

Why we need a socially-owned energy sector in SA

Energy prices are going through the rooftop, while energy poverty and inequality continue to persist. Communities and most countries rapidly lose their energy sovereignty and the right to determine energy choices, writes **Dinga Sikwebu**.

The right to energy remains a dream for millions of the globe's citizens, as state-owned energy enterprises continue to act like private energy companies. Therefore, the environmental, political and economic case for genuine public ownership and democratic control of energy is becoming stronger.

The National Union of Metalworkers of South Africa (Numsa)'s view is that the global union movement must recognise that the tide is turning, and that the basis for calls for public ownership and democratic control of energy systems is emerging. As the labour movement, we need to seize the moment with both hands. When we do that we must put forward a clear and strong case for public ownership and democratic control and be honest about the weak points in our perspectives.

For Numsa, one of these weak points is that in stating our case for public and democratic ownership of energy we have not aggressively extended this case to renewable energy (photovoltaic, concentrated solar thermal, biomass, biogas, landfill gas, small hydro and wind). It looks as if, as progressive forces (labour and the climate justice movement), we seem to have

adopted a default position that says: anything but fossil fuels. This is so because of the ecological damages associated with fossil fuels.

What this default position has meant is that renewables have been exempted from our calls for public and democratic ownership of energy. We seem to be grateful and comfortable for the steps taken to introduce renewables without analysing the consequences for our members and communities of building a private sector-driven renewable energy sector based on a profit motive.

RENEWABLES PROGRAMME

South Africa is embarking on a multi-million dollar Renewable Energy Independent Power Producer Programme (REIPPP) to introduce renewables onto the country's energy system. The allocation of about 17.8GW of renewable energy in the Integrated Resource Plan (IRP) – a 20-year electricity plan from 2010 to 2030 – means that at the end of the 20-year period, 9% of electricity will be generated through renewable energy technologies.

The scale of the programme becomes more evident if one considers the non-existence of a renewable sector presently in South

Africa. If everything goes according to plan renewable energy will constitute 42% of the new build capacity by 2030.

According to our government, the whole plan will be driven by Independent Power Producers (IPPs) as organs of the state in the energy sector (municipalities and parastatals) are excluded from REIPPP. After years of consultation that led to the National Energy Regulator of SA (NERSA) announcing draft renewable feed-in tariff (REFIT) guidelines and with consensus emerging on the appropriateness of the REFIT as an instrument to introduce renewables, in 2011 the Department of Energy (DoE) suddenly and without consultation announced a 'consultants-designed' instrument called the REBID.

The renewable energy programme will work in the following manner:

1. After government issues calls for tenders from 'interested parties with relevant experience to submit proposals for the finance, construction, operation, and maintenance of renewable energy generation facilities', IPPs will then bid through a highly confidential process.



Marching for renewable energy at COP17.

2. Winning bidders will then sell what they generate to a 'buyer'. In terms of a Ministerial Determination made on the basis of sections 34(1)(c) and (d) of the Electricity Regulation Act 4 of 2006, the Minister of Energy designated the South African electricity utility Eskom as the 'buyer' to which IPPs will sell the electricity that they generate.
3. IPPs will sell the electricity to Eskom through (20-year +) Power Purchase Agreements (PPAs) that they will enter into with the electricity utility.
4. The basis of bidding will be a price that IPPs will sell electricity at and on the basis of identified socio-economic development objectives. The price at which IPPs will sell the electricity to Eskom makes up 70 points in an evaluation scorecard of 100 points that is used to determine winners. Socio-economic developments objectives such as job creation, local content, black ownership and preferential procurement constitute the remaining 30 points.
5. It is through PPAs that revenue streams are guaranteed to IPPs. For every renewable energy technology there is an applicable tariff or a 'cap'. Bidders are required to specify in their bids

the price they are requesting or willing to sell electricity to Eskom. The price could be less than the cap; which is where bidding primarily rests.

In our discussions with the DoE and in trying to find out what the motivation is behind the IPP-driven model, we have been told that the model shields the state and taxpayers from all financial risks associated with the programme. They also said that the model allows the private sector to take the risks and therefore allows government revenue to go to other areas where there are social needs.

As Numsa, this motivation has not convinced us and we remain opposed to the REIPPP. In place of the IPP-driven programme, we are calling for the building of a socially-owned renewable energy sector in South Africa.

WHY WE OPPOSE REIPPPP?

In discussions with government officials and members of Parliament, there is an attempt to reduce Numsa's opposition to the REIPPP to nothing more than an ideological and political stance against the private sector. While we are not ashamed to declare our anti-capitalist colours, we think that our opposition to the programme cannot be fobbed off as just a mere ideological stance. In fact our ideology

and vigilance in relation to the capitalist agenda has alerted us to a number of issues.

Firstly, although the DoE always states that it is the IPPs that will take all financial risks, what is never revealed is that national Treasury stands as a guarantor in case winning companies do not receive rates stipulated in the PPAs.

Secondly, not raised in the argument that the 'private sector takes all the risks' is how Eskom as the 'buyer' of electricity from IPPs will potentially recoup what it pays to independent power producers through electricity tariffs that customers pay.

For Numsa, it is therefore not true that the public is shielded from the risks associated with the programme, and that private investors are bearing all the risks. Large costs of the programme will feed through to the cost of electricity that users will pay. The whole bidding approach makes the exercise expensive with costs firstly fed through to project developers and then to project owners; with the main beneficiaries being financial lenders/underwriters and multinational corporations in the renewable energy technology sector.

Already financial lenders and underwriters are telling developers and owners that local manufacturers do not meet risk-reduction criteria

that they as financiers need. What this means is that the bulk of the components in the build programme will not come from South Africa, but will be imported.

The effect of these costs will make renewable energy less competitive and hence curtail large-scale roll-out required to mitigate climate change. We also believe that it will also artificially make coal and other technologies more financially attractive. This will provide a sophisticated and further subsidy and support for fossil fuels.

In addition to the above, as a union we have other objections to the programme:

- The focus of the REIPPP is to put energy onto the grid and produce 'energy security' to big corporations instead of provision of energy needs to those who remain off-grid.
- The preoccupation to supply renewables onto a centralised grid system fails to appreciate how decentralised energy systems based on renewable energy can be an important lever that women can use in their struggle for equality.
- The focus on grid supply is consistent with a view that sees renewable energy as a commodity for profitable sale in the market *instead* of seeing it as a non-commercial means of subsistence.
- The overemphasis on putting renewables onto the grid goes against the approach that sees the introduction of renewable energy as part of a larger effort towards energy democratisation, energy equality and a broader attempt to restructure our societies away from production for profit.
- The narrow focus on 'security of supply' misses the important contribution that a greatly expanded use of renewable energies can make in constructing new egalitarian relations of production and exchange.

This is what our submission raised about the bidding model:

- The absence of an economic analysis of the costs and benefits of the REBID model; detailing costs and benefits which will be incurred/enjoyed by project developers; project operators; local suppliers of engineering and design services; manufacturers of equipment to be installed and operated; local workers at all relevant skill levels; financiers and Eskom as a designated buyer.
- Scanty information on the thinking behind the design of the REBID model, details of how it will work, its soundness, practicality, alignment with national development priorities and especially how it will serve different interests.
- The lack of explanation why the REBID model was chosen, what other models were considered as alternatives and why these were not chosen.
- The absence of an overall plan to maximise localisation.
- The lack of a detailed analysis of jobs to be created through the programme – detailing the nature of the jobs, gender profile of such jobs and sectors/regions/towns in which these jobs will be created.
- The absence of a main skills development plan necessary for the programme.

CONCLUSION

As Numsa, we believe that if we are to stop another capitalist grab and block new subsidies to 'green capitalists', the call for public and democratic control of energy must be extended to the renewable energy sector. In our case this concretely means a campaign by unions to act as catalysts in the establishment of renewable energy cooperatives and other forms of community energy enterprises.

It also means a struggle to build renewable energy parastatals

and municipal-owned renewable energy entities that are under democratic control through constituency-based governing councils and with a strong social mandate to provide energy services, fight energy poverty/inequality and extend the right to energy.

It also involves bringing sites with the greatest abundance of useable renewable energy sources such as land under public, community or collective ownership as a way of ensuring the accrual of a large share of economic benefits to producers and owners of the actual means through which renewable energy is generated, transmitted and distributed.

Strategic and targeted local content requirement regime aimed at building a renewable energy manufacturing sector that guarantees jobs and where full rights for workers (including women workers) are respected and trade union presence is permitted are also introduced.

It also brings about cooperation, as a search in our region of Southern Africa, the rest of the African continent, the Global South and the rest of the world for forms of cooperation and solidarity around energy will ultimately replace competition and avoid workers of different countries being pitted against each other.

It is only by executing these tasks in the renewable energy sector that we will fulfil our goals and seize the moment to put the entire energy system under public ownership and democratic control. ^{LB}

Dinga Sikwebe is a national education coordinator with Numsa.

This is an edited version of a presentation he made at the Energy emergency transition: A global trade union roundtable, 10-12 October 2012, New York.