

ENERGY COUNCIL OF SOUTH AFRICA

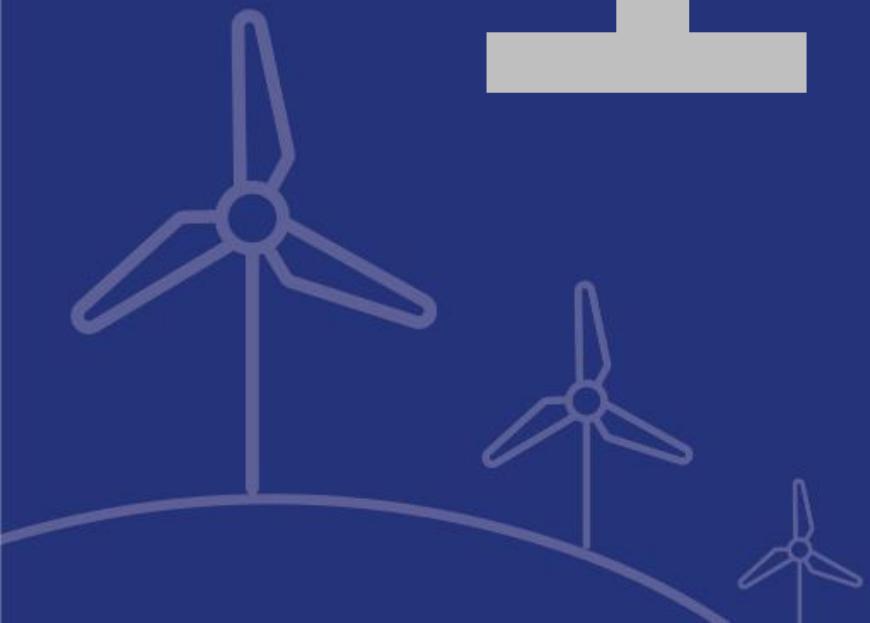
Presentation to the Portfolio Committee on Electricity and Energy

13 November 2024

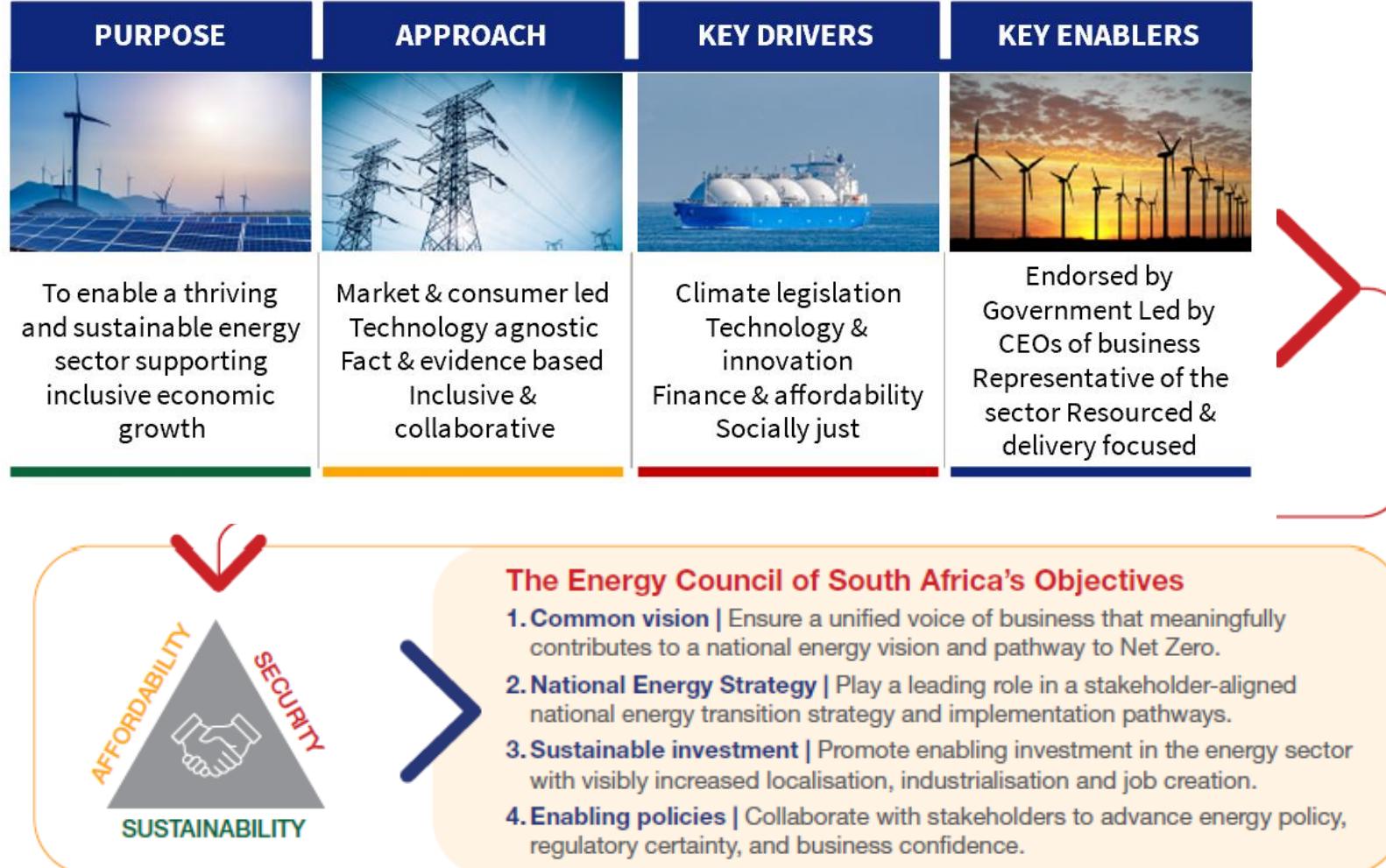


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Introducing the Energy Council of South Africa



The Energy Council strives to play a leadership role in the energy sector to support an optimal Energy Transition for South Africa



“The Energy Council brings together key public and private sector companies, business/industry associations and finance institutions that have a significant presence and actively participate in the energy sector”

Energy Transition Roadmap

Detailed energy transition strategy assessment with focused implementation plan covering delivery, data and communication



#CEOpledge
by leading
businesses

Coordinating active support of NECOM under Business for SA



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WORLD ENERGY COUNCIL | SOUTH AFRICA

Leveraging our membership of the World Energy Council

Energy Council of South Africa represents a growing and diverse group of Energy stakeholders.



Renewable Energy



Financial



Energy Trading



Industrial



Transport



Integrated Energy



Mining



2

Key insights



We have made significant progress towards addressing the energy crisis and moving forward on critical reforms

Over 240 days without load shedding, is building confidence and growth

We must rapidly pivot to deal with the new risks: increasing complexity, higher costs and higher emissions

An unprecedented investment portfolio of over R2 Trillion is required over the next 10 years to 2034

We must rapidly strengthen institutional capability, local supply chains and skilled workforce to **meet delivery targets and enable inclusive economic growth**

The Presidential Energy Action Plan and National Energy Crisis Committee (NECOM) has **galvanised action and mobilised resources**



2025 is key to establishing an optimal national transition roadmap to deliver a sustainable energy future that supports inclusive economic growth.

We must prioritise investment & economic growth

High road



R2 Trillion in Investment by 2034²



25-30 GW additional generation capacity by 2030



5500 km new power lines added by 2030

3%
GDP
Growth
p.a.



Low road



Stalled investment and reform



Higher energy costs & emissions (CBAM)



Return to loadshedding; Gas cliff by 2027/2028

<1%
GDP
Growth
p.a.
Job losses



Critical short-term delivery areas

- + Maintain zero loadshedding
- + Accelerate new generation: Wind, Solar, Gas; BESS
- + Implement Wholesale Market reform
- + Expand transmission
- + Resolve Municipal & EDI recovery and reform
- + Local industrialisation & job creation

The Energy Transition is a global technology disruption. South Africa has significant opportunities to be a fast-follower

Our electricity system follows typical international (BRICS) reform and development steps

 New Generation	 Market Reform	 Transmission Expansion	 EDI / Municipal Reform
<p>New Generation is the largest Investment target area, predominantly driven by private sector.</p> <p>Estimated R1,3 trillion required over 10 years to 2034.</p> <p>RE deployment min 5GW/ year.</p> <p>BESS: 4GW by 2030.</p> <p>Gas to Power: 5,4GW by 2028.</p>	<p>Market enables competition and private sector finance without NT guarantees.</p> <p>Will reduce cost and risk to Eskom/NTCSA.</p> <p>New regulations, financial instruments, digital capability and new entities required.</p> <p>Critical role for Market Operator, NERSA and Ministerial oversight.</p>	<p>Transmission expansion and modernization to allow more flexible generation.</p> <p>Efficient access rules and timely connection of new generation.</p> <p>TDP capex estimate of R400 bn required.</p> <p>Expansion capacity of 34GW by 2030 and 44GW by 2034.</p> <p>Private sector investment and development is required.</p>	<p>Distribution networks provide electricity services to over 70% of South Africans.</p> <p>Reliable and affordable EDI service delivery with sustainable municipal finance and credit risk.</p> <p>Capex required for Dx maintenance backlog estimated at R320 bn.</p> <p>Rapidly changing skills and digital capability required in Munics.</p>

Cross cutting issues
ERA promulgation; Clear transition rules and regulations; Eskom shareholder compact
Sustained performance improvement on Eskom plants
Investor confidence and Integrated finance mobilisation

Role of public auctions

The current IPP model is outdated (largely still follows the 2010 design), places too much burden on State Guarantees and does not accommodate market dynamics.

Public auctions are still required but should target potential market failures and strategic investment support.

- Confidence and pace of investment has currently declined. Public Auctions can support stable investment as the market develops.
- Where intervention is required against National Planning objectives i.e. promoting certain location for investment or to diversify certain types of sources, including dispatchable power, and where market signals struggle to deliver stand-alone bankability.

Critical enablers for successful auction

1. Ensure alignment to a clear national plan and objectives supporting a sustainable transition roadmap.
2. Ensure sufficient grid capacity, including latest grid availability data and clear grid allocation rules for all projects.
3. Ensure alignment and accommodate competing private sector projects.
4. Ensure correct price signals, e.g. transmission tariffs are correctly structured for locational value and congestion
5. Ensure procedural efficiency, clear timelines and objectives, demonstrate transparent and good governance

Thank you

