

What did South Africa achieve at COP26?

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The world met at COP26 in Glasgow earlier in November to discuss accelerated responses to climate change in the context of indisputable scientific evidence that the negative effects of global warming are already upon us. While the goal of capping the average rise in global temperature to 1.5°C above preindustrial levels looks precarious, some noteworthy progress was made.

South Africa pursued a two-track strategy at COP26. Firstly, in our own sovereign interest and given the country's ongoing load shedding crisis, we moved decisively before the formal start of the meeting to secure a \$8.5 billion (R131 billion) concessional finance commitment from a number of developed countries for investment in our just energy transition. Secondly, during the formal proceedings of COP26 we stood in solidarity with other African and G77 countries as well as China in arguing that the world's response to climate change should be informed by the need for historical justice for developing countries, in line with the long-established principle that countries have 'common but differentiated responsibilities' in responding to climate change.

Overall, South Africa performed well at COP26 and was referred to on a number of occasions as providing an energy transition template that other countries could emulate. It is vitally important that South Africa now build on the progress made at COP26 to get our just energy transition moving into high gear, so that we can begin to put behind us the last 13 years of load shedding, and the resultant jobs and investment losses.

The concessional finance commitment secured in the build-up to COP26, with the details of concessional loans and grants still to be ironed out, should urgently be leveraged to unlock the capital needed for the strengthening and expansion of the country's electricity grid, to assist Eskom in the repurposing and closure of some of its oldest coal power stations, and to fund just transition costs for affected workers and communities. Some of the finance is also earmarked for the development of electric vehicles and green hydrogen. If the post-COP26 process is well-executed, it will crowd-in private sector investment and generate growth and employment.

After a hiatus of nearly seven years due to political squabbling, 25 solar and wind projects were recently announced following the fifth bidding round of the country's renewables procurement programme in line with the Integrated Resource Plan (IRP). The procurement comes after the easing earlier this year of licensing restrictions on embedded power projects of up to 100MW - a major policy breakthrough which has already started to encourage thousands of smaller-scale electricity investments. The positive effects of this reform could be amplified if the regulator would further reduce red tape for the registration of such projects.

Despite signs of progress, moves towards improved energy security still hang in the balance. Political instability may morph into another round of policy instability. Eskom's damaged financial position, if not resolved, may result in worsening infrastructural decay and pent-up investment will remain unrealised. Ill-informed and malicious campaigns against the current Eskom leadership may disrupt efforts to restructure the state-owned company, stabilise its

finances and rid it of corruption. The IRP implementation process, if not run independently and with probity, will risk the kind of delays and litigation currently being experienced by government's emergency procurement programme, involving inter alia power ships. Localisation requirements need to be well-designed and sequenced so as to facilitate technology transfer and the building up of domestic wind and solar manufacturing capabilities. Poorly conceived or consulted policies such as those requiring the localisation of components that are not currently locally produced at the necessary scale will cause confusion and delay. Silo-mentalities and bureaucratic inertia within government may result in a situation where South Africa does not properly take up the concessional finance offered via COP26.

Then there are the lingering concerns over South Africa's regulatory environment, which has failed to ensure stable tariffs for consumers and cost-reflective charges for Eskom and has left many municipalities facing similar 'death spiral' risks, owing to a tariff structure that still does not fully cater for both energy and capacity costs. Not to mention the absence of a comprehensive debt solution for the unsustainable component of Eskom's R400-bn debt, which would be needed not only to allow the utility to absorb the COP26-linked concessional debt on offer, but to ensure that its unbundled entities are viable. Without such a solution the much-needed restructuring of Eskom will not proceed at the pace that the energy transition demands.

The risk of failure is high. The energy transition is an inherently complex and multifaceted endeavour, involving processes of technological change, financial planning, and institutional restructuring. Historical and political factors are relevant, as is the reality of vested interests. Similar to South Africa's political transition of more than 25 years ago, effective national leadership, bolstered by broad social consensus will be required for South Africa to successfully execute a just energy transition. Like the democratic vision of one person one vote, an inclusive national narrative of a just energy transition needs to take hold – with a credible promise and plan for a new era of economic growth and job creation, where economic benefits are maximized and spread widely, while those whose livelihoods will be negatively impacted by the transition are offered new pathways to economic activity.

The way that South Africa went about preparing for COP26 offers a possible model for crafting this new vision. Through a process of open consultation – including with business, labour, government, and civil society – undertaken by South Africa's Presidential Climate Commission, South Africa was able to build impressive consensus on a revised Nationally Determined Contribution (NDC), which outlines the country's emissions reduction goals. Based on that consensus Cabinet approved the NDC ahead of COP26 and made it possible to link the NDC with efforts to raise concessional climate finance for the just energy transition.

South Africa was thus able to travel to Glasgow armed not only with its wholly justifiable moral argument that rich countries, who are chiefly responsible for unsustainable CO₂ levels and global warming, need to contribute to the financing of mitigation and adaptation efforts in developing countries, but also with a bankable plan to be supported.

South Africa is in the process of setting up an interdepartmental team including from the National Treasury, the Department of Public Enterprises and the Department of Forestry, Fisheries and the Environment, as well as from state-owned power utility Eskom. The input

of this team will guide the work of a joint taskforce to be established between South Africa and the other governments concerned, with the aim of effectively deploying the \$8.5 billion on offer.

With new coal plants Medupi and Kusile still being integrated into the system, South Africa will continue to have substantial coal in its energy mix for decades to come. However, it is already outlined in the IRP that old, inefficient coal power stations should be closed or repurposed in the next few years. In their place, the IRP outlines plans for the building of new generation capacity based on a mix of energy sources. The IRP's plans are dominated by wind and solar energy, supplemented by gas and battery storage, as such a mix constitutes the lowest cost and quickest to deploy combination. To be an effective planning instrument, it will be important for the IRP to be regularly updated and recalibrated. The IRP should be reviewed in light of South Africa's revised NDC, as well as to take account of changing supply and demand patterns, shifting technology costs, and adjusting assumptions regarding the availability of Eskom's generation capacity.

South Africa dare not fail in implementing an effective and just energy transition. The work done at COP26 has been commendable, but there is still much to be done. We will need to display the same adroitness and inclusive leadership skills in our domestic politics as we have shown in the international arena if we are to place South Africa on course to achieve a just energy transition and thereby shift the economy onto a new, job-creating growth path.

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