Making the case for wind power

The South African Wind Energy Association (Sawea) cautions against the Integrated Resource Plan (IRP) excluding important real-world input assumptions from the least-cost scenario (IRP1) and the policy-adjusted recommended plan, and questions the financial viability of the plan.

Brenda Martin, CEO: Sawea

The 'least cost' scenario is not in fact least cost as it does not account for several important known and anticipated market realities.

Sawea believes that should key factors such as the impact of large-scale technology trends, the effects of the proposed carbon tax on the cost of generation by proposed coal power investment and current data on Eskom's fleet efficiency, very different investment choices would be made.

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The submission also provides data as to the negative socio-economic and economic effects of inconsistent procurement.

"We recognise the economic challenges that South Africa needs to overcome in the short term, and based on evidence, we believe that renewables have a viable contribution to make in both the short and long term," says Brenda Martin, CEO of Sawea.

Financial viability

The organisation puts forward a strong argument that questions the draft IRP's financially viability, pointing out that it is premised on a revenue plan for the energy sector, predominantly Eskom, that is unachievable. Modelled data confirms that the plan, in its current form, will likely increase the probability and magnitude of a financial crisis at Eskom, with direct knock-on effects for the economy.

“For the plan to be credible and result in both short and long-term multiplier benefits to South Africa, it has to be reconsidered on a truly least-cost basis,” she says.

Based on the industry’s experience of the effects of stop-start procurement over the past two years, the submission draws attention to the interlinkages between consistent procurement and market effects. The industry is not supportive of the draft proposal in the short-term to delay new renewable energy procurement and then later on in quick succession, introduce a large amount of new procurement.

As recent experience has shown, one of the main effects of such a procurement gap is that it will have a direct and immediate impact on employment, particularly at manufacturing facilities and support services during the idle years.

Evidence points to the benefits of a plan that contains a consistent and possibly larger wind power build programme, including:

1. A crucial opportunity for government to demonstrate its climate change commitments by bringing forward investment in renewable energy which will assist SA to achieve the lower range of its 2030 NDC target.
2. Avoiding the costs associated with continued maintenance and investment in coal-fired power.
3. The REIPPP programme has been, by far, the largest source of foreign direct investment into South Africa, and is well-placed to contribute to the achievement of government’s objectives to attract R1trn of new investment and creating local industries that support the growth of employment.
4. The achievement of continued local manufacturing sector growth aligned with the REIPPPP’s non-negotiable Local Content targets of between 45% and 65%.
5. The significant number of jobs, direct rural social and economic benefits and contribution to South Africa’s environmental objectives which the wind industry has begun to provide its ability to provide.
6. The significant contribution to the economy, in terms of earnings, GDP and economic output already made by the Industry. CSIR analysis shows that deployment of wind energy during the IRP period can result in R63.7bn in earnings, R360bn in total economic output and R122bn in GDP contribution over the period 2019 to 2030.

The finalised IRP update needs to better ensure policy alignment in order to create an enabling environment for localisation, a key element of Government’s industrialisation policy. The proposed procurement gap in the Draft IRP2018 threatens to undermine this vital policy” concludes Martin.