South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

Date:29th May 2025

Re: The review of the tariff structure for input material, components and final products used in the renewable energy chain

Dear Ms Sikhakhana

We appreciate an opportunity to provide the solar PV industry view regarding ***Notice 3142 of 2025***, published in the Government Gazette on 17 April 2025. The notice pertains to an application initiated by ITAC itself to review the tariff structure for **input materials**, **components**, and **final products** used in the **renewable energy value chain** in South Africa.

I write on behalf of the South African Photovoltaic Industry Association (SAPVIA), which represents the interests of more than 700 stakeholders across the solar photovoltaic (PV) value chain in South Africa. These include project developers, Independent Power Producers (IPPs), commercial banks (e.g., Absa, Standard Bank, Nedbank, FirstRand Group), research institutions (such as the CSIR), local manufacturers, international OEMs, installation and operations & maintenance firms, legal and EPC service providers, and a wide range of SMMEs.

As an industry directly impacted by the proposed tariff adjustments, we wish to provide our perspective on the matter. Our position is informed by input from our members through various communication platforms and further supported by insights drawn from SAPVIA's localisation studies commissioned in 2022 and 2023.

Localisation Imperatives

SAPVIA strongly supports the development of local manufacturing. To this end, we commissioned a study in 2022 to assess the localisation potential of South Africa's solar PV industry and offer recommendations on how to effectively support local manufacturing. This initial report aimed to assist government by providing data-driven insights, practical

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

experience, and credible research on local manufacturing and assembly capabilities. A key goal was to propose realistic and sustainable policy approaches that the government and private sector could jointly adopt to foster localisation in the solar PV industry.

This work was expanded in 2023 with a follow-up study focused on the resources and enabling conditions required to develop a competitive, localised PV value chain. SAPVIA has also actively contributed to the South African Renewable Energy Masterplan (SAREM), incorporating insights from both studies to articulate the solar PV sector's position.

Both studies found that many critical elements of the enabling environment necessary to unlock localisation opportunities are still lacking. The 2022 study specifically aimed to support evidence-based policymaking and advocate for the introduction of appropriate, forward-looking regulatory mechanisms. We believe that any market interventions must be informed by prevailing market dynamics and intelligence.

To this end, we provide an overview of the feasibility of localising various solar PV

Localisation opportunities based on SAREM and SAPVIA Scenarios (2023 Localisation Study)

The table below was developed by the second localisation study (2023). It depicts the extent of required support for sub-components along the solar PV value chain.

Modules	Mounting Structures and Trackers	Cables and Combiner Boxes	Inverters	Balance of Plant: Electrical	Balance of Plant: Civil	End of Life Management
Lamination	Steel profiles	AD/DC cables	Centralised inverters	DC and AC network (cables)	Installation, logistics, construction	Recycling of panels
Junction Box	Aluminium profiles	Conductors (copper, aluminium rods)	Magnetics	Surge protection devices	Access roads and gates	Reuse (panels, structures, inverters)

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

Modules	Mounting Structures and Trackers	Cables and Combiner Boxes	Inverters	Balance of Plant: Electrical	Balance of Plant: Civil	End of Life Management
Aluminium Frames	Tracker communicatio n boxes	Insulation (polymers)	Enclosures	Switchgear	Miscellaneous site civils (drainage, field prep)	Recycling of steel structures and electrical components
Super-Substrate (glass)	Brackets and clamps	Armour (steel)	Transformers	Charge controllers and monitoring systems (excl. semi-conductors)	O&M buildings	
Copper wiring		Combiner boxes	Circuit boards	Conduits and fittings		
Backing Sheet		DC cables connectors	Power stage and electronics	MV/HV transformer		
Ethylene Vinyl Acetate		Normal cables	String Inverters	Earthing grid		
Silicon				Control room		
Poly/ monosilicon						
Ingots and Wafers						
Cells						

Note: Light blue = moderate support measures and capabilities development required; Purple = intermediate support measures and capability development required; Dark blue: intensive support measures and capability development required.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

The next section summarises SAPVIA members' inputs on the 4 following questions listed in the notice

1. The possibility of increasing ordinary custom duties on some of the tariffs listed in the gazette to their respective WTO bounds, to the extent that there is capability or potential to manufacture them locally in order to improve the overall tariff structure and the effective rate of protection
2. The possibility of creating rebate provisions for some of the products on this list to the extent that they are input material to downstream activities; and they are not manufactured locally
3. The potential discontinuation of rebate item 460.16/8541.43/01.06 that makes provision for duty free importation of solar panels provided that the domestic capacity reaches 50% of domestic demand, in order to incentivise further developments in the domestic assembly and manufacturing industry
4. Proposals on the identification of additional products in the renewable energy industry value chain to be subjected to local content requirements. This is to be done in collaboration with the Department of Trade, Industry and Competition under the framework of new Public Procurement Act 28 of 2024, once the regulations of the policy have been developed.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

SAPVIA Consolidated Members' Inputs

Introduction

The next section of this document consolidates inputs, questions, and comments from SAPVIA members regarding trade-related matters under ITAC's jurisdiction, particularly around renewable energy equipment such as solar PV modules, inverters, mounting structures and tracker systems and BESS. The responses were submitted following a request for industry engagement and have been grouped thematically to aid ITAC in responding to key sector concerns.

Members generally support the South African government's goals of industrial development, localisation, and building a resilient renewable energy value chain. However, they express significant concerns about the potential negative impacts of newly imposed or proposed import duties and tariff structure changes, particularly a 10% import duty on crystalline silicon photovoltaic (PV) panels. Here are the consolidated inputs organised by thematic areas of concern and relevant systems:

Question 1:

The possibility of increasing ordinary custom duties on some of the tariffs listed in the gazette to their respective WTO bounds, to the extent that there is capability or potential to manufacture them locally in order to improve the overall tariff structure and the effective rate of protection

- Members are concerned that imposing or increasing import duties—such as the proposed 10% duty on PV panels—will increase costs across the value chain first, for developers, contractors, and ultimately consumers., making solar energy less affordable and slowing its adoption. This increase in costs is expected to lead to higher electricity tariffs for South Africans, undermining the affordability of solar energy and diminishing public and investor support for renewables.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

- There is a strong consensus that **local manufacturing capacity is currently insufficient** to meet demand, particularly for utility-scale projects. Increasing duties before local industry is capable of supplying price-competitive and bankable alternatives risks undermining project delivery and investor confidence.
- A phased and pragmatic approach to tariff reform is supported, with a recommendation to **delay implementation** of higher duties until local capacity is adequately developed.
- Past localisation efforts failed due to irregular demand and policy uncertainty. A blanket duty increase is not supported unless combined with safeguards, capacity-building, and coordination with procurement cycles.
- There are concerns about the **lack of consultation** with industry stakeholders prior to introducing duties, and calls for better engagement and coordination with policy and procurement timelines.
- Members suggest any **tariff revenue collected should be reinvested** into industrial development, skills training, and support for local manufacturers to help them become competitive.

Question 2:

The possibility of creating rebate provisions for some of the products on this list to the extent that they are input material to downstream activities; and they are not manufactured locally

- Strong support was expressed for **targeted rebate provisions** where there is no viable local manufacturing capability—especially for components like raw materials for inverter production or other essential inputs.
- The current rebate system (Item 460.16) is viewed as **inefficient and opaque**, with administrative delays and unclear eligibility criteria.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

- Members request **clearer guidelines and faster processing** for rebate approvals, especially for vertically integrated players and small-scale installers.
- The rebate system must be expanded to accommodate **critical but non-locally available materials**, including those for BESS, to support downstream manufacturing and ensure project viability.
- There's also a call to consider **import control relaxation** for specific inputs to incentivise local production and lower barriers to market entry for new manufacturers.

Question 3:

The potential discontinuation of rebate item 460.16/8541.43/01.06 that makes provision for duty-free importation of solar panels provided that the domestic capacity reaches 50% of domestic demand, in order to incentivise further developments in the domestic assembly and manufacturing industry

- Discontinuation of this rebate is strongly opposed **unless local manufacturing capacity has demonstrably reached competitive scale** in terms of quality, pricing, and volume.
- Premature removal could result in **increased project costs, delays, or cancellations**, undermining affordability, energy security, and investor confidence.
- For IPP and wheeling projects, any cost increase erodes tariff margins and could render projects financially unviable or "unbankable."
- Removing the rebate without a clear, **transparent transition plan** could disrupt the market and create uncertainty.
- The rebate currently supports limited parts of the value chain; however, it remains critical for ensuring ongoing supply and enabling market continuity until full local production is achieved.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

- Members request **updated assessments** of local capacity before any changes to the rebate are enacted.

Question 4:

Proposals on the identification of additional products in the renewable energy industry value chain to be subjected to local content requirements. This is to be done in collaboration with the Department of Trade, Industry and Competition under the framework of new Public Procurement Act 28 of 2024, once the regulations of the policy have been developed

- Members support using **local content policy as a demand-side lever**, provided it's **phased and aligned** with industry readiness.
- There is a call to work closely with the DTIC and National Treasury to identify viable components for localisation, such as inverters, mounting structures, or BESS subsystems.
- Proposals include the **reintroduction of local content scoring** in public procurement (e.g., REIPPPP), but only once product-specific capacity is ready to meet demand.
- Overly aggressive enforcement risks bottlenecks and non-compliance; instead, a **gradual, evidence-based approach** is recommended.
- Supply chain limitations—like steel availability or dependence on imported raw materials—must be addressed in parallel to local content mandates.
- There's a suggestion to establish a **task team or advisory forum** to guide the identification and rollout of local content requirements and ensure stakeholder alignment.
- Members support **impact assessment studies** to determine feasibility, risks, and benefits of localising additional components.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

- While the industry generally supports the principle of strategic localisation—particularly for components like **solar trackers and inverters** where existing local capacity has been demonstrated—stakeholders have raised several critical concerns. A key issue is the lack of predictable demand and policy certainty, which in the past has contributed to the failure of local manufacturing initiatives. Without a stable and sizable project pipeline, manufacturers are reluctant to invest, especially when competing with well-established international suppliers.

Key Issues Raised and Proposed Interventions: Renewable Energy Components and Trade Policy

1. **Tariff Structures**

Members expressed concern over the proposed imposition and potential increase of import duties on renewable energy components, particularly photovoltaic (PV) panels. A common request was to suspend or delay the implementation of such duties until the local manufacturing base is adequately prepared to meet demand. Questions were also raised about whether ITAC is considering the use of safeguard measures to protect domestic manufacturers from unfair competition through low-cost imports. Overall, members support a balanced, phased, and pragmatic approach to tariff reform that avoids disrupting the market while encouraging long-term industrial development.

2. **Customs Valuation and Classification**

Concerns were raised around the accuracy of customs valuation and classification for imported renewable energy components. Members highlighted the risks associated with under-declared values and mislabelled imports, which can distort the market and disadvantage compliant importers and local producers. There is a strong call for ITAC to improve collaboration with SARS and other enforcement bodies to ensure fair, transparent, and consistent customs procedures.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

3. **Local Content Requirements**

Members identified local content policy as a key demand-side lever to drive investment into local manufacturing. Questions were raised about how ITAC is working with the DTIC and National Treasury to designate specific renewable energy products such as solar panels and inverters for local content requirements under the Public Procurement Act. Members further recommended the reintroduction of local content scoring thresholds in state procurement, similar to early REIPPPP rounds, to provide manufacturers with market certainty. However, it was cautioned that such measures should not be enforced prematurely, as some segments of the supply chain are still underdeveloped.

4. **Rebate Provisions (e.g., Item 460.16)**

The existing conditional rebate system, specifically Item 460.16 under Schedule 4, Part 2, which allows duty-free importation of PV panels under certain conditions, was noted by members as lacking transparency and efficiency. The current process is seen as administratively burdensome, with unclear criteria and turnaround times, leading to market distortions. Members recommended the development of clearer guidelines and timeframes, as well as the creation of targeted rebate provisions for essential but non-locally available inputs such as raw materials for inverter production. It was also suggested that local inverter manufacturing be prioritised in the review of the rebate system, with appropriate thresholds and safeguards. However, it was noted that the rebate system as it stands has limited benefit to vertically integrated IPPs, as it only supports a narrow portion of the value chain.

5. **Import and Export Control Regulations**

Members requested clarity on the potential to relax import control regulations for critical input materials, particularly those required for technologies like battery storage. The aim would be to incentivise downstream manufacturing and unlock new areas of industrial development by improving access to essential materials.

South African Photovoltaic Industry Association

011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

Feedback was also provided on the idea of introducing export control regulations for critical raw materials to secure local supply for manufacturers. However, members warned that while such controls may support local industry in the medium to long term, immediate implementation may undermine export competitiveness and raise prices for locally processed materials without yielding immediate industrial gains. A more incremental and phased application of such controls is therefore recommended.

6. **Industry Engagement and Collaboration**

Members strongly supported the establishment of a collaborative task team comprising government and industry representatives to carry out impact assessments and develop nuanced policies. There is a clear call for ITAC, DTIC, and related departments to institutionalise regular engagement through a dedicated advisory committee or forum. Ongoing, open dialogue between government and industry is considered essential for building a coherent and sustainable industrial roadmap.

7. **Impact Assessment Studies**

To guide evidence-based policy, members recommended the commissioning of formal impact assessment studies. These studies should evaluate the potential consequences of revised tariffs on critical areas such as job creation, industry development, consumer pricing, and the achievement of national energy and climate targets.

8. **Transparency in Tariff Revenue Allocation**

Members proposed that ITAC adopt a transparent mechanism for allocating revenues generated from import duties. These funds should be reinvested into the renewable energy ecosystem, with a particular focus on skills development, innovation, and support for SMMEs. This would help ensure that tariff measures contribute positively to long-term sectoral growth and economic inclusion.

South African Photovoltaic Industry Association

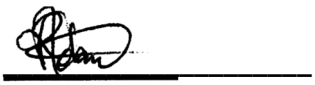
011 553 7264
rethabile@sapvia.co.za
www.sapvia.co.za

9. Recommendations on Specific Components

Finally, members support the strategic localisation of key renewable energy components and recommend targeted measures to stimulate local manufacturing. For solar trackers, they propose increased import duties and local content requirements, citing existing local capacity and job creation potential. In the case of inverters, they call for preferential procurement and protection for manufacturers with high local content, along with the introduction of content thresholds to sustain domestic production. Regarding Battery Energy Storage Systems (BESS), members recommend a cautious approach, advising against premature local content mandates due to current limitations in local capacity and the capital-intensive nature of key components like battery cells.

Lastly, as the representative body of the solar industry in South Africa, we welcome further dialogue and advocate for closer, mutually beneficial collaboration between industry and government. Such partnership will enhance energy security, promote efficiency, and unlock broader socio-economic benefits from the renewable energy sector.

Kindest regards



Dr. Rethabile Melamu

SAPVIA Chief Executive Officer