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# #WhatSACanBe

*100 DAYS TO UNLEASH ECONOMIC GROWTH  
AND GET SA BACK ON TRACK*



**ENERGY: FIX DELIVERY, BOOST JOBS**

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# Introduction

For the first time in three quarters of a century, South Africa has ceased being a one-party-dominant state. The era of predictable and inflexible government power is over. In its stead, South Africans now find themselves in a new era of politics – one that must be defined by pragmatic, pro-growth policy. It is in this spirit that the South African Institute of Race Relations (IRR) has decided to publish *#WhatSACanBe: 100 days to get SA back on track*, a series of nine short papers each focusing on a different key policy area. Taken together, these papers offer a dynamic programme of action for the Government of National Unity (GNU) as it sets out its aims and gets to work earning the trust of South Africans.

The 2024 elections drew a fundamental dividing line in our politics between the country's pro-growth coalition – in the main represented in the GNU – and the pro-poverty parties, which have been denied access to the levers of government power.

But this arrangement is precarious. For democratic consolidation to succeed, the GNU must record notable governance wins in the short term. The policy proposals in this publication series show how a GNU can initiate crucial reform, quickly.

Embarking on a 100-day period of catalysing reform will make maximum political capital available to the GNU and its members. Public sentiment tracks upwards in the slipstream of economic improvements. A period of one hundred days following the first full meeting of the new GNU forms a natural timeframe within which pragmatic, constructive and meaningful government action will ensure an environment of good faith towards the GNU.

The responsibility to make the most of this moment by adopting a proactive, pragmatic plan of government lies heaviest on the leaders of political parties that find common cause in constitutional democracy, the rule of law, and good faith to remedy past failures and build on past successes. If the GNU is willing to do more together to rescue South Africa, this historic moment will be the rebirth of a hopeful rainbow nation.

Parties that occupy the pro-growth mainstream of South African politics based on the common ground of an economic system built on thriving businesses and job creators of all sizes able to operate in a fair, free and responsibly regulated economy; that believe in the ability of individuals and communities to find solutions; that acknowledge the fundamental role and dignity of secure ownership of property and the repudiation of historical crimes against South African property owners; that seek to protect and promote the rule of law; and that hold true to the non-racialism of our Constitution – these parties, as a single constellation, hold between them the capacity to give South Africans hope again. At the core of these convictions lies the critical matter of economic growth – the catalyst for upward social mobility through jobs and a reliable welfare system. Achieving economic growth is the primary challenge and opportunity for the GNU.

# Five tests for any reform proposal

The GNU needs a set of policy solutions that satisfies at least five key criteria:

1. Multiple GNU partners will have to support the proposed policies;
2. Labour interests, workers, entrepreneurs, businesses, markets, and investors should be left in no doubt that fundamental and positive changes are being made in the policy environment;
3. External stakeholders will have to be brought on board, or ways will have to be found to address their opposition;
4. The policy solutions will have to make a substantive, tangible change in the lives of ordinary South Africans in the short, medium, and long term; and
5. The outcomes of policy solutions have to be popular with the electorate, with the goals being clearly communicated by the GNU.

Every *#WhatSACanBe* policy reform is therefore scored on the basis of five simple questions:

1. Will voters support it?
2. Will economic stakeholders welcome it?
3. Will GNU partners buy into it?
4. Will the media support it?
5. Will opponents derail it?

## Context of crises

Amidst the euphoria of taking office, the new administration must be under no illusions about the scale of the challenge. Some of the crises the GNU faces are, in no particular order:

1. An ineffective, bloated, and politicised civil service;
2. An overburdened judicial system that risks losing public trust;
3. A decline in the general standing, independence, and fairness of judicial officers;
4. An ineffective police force likely antagonistic to reform;
5. A small and shrinking tax base under immense strain;
6. Increasing water shortages across the country;
7. Violent crime, especially against the most vulnerable, running rampant in sub-middle-class areas;
8. A local currency of fluctuating reliability;
9. High levels of government debt;
10. Consistently high unemployment and youth unemployment rates;
11. Failing and unreliable road, rail, and port infrastructure;
12. Mass blackouts of power in large parts of the country due to a national power grid functioning at close to 60% capacity; and
13. Child malnutrition in rural and inner-city areas.



With the above as the context, proper consideration can be given to setting out a viable and successful path forward. Great as these challenges would be to any incoming government, a pragmatic and outcomes-focused programme of government will ensure a vigorous turnaround and the introduction of pro-growth policy consensus.

## Priorities of the people

Polling by the IRR over the past decade has repeatedly emphasised the key priorities of South Africans, revealing surprising unity across demographic divisions. The most recent survey indicated the following priority problem areas:

- Unemployment and job creation
- The abuse of women or children
- Corruption
- Electricity or load-shedding
- Housing
- Water and sanitation
- Education
- Poverty
- Inequality, including gender and racial inequality
- Health care

Economic growth forms the foundation of all solutions in these priority areas. To earn maximum political capital from their initial policy actions and announcements, it is advisable that policymakers focus on economic growth as the key to meeting public demands on these priorities, ensuring that the government's agenda is unambiguously pro-growth.

From the above, it is clear that fixing energy delivery is most likely to boost employment, effect change and generate political capital for the new government. This paper, the last in the *#WhatSACanBe* series, focuses on energy reform.

## Energy: Fix delivery, boost jobs

### What should the GNU do?

The GNU should adopt a no-holds-barred approach to end load-shedding and ensure South Africans have access to cheap, reliable electricity.

This means removing bureaucratic hurdles and regulations that slow down procurement and which make it more expensive to generate power through Eskom or independent power producers.



It also means taking an approach that optimises rapid deployment of power, least cost, and most reliability, rather than getting bogged down in endless debates over which specific sources of energy should be preferred. When a patient is dying, the first step to saving their life is to stabilise their condition. Improving their health comes later.

## Why should the GNU make this change?

Without cheap and especially reliable electricity, investors won't invest and businesses cannot grow. The South African economy will continue to stagnate and unemployment will rise further, shortening the fuses of countless social timebombs. It is essential to lift the power constraint on South Africa as quickly as possible.

Eskom, which produces around 90% of all electricity in South Africa, has been so badly mismanaged that its energy availability factor is 57%, as opposed to a target of 75%. The "Eskom car" is forced to drive with the rev counter constantly in the red because so much of the engine capacity is unavailable. Equipment is being run at its limits and can't be taken offline for maintenance, leading to further breakdowns.

By 2030, Eskom will have to shut down 10 000 MW of its coal-fired power stations (about a quarter of installed capacity). By 2033 it will have lost 22 000 MW of capacity through decommissioning. More than just replacing decommissioned capacity, it is vital to expand generating capacity to keep up with the rapid economic growth the new government's reforms will trigger.

Eskom has accumulated debt of around R400 billion, which it has no prospect of repaying from operations. This means that Eskom does not have the financial capacity to make the investments required. Financing the needed upgrades will require additional government funding and large-scale private participation. Foreign climate-related funding should also be considered where it can be secured on favourable terms.

## How should the GNU make this change in terms of laws, regulations, etc.?

The most important change involves quickly ramping up private power generation and giving private power producers the opportunity to sell electricity into the grid. For this, Eskom has to be split up into three parts: generation, transmission and distribution. This is currently being done but at a very slow pace.

The generation part of Eskom should be privatised and compete on an equal footing with independent producers. The transmission unit should remain in state hands but offer service on equal terms to all producers. This unit would be responsible for balancing supply and demand. It would be the ultimate authority deciding which power gets admitted onto the grid for dispatch and when. Distribution should be handled by a variety of entities, including municipal and private, depending on the area. Each of the distribution units should be empowered to take aggressive action against non-paying users and illegal connections.



All power producers, including Eskom, should be given the authority to hire any staff they choose and be completely exempted from race targets, racial preferencing in procurement or an obligation to hire politically connected individuals. They should be free from political interference and it must be made clear that their only mandate is to produce reliable electricity at the best price.

The social aspect of electricity (e.g. roll-out in rural areas, free electricity for indigent households) should not be made the responsibility of power producers or distributors. If the state wishes to subsidise such services, it should purchase them on commercial terms from service providers in the electricity industry with whom it must have an arm's length relationship.

In terms of energy sources, an agnostic approach must be pursued. For example, renewable sources like solar and wind can be deployed faster, in smaller batch sizes and on a more decentralised basis than coal, gas or nuclear. It may also be possible to secure subsidies from foreign donors to deploy such technology. But to live up to their potential, renewables need storage (e.g. batteries, mechanical storage devices, hydrogen), which is still costly and immature, or grid backup.

Coal is cheap and plentiful, but raising funding for new power stations from conventional sources will be very difficult, if not impossible, as the world moves away from sources that emit high levels of CO<sub>2</sub>. Nevertheless, the possibility of raising funding from non-conventional sources, such as private equity, should be explored, and existing capacity kept going for as long as possible.

South Africa should also attempt to obtain exemptions from green requirements on the basis of social justice, as forcing SA to go green keeps it poor and stuck in its colonial past. Such exemptions would also have to cover carbon border taxes on imported goods (which the European Union is planning to introduce), which would impact South African exports severely if its mining and manufacturing continue to be coal-powered.

Nuclear power using current technologies will take a long time to install and requires vast funding, which currently isn't available to South Africa. Small modular reactors present a promising evolution of this technology, but they still appear to be up to a decade away from commercial implementation. Nonetheless, if there are waiting lists for such reactors, South Africa should make sure it reserves a spot at the front of the queue.

## Will it fly?

### Will voters support it?

Voters have welcomed the relief from load-shedding, but remain uneasy about electricity price increases. However, they must be made aware that, until some 170 days ago, they were confronted with both rising prices and unreliable electricity. So the above changes would represent a further improvement in reliability, and also in cost, once competition helps drive prices down.



## Will economic stakeholders welcome it?

Markets and investors have welcomed the uninterrupted power supply. For the immediate future they accept high or higher prices, provided they have certainty and can include projected costs in their own financial planning. However, higher input costs will have spillover effects on consumers and the labour market; it is essential to assure them that competition will bring prices down in the near future. Reassuring stakeholders that the grid is stable and will not experience future load-shedding will also boost SA's reputation by helping combat the narrative around South Africa as a failing state that "can't even keep the lights on".

## Will GNU partners buy into it?

GNU partners are likely to buy into it to improve the long-term reliability of power supply and ensure that load-shedding does not return. Embracing these measures will demonstrate their commitment to resolving critical issues and boost public confidence in their governance.

## Will the news media support it?

Some media outlets might be ideologically hostile to the notion of ending excessive and expensive state intervention and dependency, including in the electricity sector. Many will also be hostile to using non-green energy sources. However, most journalists are just as gatvol as ordinary South Africans with the lack of reliable electricity and are therefore likely to support measures aimed at ensuring load-shedding does not return.

# What's the downside?

The strongest downside is that all energy sources that aren't viewed as "green" will face fierce opposition both domestically and internationally. They may also face difficulties in raising funding, as brown finance is becoming increasingly taboo. Some of that opposition may also come from GNU parties themselves, meaning that selling this idea will require a large upfront effort.

## Will opponents derail it?

Opposition to the reform measures will be fierce. It will range from political elites that have business interests in coal trucking and the electricity sector more broadly, to staff at Eskom worried about losing their jobs, to actual coal truck drivers who will be concerned about no longer having enough coal to truck. Political deployees at Eskom will also fear losing their jobs under a new administration, as will staff in technical roles who do not have the right skills or have become accustomed to being paid for doing little work. Such staff will be able to engage in sabotage to strengthen their negotiating position or prevent reforms. Non-paying electricity customers, including much of Soweto and a range of government departments, will be upset at the idea of having to pay for the power they receive.



# Conclusion

So far this year, South Africa has been without load-shedding for more than 170 days. But much can happen to spoil the opportunity to build on this promise – primarily, a risky cleaving to the century-old assumption that producing electricity is the state's preserve.

This paper sets out a series of reform policies that the GNU must refine and reach agreement on as pragmatic and mainstream proposals. This will provide a sound basis for the upcoming National Dialogue, to map out the governance agenda on the issue of electricity, and make power crises a thing of the past.

A firm and clear programme of government arising from the National Dialogue will allow the GNU to seize the initiative and build on the momentum of the pragmatism of the multi-party effort.

To this end, the government must:

- Ramp up private power generation;
- Allow private producers to sell electricity to the grid;
- Divide Eskom into three parts: generation, transmission and distribution;
- Allow all power producers, whether private or public, the freedom to hire staff and handle procurement independently;
- Prioritise payment collection; and
- Seek exemptions from strict green mandates.

These proposals will effectively resolve the most critical issues of South Africans who, while appreciating the past months of uninterrupted electricity, remain apprehensive about rising electricity prices, and industry that remains concerned and limited by the future risk of a return of load-shedding. The steps outlined in this paper will also reassure markets and investors that competition will reduce costs in the near future, ensuring their much-needed patience in the immediate term.

The message from South Africa to the GNU is not to simply settle for keeping the lights on, but to focus on fixing delivery, ensuring the long-term sustainability of electricity generation capacity, and boosting jobs to lay the foundation for an era of prosperity within the first 100 days after the 2025 State of the Nation Address.



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