Responding to the War in the Middle East – Moving South Africa Toward Reduced Imported Fuel Dependence and Greater Energy Security

By Kenneth Creamer and Sthandiwe Msomi

In response to increasing oil and fuel prices triggered by the US-Israel attack on Iran and the resulting shutting of the Strait of Hormuz, South Africa's government responded by reducing fuel levies in order to cushion the effects of the economic shock. Such interventions are necessarily temporary in nature, due to the pressure that lost revenues put on government spending plans, and there has not been sufficient discussion on a longer-term strategic response aimed at strengthening South Africa's energy security and reducing the country's exposure to imported fuels.

For the ANC such a discussion should be guided by the ANC's 55th National Conference resolutions and the 2024 ANC Election Manifesto, both of which prioritised the need for increased levels of energy security, including affordable energy, as well as the linkages between energy policy, industrial policy and economic growth and transformation.

In the current circumstances thrown up by the Middle East war, a central strategic challenge is how South Africa can reduce dependence on imported fuel products while simultaneously advancing industrial development, lowering long-term energy costs and supporting economic growth and employment.

The ANC's 2022 National Conference resolutions reaffirmed that South Africa's electricity future should be guided by an Integrated Resource Plan (IRP), which should be regularly reviewed in order to achieve a lowest cost, competitive energy mix, including coal, renewables, gas, nuclear and storage technologies, as well as a transition toward a lower-carbon economy through a just energy transition offering alternatives livelihoods for negatively affected workers and communities.

Importantly, the Conference Resolutions also linked energy transition objectives to industrial development opportunities. The resolutions called for accelerated investment in renewable energy and electricity infrastructure; expansion of incentives for electric vehicle manufacturing; preparation for the wider rollout of electric vehicles; and support for industrial localisation linked to new energy industries.

In the past decade South Africa's petroleum sector has become increasingly dependent on imported fuels. Domestic refining capacity has declined following the closure of major refineries. As a result, domestic production now supplies only about one-third of national fuel demand.

In recent years imported fuel products have been sourced mainly from countries in the Middle East. However, ongoing disruptions affecting the Strait of Hormuz have forced South Africa to diversify supply toward the Atlantic Basin, including imports from the United States, Brazil, Mexico and West African producers.

Fuel pricing is governed through the Basic Fuel Price (BFP) mechanism, which reflects import parity pricing based on international oil prices, freight costs and exchange-rate movements. While transparent, this pricing model means local consumers and industries remain highly exposed to global market shocks.

The decline in refining capacity has also increased the urgency of reassessing the country's long-term energy model. Continuing to rely primarily on imported petroleum products leaves the economy exposed to repeated external shocks. The 2022 National Conference resolved that feasibility studies in new investments in refining capacity would need to be undertaken, as such investments would be risky and would require significant investment in new cleaner fuel technologies to be internationally competitive. Such investments should be based on commercial private sector investment decisions, rather than requiring public funds.

The prioritisation of domestic energy sources is increasingly viewed as a strategic economic imperative. While, in the medium term, there will need to be interventions to diversify South Africa's sources of imported fuel, expand strategic reserves and increase storage capacity, in the longer term South Africa requires a more fundamental transition toward more locally sourced energy and a more electricity-intensive economy. Forward looking states globally are those that seek the economic advantages of being electrostates, maximising the use of clean, cost-effective electricity sources, rather than being petrostates mainly dependent on fossil fuels.

Unlike petroleum products, renewable energy sources such as wind and solar do not require imported fuel inputs once infrastructure is built. Expanding renewable electricity generation therefore offers several long-term strategic advantages, such as reduced exposure to global oil price shocks; lower long-term energy costs; improved energy sovereignty; reduced import dependence; lower carbon emissions; and support for upstream and downstream industrial development. The technologies required for all energy sources are largely imported, and this reliance should be reduced over time through forging linkages with local manufacturing activities, a process facilitated through planning instruments like the South African Renewable Energy Masterplan.

South Africa already possesses strong renewable energy potential, particularly in solar and wind resources. Combined with existing coal, hydro and nuclear generation, renewable energy can support a more resilient and lower-cost electricity system. Due to the fact that renewable energy is variable, expansion must be accompanied by strengthened transmission infrastructure to achieved diversified geography of electricity supply; battery storage systems; peaking generation capacity; grid modernisation; and improved electricity market coordination.

International evidence increasingly shows that renewable energy combined with battery storage can provide reliable and dispatchable electricity supply without requiring continual imported fuel inputs. Battery-supported renewable systems are insulated from global fuel price shocks, shipping disruptions and geopolitical instability.

The restructuring of Eskom and the development of an independent, public transmission entity are also critical components of the broader energy transition strategy. A modernised

transmission system can support increased competition among electricity generators with the aim of boosting investment in electricity infrastructure and containing future electricity prices. In developmental states, public sector leadership and the correct design of state entities play a crucial role in leading market activity and guiding economic activity towards the state's strategic objectives.

One of the most important long-term strategies for reducing South Africa's dependence on imported petroleum is expanded electrification across transport, industry and households. As electricity generation capacity expands, more economic activities can shift away from direct fossil fuel consumption. The transport sector is especially important because imported petroleum products are heavily concentrated in road transport. Supporting the local manufacture and adoption of electric vehicles therefore serves multiple strategic objectives, namely reducing fuel imports; supporting industrial localisation; preserving automotive exports; creating new manufacturing opportunities; and lowering long-term transport energy costs.

South Africa's automotive industry already plays a major role in manufacturing exports and employment. The global transition toward electric vehicles creates both risks and opportunities. Failure to adapt could undermine the sector's international competitiveness, while successful adaptation could position South Africa as an important producer of electric vehicles and components. Government support for electric vehicle manufacturing, battery technologies and charging infrastructure is therefore not only an environmental policy objective, but also an industrial and energy security strategy.

Public transport investment also plays an important role in reducing national fuel consumption. Expanding reliable and affordable public transport systems can lower dependence on private vehicle use while protecting commuters from fuel price volatility. The transition toward electric mobility is already beginning within South Africa's public transport sector. For example, Golden Arrow Bus Services in Cape Town has deployed battery-electric buses and expects them to travel close to six-million kilometres during 2026. The company has also invested in large-scale charging infrastructure supported by solar power generation and is exploring renewable electricity wheeling arrangements with independent power producers.

Over time, wider adoption of battery-electric buses and electrified public transport systems could significantly reduce diesel consumption, lower urban transport emissions, improve commuter energy efficiency and reduce the country's reliance on imported petroleum products. The expansion of electric public transport also creates opportunities for localisation, battery value chains, charging infrastructure industries and industrial development linked to the broader energy transition.

In addition to renewable electricity and electrification, South Africa is pursuing alternative fuel industries that can support economic diversification and reduced petroleum dependence. Government has introduced biofuels blending targets aimed at incorporating biofuels into the national fuel pool. If effectively implemented, biofuels can reduce petroleum imports; support agricultural value chains; stimulate rural development; diversify energy sources; and lower carbon intensity.

At the same time, South Africa is positioning itself to participate in emerging green hydrogen industries. Green hydrogen projects linked to renewable energy development could create new export industries while supporting industrial decarbonisation. South Africa should create a supportive policy framework for increased exploration for domestic sources of oil and gas. If economically viable local sources of oil and gas are available these would make a contribution to export and fiscal revenues, as well as to local energy security, although this aspect would be somewhat limited by the fact that oil and gas prices are set at a global level.

A major strategic objective should be to strengthen the linkage between energy policy and industrial policy. The expansion of electricity infrastructure, including transmission and distribution networks, can stimulate domestic engineering, construction and manufacturing sectors. Skills development will be essential to support these industries. Partnerships with universities, TVET colleges and SETAs can help develop technical expertise aligned with the changing economy. Research and development aligned with the country's overall energy security and industrial policy strategies should be facilitated by the Department of Science, Technology and Innovation and by the relevant science councils.

This policy approach positions energy transition not simply as an environmental obligation, but as a developmental strategy aimed at strengthening domestic productive capacity. Government institutions including the Department of Mineral and Petroleum Resources, the Department of Trade, Industry and Competition, National Treasury, Eskom and Transnet must coordinate more effectively to support implementation.

International partnerships are also important. South Africa is seeking to strengthen cooperation through platforms such as BRICS; the Just Energy Transition Partnership (JETP); the SADC; and broader African energy cooperation initiatives. Policies going forward should reduce excessive dependence on US dollar-denominated trade, particularly in energy markets. Expanding local currency trade arrangements and alternative payment systems could help reduce vulnerability to currency volatility and geopolitical pressures.

The long-term strategic response to the current war in the Middle East requires more than temporary fuel price relief measures. It requires a decisive restructuring of the energy sector with the objective of reducing dependence on imported fuels. Expanding energy security and cost-effective electrification can improve national sovereignty, contain long-term energy cost increases and reduce exposure to external shocks.

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