

## **Briefing Note: The transition to a green economy – A manufacturing and trade opportunity for South Africa**

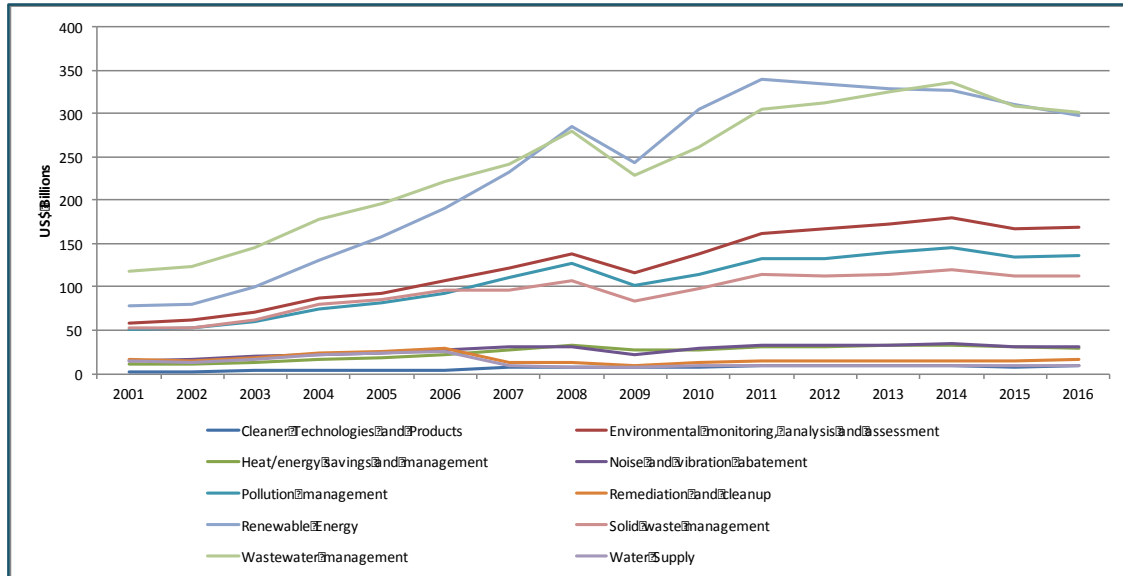
South Africa's green economy strategy has traditionally rested on the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), and has attempted to leverage off government procurement to promote the development of local manufacturing capacity for the likes of solar panels or wind towers. But with the programme in a state of paralysis, now is an opportune moment to reassess the opportunities available to South Africa, and expand the strategy to best position the country to take advantage of the industrial opportunities offered by the global transition to sustainable development.

A forthcoming TIPS study with the United Nations Partnership for Action on the Green Economy (PAGE) and the South African Government indicates that these opportunities are plentiful. The study assesses what manufacturing opportunities are available to South Africa in the world of green trade.

Global trade in green goods has expanded by 167% between 2001 and 2016, as a combination of rapidly advancing technology, government programmes, and global initiatives have driven the industry forward. South Africa has benefited from this growth, expanding exports in important strategic industries, such as catalytic converters and electro-technical components such as pumps and boilers.

On balance, South Africa has, however, been a net importer of green goods, even as localisation efforts have simultaneously increased local production capacity. Deepening local manufacturing has the potential to displace imports and boost export capacity. Nevertheless, in an extremely competitive and complex global market defined by non-tariff barriers such as local procurement programmes, South Africa's green manufacturing and trade efforts need to be carefully targeted in areas in which the country has the highest potential.

**Graph 1: Global trade in green goods, from 2001 to 2015**



Source: TIPS, based on Trade Map data.

The study identified four high potential green manufacturing and trade opportunities for South Africa. The domestic production of **water technologies** in both the conservation and treatment space offers the potential to help address South Africa water security issues, while leveraging off local innovations, such as water filtration membranes.

The **biogas-to-transport** value chain offers a viable and environmentally-friendly alternative energy source for mass public transport, and can create new markets for agricultural and waste industries.

The rollout of **small-scale embedded generation** offers a viable way forward on South Africa's energy impasse, while providing the opportunity to expand existing manufacturing capacity in areas like smart meters.

The local development of **biocomposites**, plastic-like materials made from agricultural products and waste, offer a way to address structural imbalances in the local plastics industry, while reducing the packaging industry's reliance on petrochemicals.

Unlocking all these industrial development opportunities calls for a mix of government interventions. Local research and development requires additional support, with a focus on bringing viable technologies to market. All industries also require strategic incentives to stimulate investment in new technologies and bring them to commercial viability, with a basket of specific interventions needed for each product.

Green industries are frequently considered in isolation from the broader real economy. In reality, the transition to a green economy is a vital test case of the capacity of industrial policy to respond to rapidly changing technology and the emergence of new economic opportunities. Careful sectoral targeting and support can offer a way forward on sustainability, and impart important lessons on the future of South Africa's industrial policy.

Further information on the study can be found [here](#).