

Eskom has put more than renewable energy at risk

By [Bruce Raw](#)

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The true impact of cancellations, delays and uncertainty around the independent power producer (IPP) and renewable energy programmes go much further than the energy sector. It puts at risk thousands of current and future jobs, a host of local manufacturing companies, community welfare and, most importantly, undoes what is arguably the most effective public private partnership model this country has ever seen.



Cheaper and cleaner

The direct benefits of the IPP programme are already clear for all to see. Since the inception of operations in 2014, CSIR figures show connected wind and solar PV facilities have contributed close to R5bn to South Africa's economy, as a result of avoiding load shedding in 2014 and 2015 and diesel and coal costs.

Moreover, the inclusion of the private sector in developing major infrastructure such as generation facilities and upgrades to points in the grid, has relieved the public fiscus of spending over R37bn in construction costs (as of March 2016) with a projected total of R73bn (rounds one to four projects).

These are funds which could be diverted to supporting other socio-economic upliftment programmes across the country. It has further been projected that at the current, built-in South Africa prices combination of IPPs spanning renewable energy and liquefied natural gas will be both cheaper and cleaner than new build coal.

Investor certainty is crucial

The Renewable Energy IPP Procurement Programme (REIPPPP) has, over the past six years, attracted a total of over R194bn in investments, with over R53bn (27%) of this coming from foreign investors. This was achieved, in no small part, by creating investor certainty provided for in the REIPPPP. The effects of the current uncertainty created by Eskom's statements and actions could be severe. If experience has taught us anything is that business does not like uncertainty.

A large independent wind blade manufacturer has already experienced delays and potential cancellations of its planned expansion into South Africa when the IPP was revised. Now, just as the company is seeking the go-ahead to set up a manufacturing plant in the country, we are once again beset by a lack of clear direction.

And this is not the only investment on the line. A combined investment pipeline from PV module manufacturers, earmarked for Atlantis, of close to R700m hangs precariously in the balance as we wait for clarity from the department and the incumbent.

When PPP gets it right

The work of the energy cluster, including local, provincial and national government, along with the private sector, has been one of the finest examples of an effective public private partnership.

The Green Economy Accord (signed by organised labour, business, government and community constituencies in 2011) saw the beginning of a concerted and unanimous goal of maximising the opportunity to develop our renewable energy production as a means to uplift the economy in general.

The goals of creating 50,000 green economy jobs and achieving an industry-wide localisation (local manufacturing and procurement) of at least 35% by 2016, was considered aspirational at the time. However, with local content hovering around 45% already, the impact of the collaboration between social partners cannot be ignored.

The programme has also been able to attract a significant amount of new manufacturing capacity. Local content production targets have seen inverter assembly facilities and wind component manufacturing facilities successfully launched.

The knock-on manufacturing, support and services requirements has seen an entire value chain emerging, providing clear evidence that meaningful structural transformation of the economy is taking place. In fact, the combined procurement spend of R143bnn is overwhelming evidence of the success of the REIPPPP.

Jobs and skills development

To date, the figures indicate that almost 25,000 job-years opportunities have been created, with more than 1,500 of these in operations which are more permanent positions.

Skills have been developed accordingly, and again, the power of the collective has shone through. Skills transfer has been facilitated by the participation of over 50 international companies and joint ventures in the REIPPPP.

The department of higher education and training, with the support of the German government, has invested over R100m in the establishment of the South African Renewable Energy Technology Centre (SARETEC).

Locally produced technical intellectual property has been registered and, together with local universities, companies are carving a name for themselves in global greentech markets.

Social upliftment

As if this wasn't a clear enough example of the combined and collective socio-economic power of the IPP in general and

the REIPPPP in particular, the evidence of the potential to uplift our communities through collaborative efforts must surely count for something.

Embedded within the Green Accord, are obligations for successful projects to add value to local communities through various mechanisms.

There is R19,3bn already committed to socio-economic development over 20 years. In many instances, for these remote rural areas, community upliftment in early childhood development, infrastructure improvements, health investments, scholarships and enterprise development, directly depend on the IPP moving ahead on track.

Not just the DoE's problem

One of GreenCape's mandates is to help unlock the investment and employment potential of green business, technologies and manufacturing. We have worked closely with InvestSA (national) and Wesgro (provincial) to attract investment into the green economy. We have also been closely involved in the development of the GreenTech special economic zone (SEZ) in Atlantis – one of two SEZ's whose future depend on the programme.

We spend a large part of our time engaging with the entire ecosystem of companies in the green space. The clear sentiment coming from these companies – most especially in the electro-technical space – has been that their very existence depends on the IPP programme going ahead, according to schedule.

Reckless communication

While many industry analysts have understandably focused on the affordable and sustainable delivery of energy, we believe that any deviations of the IPP programme should be communicated through the country's Integrated Resources Plan in such a way that it will not undermine the Green Economy Accord, the National Development Plan and the Industrial Policy Action Plan.

There are precious few examples of infrastructure programmes which have been as successful in terms of overall cost, socio-economic, industrial and environmental impact. The reckless communication about the future of this programme should be cause for concern for the whole economic cluster – not just the minister of energy. Indeed, the president has often spoken of the importance of creating an enabling business environment. Perhaps this is precisely the type of matter which should be put before his inter-ministerial committee on investment.

ABOUT THE AUTHOR

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