

Could accelerating the development and construction of renewable energy projects assist in rebuilding the economy?

15 May 2020 5 min read

by Nozipho Bhengu, Director and Tsebo Masia, Candidate Attorney

1.1 On 13 May 2020, the President of South Africa addressed the nation about the further easing of lockdown restrictions and the re-opening of the economy. This is to be achieved by increasing economic activity whilst strengthening health measures to reduce the transmission of the corona virus and providing adequate healthcare for those who become infected. Amongst other things, the President also announced that “...we will soon be embarking on the third phase of our economic response to the coronavirus crisis by outlining a clear strategy for economic recovery.” This is a welcomed announcement which has been followed by intense lobbying and pressure on Government to also start putting in place the necessary building blocks to rebuild the economy following the economic devastation caused by the COVID-19 pandemic.

1.2 According to reports, the six week lockdown to curb the spread of COVID-19 has resulted in a dramatic decline in electricity usage by 8000 MW and left Eskom with surplus capacity. This decline however is seen as a temporary knock on effect of the COVID-19 pandemic due to the slowing down of economic activity and should not detract our Government from its long term plan and focus to boost energy security in South Africa. It is widely expected that post lockdown, once the economy is fully reopened, South Africa will, once again, see a surge in energy/electricity demand.

1.3 With the easing of the lockdown restrictions there are renewed calls to counteract the economic decline and to boost the economy and energy supply by, *inter alia*, accelerating infrastructure investment and spending. Lack of energy security and load shedding is often cited as one of the key challenges that have deterred economic growth and direct foreign investment into South Africa. Accordingly any economic recovery plan will, in our view, be inadequate if it does not include measures to ensure long term security of energy supply post the COVID-19 pandemic. At the State of the Nation (SONA) address in February 2020, the President of South Africa acknowledged that ensuring security of energy supply was critical to the future economic growth of the country. In this regard the President announced the following well received measures to significantly increase electricity generation capacity outside of Eskom, the implementation of which was interrupted by lockdown:

1. 1.3.1 the issue of a Section 34 Ministerial Determination to give effect to the Integrated Resource Plan 2019, enabling the development of additional grid capacity from renewable energy, natural gas, hydro power, battery storage and coal;
2. 1.3.2 the initiation of the procurement of emergency power from projects that can deliver electricity into the grid within 3 to 12 months from approval;
3. 1.3.3 the continuation by the National Energy Regulator to register small scale distributed generation for own use of under 1 MW and for which no licence is required;
4. 1.3.4 ensuring that all applications by commercial and industrial users to produce electricity for own use above 1MW are processed within the prescribed 120 days; and
5. 1.3.5 opening of bid window 5 of the Renewable Energy Independent Power Producer Programme (REIPP) and working with producers to accelerate the completion of window 4 REIPP projects.

1.4 In its bid to achieve economic recovery post the COVID-19 pandemic, Government is being urged to identify “low hanging fruit” as part of the strategy to accelerate the rebuilding of the economy and also boost energy security. Some of the above noted measures for example the opening of bid window 5 are viewed as such “low hanging fruit” for the following reasons:

1. 1.4.1 there is an excellent procurement process in place in South Africa for the procurement of the renewable energy projects, the execution of which has received international acclaim;
2. 1.4.2 power from renewable energy sources is clean energy which, from a cost perspective, is now at parity if not cheaper than electricity generated from coal plants;
3. 1.4.3 renewable energy projects are largely financed with private capital with very little reliance on public sector funding and as such it is not necessary to mobilise significant public sector capital in order to fund these projects. This also frees up public sector capital to fund other initiatives;
4. 1.4.4 they positively promote South Africa's transformation agenda in that high requirements for localisation and BEE ownership, which are some of the notable aspects of the renewable energy projects, are now generally accepted as the norm for these projects;
5. 1.4.5 generally, the solar photovoltaic and wind projects have shorter construction lead times as compared to other energy projects;
6. 1.4.6 they create much needed jobs particularly during the construction phases;
7. 1.4.7 a number of renewable energy projects are bid ready as development work on the licensing, permitting and design of these projects has been completed.

1.5 Latest reports indicate that utilities and other large users of energy in some parts of the world are moving to wind and solar plants for power generation not only because renewable energy is now a cheaper option but to also address air pollution and climate change concerns. Here in South Africa we now see large companies like Sasol roll out plans to turn to renewable energy as their primary source of power.

1.6 Given the above developments, we submit that it would be a missed opportunity if Government, as part of its economic recovery plan, failed to accelerate the implementation of, amongst other initiatives, the above mentioned measures announced by the President at the SONA particularly the re-opening of bid window 5, working with independent power producers (IPP) to accelerate the completion of bid window 4 projects and fast tracking all applications by commercial and industrial users to generate their own electricity.



Nozipho Bhengu

Director

[View Profile](#)