Energy Council briefing note on key imperatives for the Portfolio Committee on Energy and Electricity (PCEE)

Title: Accelerating South Africa's energy transition: From reform to implementation

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1. Purpose

To brief the Portfolio Committee on Energy and Electricity (PCEE) on the Energy Council of South Africa's (Council) perspective on strategic imperatives underpinning South Africa's energy transition, highlighting energy reforms progress, outline key priorities for the 2025–2030 period, and recommend priority actions to ensure coordinated implementation, inclusive growth, and long-term energy security.

2. Context

South Africa is at a critical juncture in its energy transition. The severity of energy crisis in 2022/23, led to the establishment of the business-government collaboration under the Energy Action Plan and mobilisation of significant resources through the National Energy Crisis Committee (NECOM) platform. Since then, the country has made major strides in stabilising energy supply, attracting significant investment, and delivering reform progress under the Ministry of Energy and Electricity.

The focus must now shift from reform planning to delivery at scale, in line with legislation and policy objectives. Affordability, low growth and capacity deficits are systemic issues, which hamper progress.

South Africa's energy transition is the single largest investment opportunity over the next decade, requiring an estimated R2 trillion. If executed effectively, this can add 1.3% to GDP growth, create significant skilled jobs, and secure long-term energy resilience. However, without deliberate and coordinated implementation, the country risks a return to energy crisis by 2029, undermining growth, industrialisation, and employment.

3. Key Issues

3.1. Risk of Future Loadshedding (Post-2029)

- Current rate of new investment is falling well short of demand growth opportunity to 2030.
- Energy security should not be achieved through constraining growth, electricity demand is a key indicator of industrial growth and job creation.
- If grid expansion and new generation is not addressed, then the country risks a return to energy shortfalls by 2029. To sustain a growth path, increases in build of RE, Storage and Gas to Power is required by 2030.
- Grid constraints and municipal instability are limiting investment.

3.2. Economic Growth and Energy Demand

- Energy availability and unpredictable pricing is a key constraint to GDP growth and job creation, however major investments (e.g., mining, industrial gas, data centres) can be unlocked if electricity certainty of supply and price can be provided.
- As highlighted by National Treasury, a low growth, high debt environment is the biggest risk to our collective ambition.

3.3. SAWEM Implementation

- The South African Wholesale Electricity Market (SAWEM) has technical, commercial, and financial benefits to the overall system.
- SAWEM ensures competition and transparency, as well as investment risk transfer to private sector.
- Eskom Vesting contracts, System-wide tariff alignment, and SAWEM governance frameworks are considered critical path items.
- A 5-year phase-in of SAWEM is required, so early launch and a risk adjusted and phased implementation roadmap is critical.

3.4. Grid Infrastructure Bottlenecks

- The national grid requires rapid expansion to unlock new renewable energy zones, particularly in the Northern, Western, and Eastern Cape.
- Without significant public-private coordination, transmission constraints will persist.
- Technical solutions are available; more collaboration is required to accelerate investment and TDP prioritisation.

3.5. Municipal Energy Reform & Social Inclusion

- Municipalities face financial and operational challenges in adapting to a restructured market.
- Social buy-in, affordability, and inclusive energy access must be central to the transition.

4. Energy Council recommendations

To unlock the full socioeconomic potential of South Africa's energy transition, the Energy Council recommends a focused set of implementation priorities that can accelerate reform delivery, restore investor confidence, and ensure inclusive national benefit. These priorities include:

4.1. Accelerate new generation build rates.

- Increase REIPPPP procurement rounds and enable private sector build beyond 4,500MW/year. IRP calls for 4300MW/year when Grid is unconstrained; SAREM identified a minimum of 3000MW/year required to enable sustainable local manufacturing.
- Finalise procurement for gas-to-power and accelerated storage windows.

4.2. Ensure SAWEM operational readiness by 2026

- Publish clear SAWEM launch roadmap with readiness measures.
- Expedite finalisation of vesting contracts, tariffs, and market oversight mechanisms.
- Strengthen NERSA's institutional capacity for licensing, pricing, and arbitration.

4.3. Fast-track Grid expansion and modernisation

- Expedite capacity unlocks in the critical period 2028 – 2032 through focused TDP prioritisation, release of curtailment capacity and accelerated private sector shared-works model to support collector grid investment.
- These are complimentary to the corridor upgrades and ITP projects which must continue.
- Release grid connection data to provide more confidence in planning and investment preparation.

4.4. Continue work on Municipal reform, supporting sustainable local government and jobs

- Implement reforms that enable financially viable municipalities to procure, wheel, and distribute power.
- Provide technical and financial assistance to vulnerable municipalities.
- Review tariff affordability thresholds for consumers

4.5. Ensure Just Energy Transition Principles Are Embedded

- Align investment projects with community development, jobs, and equity objectives.
- Foster public trust through transparency and engagement at local levels.

5. Way Forward

The Energy Council remains committed to:

- Supporting planning, design and risk mitigation required for policy implementation.
- Facilitating structured business-government collaboration and continuing to mobilise resourcing to support policy implementation.
- Engage all sector role-players, including PCEE on key issues, including system modelling, benefits and risk, reform design elements and achieving growth in the energy sector.

6. Conclusion

- There is much to celebrate when considering the recovery of our energy crisis and levels of investment enabled through reforms to date; South Africa's energy transition is well underway.
- The next 5 years to 2030 is critical to averting a further crisis, enabling growth and ensuring a robust energy sector that can carry the economy forward to 2040 and 2050.
- With strong policy foundations in place, building institutional and delivery capacity is key.
- We must build on the successes under the Energy Action Plan to scale investment and de-risk implementation.
- This will ensure that energy reform translates into economic growth, jobs, and social equity.

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