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Page: 3
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Author: Lyse Comins

New energy ministry signals 'huge opportunity' for South Africa

By Lyse Comins

A focused and experienced electricity and energy ministry has been welcomed by industry authorities who believe there is a "huge opportunity" to provide strong leadership and make positive economic and social change in South Africa.

One of the significant government changes announced on June 30 was the merging of the electricity and energy portfolios and the appointment of Kgosientsho Ramokgopa as the Minister of Electricity and Energy and Samantha Graham-Maré as Deputy.

Business Unity South Africa Director of Energy **Happy Khambule** says it was expected that Ramokgopa would be retained in cabinet. "His implementation of the Energy Action Plan has inspired confidence that solutions are being implemented."

South Africa reached the major milestone of achieving 100 consecutive days without load shedding on July 5. Business and government have collaborated "surprisingly well" to develop structural reforms for Eskom, he says.

Energy Council of South Africa CEO **James Mackay** says the council "strongly welcomes" the government of national unity. "The focused energy ministry, which includes electricity, is a good decision and the diverse but strong ministry leadership bodes well for dealing with our broader energy challenges and delivering a national energy transition," he says.

The Energy Council has worked closely with the energy ministry, the National Energy Crisis Committee (Necom) and other government structures to develop the Energy Transition Roadmap, which focuses on optimising implementation benefits and actions across the sector. According to the council, the country needs direct capital investment of R1,8 trillion in the electricity sector alone over the next 10 years, representing the largest area of direct capital spend in the economy. "This investment can unlock over 500 000 new jobs and significantly contribute to our GDP growth so there is certainly a huge opportunity," Mackay says.

What lies ahead

However, significant challenges need to be overcome and government cannot achieve this goal alone.

Khambule says some of the main challenges regarding the National Transmission Company of South Africa (NTCSA), which opened for business on July 1, are to reaffirm the Transmission Development Plan (TDP), set up the central purchasing authority, which will serve as the main buyer of legacy contracts, and communicate the rules for the new multi-market.

The Electricity Regulation Amendment Bill must be finalised quickly to build investor confidence and maintain the pace of the electricity sector's reform, Mackay says. "We need to keep a strong focus on the NTCSA formation and the need to rapidly expand capacity and capability as it takes on the envisaged complex roles."

Current work by Eskom is commendable but lacks consideration of broader implementation challenges and risks. "A total market framework and risk assessment is needed considering regulations, industry preparation for trading and new financial instruments that must be in place in less than a year," Mackay says.

A clearer and more confident TDP execution plan is also needed. "In addition to the Eskom capacity to deal with exponential growth in build rate, this should include expedited opportunities for private sector self-build as well as clarity on the longer-term financing model for the major corridor upgrades," he said.

Additionally, Eskom must continue to drive South Africa's energy transition plan as the country will need coal generation for decades to come so its plants must be reliable and efficient.

"This energy investment portfolio must be put to work for all South Africans. We need a focused and collaborative approach on rapidly increasing local content, expanding manufacturing and developing a skilled local workforce," Mackay says.

There are also the overlooked areas of development and delivery such as municipal utilities. "We have lost so much time and critical skills. While we need to rebuild a capable state, we also need a unified business, robustly engaging and supporting through structures like the Energy Action Plan and Necom," he says.

A clear national policy position on the role of gas within South Africa's energy transition is also needed, Mackay says. "International learnings show that gas-to-power is a critical part of a stable and reliable energy system."