WHY ESKOM IS IN A MESS AND WHAT TO DO ABOUT IT

A COMPANION TO ESKOM TRANSFORMED
“Why Eskom is in A Mess and What to Do About It”
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No matter who you are, no South African can avoid coming face to face with the crisis at Eskom. Load shedding puts a stop to daily life, closes businesses, and in the end cuts jobs, while the high price of power weighs on every household and business. Eskom’s debt gives the government another excuse to cut their budgets, resulting in fewer nurses in clinics, fewer teachers in schools, and fewer roads and houses being built. If you live near a power plant or drought-stricken area, then you have also no doubt seen and directly felt the results of Eskom’s pollution in the rivers and the air, or in the climate that is changing for the worse every year.

In the past year, the Ramaphosa government has begun pushing forward with what is known as “unbundling”, a foundation for their planned changes to Eskom. Unbundling, is effectively the process of breaking up into 3 different companies, each tasked with carrying out either ‘distribution’, ‘transmission’, and ‘generation’. In their view, the choice is between the broken and corrupt Eskom we have now, or a working unbundled Eskom. You may know that many unions and movements, maybe even your own, are against the government’s plans. They say that the government’s solution will be one that favours businesses over workers, profits over people, and closed board rooms over democratic consultation.

The unions are right. For the past two years, a team of researchers from various organisations and labour movements have worked together in producing a report called Eskom Transformed. Using this research, we put to rest the idea that our only choice is between the current broken Eskom or the proposed unbundled Eskom. We found that unbundling can not save Eskom nor ensure stable and affordable electricity. Instead, the only way out of South Africa’s energy crisis is through a transformation of Eskom into a truly public and transparent utility, one that works for the good of all.

In this booklet, we bring together some key arguments, summaries, and sections of the full Eskom Transformed report. We hope to leave you not only with an understanding of why unbundling is a dead end, but also with a vision of...

“an alternative that is worth fighting for.”
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In order to fully understand the problems facing Eskom and the electricity system today, it is important to understand the history of how electricity developed in South Africa, who was responsible and why it was developed, what changes were made and when, and in whose interests. Once we have this full picture, we can better understand what we need to do to transform the current system in order to meet basic social needs.

1. BEGINNINGS OF ESCOM
Eskom (Electricity Supply Commission) was established in 1923 in terms of the Electricity Act (No 42 of 1922). Also established in terms of this Act was the Electricity Control Board (ECB) which controlled and licenced the electricity supply and set tariffs.

Before 1923, electricity in South Africa was generated by a large number of different bodies, including 40 municipalities and 18 private companies. The two largest companies were the Rand Mines Power Supply Company and the Victoria Falls and Transvaal Power Company. But industry, mining and transport increasingly needed a reliable and cheap source of electricity as they grew and consolidated their position in the economy. The railways in particular were looking for abundant, reliable and cheap electricity to power their electric-powered trains, and their need was a strong impetus for Escom's formation.

So Escom's main purpose was to ensure delivery of cheap electricity to the railways and mines. But its mandate was couched in terms of providing a public service, and supplying electricity 'in the public interest' (Gentle 2009: 50). Escom played a central role in driving the development of the South African capitalist economy, and made possible cheap power for the growing mining, transport and manufacturing sectors. White South Africans also benefitted from this cheap electricity, receiving a good quality, cheap service during the apartheid years.

In these early years, there was no requirement for Escom to operate at a profit, and it was exempt from paying taxes, but there was a strong emphasis on it operating independently from government and parliament. It was required to finance its operational costs out of revenue generated by the sale of electricity. It also used this revenue to pay off the loans it raised to finance capital expenditure. Escom was only able to access money from the national fiscus through an Act of Parliament.

As Escom grew, it gradually took over the private, independent power stations until, by 1948, it was a vertically integrated state utility, responsible for generation, transmission and distribution (although with local government continuing to play a key role in relation to distribution). As a producer of cheap electricity for mining, industry and the railways, it became a key driver of the Minerals-Energy Complex (MEC) and large-scale private monopoly capital.

2. FROM ESCOM TO ESKOM
In the 1970s, Escom was borrowing more on the foreign market to fund its new build programme, but the size of this programme was making it increasingly difficult to fund the loans through tariff increases. As a result, government passed a new law that allowed Escom to set up a Capital Development Fund. Escom was able to retain its earnings and put any excess into this fund. As this fund built up, Escom was able to draw on it to fund its ongoing new build programme.

Developments in the international economy, such as the global energy crisis in the early 1970s, started putting pressure on Escom's costs, with the result that the price of electricity started going up in the mid-1970s. At the same time, there was increasing pressure on the supply of electricity, so Escom continued with its massive build programme. There was another motivation as well – at a time of international sanctions against apartheid South Africa, the government was determined to build South Africa's self-sufficiency, including energy self-sufficiency. The new build programme included Koeberg (South Africa's only nuclear plant), as well as new coal-fired plants.

In order to pay for this programme, electricity tariffs again went up in the early 1980s. These price increases hit the South African economy hard at a
time when it was already under increasing strain. There was a great deal of public anger towards Escom and the increases.

In 1984 the government was forced to set up the de Villiers Commission to investigate the situation at Escom. This was done to appease the public and to review Escom's operating and planning processes. As a result of the de Villiers Commission recommendations, and to mark a new stage in the development of the state utility, Escom underwent a name change, and from 1987 was known as Eskom. This was among a raft of changes proposed by the Commission, which were consolidated in two pieces of legislation - amendments to the 1922 Act (Electricity Amendment Act of 1985) and the Eskom Act of 1987.

Apart from the name change, other changes brought about by the de Villiers Commission included:

- The scrapping of the electricity control board and its replacement by the Electricity Council. The council would be in control of policy and planning. For the first time this included private capital being directly involved in decision making processes in the state.
- The Electricity Council appointing a management board – effectively setting up a two-tier structure of governance.
- Eskom starting to operate on a commercial basis and no longer being governed by the principle of operating as a not-for-profit entity.
- Stopping the capital development fund (this had happened in 1985).
- Setting a national tariff, which meant municipalities would no longer set their own tariffs.
- Eskom falling under the Ministry of Public Enterprises, rather than the Ministry of Minerals and Energy Affairs. Overall energy policy, however, was still determined by the Ministry of Minerals and Energy Affairs.
- Separating out non-regulated activities of Eskom and consolidating them into Eskom Enterprises.

Eskom Enterprises, acting like a private company, took on electricity contracts in other parts of Africa, as well as in the telecommunications and information technology sector. But these did not go well, and by 2004 Eskom had retreated back into a focus on domestic electricity “in line with government’s greater emphasis on using state-owned enterprises for development”. (Greenberg 2009: 73)

Another important development was that the different components of Eskom – generation, transmission and distribution – began to pay tariffs to each other. This served to bring market relations into the electricity sector. (Greenberg 74)

The process of corporatising Eskom started with the shift from Escom to Eskom, and it culminated in the Eskom Conversion Act No 13 of 2001, which made Eskom subject to the Companies Act (no 61 of 1973). While Escom was charged with operating “in the public interest”, the 1987 Act spoke about Eskom needing “to provide the system by which the electricity needs of the consumer may be satisfied in the most cost-effective manner, subject to resource constraints and the national interest.” (Gentle 2009: 50).

Thus the 1987 shift from Escom to Eskom represents a key moment in the shift from a public entity to a commercial entity operating along market-based lines. Gentle argues that the change in name “marks a radical rupture in the nature of South African capitalism and its mode of accumulation... [It was] a change from a form of Keynesian racial capitalism, in which the state secured the conditions necessary for accumulation for the capitalist class as a whole based on cheap black labour power, cheap energy and regulated capitals, to a neoliberal state attempting to open up new arenas for commodification.” [2]

3. ONGOING CORPORATISATION OF ESKOM AFTER 1994

The corporatisation process continued and was deepened in the 1990s after the ending of apartheid and the coming to power of the ANC government in 1994. *Growth, employment and redistribution* (GEAR), the macroeconomic policy that the government adopted in 1996, consolidated the neoliberal orientation of the government, which impacted heavily on the future direction of Eskom.

In 1994 Eskom had spare capacity of 31%, and electricity in South Africa was among the cheapest in the world. The cheap electricity was made possible because Eskom was no longer involved in a new build programme, and because it was accessing cheap coal through long-term supply contracts. Big multinationals took advantage of the cheap electricity to negotiate even cheaper contracts with
Eskom. In particular, aluminium and ferrochrome smelter companies, like BHP Billiton, entered into special pricing agreements, called Embedded Derivative Contracts, that guaranteed particularly cheap electricity for periods of up to 25 years. The terms of these contracts were kept secret for many years by Eskom. It was eventually forced to reveal some of the details after an Access to Information court case ruled against it. While some of these contracts actually stretched back to the apartheid years, some of them had only been concluded in 2003.

In 1995 the Electricity Control Board (ECB) was replaced by the National Energy Regulator of South Africa (NERSA). NERSA had regulatory jurisdiction over Eskom and local authorities: it regulated market access by licencing producers, transmitters, distributors and sellers of electricity, and it approved all tariffs.

The Electricity White Paper was released in 1998. It spoke about the unbundling of Eskom, which was one of the state utilities that the government planned to privatise. It envisaged 30% of electricity generation coming from the private sector. Unbundling was seen as a necessary part of the plan since it would break Eskom up into different entities, which would then face competition from other market operators.

The plan for a restructured electricity sector called for the establishment of six Regional Electricity Distributors (REDs) which would consolidate the distribution function previously carried out by a combination of Eskom and municipalities. The REDs would fall under a new entity to be established - Eskom Holdings. Also falling under Eskom Holdings would be a separate Transmission Utility, which would be initially state owned but possibly later privatised; and system operator.

The Eskom Amendment Act of 1998 started the formal, legal process of corporatising Eskom in the lead up to full unbundling and privatisation. In terms of this legislation, the State became the sole owner of Eskom’s equity, its tax-exempt status was repealed, and the Minister of Public Enterprises was mandated to incorporate it as a limited liability company with share capital.

The process of corporatisation was completed in 2001 with the passing of the Eskom Conversion Act (no 13 of 2001). In terms of this Act, Eskom was converted, in 2002, from a statutory body into a company under the Companies Act (no 61) of 1973, with the ultimate goal of listing on the stock exchange. As a company, Eskom was required to pay taxes and dividends to the state. The nature of the Eskom board also shifted. It was no longer a two-tier structure, with a management board and an Electricity Council. It became a single board of directors which consisted mostly of representatives of big business, a few academics and one Department of Public Enterprises (DPE) representative (Greenberg p77). The role of stakeholders in the Electricity Council was done away with.

The practical implication of this corporatisation was the ringfencing of the three units – generation, transmission and distribution. The aim was for the private sector to be generating 30% of electricity by 2004, and for Eskom to strengthen its financial viability by taking on contracts in other countries in Africa through Eskom Enterprises.

Eventually the plans to set up the REDs and to fully privatise Eskom were shelved. This was partly because of stiff opposition to privatisation from the unions, and partly because of a waning international appetite for privatisation. The South African Local Government Association (SALGA), which represented municipalities across the country, also strongly resisted the moves to set up the REDs. One of their major concerns with the proposal was the loss of income it represented – municipalities are heavily dependent on the sale of electricity as a source of income.

The process of reforms had started in 1987, and had gone through a number of iterations, not least because of the first democratic elections bringing the ANC to power. The end result was a corporatised Eskom, with plans to increase competition in the generation sector through bringing in Independent Power Producers (IPPs).

4. ELECTRICITY AS A PUBLIC GOOD

By 1994, Eskom, as a public utility operating in the new South Africa, was faced with a major challenge - a large number of households with no access to electricity. It endeavoured to meet its public mandate of ensuring access to electricity for all by rolling out an ambitious programme of electrification. It was aiming to connect 1.75 million households, which would mean 300,000 connections per year. Between 1994 and 2000 it succeeded in adding 2.4 million households to the grid, with more being connected by local government. Job Motsepe, the NUM Energy Sector Co-ordinator, argued that “there never was a problem with electrification under Eskom, or service delivery in the townships once Eskom took over there.” (Greenberg p81)
The contradictions between the drive to corporatise Eskom, and its commitment to fulfil its social mandate, eventually saw corporatisation win the day, and the result was a slowdown in the electrification programme. 1997 saw the largest number of connections being made (500 000) in a year; thereafter the programme slowed down drastically. Eskom was responsible for about two thirds of the new connections and local government for about one third.

Currently South Africa still sits with high levels of energy poverty, defined as the lack of adequate access to energy services or connection to the grid, and inability to afford electricity. In 2013, an estimated 43 per cent of the population was considered to be energy poor. [3]

5. ESKOM WITHIN THE BROADER ELECTRICITY SYSTEM

Eskom is responsible for generating the bulk of electricity in South Africa, regulated by NERSA. The electricity planning framework is determined by the Integrated Resource Plan (IRP) which the Minister of Energy is responsible for developing in terms of The Electricity Regulation Act of 2006.

The IRP is the government’s electricity infrastructure development plan, which is meant to provide a framework for planning and managing the electricity system through balancing supply and demand, ensuring security of supply and minimising the impact of the electricity system on the environment. It establishes the energy generation mix and as such is particularly important when talking about a transition to renewable energy.

The first plan was produced in 2010, and promulgated in 2011, with the idea that it would be regularly updated. However, a major weakness of the IRP has been the failure to carry out these regular updates and to align urgent socio-economic needs, technological developments and climate emergency imperatives. The plan was updated in 2013, and again in 2018, but these efforts were never promulgated. A new plan was however adopted in 2019.

Apart from the lack of regular updating, one of the other major weaknesses of the IRP has been the gap between the forecast electricity demand and actual demand. There has also been a disconnect between the assumptions made in the 2010 IRP about plant performance, and the actual plant performance.

The 2019 IRP highlighted the ongoing supply shortage facing Eskom. In particular, it noted a supply gap between 2018 and 2022 until new build options come online. And yet it was still restrictive as to how much renewable energy can be added to the energy mix.

6. ESKOM AND WORKERS

Government plans to restructure Eskom had a number of consequences. The first of these was that government put on hold plans to increase generating capacity, because the intention was for the private sector to take on this role.

The second consequence was that nature and composition of jobs at Eskom changed. There was a marked shift from permanent workers to short-term contracts, fragmentation of employment, job insecurity, and poor working conditions. According to Greenberg, employment dropped by about 40% between 1990 and March 2005, through natural attrition and voluntary retrenchments.

Despite frequent calls to reduce the wage bill at Eskom because it is contributing to the financial woes of the utility, the share of revenue that labour absorbs at Eskom is only 20% (2011 figures). This is a relatively small amount compared with other costs such as that of coal and the cost of debt. [4]

7. WHAT CAUSED THE LOAD SHEDDING IN 2008?

In the 1990s, the cheap price of electricity limited the income Eskom earned from the sale of electricity. On top of that, the capital development fund had been discontinued. By 2001, Eskom was required to start paying taxes and dividends to the government. These factors meant that Eskom was not building up any capacity or reserves to pay for future expansions. At the same time, the massive electrification programme it had embarked on was costing a great deal of money, as it laid down new transmission and distribution lines/networks.

By 1996 Eskom had started to realise that it needed to revive its new build programme to meet increasing demand. But the government’s privatisation plans meant that it felt that it was unnecessary to embark on a new build programme when the private sector would be involved in doing this in the near future.

So when Eskom requested approval from government for a new build programme, they were turned down. In 2001 cabinet explicitly stated that Eskom would not be allowed to build new generation.
By 2007 Eskom was in a very tight situation:

- It was facing supply constraints because of the lack of a new build programme.
- Because of the plans to privatise electricity, Eskom and local government had also not implemented important maintenance work on the existing electricity infrastructure. This exacerbated the situation.
- Coal piles had been run down since Eskom was fully corporatised in 2002. This was done to cut assets and the related costs so that the balance sheet would look healthier and more attractive going into the privatisation process. The result was that by January 2008 the average supply of coal at Eskom was 10 days, compared to 44 days at the end of 2001.
- Between 2002 and 2014 the amount Eskom paid for coal had increased by approximately R63 billion; coal is a major cost driver.

Ultimately, the country suffered the consequences when electricity supply became severely constrained towards the end of 2007, and the country suffered through months of load shedding in 2008.

On top of supply constraints, maintenance backlogs and increasing financial difficulties, Eskom was also facing major governance issues at this time – from 2007 there was a rapid turnover of CEOs, CFOs and board chairs.

The immediate crisis of load shedding in 2008 was dealt with, but the long-term changes that needed to take place to prevent further load shedding down the line didn’t happen. For instance, Eskom did not use this respite to deal with maintenance of the system. This allowed them to save money and keep the lights on, but it created serious long-term problems.

The fact that there was no load-shedding again until the end of 2014 was partly because demand for electricity dropped: the global financial crisis saw the South African economy slow down, and individual households continued to implement the energy saving mechanisms that had been introduced during the period of load-shedding in 2008. In addition, three mothballed power stations had been brought back online, which helped stabilise the situation.

After the load-shedding of 2008, Eskom tried to renegotiate the Special Purchase Agreements, but this was a difficult job and by 2012 it had only renegotiated one of them.

8. NEW BUILD PROGRAMME – MEDUPI AND KUSILE

In order to deal with the capacity problem, Eskom embarked on a five-year new build programme (2008 – 2013). The core of the programme was the building of Medupi and Kusile, two large coal-fired plants, and Ingula, a pumped-storage station. In order to carry out the development of Medupi, in 2009 the World Bank loaned money to Eskom. They justified it as clean energy on the basis that it would use super-critical coal technology: Flue Gas Desulphurisation technology would be retrofitted, two small renewable energy projects would be built (Sere Wind Farm and Upington Solar Power Plant), energy efficiency measures would be introduced and Medupi would be Carbon Capture and Storage ready.

Work on the coal-fired stations began in 2007 (Medupi) and 2008 (Kusile). Medupi is meant to be a 4764MW plant, with an initial cost of R69 billion. But over the years, the cost escalated rapidly. By early 2019 the estimate was R234 billion. The first unit was supposed to come on-line in 2012, but it eventually only came on-line in August 2015.

In 2019 it emerged that there are design and performance problems with both Medupi and Kusile, which have added significantly to the delays experienced. These problems relate to the PJFF (Pulse Jet Fabric Filter) plants at both Medupi and Kusile, both of which were supplied and installed by DB Thermal. DB Thermal was subcontracted by Mitsubishi Hitachi Power Systems (MHPSA), the main boiler contractor, to do the work. The significance of this is that Chancellor House Holdings, the ANC’s investment vehicle, owns 25% of MHPSA.

Medupi and Kusile have long been recognised as major contributors to the current debt crisis Eskom is facing. In addition, they contribute to South Africa’s greenhouse gas emissions and undermine attempts to reduce emissions; and they are major users of water in a country which is water scarce and has been struggling for a number of years now with long-term droughts in different parts of the country.
9. NEW BUILD PROGRAMME – THE RENEWABLE ENERGY INDEPENDENT POWER PRODUCERS PROCUREMENT PROGRAMME (REI4P)

In contrast to the new build programme which involved coal, the South African government was also initiating another new build programme, one based on renewable energy, particularly solar and wind. Government took this step as part of implementing its 2009 commitment to reduce greenhouse gas emissions by 34% by 2020 and 44% by 2025.

The government first started exploring renewable energy IPPs in 2007, with the focus on using a feed-in tariff. But there was reluctance from within the Department of Energy, Eskom itself and the regulator towards renewable energy, and the whole process took several years to come together. By 2011, when the REI4P was introduced, it had switched to a competitive bidding system.

The initial impetus for the programme came from NERSA, backed by Eskom. But by 2010, when the programme had become sufficiently high-profile and entrenched as an option, the Department of Energy took back control.[7] The first bid submission date was November 2011, and preferred bidders were selected at the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) in Durban in December of 2011.

Eskom was explicitly prevented from bidding in the REI4P. Its role was to buy the power generated and connect the projects to the grid. [8] This severely limited the role that it could play in introducing renewable energy into the energy mix, as all RE projects had to be taken through the bid system.

10. 2015 & LOAD-SHEDDING IS BACK

By 2014, the electricity situation and the state of Eskom had not improved. In fact, things had got markedly worse.

- There was no financing plan in place to fund the new build programme.
- The cost and time overruns on Medupi and Kusile were massive.
- Exorbitant amounts of money were being spent on coal contracts, many of them linked to the state capture issue.
- Tariffs had increased dramatically over the previous few years. Despite this, the tariff increases were less than Eskom had asked for, resulting in Eskom’s financial position worsening.
- Demand for electricity had fallen, reducing Eskom’s income from electricity sales even further.
- In order to keep the lights on, Eskom had spent a massive amount of money on diesel. In 2013, for instance, the diesel bill was R5 billion. By 2014 it was R10.6 billion.
- The initial REI4Ps were expensive; the cost of the technology had not yet fallen as much as it has today. But Eskom is tied into paying the tariffs it committed to in the Power Purchase Agreements entered into at the time.
- Eskom is owed a huge amount of money; the debt from municipalities at the end of May 2019 had grown to R21.1 billion.[9]

As a result of all these problems, load shedding returned to South Africa in March 2014.

By November 2014, Moody’s had downgraded Eskom to junk status. Standard & Poor’s followed suit in March 2015.

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[6] https://www.biznews.com/energy/2019/02/07/pressures-eskom-plant-performance-energy-availability?acid=vuyYMsI1Cqk e%Aeuwhd4cWO%3D%3D&sid=CKVRTbX5l%2FMQ%39pc0JfeOsA%3D%3D&date=201%39-02-08
EXPLAINERS
The term “Just Transition” has become increasingly common in discussions of a plan to tackle climate change. It is imperative that the world move towards a low-carbon economy in order to avert the crisis of climate change, but doing so imperils those who work in high-polluting sectors of the economy. The many workers in mining, the fossil fuel supply chain, industrial agriculture, transportation, and numerous other professions could be left without employment if the shift to a low-carbon economy does not include a plan for their re-employment in other sectors.

Recognising the need to assist workers in high-carbon economic sectors, politicians, business leaders, environmentalists, and academics have reiterated the need for a “Just Transition.” The transition to a low-carbon economy must entail justice for workers, and to be just it has to plan for the re-employment of workers. Many politicians and business leaders have, however, co-opted the term, with dubious implications for the ‘just’ part of the transition.

In order for the transition to be truly just, it cannot be carried out under a for-profit, private sector-led framework. A true just transition requires that renewable energy, a core part of a new low-carbon economy, is socially owned. Renewables in the hands of capital will serve only to aggravate the inequalities that distinguish the current capitalist system, the very system that created the climate crisis in the first place. It will not be just, if workers in renewables are simply exploited by the same owners of the fossil fuel companies, it will not be just, if capital switches its investment to renewables and renders millions unemployed. A just transition means that the low carbon economy must be socially owned, create millions of jobs and livelihoods, and uplift communities.

Communities previously reliant on fossil fuel jobs, such as mining towns, must be democratically involved in the transition, allowing them to access new opportunities in renewable energy construction, technology manufacturing, and the plethora of other jobs in the new economy.

Allowing investors to dictate the terms of the transition to renewable energy will lead to disaster. A real just transition requires the social ownership of renewables, and a democratically driven process of creating a new economy, with participation from trade unions, communities, the state, and civil society.

For more information on the Eskom Research Reference Group’s proposals for a Just Transition, visit https://www.new-eskom.org/
The necessity of transitioning to renewable sources of energy, away from fossil fuels, has become abundantly clear. The climate crisis threatens the lives and livelihoods of most of the world’s population. In South Africa, we have seen one of the worst droughts on record—a result of changing weather patterns due to climate change. Our reliance on big polluting coal plants only makes this worse, but, as renewable energy only generates around 9% of South Africa’s power, moving away from coal will be no small task.

In the debate around Eskom, it is assumed that opening up the energy sector for private investment will naturally drive this investment—that investors are ready and waiting for Eskom to open the door so that they may rush in and set up wind and solar farms. It is also assumed that private competition will make sure that this power is affordable—even cheaper than coal. Unbundling and energy privatization is thus seen as a win-win, resulting in cheap and clean electricity.

However, the Eskom Transformed research report shows that this argument is built on unstable ground. At the heart of the pro-private argument for renewables is the idea that the trend of private investment and interest in renewable energy in the past two decades will only continue to grow. What this ignores is the fact that continued investment relies on the promise of continued profit at a guaranteed high rate. In the past, many countries paid big subsidies to private renewable power producers for their electricity, ensuring big profits for investors; this is a large part of what caused the surge in investment in the 2000s.

This open subsidy system proved to be too expensive, and many countries—including South Africa—instead moved to a competitive bidding system. This worked as intended, driving the price of renewable power down considerably. However, a drop in price also translates into a drop in profit, and a drop in profit makes renewable energy insufficiently profitable.

The end result of this is what is known as the “three fall effect”: falling prices lead to falling profits, which then lead to falling investment. This effect has been well-observed in Europe, where the growth of renewable energy has started seriously slowing down, barely keeping up with the growth of traditional power sources such as coal and gas.

If South Africa wants to make sure that the private sector keeps investing in renewables, then it has to ensure their increasing profits. This can be done through programmes such as the existing REIPPPP, where private producers are given long-term contracts at a price high enough to keep investors coming. This is an expensive solution, and the fact that these contracts are set in stone means that they do not change for any future innovations which may lower the cost of generating renewable power. The state, and therefore the public, pay exorbitant costs for these power purchase agreements.

The belief that the private sector will lead the charge on cheap renewable energy will therefore land us in a dilemma. On the one hand, letting private producers compete for the lowest price means that investors will begin pulling out—crushing any hope of a transition away from coal. On the other hand, giving these producers big above-market contracts will keep the investment coming, but it will also be too expensive for the state to sustain.

The private sector thus cannot take the lead on renewables. Instead, public funds have to be mobilised to fund the mass roll out of renewable energy.

Whereas the speed and stability of private investment in renewables depends largely on the promised rate of profit, public investment is dependent only on political will. The speed and scale of renewables provision necessary to avert the climate crisis cannot be achieved by the profit-dependent private sector; it must be a public sector initiative.

To learn more about the Eskom Research Reference Group’s plans for public sector renewables, visit https://www.new-eskom.org/
One of the most debated parts of the government’s plan for Eskom is the issue of unbundling. Simply put, this means that Eskom will be separated into three different entities: Generation, the part that owns the power plants and produces the electricity; Transmission, the part that owns the power lines and controls where the electricity goes; Distribution, which controls the selling of electricity to municipalities, individuals and corporations.

The anti-unbundling camp is very sceptical of this plan, largely because they see it as leading to privatization, which will in turn lead to a range of problems, including job losses. While a lot of people support this view, there is also a gap in the mainstream explanations of how or why this would happen; a fact that often makes them appear unconvincing when they are pressed by pro-unbundling advocates. In order to answer this debate, we can take a look at what the plan for an unbundled Eskom actually is.

Transmission is the center of the government’s plan for Eskom. Once it has been unbundled, they hope to give it its own board and management structure, and a mandate to work independently of the government. The role of this unbundled transmission will be the same as it always has – to buy electricity from the power generators and sell it to the distributors and consumers – but, this time, it will be run as if it were an independent business.

Why is this so important? For one, an unbundled, independent transmission will be looking to turn profits. This means that it will be wanting to buy electricity at the cheapest price, while selling it at a higher price. This could mean higher prices for electricity, and because energy is a “natural monopoly”, in the Eskom CEO’s own words, there is no competition for transmission that would normally serve to drive prices down.

Most importantly though, unbundling transmission would mean that Eskom’s own power plants would have to compete to sell their power on the same basis as new independent power producers (IPPs), no longer favoured as part of a single “bundled” utility. Because all IPPs enjoy some level of government subsidy, they would be able to push their prices down, forcing Eskom’s own power plants to do the same in order to compete for this new independent transmission’s favour.

What unbundling leads to is not necessarily privatization, but marketization. Unbundling is a necessary step for turning electricity into a commodity, and the generation and distribution of it into a market sector, where Eskom itself will compete as one player among many.

This plan is destined to fail. Drawing on international experience, the Working Group’s research shows that marketization is not a solution but a curse; a move that will bring the South African energy crisis back to square one.
In the last summary, we went into some detail about why there is such a big push to unbundle Eskom. In short, we outlined the fact that the real focus of unbundling is on Eskom’s transmission component, the part which controls the power lines and acts as middle-man between power producers and municipalities or individuals. The plan is to turn this transmission into an independent, profit-driven buyer and seller of electricity - what is known as an “ITSMO”. This will lay the foundation for the creation of an energy market, where power producers compete with each other in order to sell their electricity to the ITSMO for profit.

The most important result of this is the fact that all power producers will have to try and keep their prices as low as possible, because otherwise the ITSMO will just buy electricity from somewhere cheaper as soon as it can. This includes Eskom’s current nuclear and coal plants, which would be treated just the same as any private producer in the eyes of the unbundled ITSMO, and will be forced to lower their prices. This may sound like a good thing - the cheaper the power the better, right? However, our research has found some serious problems with this approach.

For one, not all of the competitors will be treated equally. Independent power producers (IPPs), and specifically renewable IPPs, are currently given government subsidies in order to give them an incentive to invest and build wind farms or solar panels. These used to be more direct subsidies, but these days they take the form of “Power Purchase Agreements” (PPAs). PPAs are contracts between Eskom and IPPs, where Eskom (specifically transmission) agrees to buy electricity from them for a set price and for a set number of years. The government holds auctions where IPPs bid on these contracts, but they need to keep the price high enough to make sure that IPPs will want to keep investing. This means that IPPs are indirectly subsidised, as they are purposefully paid above-market prices for their power in order to ensure that they keep coming to the table.

In a post-unbundling world, this already puts Eskom’s generation division at a disadvantage, having to now compete with private companies who enjoy indirect subsidies. What’s worse is that if Eskom were to be unbundled then it is clear that its generation component will inherit most of its problems: massive debt, inefficient and expensive coal power plants, and serious long-standing maintenance problems. In order to resolve these problems, Eskom’s generation will have to turn a profit and therefore raise its prices, while also getting private investment on board. But, because it will be a money-bleeding junk-status utility trying to compete in an energy market with profit-turning IPPs, it will be unable to do so.

In all likelihood, this process would lead to the death of Eskom generation, and there are some who think that this would be a good thing. However, this attitude is short sighted. The honest truth is that South Africa still needs coal power, and thus we still need Eskom’s generation. While it is vital that we move away from fossil fuels, no country can where 90% of all electricity is sourced from coal can do this in only a decade or two. If unbundling goes through as planned then Eskom will still need to be saved, because otherwise we would simply not have enough electricity.

An unbundled Eskom generation will most likely become what is known as a “zombie” utility; a utility that is financially unviable but too important to fail, kept in a constant state of semi-death by state bailouts and payments made in order to prop it up. Our research on this has found that this has already happened in some countries with open energy markets; there are European energy utilities already stuck in various stages of this process.

The question then remains: Why unbundle when it only takes us back to where we started?
In the last few summaries, we outlined a few of the biggest issues with the plan for an unbundled Eskom and a for-profit electricity sector. We spoke about the investment crisis of renewables, the plan for unbundling, and how that will lead to Eskom becoming a “zombie” utility. Finally, we also outlined our vision of the alternative: a new, socially-owned, vertically-integrated, green Eskom that will be able to meet South Africa’s energy needs without getting us stuck in the complications of “power for profits”. However, we have left out a question that many will have: Where is the money going to come from?

This question sits front and centre of any Eskom debate because the utility’s biggest problems are its financial problems. Eskom sits with a massive debt, the interest on which costs around R70bn per year. While it does turn a profit, this profit is not enough to pay off its debt while still doing the necessary – and expensive – work of finishing its unfinished power plants while doing overdue maintenance on its existing ones.

So, why do we think that a new socially-owned Eskom is possible, given these circumstances? Our research makes three main arguments.

The first is the proposal for debt elimination. In 2010, Eskom received a loan of $3.75bn from the World Bank. $3.05bn of this loan – around R53bn today – was given for the construction of the Medupi coal power plant. This loan was given under suspicious circumstances: One of the companies contracted was partly owned by the ANC, and used this as leverage to get the contract – a fact the World Bank knew about at the time of the loan. What’s worse, an investigation into the World Bank was shut down by its then Vice-President for Integrity, who was known to have strong links to ANC power struggles. The World Bank itself later acknowledged corruption at the institution, explicitly mentioning its dealings with South Africa. Eskom would be well placed to write off this debt as “odious debt” – a legal term referring to debt which is against the best interests of the borrowing country’s population, and specifically where both the borrower and lender knew about this fact beforehand.

Our second proposal is to look at the Government Employee Pension Fund, which currently owns a large amount of Eskom’s debt – over 20% of it in 2018. At the moment, the Fund is valued at over R1.7 trillion, which is more than enough money to cover the pre-defined pension payouts of all of its members, including new ones, even if they were to retire all at once. This is unnecessary – in a country with a young population such as ours, a pension scheme does not need to be “fully funded” in this way, because only a tiny part of its members are ever going to be retired or retiring at one time. A pension fund with pre-defined payouts like the GEPF thus only needs enough to cover the pensions of those retiring and retired members, plus a little extra for security. The GEPF is very well placed to simply scrap the debt Eskom owes it, given that this debt counts for less than 5% of the GEPF’s assets and that it is already very over-funded.

Our final point is possibly the most decisive. As we outlined in the last few summaries, an unbundled Eskom competing in an energy market would actually end up being hugely expensive! There is no way for Eskom to inherit its current problems while still being expected to fend for itself against competitors. At the same time, we cannot let Eskom fail: its coal plants produce around 90% of our electricity, and no private company is willing to invest in coal. This means that the government would have to end up financing Eskom anyway, giving it either more big bailouts or excessive payments for its electricity. There is no cheap and easy way out of the Eskom crisis, so why not spend the time and money on transforming Eskom into a socially-owned and green-transitioning public utility, rather than on shifting it from one crisis to the next?
STOP THE UNBUNDLING OF ESKOM: A 4-PART SERIES
It seems that the Ramaphosa administration has finally run out of patience with long-promised reform at Eskom. The delivery of Finance Minister Tito Mboweni’s supplementary budget last month came with open and insistent demands that Eskom picks up the pace in following the “unbundling” roadmap adopted in late 2019.

Meanwhile, unions have raised the alarm about the sudden and rapid redeployment of Eskom employees in line with the utility’s long term roadmap—the irrational urgency of which could indicate a shift to an “unbundling at all costs” approach in some parts of the state.

As unbundling has come to be seen as the only common-sense solution to Eskom’s crisis, most consider this latest push to be in the right direction. There seems to be a near universal buy-in to a certain picture of South Africa’s energy future; one where Eskom takes a back seat, while for-profit power producers enter the market in full force.

In March, Public Enterprises Minister Pravin Gordhan summed up this picture by describing what he saw as the three trajectories of the South African energy sector: First, the “energy transition” from coal to renewables. Second, unbundling and the “ultimate separation of generation, transmission and distribution”. Third, “a future where there isn’t this 95% dependence on Eskom as a generator”.

Until now, not enough attention has been given to a serious analysis of how all these trajectories will actually play out. Drawing on international and local experience of for-profit energy regimes, the Eskom Transformed research team argues that these trajectories hold serious contradictions which will further exacerbate the crisis of the energy system, wasting the opportunity for imaginative and progressive reform.

WHY UNBUNDLING?

One of the most common traps of the Eskom debate has been the tendency to resort to a common dichotomy. The choice, they tell us, goes like this: We can choose to prop up a corrupt, bloated, fossil-fuel spewing state-owned enterprise (SOE) from a bygone era, or we can choose to modernise the energy sector by streamlining Eskom, splitting it up into its various functions, and letting independent renewable power producers enter the market to do the heavy lifting.

The first step, from one to the other, is what Gordhan euphemistically referred to as the “utility transition”, a process involving the “unbundling” of Eskom’s generation, transmission, and distribution components into different entities.

We must understand that the “utility transition”– unbundling – is a necessary step to a market transition in the energy sector more generally. At the moment, South Africa’s energy sector is dominated at all levels by Eskom. Eskom Generation generates the power, Eskom Transmission directs and manages it, sending it to Eskom Distribution and municipalities, who in turn sell it to the person at the end of the line. Independent power producers (IPPs) are allowed to feed into this loop when the state opens bid windows for new contracts, but they are only meant to supplement the system.

The contract system ensures profit for IPPs, but it is also very expensive for the state. If the state wants private investors to come on board in large numbers, then the landscape of South Africa’s energy sector would need to change, both in order to lower the cost to the state, and to ensure continued private investment.
This is where unbundling comes in, and the key to the whole plan lies in turning Eskom’s Transmission division into what is known as an Independent Transmission System and Market Operator (ITSMO). This is basically a buyer and seller of electricity, with a board, shareholders, and a mandate to maximise profit. Once Transmission has been turned into an ITSMO, it will then take over the function of buying electricity from power producers – from both Eskom’s own plants as well as IPPs – and selling it to municipalities and customers.

How does this differ from Eskom’s current structure? The key point is that this ITSMO will eventually stop issuing expensive contracts and start buying and selling electricity in what Eskom’s roadmap calls an “open-market model”. This means that not only will power producers be able to enter the market freely, but they will also start competing with one another in order to sell their power to the ITSMO. In other words, the energy sector will turn into an energy market, with the ITSMO deciding whether the price is right.

The hope here is that this will give us three main benefits: cheaper electricity due to more competition between power producers, an end to load shedding due to new power producers coming into the market, and a transition from dirty to “clean” energy, as most of these power producers will be using renewable sources like wind and solar.

UNBUNDLING THE HIDDEN COSTS OF PRIVATE POWER

Let’s say that the state is able to follow through on their roadmap. Eskom has been unbundled, Transmission has become an ITSMO, the state has politely held the door open for private investment, and for-profit wind or solar farms are beginning to pop up around the country. What now? It is at this point of Eskom’s trajectory that the problems will begin to creep in. As more renewable energy comes online, the technical complications and financial burdens increase.

The low “levelised cost of electricity” (LCOE) of renewable energy – the measurement cited in articles claiming renewables are now the “least-cost option” – ignores the serious costs of integrating and running a grid with an increasing proportion of renewable energy.

Increasing the share of energy produced by renewables would require an overhaul of the transmission and distribution systems to deal with the problem of variable generation: South Africa’s geography and climate are well suited to renewable energy generation, but even here the sun does not always shine on all solar panels, and there is not always enough wind to generate electricity from particular wind turbines.

This overhaul will require a drastically upgraded grid allowing for increased coordination across distribution and generation facilities, as well as the national construction of large and expensive storage facilities. The costs of incorporating renewable energy generation into the grid, especially in large quantities, are therefore substantial, and they will inevitably fall on the shoulders of the transmission utility.

An unbundled transmission acting as an ITSMO could recoup these costs in two ways. First, they could pass the costs to the IPPs through fees or a lowering of the price paid for their energy. Provided this proposal could get any political traction, it would scare off investors enough to endanger the nascent renewable energy market. However, its political viability is in any case doubtful, given the political power of capital in energy market governance. Instead, the likelier way to react is, according to market logic, by passing the cost on to distribution and, in the end, the consumer.

In reality, this is exactly what many European utilities have done; countries like Germany have experienced the stark contrast between the falling LCOE of renewables, and the rising tariffs paid by consumers. Passing the system costs of renewables through to the end user will have profoundly negative effects on the economy, disproportionately impacting those most vulnerable and precarious in our society, as well as further reducing the demand for electricity. As the outcry that met Eskom’s many proposed tariff increases has demonstrated, this is not an option that South Africans are willing to accept – nor should they.

Most importantly though, Eskom’s current crisis has illustrated the dynamic that plays out when electricity tariffs are increased to meet financial shortfalls. Eskom is currently trapped in a “death spiral”, a term used in energy policy to refer to a situation where an energy utility raises tariffs to meet deficits, leading to decreased consumer demand and thus decreased income, which it then attempts to recoup by again raising tariffs.
As the above argument has outlined, there is good reason to believe that an ITSMO could end up in the exact same death spiral, turning into simply another financially unviable SOE in need of constant bailouts. The trajectory of unbundling is thus circular – it leads us right back to where we started.

ENERGY MARKETS AND ZOMBIE UTILITIES

And how would Eskom Generation do in this new, post-unbundling world? If Eskom Transmission were to be unbundled and transmission turned into an ITSMO, then presumably the generation component would compete on a level playing field with IPPs. While still supplying the bulk of capacity, Eskom’s ageing and debt-ridden coal fleet would then be put in competition with renewable IPPs.

The prospects of survival look slim for an unbundled “Eskom Generation” stuck in a competitive energy war with IPPs. Unbundling will surely result in Generation inheriting the worst of Eskom’s balance sheet, given that Medupi and Kusile have attracted the bulk of its debt.

Even if its debt burden were to be relieved, it would still be left to compete against renewable IPPs which can produce power for cheaper, especially given the fact that they pass many of their costs on to the ITSMO.

Finally, coal has become anathema to investors, and so Eskom Generation would struggle to attract even the minimum investment needed to expand or maintain its operations. “Eskom Generation” will quickly become financially unviable, if it is not bankrupt from the start.

There are some who believe this to be a good thing, as reducing our reliance on coal is one of the biggest contributions we can make to lowering our carbon footprint. However, at the same time, the unfortunate but undeniable fact remains that South Africa still needs fossil fuels. This is true now, it is true for an unbundled Eskom, and it will remain true for the near future – coal currently generates over 90% of our energy, and no country can transition out of that in a decade or two. There is therefore simply no way that South Africa could allow Eskom’s generation to go offline without triggering a total economic collapse – even if the most optimistic renewable build targets are met.

Capacity payments (paid for through the already strained state budget), would thus be required to prop up the economically failed generation entity. In all likelihood, Eskom Generation will become what is known in the energy world as a “zombie” utility; a utility that is not financially viable but too important to fail, kept in a constant state of semi-death by state bailouts and capacity payments. This is not idle speculation; many European energy utilities are already stuck in various stages of this process.

WHERE TO FROM HERE?

The Eskom Transformed report has two main components. The first shines a light on the currently unquestioned future of an unbundled Eskom and, as briefly summarised here, shows how there is a multitude of problems lying in wait. Future articles from the Eskom Transformed team will dive into these in more detail.

However, the second and most central part of this report is to revive the idea of Eskom as a fully integrated, public utility. This conclusion is not based on ideology, but on the outcome of research that tells us, contrary to what we have been told, that the private sector is functionally incapable of delivering the large-scale transition to renewable energy needed in South Africa today, if we are to have a future tomorrow. DM
No one needs reminding that the only thing Eskom seems to excel at is the generation of crises. The utility has become synonymous with regular load shedding, Gauteng’s continual “load reduction”, enormous greenhouse gas emissions, an enormous debt burden, and steadily increasing electricity tariffs.

Guided by the policy prescriptions of big business, the state has devised a solution to these multiple crises – a process of “unbundling” the utility into three separate entities: generation, transmission, and distribution. But rather than addressing the crises of Eskom, unbundling will serve only to intensify them, further entrenching the devastation that has been caused by the corporatisation of the utility. To truly address the crises, the utility must be decorporatised and restructured as a not-for-profit public utility.

While many commentators have applauded the plans for unbundling, no less than the World Bank has recently warned against adopting such measures in countries with circumstances such as those prevailing in South Africa. In a 2020 report on power sector reform in developing countries, the bank found that unbundling is not intrinsically useful in itself, but should only be used as a precursor to a competitive wholesale power market. It shows that unbundling a utility that already suffers from “weak governance and financial fragility” (such as Eskom) is likely only to exacerbate financial and technical difficulties, as well as forfeit the benefits of economies of scope and scale. The unbundling announced in 2019 is therefore unlikely to ease the utility’s financial woes and will operate mainly as a path towards privatisation.

The unbundling of Eskom is not an isolated aberration, it is indicative of a broader tendency in the state’s approach to service delivery. Eskom’s corporatisation, beginning in the 1980s and culminating in the restructuring undertaken in 2001, is symptomatic of an approach to service delivery that treats public service entities as profitable business enterprises. Initially founded as a “not-for-profit” public utility, Eskom (previously Escom) was once a world-class utility, driving industrialisation and electrification through inexpensive supply. But the late 1980s apartheid government began a process of corporatising the utility, requiring it to raise capital commercially and dropping the not-for-profit imperative. Eskom’s corporatisation was completed in 2001 with the requirement that Eskom pay taxes and dividends, as well as make a profit.

Structured as a state-owned private company, with the state as the sole shareholder, Eskom became a prime site for corruption and mismanagement. Rather than seeing electricity as an essential need requiring subsidisation, the “full cost recovery” model adopted by the corporatised Eskom has continued to pass the burden of financial mismanagement and corruption onto consumers, as evidenced by a 400% tariff increase over 10 years. The corporatisation of Eskom has increased consumer tariffs and massively inflated its debt burden, all the while failing to create a stable, low-carbon electricity supply.

Consistent with global trends in governance at the time, the 1998 White Paper on Energy Policy laid out a new framework for the South African energy sector, with market competition positioned as the basis for improving generation and access to energy. The role of the state was to intervene only in the event of market failures, to “remove distortions and encourage energy prices to be as cost-reflective as possible”. Rather than the public delivery of a basic necessity then, electricity provision was framed as a matter to be left to market forces, with minimal state interference. Lower consumer prices and increasing electrification were to be realised through “enabling competitive pressures”, a result of the inclusion of private enterprises in the electricity sector.

The reliance on market competition as the backbone of service delivery pricing, a paradigm that continues to this day with Eskom’s corporate structure, comes at the expense of equitable access, environmental protection, and labour rights. A service delivery ethos premised on the virtues of
the market is driven not by the assurance of the provision of a necessity; it is driven by the profit motive and provision to those who can pay.

Electricity prices determined by “competitive pressures”, rather than equitability and human need, will inevitably be in the best interests of capital and wealthy consumers, not the interests of those who need electricity for their everyday livelihoods. The unbundling of Eskom, and its eventual privatisation, would serve only to deepen these existing inequalities.

It does not need to be this way. Profit-seeking is not the only principle around which public services can operate. Public utilities have operated on non-profit principles since the beginning of their existence and the profit motive is only a recent trend in service delivery. Most utilities that existed before the late 20th century – among them the pre-corporatised Eskom and Britain’s National Health Service – could be cited as examples of public services based on non-profit motives.

Electricity is a basic necessity, an essential enabler of everyday life. It should be treated as such. Removed from the vagaries of the market, it is possible for electrification to proceed in a consistent, planned, equitable, and stable manner. Continuing to treat electricity as a profitable commodity serves capital, but treating electricity as a public good, included in a new commons, serves to provide it to all.

If the purpose of a power utility is to make a profit, it is likely to charge high consumer tariffs, as is evident in South Africa following the 1998 White Paper and the adoption of a full-cost recovery model. Electricity for profit, or even at cost price, is out of reach for the vast majority of the population. In order to provide for all, electricity must be sold below cost price, subsidised in order to be affordable. State subsidisation of electricity is antithetical to the principles of a profitable company, hence the need for immediate corporatisations. Disconnections for non- or late payment, automatic meters, and the gradual rise in electricity tariffs are symptomatic of Eskom’s market mechanisms-driven approach, and a failure to treat electricity as a human right.

The restructuring of Eskom comes at a time of a global shift to renewable energy. States, civil society, and private investors, despite their various divergences in politics, are faced with the daunting prospect of the climate crisis, necessitating a transition to low carbon energy sources. Doing so has the potential not only to mitigate the worst effects of climate change, but also to drive a new industrialisation. Eskom as it currently exists, as a corporate state-owned enterprise, is reliant on the whims of private investment to drive the shift to renewables. Falling private investment will impede the rollout of renewable energy, regardless of political will. This has already occurred globally, as the falling cost of renewables has made them less profitable, leading to lower investment.

The rollout of socially owned renewable energy can achieve goals beyond stable electricity supply and the mitigation of climate change. South Africa’s unemployment crisis can be alleviated through the manufacturing, installation, and maintenance of a national renewable energy programme. This stable and sustainable electricity generation capacity can lead the development of public transport, sustainable housing, improved sanitation services, and climate-sensitive manufacturing. The country’s manufacturing sector has undergone a brutal process of de-industrialisation, giving rise to a high unemployment rate, and one of the highest youth unemployment rates in the world. A renewable energy industry, driven by the demands of a large-scale Eskom electrification plan and energy transition, could create millions of well-paid, stable, low-carbon jobs.

The enormous number of jobs in carbon-heavy sectors of the economy such as coal mining cannot be allowed to simply disappear. Rather, the necessary decommissioning of coal-fired plants must be meticulously planned nationwide to ensure a re-industrialisation in affected areas. If left to market forces and a corporatised Eskom, significant areas of South Africa that are reliant on fossil fuel jobs will be economically devastated by a shift to renewable energy. The abandonment of communities left behind by the declining gold mining sector demonstrates what could happen to coal mining communities if energy transition is carried out through market mechanisms.

A similar trend of massive pollution, a complete lack of environmental rehabilitation, and a dearth of jobs is likely to follow in the wake of coal mining’s replacement with renewables if the transition is not planned. Profit-seeking enterprises will set up manufacturing where it is most cost-effective and seek to pay the lowest wages possible while acceding to the minimum required under labour
legislation. The transition would be entirely dependent on the promise of return on investment, regardless of social or environmental goals.

The significant potential for jobs in manufacturing will not be generated through a market-based energy transition. This is primarily because it is simply cheaper to import the required technology. The fourth round of the Renewable Energy Independent Power Producer Programme (REIPPPP), for example, saw not a single South African-produced solar panel, with the independent power producers all importing panels from abroad. This is despite the fact that South African suppliers did have the capacity to produce all of the solar panels in the fourth round. The layoffs of hundreds of manufacturing workers following the failure of the REIPPPP to drive local manufacturing is indicative of what is to come if the market-driven approach to service delivery is maintained.

The liberalisation of South Africa’s economy has locked it into dependence on international trade and foreign investment, preventing the intentional localisation of industries. The restrictive rules of the World Trade Organisation, remaining bilateral investment treaties, and even the much-lauded African Continental Free Trade Agreement erode the state’s sovereign policy space. Within the confines of these international agreements, the intentional creation and nurturing of a local renewable energy technology industry is impeded. A decorporatised Eskom has the potential to challenge the strictures of the global trade and investment regime, creating a global commons through public-public partnerships. The competition-based trade regime, regulated by a framework of trade and investment laws, prevents the subsidies, localisation measures, and state planning that are necessary for tackling climate change, securing adequate energy supply, and ensuring that the energy transition is just.

A publicly owned utility has the potential to intentionally drive a large-scale manufacturing sector, producing solar panels, wind turbines, and all of the other equipment necessary for the mass rollout of renewable energy. Manufacturing plants can be planned in areas currently reliant on fossil fuel jobs, ensuring that any jobs lost in fossil fuels will be made up in renewables manufacturing. If electricity is treated as a public good, rather than a profitable commodity, the corner-cutting of private enterprise can be avoided. High paying, decent work can be ensured if the transition to renewables is planned and coordinated by a fully public Eskom, reorganised to serve the people.

South Africa’s crises of inconsistent electricity supply, mass unemployment, and Eskom’s death spiral cannot be solved through market mechanisms. This is to say nothing of the market’s complete inability to meet climate targets. Electricity is treated by corporatised Eskom as a tradeable commodity, not an essential basic good. “Competitive pressure” as the paradigm for pricing electricity serves only capital, but electricity as a public good could ensure a stable supply, the mitigation of climate change, and create enormous numbers of jobs in manufacturing and installation. The unbundling of Eskom would only intensify the commodified electricity paradigm.

Eskom must be dramatically restructured, but rather than unbundling, the utility’s restructuring must take the form of decorporatisation. This will allow it to achieve urgent social and environmental goals through a planned process of energy transition and widespread electrification, a process impossible under the condition of generating profit.
THE MOST IMPORTANT DECADE IN HISTORY

“1.5 TO STAY ALIVE.”

This catchy chant, prolific during the school strikes of 2018 and 2019, lays things out quite simply. The Paris Agreement of 2016 agreed to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.”

Two years later the Intergovernmental Panel on Climate Change (IPCC) put to bed any notion that going above a 1.5°C increase would be anything short of a disaster. It’s simply a case of “1.5 to stay alive.”

Fortunately, the IPCC also provided – albeit roughly – an indication of what needs to be done. Global emissions must be reduced by 50% by 2030 and must reach net-zero by 2050 (net-zero means the overall balance of emissions must be zero. Emissions could still be released so long as they are counter-balanced by carbon sequestration.)

So, we are now in the last decade to avoid climate catastrophe. There has never been such an existential challenge to humanity and our planet. Meeting it will require an unprecedented response. Yet, it is private actors, through the market, who are championed as our saviours. They cannot vaguely deliver it, it is only the public sector that can.

SOUTH AFRICA’S ROLE

South Africa has a significant obligation towards meeting the reductions set out by the IPCC. We have higher per capita emissions than China and aside from some far smaller economies, have the most carbon-intensive one in the world.

Much of the commentariat would hold that South Africa’s transition to a low-carbon economy should be led by the private sector. According to them, the first step towards this would be expanding the Renewable Energy Independent Power Producer Procurement Programme (REI4P). The programme was launched in 2011 by the Department of Energy to procure alternative energy from the private sector, primarily renewable energy (RE).

It is not surprising that the assessment of the REI4P as the best way forward to a RE future is so widely held. Eskom and the ruling party remain highly contested terrains, embedded with powerful coal interests and seemingly incapable of delivering basic services, let alone an energy transition. This is not even to speak of Eskom’s current financial position that in no small part threatens the economy. What little RE exists in South Africa has come through the REI4P programme and those in the state who see a renewable future have seemingly tethered themselves to it.

But a market-led transition will fail on both the required core components: a transition that is both just and meets the climate targets described above. On the former, we have already outlined our arguments here. The rest of this article will focus primarily on the latter, its inability to meet the climate crisis.

THE MARKET HAS FAILED (AGAIN)

The last two decades have seen RE production – excluding hydropower – increase almost five-fold. Countries like Germany have been trotted out as great success stories and China accounts for almost a third of all RE capacity. Critical, as many proponents of RE point out, is how cheap it has become, so much more so than energy based on fossil fuels.

So, what percentage of global energy has been
produced by this impressive boom? Around 8%.

“But,” you might ask, “will this 8% now not grow similar to the rates that created the above boom in the production of renewables?” No. The almost terminally bad news is that the rate of global investment in renewables has in fact fallen in recent years, specifically in the world’s largest economies such as China, Germany and the US. And it should thus surprise no one that emissions have in recent years continued to rise.

The slow-down in the rate of investment is explained by the fact that there has been a major shift in policy. Most of the world’s RE was “incentivised” by a feed-in tariff (FiT) system, whereby producers of RE feed solar and wind power into the grid at a guaranteed above-market price. The costs of this subsidy were passed on to end users – the public – and, in places like the EU, increases in the retail prices for electricity led to a political pushback. In 2013 the EU decided to phase out the FiT system and move to competitive auctions. This meant that wind and solar companies now had to compete against each other to win new contracts known as “power purchase agreements” (PPAs). The introduction of the auction system led to falling bid prices, which is one of the main reasons why RE costs have been falling.

This process is part of what Sean Sweeney from the Trade Unions for Energy Democracy (TUED) describes as a “three-fall effect”. The TUED’s paper, Preparing a Public Pathway, outlines this process and the investment crisis in RE. As competition between RE firms increases, the bidding price of RE falls – while capital expenditure costs do not at the same speed. As a result, profit margins also fall, and thus what follows is a fall in the rate of investment. According to one source in our report:

“We are not the only ones seeing a looming crash in renewables investment if the current trend of pushing renewables towards merchant price risk continues. While it’s accurate to say renewables have become much cheaper over the last few years and no longer require outright subsidy, the idea of a pure market for electricity is a mix of ignorance and wilful fallacy. Pushing renewable energy to compete with fossil fuels in the wholesale electricity market may, in fact, undo much of the progress made over the last decade in developing investment-ready climate policies.”

This is alarming. To give the scale of the investment required to avert climate catastrophe, the International Renewable Energy Agency (IRENA) estimated – in 2016 – that:

“The [annual] average [amount of investment in renewable energy] then needs to reach $900-billion between 2021 and 2030”.

Now – briefly setting aside that it amounted to a decrease in the rate of investment in RE – 2019 was a record year in the total amount of investment in RE. The record amount? $282.2-billion. A $617-billion shortfall of what’s required just two years later. Much worse still, the IRENA projections are based on limiting the average global temperature rise to 2°C rather than 1.5°C. There is currently nowhere near enough investment to meet even the woefully inadequate targets adopted under the Paris Climate Accords.

PUBLIC GOODS ARE GOOD

The auction system has made visible the true cost of renewable energy. With no fuel costs, renewable energy can be cheap – but cheap does not make it profitable. RE is only profitable when it is protected from competition via subsidies in the form of Feed-in Tariffs or long-term PPA contracts. Remove these protections and private renewables are stopped dead in their tracks. Without the prospect of guaranteed returns, no renewable energy project would get the financing it needs from lenders. But the problem is not renewable energy; but renewables for profit. So what is the alternative? Well, the motivating force for averting climate breakdown will have to transcend the profit motive, as unsettling as that may be for some.

“For privately owned renewable energy companies, ‘cheap’ is bad. For publicly owned renewables, the prospect of abundant clean energy for all becomes an achievable reality.”

– Eskom Transformed (page 54).

The good thing for those who want to reimagine the economy, who want a just transition, is that this is good for the justice and equality that they seek. A true just transition must follow a “public pathway”, whereby low-cost electricity can be generated as a public good, and the real costs recovered through tariffs and other downstream charges. But recovering the costs is less important than providing affordable, reliable, clean, energy – the benefits of which are recouped in the form of better health, higher productivity, and a more stable climate.

Rather than subsidise private entities for their own profit, the state must subsidise public energy as the representative of our interests. Private energy will
bring no justice to the working class and poor of our country. When markets require private firms to lower their prices, they overcome this by reducing their costs, starting with the wages of their employees. After that, the costs of externalities, pollution for example, are pushed elsewhere, usually on to the poor and the environment. Rather than ameliorating our urgent crisis of unemployment, the potential of RE to do this is being squandered through the REI4P. Since these firms will always seek the cheapest inputs, they will not nurture the local manufacturing industry. The latest round of the REI4P saw all photovoltaic panels imported from China.

Finally, in the long run, the price of privatised electricity in a society like ours will be too high for the majority of people, who are either poor through low wages or unemployed. The report and the previous article in this series develops the above in much greater detail.

**WHAT TO DO WITH ESKOM?**

In South Africa, we are faced with a momentous dilemma. While the markets cannot avert climate catastrophe, how could Eskom ever be the vehicle to do so? With energy demand dropping, one of the slimmest of silver linings of the Covid-19 pandemic had been the space afforded to Eskom for critical maintenance. But blackouts of earlier this year are back, with more to come. Of far greater concern is that Eskom is still some R480-billion in the red and producing around 90% of its electricity from coal. We who push the public pathway cannot deny this urgent reality. The challenges of building an Eskom Transformed are immense, and go beyond transforming it to generating 100% of its electricity from RE. But to build the Eskom we need we must first understand what brought Eskom to this position in the first place.

The current crises were caused by political decisions and they can be undone with political will. The Eskom Transformed, that we propose, will require restructuring around a series of principles that make it a truly publicly owned utility. This requires much deeper levels of public and worker participation. There are examples for us to follow.

In Paris, the water utility was municipalised with various civilian bodies that provide oversight. In Chinese state-owned enterprises there are elected employee congresses with decision-making power on a variety of social issues, including welfare and housing, wages and bonuses. They also have a say in the nomination of senior managers, a safeguard against outside “cadre deployment”. It is through such processes and bodies that the transparency and accountability required of Eskom can be developed and ensured.

**SHIFTING THE DEBATE**

The stark reality is that the required historic levels of investment in renewables – among so many other things required to build a low-carbon economy – can be achieved only through unprecedented levels of public-led investment. But such a public role, particularly after a crisis like Covid-19, is hardly unprecedented. In any event, it’s the public sector that has got us this far – through financing high-risk innovation and nurturing the growth of private renewables. Fortunately for us, such an investment drive and potential millions of jobs it will bring is incredibly appealing to the mass of unemployed people – and those workers whose wages are depressed as a result.

The appeal of the transition to a low-carbon economy goes beyond employment. The mass roll-out of public transport – particularly commuter rail; the retrofitting of RDP houses; and overhauling and expanding sanitation services, all for climate resilience, are all in the interests of the working class and poor.

The crises of Eskom are some among many that show the enormity of the challenge of the South African state leading a just transition. But South African activists and policymakers serious about a just transition must break from the dichotomy of our energy future being either that of the REI4P or the unacceptable continuation of our coal-powered economy. The data is clear, we have examples all around the world to look at – the market cannot save us. Any proposals serious about meeting climate targets must begin from this position and do the hard work of preparing the public pathway to a RE future. Critical to such proposals is that they provide the knowledge and support that assist social forces, whether they be trade unions or community movements, in shifting the state.
“Debt cannot be repaid, first because if we don’t repay, the lenders won’t die. That is for sure. But if we repay, we are going to die. That is also for sure.”

Those were the words of the revolutionary former president of Burkina Faso, Thomas Sankara. Taken from his speech to the OAU in 1987, months before his assassination, his words are as true now as they were then. And especially so when locating the issue of debt in the context of the Covid-19 pandemic and the massive socioeconomic impact of the lockdown.

The issue of debt must also be situated within the overarching context of the need to finance a transition from a fossil-fuel economy to a low-carbon economy in the struggle to mitigate against the deep impacts of the ecological crisis. Repaying government debts, especially debts incurred against the interest of the majority of the population, leaves less money to invest in the rollout of renewable energy and the genuine, just transition that South Africa needs.

The issue of South Africa’s debt permeates throughout. The situation at state-owned enterprises (SOEs) and the government’s increasing debt-to-GDP ratio is of serious concern. In response, the government, led by the Treasury, has prioritised debt-service costs at the expense of higher levels of social spending. As a result, debt-service costs are the fastest-growing budget item in the national budget.

Despite prioritising debt payments, South Africa’s debt-to-GDP ratio has continued to grow and is likely to exceed 80% by the end of the year, rising from the February 2020 Budget estimate of 65.6%. At the end of the first quarter of 2020, South Africa’s gross external debt – what lies behind the growing debt-to-GDP ratio – stood at just over $155-billion. While an improvement since December 2019, with a decrease of $30-billion, further interrogation of SA debt is needed.

South Africa’s debt problems are strongly intertwined with Eskom’s growing financial woes. Eskom’s debt is expected to jump from R450-billion (in 2019) to at least R500-billion by the end of 2020.

Most reports link Eskom’s rising debt to the increased prevalence of corruption. This is an important factor, but it is not the only factor. Other considerations include: the increasing commercialisation and corporatisation of Eskom; the original high costs of the renewable energy independent power producer procurement programme (REIPPPP) contracts and the related 20-year power-purchase agreements; as well as the rapid increase in the cost of coal. These factors are detailed in the recently launched research report, Eskom Transformed.

It is undeniable that corruption and wasteful expenditure are major problems. Reports indicate that the Special Investigating Unit (SIU) is investigating the theft of tens of billions of rands from Eskom. Included in this are payments to the value of R139-billion in contracts related to the building of Medupi, Kusile and/or Ingula power stations.

An insider estimates that the cost of corruption in relation to Eskom’s contracts could potentially be as high as R500-billion. A seemingly clear-cut example of corruption relates to the World Bank loan to Medupi in 2010. Eskom is still repaying this loan: in fact, more than R1.3-billion was paid during the months of lockdown and, based on Alternative Information and Development Centre’s (AIDC) calculations, Eskom will only repay the debt in full by the end of the century.

That the loan was granted to build the biggest coal-fired power (read carbon-emitting) station in South Africa – contradicting the outcomes of
the World Banks’ own research that indicates climate change has negative consequences for development – coupled with the fact that the loans seem to be infested with corruption, makes this a quintessential case of odious debt. There have already been calls for this debt to be cancelled, by the South African Federation of Trade Unions (SAFTU), AIDC, Public Affairs Research Institute and Daily Maverick’s Kevin Bloom, among others.

Given the scale of corruption, a publicly disclosed forensic audit of all SOE and government debt – with the intention to repudiate the odious debt – is necessary. This is in line with the demands made by Sankara more than three decades ago, and the more recent calls by more than 200 global organisations for debt cancellation following the outbreak of Covid-19.

Such an agreed debt cancellation would immediately create much needed fiscal room for enhanced social spending and public investment. Notwithstanding the need for debt cancellation, it is important to recognise that a high government debt-to-GDP ratio is not inherently a problem. For instance, the UK (80.7%), France (98.1%), Belgium (98.6%), USA (107%), Singapore (126%) and Japan (237%), all maintain rather high government debt-to-GDP ratios.

The bigger question relates to a country’s ability to service those debts: for example, an economy that is experiencing rapid levels of growth is able to service debt costs easier than a country in an economic recession. Furthermore, when GDP is growing, it also reduces the overall debt-to-GDP ratio. Therefore, rather than focusing solely on the level of debt, a good debt policy is one that borrows to invest in improving a country’s productive capacity. Historically, this has proven to reduce the debt-to-GDP ratio in the medium to long term. Conversely, fiscal consolidation in order to prioritise debt-service costs has often resulted in exactly that which it was meant to avert – a higher debt-to-GDP ratio.

BREAK THE CHAINS OF DEPENDENCY

Besides borrowing to invest in improving the country’s productive capacity, another aspect to consider relates to the level of domestic debt compared to debt denominated in foreign currency. Prioritising borrowing domestically should be preferential even if interest rates from foreign creditors are lower than domestic bonds, because borrowing from foreign creditors requires paying back in foreign currency. Financial inflows are needed for this purpose.

This requires higher interest rates which lead to higher interest payments (and dividends) paid to non-resident bondholders, which inevitably creates a vicious cycle of dependency on export-oriented growth and high interest rates to attract further financial inflows.

South Africa’s dependence on financial inflows to boost the financial account, and in so doing offsetting the current account deficit in the balance-of-payments, is a significant contributor to the country’s growing gross external debt.

Around 70% of the $30-billion decrease in SA’s gross external debt from December 2019 to March 2020 relates to falling general government liabilities to non-resident bondholders (from $78-billion to $56-billion). In other words, of the 16% decrease in the country’s gross external debt, 11% pertains to fewer liabilities owed to non-resident bondholders after a considerable decline in the foreign ownership of domestic bonds (to an eight-year low). This, following the sale of close to R100-billion in domestic bonds by non-resident bondholders in the first quarter of the year.

Introducing more stringent capital controls could both reduce the level of outflows and alleviate the pressure on the current account by limiting the amount (and delaying the time) of dividends and interests paid to non-resident bondholders.

While a small share (10%) of government debt is foreign-denominated debt as a percentage of its total debt, approximately 50% of SOE’s debt is held by foreign creditors. A good debt policy for both SOEs and government would be to prioritise borrowing from domestic creditors over foreign creditors. This brings us to the second major potential financial resource – pension funds.

THE POWER OF PENSION FUNDS

Increasingly the power of pension funds is being understood. In 2002, Robin Blackburn in Banking on Death or Investing in Life points out:

“While a good pension regime could help to reinforce a healthy and sustainable pattern of economy, a bad and short-sighted one will compound economic dangers and social distempers.”

As financial capital became increasingly dominant within the global economy during the 1980s,
investments shifted from productive capital in the real economy to greater levels of investment in stock markets, derivatives and speculative markets. With this, we see the intensified commodification and, in some instances, even privatisation of public goods such as electricity, water, health, housing and transport.

These essential goods and services are increasingly produced for profit maximisation rather than meeting people’s needs. Pension funds, public and private, are massive contributors to this trend.

**Addiction to Equity and the Shackles of Finance Capital**

South African pensions have amassed more than R4-trillion in accumulated reserves, making it one of the largest pension systems in the world. Much of this is invested in the JSE.

For example, more than half of all the Public Investment Corporation’s (PIC) R2-trillion in assets under management is invested in the JSE. The largest contributor to the PIC’s assets is the Government Employees’ Pension Fund (GEPF). Currently, the GEPF has approximately R1.8-trillion in accumulated reserves: two-thirds of this, just over R1-trillion is invested in the JSE.

Source: GEPF 2018/19 Annual Report

The GEPF’s investment strategy and its fixation on financial investments is exactly the kind of bad and short-sighted pension regime that Blackburn was referring to. The GEPFs overinvestment in the JSE as a result of the PIC’s addiction to equity has come at a huge price – the cost of growing unemployment and income inequality – due to the lack of investment in an industrialising, job-creating strategy. This process, coupled with declining labour share as a percentage of gross value added (i.e. falling real incomes), has meant that it is only through credit that households are able to make ends meet.

**Liberate the GEPF**

A shift in investment strategy to a greater share of investment in bonds rather than in equity is what is needed by the more than 1.7 million people – 1,265,000 public employees and 464,000 pensioners – who are directly dependent on the fund. Moreover, the majority of South Africans who indirectly suffer, given the negative socioeconomic impacts of austerity-based macroeconomic policies, also stand to benefit from such a change in investment strategy. This shift will have a number of advantages, including the potential room to invest in the development of socially owned renewable energy, as well as stable and positive returns on investment.

**Back to a Pay-as-you-go Scheme**

The amount of resources available is dependent on whether there is a continuation of the GEPF as a fully funded scheme, or if it shifts back to a pay-as-you-go scheme.

The growth of the fund is partly due to the transition in the fund from a pay-as-you-go scheme to a fully funded scheme. This transformation culminated with the amalgamation of various public pension funds with the GEPF’s establishment in 1996. The reasons behind this shift and its implications have been elaborated on before.

Prior to the outbreak of the pandemic, the GEPF was estimated to be 108% funded, and probably remains at approximately these levels in spite of the initial fall in the JSE. Under the GEPF law (1996), the fund can be 90% funded. There is also a view that credit rating agencies consider public pension funds finances to be healthy if they have more than 80% of their liabilities covered.
Reducing the GEPF’s funding level to 90% would liberate more than R300-billion for investment, while remaining within the confines of the GEPF law. It is possible to go further and liberate an additional R200-billion by reducing the level of funding to 80% of its total liabilities.

If the fund is transformed back into a pay-as-you-go scheme, more than R1-trillion in resources can be made available for investing in sustainable low-carbon, labour-intensive industries in driving a low-carbon reindustrialisation programme.

As we have previously mapped out, this has the potential to create a number of jobs in the development of renewable energy infrastructure manufacturing and the transformation of Eskom into a fully public renewable energy utility. But a just transition must be more than the development of renewable energy: it should also be about the development of a mass public housing programme, the improvement of the public transport system in urban and rural communities, as well as financing the transformation of our agrarian system from large-scale industrial farming to small-scale agro-ecology.

In addition to mitigating against carbon emissions, these developments are also labour and employment intensive – both directly and in downstream industries – and therefore they have large employment potential.

This is a major advantage for the GEPF in the medium to long term, and a necessity if it shifts back to a pay-as-you-go scheme. As Blackburn pointed out, this potential pool of finance that pension funds present to governments strikes fear into financiers and private investors (Banking on death, or investing in life, p74).

This may explain why some investors are dead set against utilising the GEPF in this way, as it may set a precedent that soon would require private pension funds to invest in domestic bonds as well. The Congress of South African Trade Unions (Cosatu) has already indicated that it would be in favour of reviving similar policy measures.

**MAKE THE ENERGY INTENSIVE USERS GROUP (EIUG) PAY**

Finally, in addition to the cancellation of government debts and liberating large levels of investment from the GEPF towards financing a just transition, it is also important to shift the pay structure of energy consumption and, in doing so, force disproportionately high-level electricity users to pay their fair share.

This includes not only the high level household consumers, but also those corporations and SOEs which form part of SA’s energy-intensive users group (EIUG). As electricity tariffs increase – approximately by 400% over the last decade – South African household consumers pay more in order to effectively subsidise the cheap electricity costs afforded to these 28 corporations. Almost half of the EIUG comes from mining and quarrying – major contributors to SA carbon emissions and increasingly employing fewer and fewer workers as the industry becomes increasingly capital intensive.

The current electricity tariff structure should be evaluated and more reasonable tariffs should be paid by intensive energy users, particularly major corporations.

**ONLY THE PUBLIC CAN SAVE US**

In the February 2020 Budget, the finance minister said the Department of Public Enterprises’ (DPE’s) Eskom Roadmap is non-negotiable, opening the path for the unbundling of Eskom and the greater privatisation of the SA electricity sector. This is reminiscent of the way former finance minister Trevor Manuel introduced GEAR in 1996.

Emboldened by Finance Minister Tito Mboweni, Eskom CEO Andre de Ruyter recently indicated that the Eskom board intends expediting this process. As we have shown in previous articles, unbundling will not solve Eskom’s problems, nor will it help to catalyse a renewable energy transition – only a public pathway to a renewable energy transition can meet the challenge of climate change.

The resources to finance the transition are available, but to harness those resources requires us to rethink our understanding of the role of the economy. This necessitates shifting the thinking from what is financially affordable, to how we raise the finances required to meet the needs of our people and the planet.

This struggle over the economy is at the heart of the struggle to meet the challenges of climate change and the ecological crisis.
For the South African public, Eskom has become synonymous with load shedding, increasing electricity tariffs, and a ballooning debt burden. The utility is beset by a downward spiralling financial crisis and an inconsistent ability to supply electricity. Meanwhile, Eskom remains South Africa’s largest greenhouse gas emitter due to its reliance on coal for the vast majority of electricity generation. Drastic, immediate action is necessary in order for the world to mitigate the worst effects of the global climate crisis. For South Africa, the most urgent step is to transition away from fossil fuels such as coal.

Faced with these crises of financial instability, inconsistent supply, and the ever-deepening climate crisis to which it greatly contributes, Eskom requires a massive overhaul. Numerous commentators, largely in the world of big business, have called for an ‘unbundling’ of the utility, a policy now adopted by the government. A detailed study of Eskom’s history reveals that to unbundle Eskom would simply be to continue and worsen the trends that have led Eskom to the crises it currently faces. The transformation of the utility from a formally not-for-profit utility to a profitable (or rather unprofitable) commercial company in the late 20th and early 21st centuries brought about Eskom’s deep financial woes, and locked it further into reliance on inexpensive fossil fuels. Unbundling Eskom would increase this corporatisation, leading to a marketisation of generation.

Rather than increasing the market-led approach, which would be harmful for the planet, for workers, and for consumers, we urge an alternative vision. Instead of a profitable enterprise, serving only capital’s interests, Eskom must be transformed through a process of de-corporatisation into a fully-public, vertically-integrated utility. State investment in renewable energy will allow a massive rollout of wind and solar to further the electrification of the whole country, regardless of profitability. The massive expansion of state renewables investment can drive a process of low-carbon industrialisation, easing the unemployment crisis while mitigating climate change. Tackling these crises of climate change, inconsistent supply, unemployment, and financial catastrophe can only be accomplished if Eskom is de-corporatized and used as a launch point to build the public sector.

“Rather than increasing the market-led approach, which would be harmful for the planet, for workers, and for consumers, we urge an alternative vision.”
South Africa, conventionally understood, suffers from three significant crises: Poverty, Inequality, and Unemployment. Solving this triple threat has been the primary objective of successive economic projects that South Africa has embarked on since 1994. The continued failure of these projects, along with the looming climate crisis, presents an immediate need for radical change.

Enter the One Million Climate Jobs Campaign. The campaign, consisting of social movements, labour and civil society reps, proposes a programme that creates one million climate jobs across various sectors of the economy including but not limited to:

- Electricity & Renewable Energy 250,000 jobs
- Transport 390,000 Jobs
- Construction & Repairs 150,000 to 200,000 Jobs
- Agriculture 100,000 to 500,000
- Waste, Industry and Education 110,000 Jobs

A wage-led, low carbon and sustainable, development path is possible. This report presents one of the programmes necessary to take us there. Read the full report here.

This report represents one of the most comprehensive research projects in resolving the myriad of problems currently confronting Eskom, South Africa’s largest emitter of greenhouse gasses. This report and the launch will be geared towards understanding the necessity of a Just Energy Transition, the labour movement’s opposition to unbundling, the financial crisis at Eskom and possibilities in resolving it. Another key pillar of the report’s launch will be in elucidating some of the key failures in Public-Private-Partnerships, drawing from the local and international experience. Not only that, but the Eskom Transformed report dispel some misconceptions many have around the inevitability of a transition to renewable energy.

The most important dimension of this report is in helping present a vision of a transformed Eskom, one that produces clean and sustainable energy. A transformed Eskom, that is socially owned and operated in the public interest. A transformed Eskom, that does not sacrifice the environmental or the economic wellbeing of its employees and the communities it services.