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Politcal uncertainty - the only Achilles heel in SA's renewables marketability

Although most G20 countries, including several emerging countries, have enhanced their conditions for investments in low-carbon energy in the past year, more has to be undertaken in order to meet the Paris climate targets.

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In addition, the G20 would need to develop and implement more ambitious, consistent and transparent long-term strategies to improve the investment climate for renewable energies. These are the key findings of the Allianz Climate and Energy Monitor 2018.

“The development of the renewable energy sector is crucial for meeting the climate goals of the Paris Agreement,” says Katharina Latif, head of corporate responsibility of Allianz Group. “These challenges can only be tackled by joint efforts of engaged governments, companies and civil society.”
According to the 2018 report, South Africa has maintained its renewable energy capacity in the last year and has a relatively high presence of leading renewable energy business. The country’s ranking remains unchanged in 12th place.

Top group leads the way

France climbed two positions to the top, while Germany and the United Kingdom (UK) dropped to second and third place respectively. The top three currently provide the best policy and market environments, which are pivotal criteria for long-term investments and complex projects such as solar and wind farms. "Renewable energies in France, Germany and the UK are benefiting from good market and investment conditions in general as well as from a largely positive political environment.

However, there are still weaknesses even in the best-performing countries: France's tenders for new plants, for example, do not have enough bidders, Germany's investment in wind will drop due to new auctioning rules, and the solar energy market in the UK has collapsed following political reforms," says Professor Niklas Höhne, managing director of the NewClimate Institute.

Top improvements were shown this year by Brazil and Italy, both reaching significantly higher ranks than last year. Over the last year, Brazil has notably increased its solar photovoltaic capacity additions, growing at a rate similar to other emerging economies like India, Turkey and China.

China, India and US have highest investment needs

The US have fallen by two ranks to ninth position as a result of policy changes, cutting down the federal support for renewable energy policies. As a result, the number of new wind and solar installations has declined in 2017. In that period, the US invested $57bn in renewable energy, only a third of the required capital of $158bn to align to the goals of the Paris agreement. For comparison: The fifth placed China invested with $133bn more than twice as much in 2017, but also here the demand is distinctly higher with required annually $314bn in the power sector. In India, on position ten, the expansion of solar energy doubled, while wind power also rose. However, with investments of $11bn in renewable energy in the last year, India has so far only reached a minimum of the required $160bn per year to meet the climate targets in the power sector. The report says while South Africa has a well-structured auctioning design, political uncertainty remains the country's Achilles' heel.

Only UK has long-term strategy of decarbonisation

Only a few G20 countries follow a strategy of full decarbonisation for the power sector. Almost all G20 countries (except the US) have agreed to limit their CO_2-emissions to net-zero by 2050, but only the UK has passed a binding and ambitious long-term plan to decarbonise its power system. However, even the UK has not developed short-term renewable energy targets. Only Brazil, France and Germany have short-term renewable targets in place, which ramp up renewables fast enough to be in line with what is requested by the Paris Agreement.

South Africa, a country significantly dependent on carbon-emitting sectors of the economy, is in crucial need of a decarbonisation strategy. Nevertheless, the notably poor skills profile of the workforce, inflexibilities in the labour market, and the structure of the economy inhibit South Africa's ability to deep decarbonise.

However, the reports finds that all countries show room for improvement for their policy framework to provide excellent investment conditions for renewables. “The question is not whether countries implement policies but how exactly they implement them,” says co-author Jan Burck from Germanwatch. The main challenges include:

- On-and-off policy support,
- Sub-optimal enforcement of a support policy and
- Regressive policy design.