

Tackling the elephant

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As global climate change negotiations in Copenhagen reach their climax, South Africa has been talking to everyone yet it has a long way to go to bring its own citizens up to speed.

After unannounced discussions with leading members of the G77, China, India, Brazil and Saudi Arabia, South Africa entered the climate change summit by increasing its negotiating offer significantly -- to reduce its carbon emissions by 34% by 2025.

While the proposal is contingent upon funding assistance for developing countries, it represents a challenge to developed countries to agree on an equitable outcome to this critical process, one which will change our lives, whatever its outcome.

Back home, though, the government has yet to engage in discussions with the public on the implications of its Cabinet declaration last year that it would adopt a climate change mitigation course of action that is "required by science". The result is that the government has not heard what ordinary South Africans think about the choices necessary to achieve this sustainable, low-carbon lifestyle.

This discussion should be the basis for any future energy plan. More than anything it needs to be a political discussion -- not a technical one dominated by experts. To employ an old-fashioned definition of political economy, it needs to be about who gets what, when and how.

In this vein some equally good, old-fashioned political anger is called for to demand of the state that it take charge of Eskom, and the other state-owned enterprises, to ensure that the wider public interest is respected. These are public institutions, yet many of them conduct themselves like private corporations -- accountable to obscurely appointed, sometimes corrupt, intermediary boards.

This is the elephant in the room; it is time to tackle it. If we are to match the need for public service with the need for sustainability in our development path, then we need more, not less, government. We need the government, which claims to be a developmental state, to assert the public interest in the operation of state-owned enterprises.

To illustrate the point the 2008 Energy Act requires the government to develop a strategic plan -- an "integrated energy plan" -- that should set out South Africa's priorities to shape the decisions that will be made in the next few months and will also determine the trajectory of its development path in the next 20 years. Importantly, the Act requires government to adopt this plan only after adequate public consultation.

This plan should guide the options available to the National Energy Regulator of South Africa (Nersa) when it considers Eskom's multi-year price increase application. The integrated energy plan should be informed by such broad consultations and it should, in turn, be guiding government's negotiating position in Copenhagen.

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Instead, government has reportedly adopted an interim and un-consulted "integrated resource plan" -- a document of far narrower scope, but equally decisive for Nersa's imminent decision on Eskom's tariff increase application. As a result, both Nersa's decision and government's climate commitments may be made on the basis of incomplete information.

Nersa's decision is crucial to Eskom's immediate planning to enable it to ensure a secure electricity supply for the country in the next 15 years. But the immediate difficulties facing Nersa are twofold. First, to help it weigh the advisability of Eskom's plan, Nersa will have access to this internal government-approved resource plan not seen by the public.

Second, Eskom was responsible for an initial draft of this resource plan. Judging by Eskom's motivation for its price increase application, we should be worried by what might be in the integrated resource plan, as the former seems not to take account of the wide range of complementary factors that should inform its content and outlook. For instance, its application is based largely on a business-as-usual model of building more greenhouse gas-emitting coal-fired power stations to meet projected demand growth.

As it fails, for example, to take account of the new manufacturing opportunities presented by a transition to a low-carbon economy, so it also fails to recognise the imperative of doing so. In the process it fails to explore fully the possibility of creating jobs by choosing cleaner ways to produce our electricity.

Access to reliable electricity for the poor is an enduring social and economic challenge for South Africa. The primary mechanism proposed by Eskom's application to address

this challenge is an increase in the free basic electricity allocation.

In principle the proposal to increase the allocation seems well worth further consideration, although such measures have implications for broader energy policy in South Africa and its implementation will affect a wide cross-section of stakeholders beyond Eskom. Consequently, before expanding the programme, the limitations of the existing programme should be assessed and addressed.

In any case, it should be noted that increasing the allowance of free basic electricity does not address issues of access to electricity for those who are not at present served by existing or planned infrastructure service. The focus on investment in new infrastructure to service existing customers, and prospective new industrial users of electricity as the priority for the investment programme raises issues of equity.

But here a third hurdle emerges: Eskom's plan includes quite limited information based sometimes on questionable assumptions, both of which constrain meaningful public comment on its price increase application. So, for example, limited information about the basis for Eskom's projections of demand growth makes it difficult to assess the advisability of its expenditure plans for new generation capacity, particularly as little analysis is included of the impact on consumption of steep price increases.

Further, the deployment of renewable energy in South Africa has been slow relative to the vast potential that exists in the country. Although we have not achieved an already meagre 4% target set in 2003's Renewable Energy White Paper, Eskom's proposals reflect little ambition to attain it.

The assumptions underpinning the cursory approach in the application to renewable energy are not made transparent in the submission and would seem to be unfounded given the international electricity sector's experience with renewable energy. They seem particularly questionable given the demonstrated disruptions in coal supply and its escalating costs.

Meanwhile, independent modelling by the Energy Research Centre at the University of Cape Town has highlighted the potential for energy efficiency to reduce demand enough to consider postponing some new proposed plants, especially if supplemented with more use of renewable energy technologies.

The analysis suggests that by delaying the need for the next power plant, there is a requirement in 2013 of "40% less investment, which shrinks to around 12% from 2015 onwards. The obvious implication of this is that a renewable energy target implemented with an efficiency programme would impose far lower investment costs on the power

sector."

This is part of the complex challenge facing the sector. To meet the challenge, the first step is to abandon a corporatist approach to the problem. Public institutions must be governed like public bodies, with the public interest at the forefront of their decision-making. Only once the elephant in the room is tackled can the policy dilemmas be adequately resolved.

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