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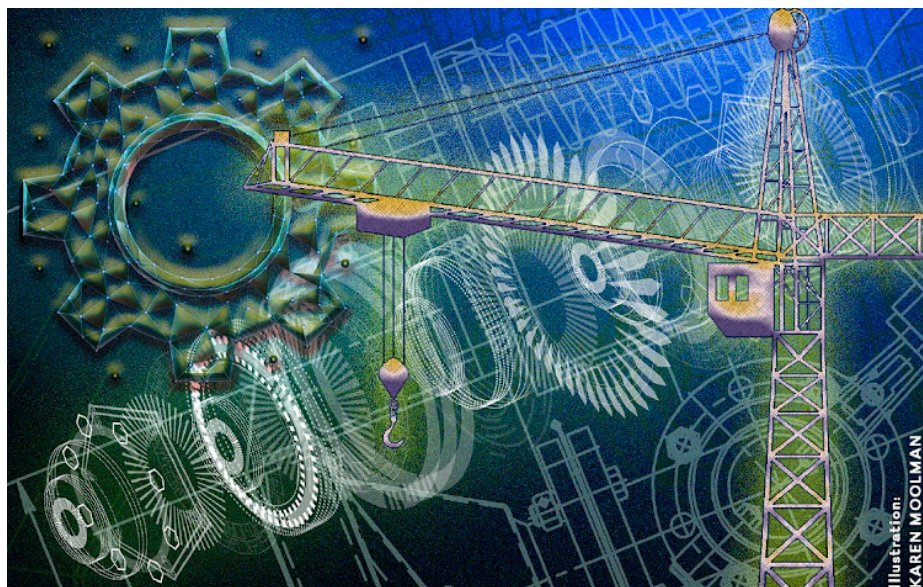
Consider competing interests in transition to green energy, experts urge

Policymakers must perceive load-shedding as part of a broader structural change that is unavoidable

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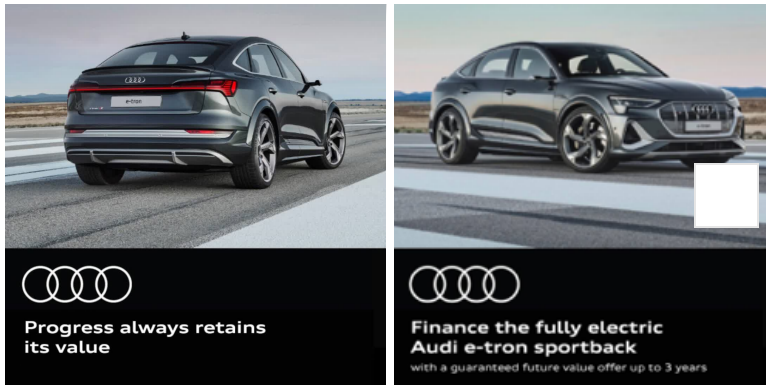


For developing countries industrial policy most often means the protection of local manufacturing firms from import competition, subsidies for such firms, or both. Picture: KAREN MOOLMAN

SA's industrial policy must ponder competing interests in its load-shedding response, a development dialogue heard on Monday.

The tough trade-offs in SA's just transition that have to be considered were laid bare at the discussion hosted by independent economic research institution, Trade & Industrial Policy Strategies (TIPS).

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The debate comes as industries and households are grappling with frequent load-shedding.

The effect of solar incentives announced by finance minister Enoch Godongwana on manufacturing and production also came under the spotlight – just weeks after newly appointed electricity minister Kgosisentsho Ramokgopa indicated that the government was likely to miss its targets to end load-shedding as set out in the 2022 energy plan.

Steel & Engineering Industries Federation of Southern Africa (Seifsa) COO Tafadzwa Chibanguza said the federation's members had reported increases in monthly operating costs due to the extensive use of generators in the year to February.

He said the electricity-intensive sector was deploying expensive generator capacity over solar as the electricity consumption profile of the sector remains a limitation to solar being a full-scale option.

“We think the installed diesel capacity and the opportunity for manufacturers to plug that back into the grid is a potential,” he said.

He said given the unavoidable nature of load-shedding and the subsequent mitigation strategies companies had deployed, there were opportunities for the sector to benefit from households fully undertaking the just transition now coupled with an incentive.

“We do think that fast-tracking PV installations for residential does relieve the pressure from the baseload capacity which can be then directed at manufacturers who need that baseload capacity,” said Chibanguza.

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Conversely, the SA Local Government Association (Salga) said the incentive to encourage migration to green energy was having a negative effect on the revenues of municipalities. Salga was concerned by the mass exodus from the grid, as households and companies that can afford it continued to transition to solar and other energy alternatives.

“We are actually saying that the strategy of incentivising the paying customers to seek alternative options for their energy needs is most likely to have negative effects in the medium to long term, specifically referring to the incentivisation of the 25% of solar PV for commercial and residential customers,” Salga sustainable energy expert Silas Mulaudzi said.

“Yes it seeks to solve the current challenge of shortage in capacity, but we are mindful of the fact that in the medium to long term it may have a severe impact on the revenue of the municipalities.” Mulaudzi said the electricity distributors may be left with non-paying customers, which are mainly low-income households.

The panel discussion took place in the context of Ramakgopa considering a proposal to ease outages by extending the life of Eskom’s coal-fired plants, which could jeopardise SA’s ability to secure financing for its just energy transition.

Senior economist at Tips Neva Makgetla said policymakers and stakeholders needed to view load-shedding as part of a broader structural change that is unavoidable, like technological change.

She said the solutions required a paradigm shift at all levels of government and business, acknowledging this would possibly be more difficult for SA given our historic and economic ties with coal.

“SA has an economy built on cheap coal and coal is no longer cheap,” said Makgetla, adding that new ways of revenue collection by municipalities needed to be devised, while equitable access to financing for alternative energy was required.

“I would argue we need to come up with some packages, particularly for small businesses. From the standpoint of industrial policy, we need to make it easy for people to get a package to install an off-grid solution – they can decide which kind,” Makgetla said.


“But it has to be easily accessible and affordable and you can do it directly or you can do it through industrial and commercial sites so in effect you come up with collective solutions.”

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