

Sanlam Investments backs South Africa's green hydrogen strategy

Sanlam Investments applauds the historic UAE Consensus made at COP28, marking the first collective recognition for transitioning away from fossil fuels.



Source: 123RF.

It also endorses the call for a just and equitable transition and supports the petition to accelerate the adoption of renewable energy, including the swift expansion of viable and cost-effective zero-carbon alternatives like green hydrogen and its derivatives.

This follows the recent approval of the country's Green Hydrogen Commercialisation Strategy (GHCS) made in the last quarter of 2023 by the South African cabinet.

The GHCS outlines a strategic vision to position South Africa as a significant producer, user, and exporter of green hydrogen and provides the framework for the government to support and promote the country's green hydrogen sector and ambitions.

Minister in the presidency, Khumbudzo Ntshavheni, affirmed the government's commitment, stating, "Government has identified potential funding for green hydrogen projects, with the draft Green Paper receiving extensive stakeholder feedback".

Aligned with the Hydrogen Society Roadmap developed by the Department of Science and Innovation, approved by the Cabinet in 2021, this strategy holds immense potential. The government estimates that by 2050, the hydrogen economy could contribute 3.6% to the gross domestic product and generate 370,000 jobs.

Green hydrogen is produced using environmentally friendly methods that split water into hydrogen and oxygen. Its clean energy carriers and derivative products are becoming increasingly important in assisting sectors that cannot decarbonise directly using renewable electricity, such as steel, petrochemicals, fertilisers, cement, and long-haul land-, sea-, and air transportation.



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Carl Roothman, chief executive officer at Sanlam Investments said that the approval of GHCS by Cabinet gives further credence to the recently announced SA-H2 Fund - an investment vehicle aimed at expediting the development of South Africa's green hydrogen sector and circular economy.

The fund is supported by Climate Fund Managers (CFM), Invest International BV (II) of the Netherlands, the Sanlam Group of South Africa (Sanlam), the Development Bank of Southern Africa (DBSA), and the Industrial Development Corporation of South Africa (IDC).

Unlocking \$1bn

The SA-H2 Fund initiative will aim to secure \$1bn in 'blended finance' funding for projects to help meet the surging local and global demand for green hydrogen and derivative products that will aid in stimulating economies and addressing climate change.

Blended finance is viewed as a critical financing tool and architecture supporting the development of the green hydrogen sector in South Africa.

Andrew Johnstone, co-founder of CFM says, "As the green hydrogen industry emerges in South Africa, an opportunity exists to support the country's Just Transition, fostering resilience and sustainability in existing fossil fuel-driven sectors while cultivating new value chains for growth, development, and employment. CFM has launched similar large-scale blended finance vehicles with great success to date."

The significance of a green hydrogen commercialisation strategy reverberates across crucial domains: securing early global-market positioning, establishing domestic markets in hard-to-abate sectors, fostering mobility applications, attracting foreign direct investment and low-cost green finance, maximising economic and socio-economic development benefits, enabling a conducive policy and regulatory framework for sustained long-term growth, technological innovation, skills development, environmental and health benefits, and ensuring a just transition.



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Roothman says, "The approval of the GHCS marks a significant milestone for South Africa, as it confirms the government's strong backing of the green hydrogen sector.

"Having the DBSA, IDC, and Sanlam as local partners in the SA-H2 Fund underlines the belief that significant public/private

sector stakeholders have in the future of green hydrogen in the country and the role that blended finance will fulfill.

“As observed at the recent COP28 event in Dubai, green hydrogen partnerships will play a pivotal role in the success of this sector, and as we conclude 2023, Sanlam Investments remains committed to monitoring all green hydrogen developments in 2024,” Roothman concludes.

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