

South Africa

92% of senior executives say electrification would increase their competitiveness

South Africa's weak grid infrastructure is restricting competitiveness and limiting potential growth opportunities for business, leading to an urgent need to improve grid planning and connectivity.

What Business Needs

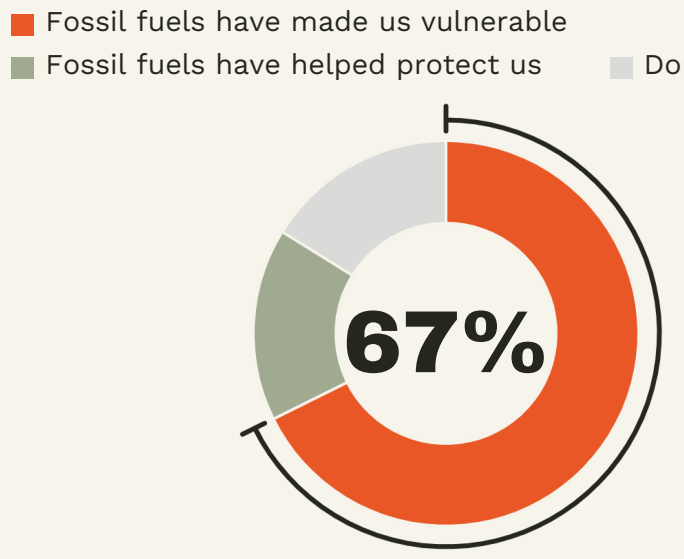
Businesses want faster planning approval and grid connection in order to strengthen the power system and increase its capacity to absorb more renewables-based electricity.

Policy Context

The government is publicly committed to a transition to renewable electricity, a position driven in part by the country's high natural endowment of clean energy sources and evidenced by its status as Africa's largest producer of renewable electricity. Clean electrification is also increasingly seen as a boon for both energy security and economic development. The political stock placed in the first of these policy priorities has gained considerable traction due to recent volatility in geopolitics—a phenomenon that 85% of business leaders believe is increasing the urgency with which South Africa should transition to clean electricity. As regards South Africa's economic development, policymakers see electrification as a boost for inward investment, domestic productivity, economic competitiveness (e.g. in clean-tech manufacturing) and job creation. Executives concur with this view; 96% and 92% say electrification would help their business grow and make them more competitive, respectively.

These perceived benefits are reflected in South Africa's energy policy, which anticipates the addition of new renewable capacity. The government's Integrated Resource Plan 2025, for instance, has a highly ambitious target of 83.5 GW in clean power generation capacity by 2039. Should this materialise, it would land well with the 84% of business leaders who say renewables should comprise the bulk of the power system's electricity output.

Nearly 70% of South African business leaders say fossil fuel use leaves them exposed to price shocks



Which comes closest to your view on South Africa's use of fossil fuels during geopolitical instability?



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Yet progress on clean electrification is slow. On the demand side, 80% of executives feel the country's power system is currently falling short. Lack of grid capacity represents a particular challenge here, especially in the Northern, Eastern and Western Cape—all of which are rich in renewable energy potential.

Hence, a noteworthy proportion (59%) of business leaders say faster planning approval would be one of the most effective ways of speeding up their firms' electrification. Increasing electricity's share (currently at around 26%) of total final energy consumption will have knock-on effects elsewhere in the economy.[1] Jobs in the coal sector could be impacted, for instance, as could the short-term finances of the state-owned power utility, Eskom. Success will therefore depend on policymakers managing this transition responsibly.

Business Viewpoints

The economic case for electrification frames much of business leaders' support. Over one third (36%) of executives, for example, identify new jobs as one of its principal benefits of electrifying South Africa's economy—more than double the poll average (of 15%). Close behind is electrification's contribution to economic growth (32%).

At the same time, geopolitical-driven volatility, coupled with energy security concerns over pending constraints in gas supply from Mozambique, is creating an economic threat. Hence, 68% of business leaders agree that South Africa now depends too much on fuel imports, while a further 89% say that electrifying their operations would bring down their long-term costs.

In practical terms, however, companies are struggling to electrify. 82% say policies are moving too slowly. As a result, 50% of business leaders report cancelling or delaying electrification projects. Over half (52%) of those polled would therefore like more financial support to cover the cost of electrifying their equipment and costs. A further 44% want market reforms to incentivise renewable electricity.

1 https://www.iea.org/countries/south-africa/energy-mix