



# CENTRE *of* EXCELLENCE *in* FINANCIAL SERVICES

## Directed Risk Research Programme

### DIRECTED RESEARCH PROBLEM STATEMENT

<b>Research Theme</b>	Sustainable Finance	<b>Problem Nr.</b>	PS21009
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- 1. Project Title:** The Role of the Financial Services Sector in Resolving the Energy Crisis
- 2. Project Goal:** To explore ways in which the financial services sector can contribute to resolution of South Africa's energy crisis
- 3. Higher level description of problem:** South Africa is in the midst of an energy crisis, with existing infrastructure insufficient to meet growing energy demand and supply problems exacerbated by degradation. This energy crisis is decades old, but its effects came to the fore in 2007 with the introduction of rotational load shedding. The energy crisis has affected every South African household and business, as well as cross border trade and international investment. In 2019, the CSIR estimated that between R59-billion and R118-billion was lost to load shedding, with each day of power interruptions costing the economy R1-billion. On the back of this, the World Bank cut its growth forecast for South Africa to below 1%, and the South African Reserve Bank put the estimated job losses as a direct result of the energy crisis north of 100 000.

Part of the problem is the sheer scale of the challenge. Myriad variables combined with legacy issues and other historical burdens that come with old energy systems and the growing demand on the grid mean that a human approach and blanket suggestions to build more infrastructure aren't sufficient.

Financial services organisations are well-positioned to contribute to resolution of the energy crisis through, for example, driving strategies that support funding of renewable energy solutions. The risk of renewable energy investment is, however, poorly understood, limiting the appetite of these organisations to get involved.

4. **Project objectives:** To suggest ways in which the financial services sector can contribute to resolution of South Africa's energy crisis, through considering global trends in energy management and renewable energy finance as well as existing local initiatives and emerging technologies.
5. **Outputs required:** A research report providing recommendations for ways in which the financial services sector can contribute to resolution of South Africa's energy crisis.
6. **Funding for project:** Project funding can be discussed on a case by case basis with input from the relevant academic institution and would be dependent on the level of research to be conducted.
7. **Strategic value to directed risk research:** Contribution to resolution of South Africa's energy crisis would positively impact the entire South African economy.

