



SOUTH AFRICAN RESERVE BANK

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at the South African Reserve Bank- Network for Greening the Financial System
(NGFS) Research Conference
at the South African Reserve Bank Head Office Campus, Pretoria**

11 March 2026

**Opening remarks: Building climate resilience amid structural shocks and
policy divergence**

It is a pleasure to welcome you to the South African Reserve Bank for the third day of the NGFS Annual Plenary. We are joined by NGFS members, government policymakers, financial sector experts and academics.

The NGFS has remained steadfast over the past year in its mission to help central banks and financial regulators navigate the complexities of climate and nature-related risks. Our collective efforts have yielded significant milestones, including a comprehensive Group of Twenty (G20) report on integrating adaptation considerations into transition plans and the launch of our first suite of short-term scenarios. Furthermore, we have expanded our technical resources with the second edition of the *Guide on Climate Scenario Analysis for Central Banks and Supervisors* and underscored the urgency of our work at the 30th United Nations Climate Change Conference (COP30) with the *Declaration on the Economic Cost of Climate Inaction*.

While central banks continue to recognise the importance of tackling climate change and nature degradation, the global conversation surrounding climate policy has

become uncomfortably quiet. As environmental risks have surged over the past 12 months, mitigation efforts have waned. This trend is most evident in the political policy discourse, where climate change has notably slipped off the priority list.

A call for urgency

This growing sense of complacency overlooks a crucial lesson from both crisis management and healthcare: the opportunity for effective intervention narrows significantly as issues advance. Roof leaks left unattended can result in a total collapse of the roof. A tiny spot of mould can spread through all the walls of your home. Of course, one can ignore food allergies and manage them with antihistamine, or train with an injury by taking painkillers. All these examples have financial, lifestyle and health implications. But two of the examples can be life-threatening and even lead to loss of life. There is also the commonality that the mitigants to these problems can be small steps that may minimise or even avoid the impacts.

But we are humans and we like to do things at scale. If we use the sports analogy – we want to run with an all-or-nothing approach. But when taking a holistic approach, there is proven research that something as simple as taking a daily walk can have a profound impact on long-term health, not because of the distance covered all at once, but because consistent, small steps taken each day add up to significant benefits over time.

In the same way, the steps we take now towards our climate goals, no matter how incremental they may seem, are crucial; delaying action only makes the path more difficult and the outcomes less certain.

If we wait until climate risks become severe, solutions become more complex, costly and uncertain. Delaying action only increases the scale of the challenge and reduces our prospects for success, making timely intervention not just prudent, but essential.

So, let me highlight some of the current symptoms:

1. The **World Meteorological Organization (WMO)** and **Copernicus** reported that the global average temperature in 2025 was approximately **1.44°C** above pre-industrial levels, with the three-year average (2023–2025) reaching **1.48°C**. This

sustained period of heating suggests we are entering a ‘multi-decadal average’ overshoot much sooner than models originally predicted.¹

2. The risk of ‘Large-Scale Singular Events’ – tipping points that lead to irreversible changes – has been upgraded from ‘moderate’ to ‘**high**’ now that we are consistently hitting the 1.5°C mark.²
3. In 2024, global economic losses from natural disasters were **US\$320 billion**, nearly 40% higher than the previous decade’s average.³ This is leading to the rapid withdrawal of insurance coverage in high-risk areas, creating a ‘protection gap’ that threatens financial stability.⁴

Often one hears and reads commentary about whether climate change is a pressing issue and whether central banks and governments should focus on other issues. Ladies and gentlemen, the physical risks of yesterday have become the realities of today – the people of many regions in South Africa, the Philippines, Spain, Uganda, the United States, Australia, Zambia, India and Mozambique will attest to the fact that this risk is with us now, today.

Central banks are constantly asked what role they should play. With support from the NGFS and standard-setting bodies, we are making rapid progress in greening financial markets, bolstering systemic resilience, and developing the frameworks necessary to manage climate-driven inflation.⁵ However, this progress is being tested by two significant hurdles.

- First, our policy actions do not exist in a vacuum; they are often tethered to broader government decisions. For instance, it is difficult for financial institutions to reduce climate-related exposure if energy policies continue to favour coal-powered generation.

¹ World Meteorological Organization (2026), [WMO confirms 2025 was one of the warmest years on record](#); Copernicus (2026), [Copernicus: 2025 was the third hottest year on record | Copernicus](#)

² Intergovernmental Panel on Climate Change (2023), [IPCC AR6 SYR FullVolume.pdf](#)

³ Munich RE (2025), [Climate change is showing its claws: The world is getting hotter, resulting in severe hurricanes, thunderstorms and floods](#)

⁴ International Association of Insurance Supervisors (IAIS) and World Bank Group (2025), [G20-SFWG-input-paper-Identify-and-address-insurance-protection-gaps.pdf](#)

⁵ Refer to the NGFS [website](#)

- Second, we are not solving for climate change in isolation; we are simultaneously navigating structural shocks like artificial intelligence (AI) integration and geopolitical fragmentation.

Policy coordination

Let me start with the policy side. Policy coordination remains a formidable challenge, both internationally and domestically. Late last year, the IEA's *World Energy Outlook* revealed that under current policies, global oil and gas demand is projected to rise for the next 25 years – a stark reversal of previous estimates suggesting a near-term moderation.⁶

This global misalignment is mirrored at the national level. The Organisation for Economic Co-operation and Development's (OECD) *Government at a Glance 2025* report indicates that only three out of 24 member countries have established clear mandates to enhance national policy coherence for sustainable development.⁷

These examples underscore a unique hurdle for central banks. While we traditionally worry about fiscal dominance, climate change has introduced a new reality: policy coordination dominance. Our efforts to bolster financial resilience are often reactive, necessitated by the lack of a synchronised response across other policy areas.

The G20 Framework Working Group concluded last year that more effective policy coordination is critical for reducing transition and physical risks and accelerating the climate transition.⁸

Well-functioning financial markets and credible macroeconomic frameworks are essential for mobilising and efficiently allocating sustainable investment. Policies that promote growth and economic flexibility also enhance resilience by reducing adjustment frictions and supporting adaptation. In particular, more flexible product and labour markets can accelerate both investment and climate action by allowing capital

⁶ IEA (2025), [World Energy Outlook 2025](#)

⁷ OECD (2025), [Government at a Glance 2025](#)

⁸ G20 Framework Working Group (2025), See [Link](#)

and labour to reallocate more rapidly towards low-carbon and climate-resilient activities.

Lower adjustment costs, in turn, help sustain public support for mitigation and adaptation efforts. Supportive regulatory frameworks – especially in areas such as project approvals, insurance markets and electricity networks – are critical for reducing bottlenecks and improving the efficiency of the transition where it is already underway.

Basically, good macro and micro policies are good for growth and good for the climate transition. They also make the job of central banks much easier.

Structural shifts

Now to the structural shifts.

Structural shifts driven by digitalisation and AI integration are moving value creation from physical labour to data-driven intelligence and autonomous decision-making.⁹ At the same time, the Green Transition requires decarbonising traditional industries, while meeting the energy demands of digital infrastructures is increasing. This creates significant trade-offs between climate targets and energy security. This is occurring alongside intensifying geoeconomic fragmentation, where the post-Cold War era of hyper-globalisation is being disrupted and transformed by ‘friend-shoring’ and supply chain re-shoring.

Such fragmentation, fuelled by strategic competition, threatens to suppress global GDP and risks bifurcating the global economy into geopolitical blocs with restricted flows of technology and capital.

For Africa, these global shifts manifest as a complex internal restructuring marked by premature de-industrialisation. Many African nations are bypassing the traditional manufacturing route, attempting to transition directly from agriculture into services-led economies.

⁹ World Economic Forum (2026), <https://www.weforum.org/stories/2026/01/four-ways-ai-impact-job-markets/>

This transition is driven by a fast-growing, digitally native youth whose skills do not match the needs of a fragmented, high-tech global market. Fintech has improved financial inclusion but moving away from labour-intensive manufacturing risks widespread underemployment. The continent must urgently build digital and institutional capacity to ensure its services sector can provide productive jobs for its expanding population.

For central banks, these structural shifts fundamentally alter the transmission of monetary policy and the nature of financial stability. The integration of AI and digitalisation introduces ‘black box’ risks into financial markets, complicating risk assessment and oversight. At the same time, geoeconomic fragmentation and the green transition – compounded by more frequent and severe climate events – act as persistent supply shocks. These shifts heighten the volatility of the economic environment, complicating the traditional central bank mandate of balancing the need to anchor inflation expectations against the necessity of supporting sustainable economic growth.

Returning to my earlier analogy, you cannot reach your destination by walking only a single step or following one narrow path. Effective progress requires a well-planned route and consistent effort – one step at a time, with awareness of the terrain and obstacles ahead.

In the same way, climate action cannot rely on isolated policies. It demands a coordinated, systemic approach that considers the wider structural challenges impacting our economies. Central banks and financial regulators must be actively involved in charting this path. The NGFS plays its role in providing us with short- and long-term scenarios, focused research and analytics as well as recommendations for supervisors to help countries integrate climate and nature-related risks into our work, grounded within our mandates.

Today, we are gathered as central banks, ministries of finance and financial sector participants to discuss areas of common interest, so that we actively compare notes. We need to start walking together on this path urgently, or risk getting stranded before reaching our goal.

Today's conference programme may not provide a finished systemic roadmap, but it will certainly contribute to the steps needed for its development. We will explore the implications of shifting global structures on central banking, with a sharp focus on how regulators can practically scale green markets and unlock sustainable investment.

With such an esteemed lineup of speakers, I hope you will take every opportunity to challenge and engage with them.

Together, let's make every step count.