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A just transition to a brighter future

South Africa is currently in the midst of a crippling energy crisis. Our country, once seen as a model for the production and provision of energy in the developing world, has been subject to intermittent electricity blackouts for the past 14 years under the governing African National Congress (ANC). The severity of these blackouts has been increasing steadily, and 2022 has been the worst year so far with 2023 projected to be even worse.¹ The blackouts are the direct result of a lack of proactive maintenance from the national government and rampant

mismanagement of the main state owned energy provider, Eskom. This has been compounded by fraud, direct sabotage and ongoing budgetary constraints. Quite apart from the serious threat posed by climate change, our creaking energy system shows that there is no long term security from fossil fuels.

Over recent months, South Africa has seen protests against the government's poor handling of the crisis, with thousands of people taking to the streets to make their voices heard. Many predict that the manifold problems at Eskom simply cannot be fixed, and more and more South Africans who can afford to are starting to go "off the grid" by installing their own personal solar PV and inverter systems.

This escalating crisis is taking place at the same time that South Africa, in collaboration with the International Partners Group (IPG), comprising the United States and European countries, is aiming to implement the ambitious Just Energy Transition Plan (JETP).² The plan, agreed to at COP26 in Glasgow, aims to shift South Africa's energy production away from coal and towards renewable energy in a way that empowers more South Africans and does not lead to severe job losses. The plan is accompanied by an investment strategy, the Just Energy Transition Investment Plan.

The JETP aims to channel around US\$8.5 billion in grants and concessional finance over five years to accelerate the retirement of old coal plants, the deployment of renewable energy, repurposing of derelict mine sites, and increased support for green hydrogen and low-carbon transport technologies. The US\$8.5 billion is made up of a US\$329.7 million grant (3.9%), US\$5.325 billion concessional loan (63.0%), US\$1.5 billion commercial loan (17.7%) and US\$1.3 billion in guarantees (15.4%).³ It remains to be seen, however, whether the ANC government will be able to make effective use of these funds, as the governing party has become notorious for its involvement in dodgy tenders and corrupt government spending.

South Africa is seen by many as a test case for the just transition, and it is clear that donor countries will be watching our progress closely to see whether we are able to roll out the JETP. This is not just about coal. Many countries rely much more extensively than South Africa does on oil and gas, but - if it is shown to work effectively - the JETP model could just as easily be used in the future to support the transition of economies away from other fossil fuels too.

It must be emphasised that the success of the plan rests on the ability to generate the requisite finances. This means that there are serious risks should wealthy donor countries renege on their financial commitments. The prevailing international challenges being exacerbated by the Russian invasion of Ukraine have already shown that some donor countries may be forced to scale back on commitments if they face another similar crisis or a further escalation.

It is estimated that prior to the invasion of Ukraine, European countries imported roughly 45% of their coal from Russia and now instead source mainly from Colombia, Australia, the United States and South Africa.⁴ Coal imports from South Africa rose by eight times in the past two years alone. Though this makes sense in the short term, it should not be seen as a reason to slow our wider transition from coal. As the world moves away from coal powered energy, it will not make sense for South Africa to be investing in new coal plants as this would only lead to stranded assets later down the line.

South Africa is blessed with enormous renewable energy potential, particularly solar and wind. Our country's 24-hour global solar radiation average is 220 watts per square metre, more than double the average for countries in Europe.⁵ Apart from the obvious benefits for domestic electricity generation, the opportunities for other low-carbon industries such as green hydrogen and green steel are immense. South Africa is in a unique position, possessing the scientific and technological knowhow, as well as the abundant renewable

resources, to turn the current energy crisis around. We will not achieve this simply by propping up old coal-based energy infrastructure. South Africa's national government must work flat out to leverage our own competitive advantages. In the coming years, international investors will be increasingly dissuaded from investing in fossil fuel-intensive industries and we must leapfrog our competitors to ensure that we are not left behind.

Currently, over 70% of South Africa's energy generation comes from coal and our mines produce an average of 224 million tons of it per year.⁶ We are the fifth-largest coal producer in the world and many large towns have mushroomed around coal mines, where people rely directly and indirectly on the coal industry for their livelihoods. We must ensure that a transition towards renewables is focused on creating more job opportunities for all South Africans and that no-one is unfairly prejudiced during the transition. In other words, the lofty goals of the JETP must be balanced with the realities on the ground.

The decommissioning of coal plants can unfortunately lead to significant unemployment and it is estimated that the decommissioning of the Komati coal plant has already led to the loss of over 2000 jobs. This is very significant in a country like South Africa which already has an unemployment rate of close to 35%. Investing aggressively in new green technologies could assist in providing many more thousands of jobs that would augment our domestic capacity while simultaneously driving the green transition. The immediate challenge is that without reliable electricity generation economic growth will be further hampered and without this even more jobs will be lost. Central to effectively implementing the JETP will be convincing the public that the transition will create jobs and grow the economy and not the other way round.

Key to the success of the JETP is the need to open up opportunities for the private sector. The government should be doing everything it can to cut red tape and give the private sector the freedom it needs to build and develop these new industries and create much-needed jobs. The days of absolute government control over the energy market are long gone. We have to look at new and innovative ways to generate electricity and increase our existing limited grid capacity in areas of high potential renewables generation, such as the Northern Cape. At present, areas of the Northern Cape generate considerably more energy than they are able to feed into the grid.

The City of Cape Town, run by the Democratic Alliance (DA), was recently recognised by the Carbon Disclosure Project as one of only two cities in Africa that have shown climate leadership. This has been achieved largely by recognising and embracing the value of the private sector and investing and maintaining existing energy infrastructure. Cape Town generates additional energy from a large hydro-electric plant and this reduces the impact of blackouts on residents of the city. These initiatives (coupled with the crumbling municipal infrastructure in ANC-controlled parts of the country) have led to a marked rise in “semigration” by middle class South Africans from other cities to Cape Town.

Central to Cape Town’s focus for many years has been empowering independent power producers (IPPs) by pushing to allow them to generate electricity in order to help augment Cape Town’s energy resources. Pressure from the DA has also led directly to accelerated action from the national government to open up the space for IPPs. Cape Town recently announced a plan that will allow residents and business owners to sell excess renewable energy that they generate back to the municipality. This has the dual benefit of increasing energy capacity and helping to fund the installation of private renewable infrastructure.

The DA leadership in the City of Cape Town aims to completely protect the city from the threat of national energy collapse by drastically increasing private renewable generation.

As the ANC continues to collapse in on itself and the country moves towards a likely coalition government in 2024, it is going to be essential that the focus on implementing the JETP is not lost. Along with this, the government must take urgent steps to empower, and possibly even compel, local municipalities to cut red tape as much as possible and allow the private sector to lead the way. The DA submitted the Integrated Electricity Management Operator (IEMO) bill or the Cheaper Energy Bill which set out further concrete steps towards a greener electricity future. This bill, which was deemed as “undesirable” by the Parliamentary energy committee in 2020, would have driven the cost of electricity down, introduced competition into the energy sector, and most importantly diversified the country’s energy sources to introduce more renewables. Along with allowing residents and businesses across the country to sell the electricity they generate back into the grid, we propose to offer a R75,000 tax rebate to cover the cost of installing solar systems in homes.⁷ We would also ease requirements for generation below 100 megawatts in order to bring smaller IPPs online quicker.

Any attempt to convince South Africans of the need to urgently transition away from coal-based energy must clearly and emphatically demonstrate the opportunities for job creation. In South Africa, this should be combined with the simultaneous goal of ending blackouts by diversifying and increasing energy production. If this does not happen soon, we run the very real risk of being left behind and instead set on the path towards a failed state.

ENDNOTES

1. Reuters, "South African power cuts worsen as Eskom extends worst-ever outages" (January 2023), <https://www.reuters.com/business/energy/south-african-power-cuts-worsen-eskom-extends-worst-ever-outages-2023-01-11/>.
2. UK Government, "12-month update on progress in advancing the Just Energy Transition Partnership (JETP)" (April 2023), <https://webarchive.nationalarchives.gov.uk/ukgwa/20230401054904/https://ukcop26.org/12-month-update-on-progress-in-advancing-the-just-energy-transition-partnership-jetp/>.
3. The Presidency of the Republic of South Africa, "South Africa's Just Energy Transition Investment Plan (JET IP) 2023-2027", <https://www.thepresidency.gov.za/content/south-africa%27s-just-energy-transition-investment-plan-jet-ip-2023-2027>.
4. European Council on Foreign Relations (ECFR), "Conscious uncoupling: Europeans' Russian gas challenge in 2023" (February 2023), <https://ecfr.eu/article/conscious-uncoupling-europeans-russian-gas-challenge-in-2023/>.
5. Department of Mineral Resources and Energy of South Africa, "Solar energy" https://www.energy.gov.za/files/esources/renewables/r_solar.html.
6. International Energy Agency (IEA), "South Africa" (May 2023), <https://www.iea.org/countries/south-africa>.
7. Democratic Alliance (DA), "Power to the people" (July 2022), <https://www.da.org.za/2022/07/power-to-the-people/>.