissions. It is to build a lower-carbon economy while considering workers, communities, livelihoods, affordability and economic development.

For businesses, this means climate strategies should be practical and commercially grounded rather than treated as a box-ticking exercise.

Turning the challenge into an opportunity

The low-carbon transition can also open doors for South African businesses. Renewable energy is an obvious opportunity, but it is far from the only one. Companies can invest in energy efficiency, cleaner technologies, water-saving solutions, circular economy models and climate-resilient infrastructure.

There are also opportunities linked to South Africa's mineral resources. Minerals such as platinum, manganese and other critical minerals have potential applications in technologies supporting the global energy transition.

Businesses that develop the skills, technology and infrastructure required by these emerging markets could position themselves for new sources of growth.

Four ways businesses can get moving

1. Make resilience part of business planning

Businesses should identify where climate risks could affect their facilities, people, suppliers and customers, then build appropriate measures into investment and operational decisions.

2. Improve energy and resource efficiency

Reducing electricity, fuel and water consumption can cut emissions while also lowering operating costs. In many cases, the business case for efficiency can be just as compelling as the environmental one.

3. Invest in innovation and skills

The transition will require new technologies and people with the skills to implement them. Businesses can support research, develop internal capabilities and prepare employees for emerging green industries.

4. Work together

No company can solve the climate challenge alone. Partnerships between businesses, government, investors, researchers and communities can help unlock infrastructure, finance, skills and innovation at a scale that individual organisations may struggle to achieve.

The business case for moving early

Waiting for every climate-related regulation, market shift or physical risk to arrive before taking action can leave businesses scrambling to catch up. A proactive approach gives companies more time to understand their exposure, identify opportunities, improve efficiency and prepare for changing customer and investor expectations.

It can also strengthen resilience. A company with diversified energy sources, efficient operations, climate-aware supply chains and a clear transition strategy may be better positioned to navigate disruption than one reacting to each challenge as it arrives.

Conclusion

South Africa's low-carbon transition will not be simple, cheap or overnight. But that does not make it optional. For businesses, the transition presents a balancing act: reducing environmental impact while protecting jobs, managing costs, remaining competitive and creating opportunities for growth.

The winners may not necessarily be the businesses that become "perfectly green" first. They may be the ones that understand where climate change intersects with their strategy, identify the risks and opportunities, and start making smarter decisions today. To understand how ESG can support compliance, strengthen resilience and create long-term business value, visit Six Capitals and explore its ESG advisory services.