

Background

South Africa's electricity industry is currently undergoing a fundamental change. This change is driven by efforts to implement reforms in the power sector; including the unbundling of the state-owned power utility - Eskom, increasing private sector investment in the power sector, and encouraging competition through competitive mechanisms.

The Energy Action Plan, announced in July 2022, was formulated to address the country's energy security challenges in the short to medium-term.

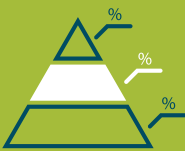
Field of Intervention:

Power Sector Reform and Regulation and The Just Energy Transition (JET)

The Just Energy Transition delivers for people, planet and prosperity



The focus of the Energy Action Plan includes the acceleration of procurement of new capacity, increased private sector participation and share of renewable energy, improved incentives for residential and commercial rooftop solar and the fundamental transformation of the electricity distribution industry.



Furthermore, in the coming decades, considerable investments will be required to build the grid infrastructure necessary for the transition. Against this background, the South African-German Energy Programme (SAGEN) collaborates with South African partners from the government and private sector to promote a diverse and inclusive energy transition for all.



Challenges

South Africa has experienced many years of a severe energy crisis. A lack of electricity generation capacity, grid constraints, increasing levels of load shedding and energy prices have made people's daily lives challenging and damaged businesses and industries.

An unreliable power supply has resulted in devastating economic losses and an exacerbation of social injustices such as unemployment, inequality and poverty.

Moreover, owing to the country's aging coal-fired power plant fleet, South Africa is among the top 15 largest emitters of carbon dioxide worldwide.

The notable consequences of the climate crisis have already been experienced by South Africans, for instance through the catastrophic floods in KwaZulu Natal destroying lives, livelihoods and infrastructure.

This complex crisis has proven to be a significant millstone around South Africa's neck, rendering quick fixes and mitigation measures.

Long-term solutions must account for these intersecting energy, economic, social and climate challenges simultaneously.

Though the challenges present within the status quo are sizable, so too are the opportunities.

The South African government has begun a process of transforming the sector, introducing a host of new provisions to enable private sector investment in renewable energy generation.

Activities

In all activities, SAGEN plays a supportive role to the Republic of South Africa's noted renewable energy priorities and thus supports its key agents and partners with:



- the unbundling of all Eskom divisions through
 - the establishment of the independent National Transmission Company of South Africa (NTCSA) to connect generation capacity in a non-discriminatory and equitable manner
 - the determination of potential roles of the different divisions within a liberalized environment and the development of organisational capacity to fulfil those roles



- the development of competitive power markets to support private sector participation and investment in renewable energies as well as promote sector efficiency through competitive mechanisms



- reforming the electricity distribution towards sustainability through
 - the development of a cost of supply system to determine municipal tariffs
 - the development of an overview of the current performance of the distribution industry and recommendations for future business models
 - the development of toolkits to enable municipal third party wheeling



- understanding the impact of the just energy transition through
 - the development of sound adaptation and transition strategies for Eskom Generation
 - support to the establishment of a Green Economy Cluster Agency in Mpumalanga with the Department of Economic Development and Tourism (DEDT) and GreenCape
 - support with research on the impact of the transition on skills and employment within carbon-based value chains



- strengthening the capacities of decision makers of selected public organizations to evaluate and decide upon policy approaches and concepts for the power sector reform

The South African-German Energy Programme (SAGEN) collaborates with South African partners to support the country's transition to a reliable, affordable and clean energy future. SAGEN is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), co-funded by the Swiss State Secretariat for Economic Affairs (SECO) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in cooperation with the Department of Mineral Resources and Energy (DMRE), the National Treasury (NT), Eskom, the South African Local Government Association (SALGA) and the South African National Energy Development Institute (SANEDI).

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