NATIONAL

How SA is losing out on its own renewables boom

Local manufacturers that were ‘burnt before’ need clarity on procurement

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Imports of solar panels and energy storage have increased exponentially over the past year as SA’s load-shedding crisis intensified.

While this bodes well for the country’s transition from coal-powered generation to renewable energy, it has also been a missed opportunity for local manufacturing, said Gaylor Montmasson-Clair, a senior economist at Trade & Industrial Policy Strategies (TIPS) and the facilitator of the SA Renewable Energy Masterplan.

SA has imported $10bn worth of solar panels, lithium-ion batteries and inverters since 2012, most of this in the past three years, he said. Imports started gaining momentum in 2021, with $800m worth of equipment imported, rising to $1.7bn in 2022, and then rocketing to $2.5bn in the first six months on this year.

But the local renewables manufacturing sector has not developed much, and it has not been able to keep pace with the strong rise in demand as it struggles to compete with international manufacturers, particularly those in China. This is one of the challenges the sector master plan hopes to address, said Montmasson-Clair.

He said that exponential growth in demand for products such as solar panels and batteries happened only in the past year-and-a-half, and it was not possible for manufacturers to ramp up their operations as fast as demand has increased.

However, manufacturers are also careful "because they have been burnt before". Those that invested in factories when the Renewable Energy IPP Procurement Programme (REIPPPP) was launched in 2011 suffered when the programme stalled in 2015.

"We lost a lot of the capacity that had been built between 2011 and 2015. Now manufacturers are a bit more careful, they don't want to get their fingers burnt twice."

But, he said, the recent boom in demand stirred interest among existing and potential manufacturers of solar panels and batteries. Whether these plans materialise depends on developments in the broader renewables industry. Manufacturers want concrete interventions to support the industry, he said.

"It is really hard for local manufacturers to be competitive and if SA is serious about growing this industry, we will have to put in place the framework and policies they need to be able to compete with Chinese exports."

This is where the master plan comes in.

The plan calls for "a clear picture of both public and private sector-led demand over the next years". To this end, it suggests, an update on the pipeline of both public and private procurement for renewable energy and storage technologies should be published quarterly.

It also addresses the need to establish a pipeline for skills development. This is to make sure that skills shortages do not become a bottleneck for manufacturing.

"To date this has not been a big problem, but only because there has not been much growth. If the sector starts to grow at a meaningful pace the lack of skills will become a problem," said Montmasson-Clair.

To help the industry to grow, the government will also have to put the right policies in place, including tax incentives and trade instruments to protect the local industry.

Solar panel manufacturers have applied for a 10% duty protection to help them be more competitive against Chinese imports, but that application has been "stuck in the system", he said.

Niveshen Govender, CEO of the SA Wind Energy Association (SAWEA), said while some construction was under way for wind projects contracted under bid window 5 of the REIPPPP and some private wind energy projects, the demand from new projects needs to be consistent to create an environment for new factories to open and existing manufacturers to expand.

"I think we are moving in that direction, and we will probably see industrialisation advance in the next three to five years," he said.

One of the big problems that had to be addressed to ensure consistent demand from renewable energy project developers is the shortage of grid access, said Govender.

Eskom has run out of available grid capacity in those areas that hold the best potential for solar and wind energy generation. The utility has said it needs to build 14,000km of new transmission lines over the next 10 years, but there is no clear plan yet of how this will be funded.

However, grid constraints are not the only stumbling block to unlocking growth in the renewable energy industry, said Compton Saunders, CEO of local wind turbine manufacturer Nordex Energy SA.

He told Business Day that many of the challenges facing manufacturers were due to the SA renewables market having failed to reach consistency in procurement.

"We currently have a shortfall of trained and experienced wind technicians in the country, having lost much of our skilled capacity to advanced international markets. This is a direct result of the interrupted procurement that has plagued the sector since 2014," said Nordex's Zelrese Brair.

Saunders, a SAWEA board member, said they spent a lot of time with government and industry bodies to understand what it would take to unlock further investment in localising manufacturing for the renewables sector.

"It is clear that without significant and meaningful volumes of procurement in SA that is stable and predictable "it would be very challenging to make any kind of business case to make that level of investment in a country where things are so uncertain".

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