

## Advancing The South Africa Just Energy Transition Partnership

Tuesday 12 December, 2023

Since November 2022 at COP26, significant progress has been made on South Africa's Just Energy Transition Partnership (). Several more development partners are now supporting the Just Energy Transition (), and Denmark and the Netherlands have joined the International Partners Group () as part of the .

Pledges amounting to \$11.6 billion have now been committed to the , including \$9.3 billion from the . Reskilling and economic diversification projects have started in Mpumalanga and energy policy reforms continue - leading to real progress in private sector renewable energy roll out and creating a significant number of jobs. Promising developments are happening to accelerate investment in electric vehicles, green hydrogen, and transmission finance.

South Africa's ongoing electricity supply crisis continued in 2023, resulting in the government's decision to re-assess the schedules for decommissioning coal power plants to manage energy security priorities. South Africa has therefore resolved to frontload work on the repowering and repurposing of the retiring power plants and community development initiatives at these sites.

The aim of the partnership remains to achieve the most ambitious target possible within South Africa's Nationally Determined Contribution range to the extent of the available resources and support. 2023 also saw the Minister of Finance introduce important debt relief measures for Eskom, which include a borrowing moratorium on the power utility for 3 years, requiring re-consideration of deployment mechanisms for a number of loan facilities.

### The Implementation Plan

After widespread stakeholder consultations on the Implementation Plan (IP) by the Presidential Climate Commission (PCC) in early 2023, the Project Management Unit (PMU) in the Presidency held a series of focus group engagements and prepared the in 2023, which Cabinet approved on 15 November 2023.

The summarises the current status of financing and sets out South Africa's 6 defined portfolios for investment:

- electricity
- Mpumalanga just transition
- new energy vehicles
- green hydrogen
- skills
- municipalities

It provides updates on progress and the state of play in each portfolio, theories of change per portfolio with short- and medium-term outcomes, sets up collaborative structures for portfolio planning and management, and prioritises specific programmes. Milestones, targets and the monitoring and evaluation plan are in preparation.

The PMU has published the start of a Projects Register, issuing the record of partners' grants to the . In collaboration with the , the register will be updated quarterly. The PMU is also establishing a Funding Platform as a matchmaker between providers of grants and projects, seeking to leverage increased impact from grant facilities, and to provide project preparation support. Three new portfolios are targeted for investment, expanding the range of decarbonisation investments by Partners and other financiers:

- renewable energy manufacturing
- energy efficiency
- road-to-rail

### Generation and storage

The South African Government is continuing its significant energy reforms. The Electricity Regulation Act Amendment Bill is at committee stage in Parliament. It will facilitate ongoing reform and competition in the energy market. In addition, the amendment of Schedule 2 of the Electricity Regulation Act to remove

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the licensing threshold for generation facilities has resulted in a 66GW pipeline of renewable energy projects.

development finance institutions have participated in the battery storage tenders which are expected to lead to an additional 2GW of storage for Eskom. The is supporting independent power plant development, funding wind energy internships for graduates and financing battery storage testbeds. Eskom has received support on green grid management (such as planned IPP curtailment - which it is expected to adopt shortly and will free up 4GW of scarce grid capacity).

The is supporting over 60 municipalities in building capacity for planning and tendering renewable energy projects, increasing energy access, energy efficiency, and options for social ownership models. The European Investment Bank (EIB) has provided a €200 million loan for the Development Bank of South Africa to on-lend for onshore wind and solar renewable energy projects.

## Transmission

Large-scale transmission network investment is needed to link renewable energy generation (largely in Northern, Western and Eastern Cape provinces) with population and industrial centres requirements elsewhere. Eskom has well-advanced plans for this development, but the scale and pace needs to ramp up.

The financing needed for transmission before 2030 is over \$16 billion. The South African Government is working on a number of models for private investment in transmission and the hosted a South Africa-focused transmission financing event at the African Climate Summit in 2023 with development finance institutions, multilaterals and private investors to support this objective. Since private finance arrangements will take time to develop, the proposes that concessional lending be deployed in the interim within the framework of the Eskom debt relief conditions.

## Green hydrogen

The Government of The Kingdom of the Netherlands has committed €50 million towards a green hydrogen blended finance fund and other funders are supporting start-ups and providing advice around potential port development for green hydrogen.

## New energy vehicles

The South African Cabinet approved the Electric Vehicles White Paper in November 2023 and is reviewing incentives for the manufacture and use of new energy vehicles and batteries. The has advised on the new curriculum for mechanics and has shared lessons from its and other developing country experience in encouraging electric vehicle use.

## Just Transition

The partners recognise the importance of delivering projects on the ground and engaging with communities, especially given the lessons learned from the closure of Komati power plant. In particular, economic and community projects in Mpumalanga, should be front loaded. The grant register indicates that at least 20% of funding is allocated to Just projects.

The Funding Platform should help match grants and later, investment finance, to projects. funders are supporting women obtain skills in renewable energy in technical and vocational colleges in Mpumalanga. finance has enabled the Mpumalanga Green Cluster Agency to finance start-up companies in the province. The , alongside other investors, is funding agricultural projects around Grootvlei power plant and is scoping infrastructure and economic regeneration projects with Mpumalanga municipalities.

The is providing maps and guidance around land use, in line with South African land use policy and legislation for investors and policymakers. Partners are also considering a first loss blended finance fund for small to medium-sized enterprise (SME) financing in Mpumalanga. The German and Danish labour unions have also shared lessons with South Africa's labour unions and the arranged visits to former coal mining areas in Europe.

expansion, grant increases and loan deployment

The inclusion of The Kingdom of the Netherlands and The Kingdom of Denmark in the reflects confidence in South Africa's and the as a vehicle to support South Africa's implementation of the .

The original members of the have increased their grant offer by 57% since COP26 (from \$329 million to

\$517 million) and the overall increase in grant funding (including Netherlands and Denmark and other funders) to \$716 million is 132%. 50% of the grant finance is already scoped and programmed.

With funding from Canada, Spain, and Switzerland included, the overall support figure has increased from \$8.5 billion to \$11.7 billion (this includes \$1.89 billion of Spanish export credits, which the does not count in its pledges). A register of grants has been finalised and published by the Presidency to further enhance transparency. This will be updated quarterly. The Grants Register does not currently include other funders such as multilaterals and philanthropies, but they will be added in due course.

The envisaged using and CIF concessional loans to support Eskom to upgrade transmission, improve distribution and advance decommissioning, repurposing, and repowering. In light of the borrowing moratorium on Eskom, the PMU is engaging with National Treasury and Eskom to find solutions to the deployment of funds.

Two loans of €300 million each from the German Development Bank (KfW) and French Development Agency (AFD) were disbursed as policy loans in early 2023 after policy conditions around climate reforms were met. In November 2023, Germany signed a second policy loan agreement with National Treasury to extend a further €500 million in concessional financing to South Africa related to ongoing energy sector reforms.

These are sovereign loans provided directly to the National Treasury for general budget expenditure purposes. The European Investment Bank (EIB) is working with National Treasury and Transnet to support Transnet and the country to achieve their most ambitious emission reduction targets.

## Looking ahead

South Africa's energy challenges could lead to a delay in planned decommissioning of coal-fired power plants, but work will meanwhile focus on the repurposing, repowering and community development at these sites. The recent rapid scale-up in off-grid renewables investments by the private sector is notable, and there is a recognition that transitioning to renewable sources of energy is needed to secure the long-term future of South Africa's economy.

The Implementation Plan sets out a roadmap for the work ahead in each portfolio. The is working with South Africa to take forward implementation in a number of areas in the next 12 months including:

- financing solutions to accelerate expansion of the transmission grid
- investing in repurposing, repowering and community development at the retiring coal fired power station sites
- supporting creation of a project pipeline for investments, including ones to improve jobs and services in Mpumalanga
- work to implement policies and incentives that will grow electric vehicle manufacturing
- supporting green hydrogen industry and infrastructure for it
- continuing investment in skills for the energy transition
- continuing to build municipal capacity for renewable energy systems
- building the Projects Register to include other financing instruments and a broader range of funders
- establishing the Funding Platform
- implementing the monitoring, evaluation and learning framework

The and South African government reiterate their commitment to work in partnership to achieve the objectives set out in the Political Declaration of 2021, the Investment Plan of 2022, and the Implementation Plan of 2023.

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