

# Sustainable energy critical to SA's new dawn

South Africa has been working on diversifying its energy mix for some time, but the recent sharp economic downturn coupled with the Covid-19 pandemic have highlighted the need for additional renewable capacity. This has resulted in acceleration of the existing Integrated Resources Plan (IRP) which is ranked among the top priorities in the government's Economic Reconstruction and Recovery Plan.



Tygue Theron, Energy Partners Intelligence

A more aggressive shift to alternative energy sources would fire up the economy by creating new verticals, while stimulating existing industries, such as construction, says Tygue Theron from Energy Partners Intelligence.

“On the one hand, we have an energy problem – South Africa continues to experience rolling blackouts; electricity tariffs are set to increase by 52% over the next three years; and Eskom still sits with debt of R488bn. Then on the other, the economy is predicted to shrink by between 7-11% due to Covid-19, which means the power utilities allowable revenue will decrease, impacting their capacity to pay back their debt.”



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Nicci Botha 21 Oct 2020



The only viable solution to this seemingly hopeless conundrum? Sustainable, independently-produced energy, says Theron. “Fortunately, South Africa is a resource-rich country with the perfect conditions for renewable energy sources like solar, wind and hydropower. This is why we’ve never struggled in the past to attract foreign investment interest through renewable energy independent producer programmes (IPPs).”

However, this is not the first time government has promised a major shift to renewables, and that past foreign investment IPPs have not always gone as planned. “The private sector is ready and waiting for this shift – they have been for 15 years – but having been burned before, businesses and foreign investors are understandably a little hesitant. Government therefore needs to provide firm commitment to the process, and a clear framework of how it will run,” he says.

## Mid-term budget

This, he says, all hinges on the upcoming Medium Term Budget Policy Statement (MTBPS). “While the latest energy plans from government show promise, this commitment must come through in the mid-term budget. Ideally, we hope to see plans to remove some of the red tape that currently hinders the process for renewable energy suppliers and companies. This process is extremely disjointed, requiring approval from multiple separate stakeholders.

“Furthermore, we believe that government should lift the current 1MW solar cap on self-generated electricity, before having to pursue a time-consuming National Energy Regulator of South Africa (Nersa) licensing process. This will not only alleviate pressure on the national grid – which is now desperately needed as we return to load shedding after a brief hiatus – but it will also help the struggling private sector to cut some costs and support their Covid-19 economic recovery,” Theron says.

At the end of the day, Theron has confidence that South Africa possesses everything it needs to transition to renewable energy. “It will be the most affordable energy option in the future; is well-suited to our natural environment; and will put us on par with international trends.

“Now, we just need the necessary buy-in from government and a solid framework to navigate the process going forward,” he says.

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