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NEVA MAKGETLA: SA can’t turn back the clock on national power system

The forces driving load-shedding show that radical reconstruction is unavoidable

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The government’s responses to the Covid-19 pandemic and load-shedding provide textbook examples of how to respond to disruption — and how not to.

SA’s pandemic strategy accepted that change was inevitable. It focused on minimising economic and social costs while taking advantage of emerging opportunities. In contrast, the load-shedding strategy is trying to restore pre-crisis normality, with delayed and minimal reforms to the national electricity system.

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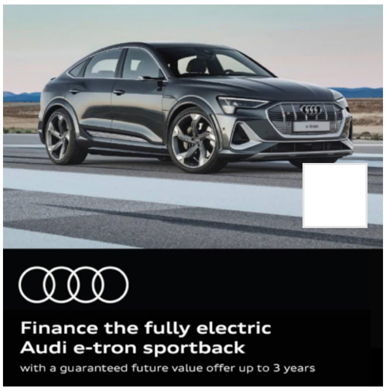

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That’s a fail in itself. It downplays measures to mitigate the costs of load-shedding as well as the potential of new energy technologies for supporting economic reconstruction.

When the pandemic hit in March 2020 the government quickly undertook to mitigate its impact on working people and employers. By mid-2020 a new social grant had reached 3.5-million unemployed people, though with only R350 a month.

The government also used the huge surpluses in the Unemployment Insurance Fund to support about 500,000 formal businesses (two-thirds of the total) and their 4-million employees. These outlays helped limit formal business closures, though they did not stop huge layoffs. SA still has 350,000 fewer formal positions than before the pandemic, with job losses almost exclusively among workers with matric or less.

The government also introduced new health measures to let the mining and farming value chains stay open during the lockdown, and set aside R1.5bn to support agriculture, hospitality and creative work. It promoted local production of equipment and pharmaceuticals, including personal protective equipment, sanitisers and, in 2022, vaccines.

Some of these initiatives ended up with huge delays and scandals, and some promoted inappropriate or unneeded goods. Still, the response as a whole undoubtedly prevented even worse outcomes for the economy and society.

In contrast, the national strategy on load-shedding barely mentions support for businesses and households. It includes no measures to limit the effects on jobless people and working class communities. Instead, it focuses on getting more power onto the national grid, with the prospect of two more years of load-shedding. Its sole initiative to help businesses and households through this period is a pledge to “unleash businesses and households to invest in rooftop solar”, though it doesn’t specify how.

The 2023/24 budget provided more detail. In it, the Treasury introduced income tax incentives for off-grid solar worth R9bn, split between businesses and households. An R8bn “bounce back” facility will guarantee loans to finance off-grid solutions for businesses. These measures are important for formal producers and workers. But they won't reach emerging enterprises or low-income households, which generally don't earn enough to pay income tax or access formal bank loans.

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In March the department of trade, industry & competition announced eight measures to help businesses deal with load-shedding. The Industrial Development Corporation will provide R1.5bn for enterprises to cut electricity intensity and invest in generation. The department also aims to reduce regulatory obstacles to off-grid generation and promote local production of relevant inputs, while controlling price gouging as demand soars.

Why has the government framed these crises so differently? For one thing, the pandemic abruptly shifted global paradigms. Governments everywhere supported businesses and workers on an unprecedented scale. SA only had to follow suit. In contrast, we don't have overseas models to copy on load-shedding. Instead, the load-shedding response has been heavily influenced by Eskom, coal producers and municipalities, all of which could lose revenues if the electricity system is transformed. The result has been foot dragging and inconsistency.

The reality is that once started technological disruption is hard to stop, and turning back the clock never works. The forces driving load-shedding point unavoidably to radical reconstruction of the electricity system. Rather than seeking to block the inevitable, we need stronger efforts to mitigate the costs of the transition and optimise the system that emerges from the turmoil, shaping it to support more dynamic, inclusive and equitable growth.

• Makgetla is a senior researcher with Trade & Industrial Policy Strategies.

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