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| **COSATU Submission:**  **Draft Integrated Resource Plan**  **October 2018** |
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1. **Introduction**

COSATU welcomes and appreciates Parliament’s holding public hearings on the draft IRP. These are indeed long overdue and badly needed.

We hope that our submission will assist Members of Parliament to raise the deep concerns, anger, frustrations and fears as well as the concrete proposals of workers with government. We hope that this will help ensure that workers’ proposals are incorporated into the final IRP.

COSATU is deeply concerned with regards to what is not included in the IRP. We are underwhelmed by its proposals. We do not believe that they go far enough to address the numerous crises that threaten Eskom’s very survival.

We surprised that the IRP says it is not necessary for the IRP and the Integrated Energy Plan in response to public concerns about their not being developed together in a systematic manner. This goes to the heart of the policy and management chaos bedeviling government across all departments.

We are equally shocked that the IRP’s authors admit in the IRP that its 2030 model needs further studies and analyses and that not all of its impacts have been taken into account.

It is equally worrying that whilst the IRP acknowledges previous budget projections were faulty as they were based old Rand Dollar exchange rates, yet the latest version of the IRP once again uses an old Rand Dollar rate that is already 10% below the current value of the Rand. And this is still a draft IRP!

Below are COSATU’s key areas of concern with the draft IRP as well as our proposals on how to address them.

1. **Public Consultation Processes**

COSATU is deeply concerned specifically with how government has developed the draft IRP and how it is has engaged with the public on it. COSATU has over the past several years repeatedly requested government table the IRP for formal engagement with business and labour at Nedlac, as required by the Nedlac Act.

It has taken years for government to do so. Each year we have been greeted by a new Minister for Energy who immediately announced that the IRP will be adopted within weeks. This has taken place for 6 Ministers of Energy over the past few years.

We welcome the new Minister, cde. Radebe, promptly tabling the IRP at Nedlac for engagement. We hope that this marks a new chapter and that government will take workers’ concerns and proposals seriously.

1. **Governance Crises**

The IRP is amazingly silent on the massive crises facing Eskom. Eskom is fighting for its very survival. Yet the IRP does not mention a word about this. Eskom is in the worse condition it has ever been in. Yet the IRP offers no proposals on how to rescue it.

Eskom was at the epicentre of state capture and looting. Today it has debts of R400 billion. It has needed continuous bail outs from taxpayers. It has stifled economic growth and squeezed struggling consumers with a decade plus of annual tariff hikes far above inflation levels.

The IRP is shamelessly silent upon the economic damage that Eskom’s leadership has caused consumers, industry and economic growth with its exorbitant and rampant above inflation tariff hikes. It should equally be noted that government was complicit in its silence and inaction during these abusive tariff hikes which continue today.

The CEO of Eskom now plans to increase its debt levels by 50% to R600 billion. It is silent on how expenditure exceeded budgets by billions of Rands at Medupi and Kusile. Yet Eskom has faced dwindling demand. The IRP does not present a sustainable business model to turn what is now a sinking ship, around.

The new chairperson of Eskom has frequently called for a third of its work force to be retrenched. 17 000 workers now face the real danger of losing their jobs. This is made worse in an economy where 37% of workers are unemployed, thousands are being retrenched and we are in a recession.

This call for retrenchments by Eskom is in spite of the President’s commitment that the state will not retrench workers at the recent Presidential Jobs Summit. No plan has been presented in the IRP to prevent these job losses.

COSATU welcomes moves by government to clean up the mess at Eskom. We welcome the replacement of the previous tainted board and leadership. We welcome the commitment to repay the dubious payments by Mckinsey.

However we do not feel this goes far enough. The looting at Eskom has been systematic and the looters have been allowed by the NPA, SAPS and government to walk away, both in South Africa and Dubai.

**COSATU Proposals:**

* A comprehensive forensic audit is needed of all of Eskom’s expenditure.
  + Those implicated must be charged, arrested, tried, convicted and sentenced and their assets frozen and confiscated.
* The IRP must be revised to include a serious business model that will stabilise and save Eskom.
* Eskom must be instructed by government that it cannot increase its debt levels from R400 to R600 billion.
* Eskom must be instructed by government that there will be no retrenchments. If there is a need to reduce the head count, then management vacancies can be frozen.

1. **Economic Opportunities**

Perhaps the most glaring aspect of the IRP is the lack of a business model that will save Eskom from its current downward trajectory.

It does not say how it will afford to pay for Independent Power Producers at their current set prices that are far from affordable for Eskom and in fact are bleeding it dry.

It is silent about the need to invest in battery storage capacity for both residential and commercial energy needs to store renewable energy and thus ensure the stability of the base load. Battery technology exists and is rapidly evolving. Tesla, led by a South African, Elon Musk, has been at the forefront of this development. Yet Eskom chooses to continue fumbling along.

It is silent on why government and Eskom have allowed local renewable energy technology factories to close and allowed cheap Chinese imports to flood the market. To date more than four such factories have closed in Cape Town alone. This has cost 600 workers their jobs.

It does not speak to reviving our past exporting of electricity to neighbouring states. This is quite bizarre given that Eskom complains it is suffering from a lack of demand and that South Africa produces approximately 40% of the continent’s electricity, a continent hungry for more.

It is silent that the next automobile revolution, electric vehicles, is around the corner and that car manufacturers from France to the UK, Sweden and China are rapidly moving towards an electric car future. It has not engaged the motor manufacturing industry on its plans to prepare for the electric vehicle revolution. This is critical towards ensuring the survival of this fragile sector and thousands of jobs.

It is silent on how it will undo the damage done by excessive tariff hikes to the economy and link to government’s industrialisation programme. South Africa’s reindustrialisation is dependent upon affordable and stable electricity prices.

It is silent on how it will support the development of the biofuel, cogeneration and methane gas sectors. Sectors that will help stave off thousands of retrenchments in the agricultural sectors, especially the sugar sector in KwaZulu-Natal and Mpumalanga.

It is silent on how it will improve plant performance inspite of a downward trajectory in this regard and escalating maintenance costs.

It is silent on how it will recover the billions owed to it by dozens of cash strapped municipalities nor how it will place itself on a sustainable trajectory with such impoverished communities and dysfunctional councils. It is quiet on what it will do to resolve the Soweto crisis where billions are owed by impoverished homes. Yet Eskom shows no qualms about fleecing those who pay with massive tariff hikes.

It is silent upon what was behind the rush to enter into an unaffordable and unnecessary nuclear deal with Russia. But nonetheless we are grateful to the former Minister for Finance, cde. Nene for stopping it and to the President, cde. Ramaphosa, for ending what would have been national economic suicide.

It is silent upon how will it promote worker and community ownership of IPPs. Yet it has included a vague reference to this noble objective. Eskom is one of the largest enterprises in South Africa. Its footprint could provide significant impetus towards changing white dominance of economic ownership in the country, yet it says little in the IRP on how it will contribute towards this.

The IRP acknowledges the need to create jobs and reduce our 37% unemployment levels, especially amongst the youth but then fails to say how will it contribute towards this. Yet Eskom’s chairperson, Jabu Mabuza, week after week says Eskom must retrench 17 000 of its workers.

**COSATU Proposals:**

* A sustainable business model linked to the IPAP and based upon increasing electricity production, boosting exports to SADC and Africa and preparing for the onset of electric vehicles.
* This should include the integration of biofuel, cogeneration and methane gas, especially for the agricultural sector.
* A commitment not to retrench workers and in fact to increase the amount of energy jobs by expanding energy production and exports.
* The renegotiation of existing IPP contracts to reduce the price at which Eskom must buy electricity from them.
* Amend Eskom’s mandate to allow it own and produce its own renewable energy.
* Require that all renewable technology must be manufactured locally.
* Eskom must invest in battery storage capacity for both residential and commercial consumption.
* A revised financial model is required that will allow Eskom to pay off its debts and keep tariff hikes in line with inflation.
* A plan to ensure all municipalities and communities, including Soweto, pay for the electricity that they consume.
* The distribution of locally produced solar panels to indigent homes, emerging farmers and SMMEs that cannot afford them and electricity.
* A plan to establish community and worker owned energy production through cooperatives and the PIC.

1. **Just Transition**

It is clear that climate change is happening. The water crisis impacting upon half of South Africa is sufficient proof. Pollution decimating the health of thousands of coal workers in Mpumalanga and Limpopo is enough to demand we change our economic model. The recently released United Nations report warns that the planet is running out of time to reduce climate change before the damage is irrevocable.

It is clear we need to transition. COSATU’s demand is for that transition to be just. It must take into account the need to both save and create thousands of jobs. It must take into account the massive impact upon communities built around and dependent upon coal mines and energy plants. It is not enough to simply create jobs at solar farms in the Northern Cape, which are greatly supported, but not to have a plan to reskill and absorb the thousands of coal and energy workers in Mpumalanga and Limpopo.

The IRP is deafeningly silent on this crisis. It does admit that it has not studied the impact of the transition upon workers, their families and communities. It is silent on the need to plan for this transition. This is despite billions of Rands being available at the Departments of Labour, Economic Development and Trade and Industry to reskill workers and supports such transitions.

The UIF already invests billions on such interventions. Equally the PIC could be engaged. Yet the IRP does not provide any such plans or commitments to reskill and absorb the workers who have built Eskom and this economy.

The IRP is silent on the need to find cleaner uses for coal and to transition the coal sector. It is silent on the need to help rehabilitate the closed mines that built Eskom.

It is reassuring that provision is provided for coal in the IRP. The added emphasis on gas expansion is welcome.

Lastly the IRP’s silence on the need to combat climate change is bizarre. It says nothing about Eskom’s social responsibilities to help South Africa reduce its carbon footprint e.g. through land rehabilitation, reforestration, water conservation and recycling, more energy sustainable methods of construction and production, green friendly buildings and homes and electric vehicles and public transport.

1. **Conclusion**

Government needs to overhaul the IRP in consultation with labour, communities and industry at Nedlac.

Central to a revised IRP needs to be the objectives of affordable electricity, job creation and protection, a just transition and sustainable development.

Government must be compelled by Parliament to do this and to report to it on a revised IRP.

Until this happens, COSATU is compelled to reject and condemn in the strongest possible terms this poorly prepared and woefully inadequate IRP. If allowed to be adopted and implemented, it will spell the further ballooning of Eskom’s debts and bailouts, the inevitable collapse of Eskom, its privatisation, the retrenchment of thousands of energy and coal workers, the economic decimation of the industrial heartlands of Mpumalanga and Limpopo and further economic recession for the nation as a whole.

COSATU hopes that our highlighting of the conditions faced by our members, their families and communities and our proposals for interventions by Parliament in the IRP will be taken into account during the Committee’s deliberations.

We hope that the committee will head our call for its urgent intervention in this crisis.

COSATU would like to thank the Committee for the time it has spent on the IRP. We will remain available as always to assist the Committee in any way possible.

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