

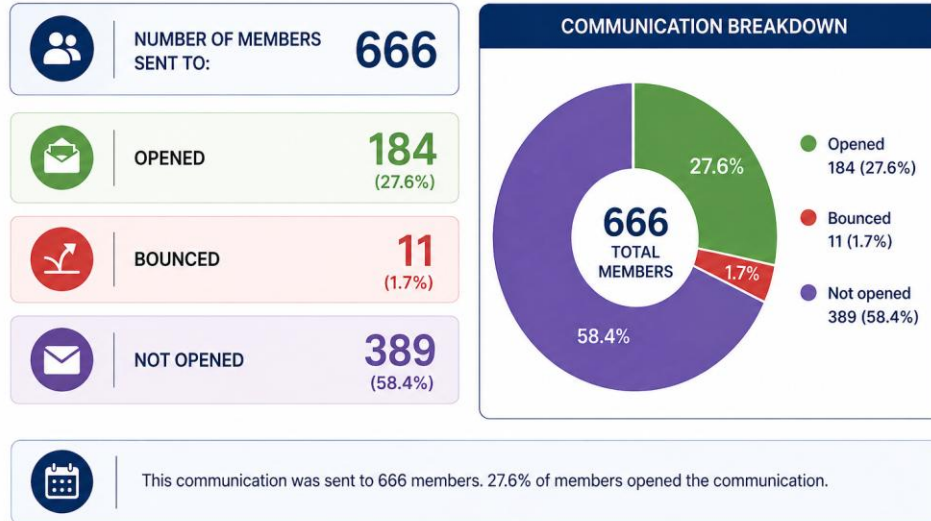


South African Photovoltaic Industry Association



Response to ITAC Notice 3864 of 2026 – Review of Tariff Structure for Renewable Energy Value Chain

COMMUNICATION SUMMARY



Introduction

This consolidated report of inputs received from SAPVIA members in response to ITAC's preliminary determinations published in Government Gazette No. 54420, Notice 3864 of 2026 on 27th March 2026.

The submission reflects the collective position of the South African renewable energy sector, with a focus on ensuring policy certainty, affordability, and accelerated deployment. The recommendations are grounded in practical industry experience and market realities.

1. Tariff Increases on Renewable Energy Components

SAPVIA does not support a general increase of the tariff lines listed in Table 1 to their WTO-bound rates at this stage.

Rationale:

- Broad-based duty increases will raise total system costs across the value chain, impacting project viability, capital costs, investment returns, and deployment rates.
- The sector is already under pressure from rising financing costs, Eskom tariff volatility, and constrained capital availability.
- South Africa remains reliant on imported components; premature tariff increases risk slowing adoption and negatively affecting businesses.

Recommendation: Duty increases should only be considered once sufficient, competitive local manufacturing capacity is established and verified. We also wish to highlight that the removal of VAT as

an input cost on Chinese solar modules functions similarly to an export tax, raising the price of these modules by about 9%. This increase, combined with the current 10% import tax, results in a significant cost escalation for imported solar PV modules.

Given this, we believe the rationale for maintaining the 10% import tax should be revisited, as the VAT change alone is already achieving the intended effect of supporting local industry by making imports less competitive.

2. Customs Duty on Fully Assembled Lithium-Ion Batteries

SAPVIA objects to the proposed increase in customs duty to 15% ad valorem on fully assembled lithium-ion batteries.

Rationale:

- Lithium-ion batteries are critical for energy resilience, backup power, and optimising self-consumption.
- Increased duties will raise project costs, reduce affordability, and undermine adoption.
- South Africa currently relies on imported batteries due to limited local manufacturing.
- Immediate duty increases, combined with the phasing out of VAT export rebates, could result in a 25% price hike.

Recommendation: Any increase in duties should be phased and conditional on proven, competitive local manufacturing capacity. Lower duty rates should be maintained in the interim to ensure affordability and supply stability.

3. Phased Approach to Rebate Item 460.16/8541.43/01.06

SAPVIA supports a strictly phased, evidence-based approach to any withdrawal of rebate support, conditional on proven domestic capacity.

Rationale:

- Domestic capability must be demonstrated in volume, pricing, quality, bankability, lead times, warranty support, and market demand.
- Premature removal of the rebate risks higher system prices, supply constraints, and reduced solar PV rollout.

Recommendation: The rebate should remain until local manufacturers can supply sufficient, competitively priced, and quality-assured products. The 50% threshold must be transparently assessed, with ongoing industry consultation.

4. Local Procurement and Content Requirements

SAPVIA recommends caution before designating solar panels, trackers, inverters, fasteners, and tower sections for local procurement and content requirements.

Rationale:

- Localisation is positive where capacity is mature and competitive, but premature designation can distort the market, increase costs, and limit supply flexibility.
- Inverter and tracker technologies require proven performance, technical support, and certification.

Recommendation: Designation should only follow the statutory process, detailed industry consultation, and objective proof of sufficient, competitive local supply. Exemptions or flexibility mechanisms should be considered where local supply is constrained.

5. Staged Consignment Policy Exclusions

SAPVIA does not support blanket exclusion of key components from the staged consignment policy based solely on partial domestic capacity.

Rationale:

- Local manufacturing is not yet sufficient in scale, quality, or pricing to meet market needs.
- Premature exclusion may penalise projects and hinder sector growth.

Recommendation: Exclusion should be deferred until local capacity can demonstrably meet demand. A phased or conditional approach, with clear benchmarks and ongoing consultation, is advised.

6. Committee of Industry Role Players

SAPVIA supports the establishment of a broadly representative committee to advise ITAC on trade measures, and several representatives ready to participate in the committee.

Rationale:

- The committee should include manufacturers, importers, EPC contractors, developers, distributors, financiers, technical specialists, and end-users.
- It must be transparent, accountable, and inclusive, considering both localisation and affordability objectives.

Recommendation: The committee's terms of reference should ensure regular stakeholder engagement and reflect the diversity of the sector.

7. Duties on Power Converters and Battery Modules

SAPVIA highlights the complexity and challenges of local manufacturing for power converters and battery modules.

Rationale:

- Local supply chains for electronic components are underdeveloped; certification processes are costly and complex.
- Market volumes are insufficient to incentivise local manufacturing; proposed duties will increase costs without boosting local activity.

- Introduce industry regulation and licensing to ensure importers meet technical and financial requirements, reducing low-quality imports and strengthening the supplier base.

8. Tariff Classification / HS Code Increases

SAPVIA does not support blanket tariff increases across the components in Table 1.

Rationale:

- Many items are integral to the renewable energy value chain; cost increases will compound across projects, reducing viability and deployment.
- Domestic manufacturing is not yet sufficient in scale, cost-competitiveness, or technical alignment.

Recommendation: Any future tariff adjustments should be targeted, evidence-based, and conditional on proven local capacity. A phased and monitored approach is required.

Conclusion

SAPVIA and its members support the development of a strong domestic manufacturing industry, but caution that trade measures must be balanced, evidence-based, and aligned with market realities. Immediate duty increases and premature localisation requirements risk undermining sector growth, affordability, and job creation. The sector urges ITAC to delay or withdraw proposed duty increases until local capacity is proven, and to pursue a measured, consultative approach to policy implementation.



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