Climate change demands Eskom reform

By Moira Levy

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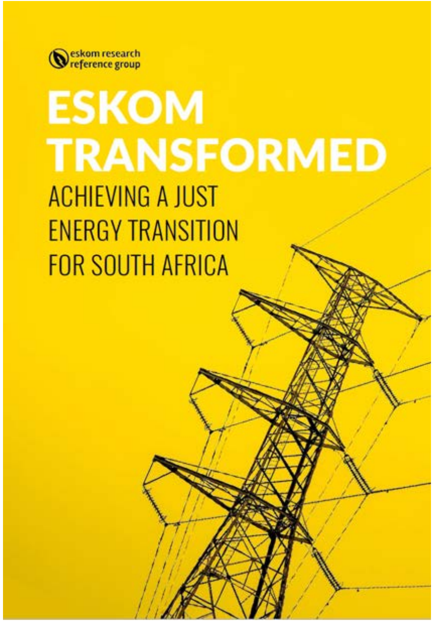
South Africa needs a "New Eskom", and the Eskom Research Reference Group says now is the time to introduce an innovative alternative and transform South Africa's excessively high rate of carbon emissions in electricity generation.

An international team of researchers released a new proposal to transform South Africa's excessively high rate of carbon emission in electricity generation. They turn on its head the conventional wisdom that Eskom can become an efficient and cleaner electricity provider if the private sector is allowed to help run it.

This unconventional research, funded by the Friedrich Ebert Stiftung, emerged from the combined efforts of the Alternative Information & Development Centre (AIDC) based in Cape Town, Trade Unions for Energy Democracy (TUED) from New York and the Transnational Institute (TNI) who are based in the Netherlands. Together



they comprise the Eskom Research Reference Group.

Eskom Transformation: Achieving a Just Energy Transition for South Africa, turns the tide of history by arguing against building Eskom into a commercially self-sustaining entity. Instead it calls for a return to the very successful fully public institution it once was. This was before South Africa's apartheid government introduced legislation in 1987 to transform the state-owned, once world-class public utility into a corporate structure that, like any private company, ultimately sets profits above public need.

The authors argue that Eskom's current crisis of corruption and mismanagement can be traced back to its move from a public utility to a state-owned corporate entity driven by the profit motive. This report stands most firmly "against the proposed 'unbundling' of [Eskom] and against the incursions of the independent power producers (IPPs)".

The key aspect of present government policy involves "unbundling" Eskom into three components (generation, transmission and distribution) and inviting investors – public and private – to invest and earn profits from the business of providing South Africa with electrical energy. To the Eskom Research Reference Group this can only mean another step towards privatisation, which means rationalisation, scaling down, job losses.

Government policy is that the state will continue to regulate electricity prices and issues – and it will continue to own some of the infrastructure. But the plan is to allow great scope for privatisation. This market-friendly model still allows government to shape policy on electricity provision and access – for poor and rural communities, and for industry – by regulations and subsidies. But it will end the electricity monopoly model at the heart of South Africa's minerals-energy complex (MEC).

The report argues that it is the onslaught of the COVID-19 pandemic, which has in every way seriously disrupted and undermined global economies and development, that has created the opportunity to change to a radically different course.

The corporatisation of Eskom must halt immediately, the argument goes, and the delays caused by the pandemic, which have pushed the process of unbundling back by several months, should be used as an opportunity for a radical rethink.

"The report recommends the demarketisation of Eskom and the dismantling of the IPP [Independent Power Producers] system... a 'New Eskom' [will have to navigate] the difficult and uncharted territory that leads us away from coal towards a more sustainable and equitable energy system.

"Now, more than ever, is the time for us to interrogate existing systems of service delivery, identify social and economic priorities and work to transform vital public entities like Eskom."

Failing to embark on such a drastic move, they warn, will result in South Africa being very unlikely to achieve the drop in carbon emissions envisaged in the National Development Plan and which is also required to meet urgent global targets. South Africa is a particularly high emitter of CO^2, due to its almost complete reliance on coal for energy-generation.

The study is based on the need to "transition away from coal to renewable energy in order to cut South Africa's greenhouse gas emissions. Our argument is that this transition will not happen fast enough, or with enough ambition, unless it is done through the public sector."

The answer does not simply lie in a significant expansion of the renewable energy industry (which is based on solar power and wind energy). That, the authors argue, has the opposite long-term effect because the provision of renewable energy has seen incursions from IPPs. The technology and research needed to pursue renewable energy is state subsidised and involves guaranteed payments from Eskom to keep the private companies that drive the renewable energy sector in profit. What cannot be ignored though is that, while prices have been steadily dropping over the years, alternative energy sources remain an expensive option and investors are sure to lose interest if they cannot make large returns.

The writers call this the "three fall effect" in which investors lose interest in investing in renewable energy when they find they don't get the returns they require. The renewable energy sector will increasingly rely on a strong public sector to support it, and "it is only a transition to renewable energy that is driven by the public sector that can then drive the process of decarbonising the entire economy," and doing so in a way that can protect workers' jobs and those communities most affected by the transition.

The new economic and development path must begin to meet some of the basic needs of the millions of hungry, poor, unemployed South Africans who do not have access to basic services such as electricity, water and sanitation.

The challenge is finding the funds to bring about with this transition.

Not at all, say the researchers. Their recommendations involve, for instance, simply refusing to pay back a huge loan that Eskom took from the World Bank in 2010.

In addition they have another idea, which has already been raised in the public sphere in Parliament last year by Cosatu:

Government pension funds and unemployment insurance funds are plentiful. So much so, that even when people draw their pensions and unemployment benefits there will always be more where that came from. Every employee and their employer pay into the Unemployment Insurance Fund (UIF) and civil servants have to belong to the *Government Employees Pension Fund* (GEPF). Why draw money from the struggling fiscus when you could fund development from an endless government source?

The Eskom Research Reference Group is talking about using public funding for a public service and not a profit-driven purpose.

The researchers say: "it is only a strong public sector driving renewable energy that can ensure a coherent, national, and planned transition taking into account the technical challenges of shifting systematically to 100 percent renewables, that can ensure fair mechanisms for the transition, and that will protect both workers and communities most affected by the transition.

"Most importantly, it is only a transition to renewable energy that is driven by the public sector that can then drive the process of decarbonising the entire economy, including transport, manufacturing, and construction."

The "New Eskom" they are proposing is a socially owned renewable energy utility that will, they say, "Secure a democratic and just transition".

REFERENCES

Eskom Research Reference Group 2020. *Eskom Transformed: Achieving a Just Energy Transition for South Africa*. Published by the Alternative Information & Development Centre (AIDC) Transnational Institute (TNI), and Trade Unions for Energy Democracy (TUED) Cape Town, New York and Amsterdam. July 2020. 148 pages. Available at: <http://aidc.org.za/how-we-should-be-fighting-eskoms-debt-crisis/> NA