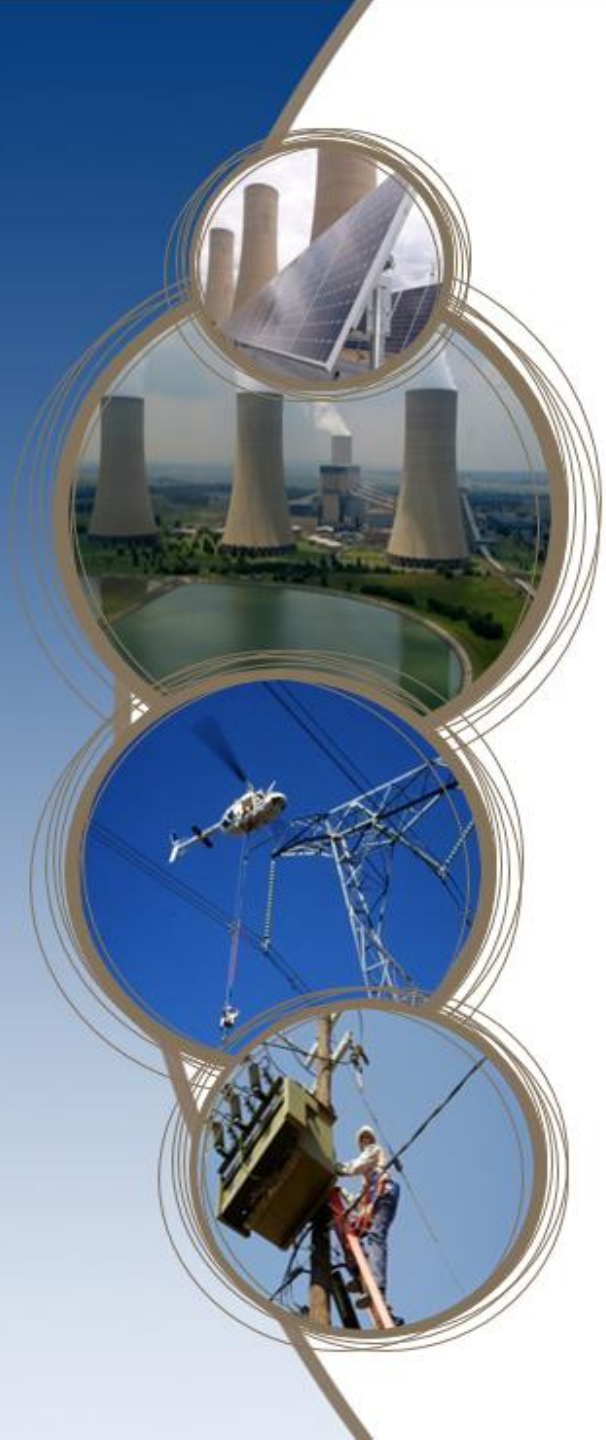


Portfolio Committee on Environment, Forestry and Fisheries

Eskom comment with respect to the Climate Change Bill

20 September 2022

Eskom has a strong history of engagement with climate change issues….

1. Voluntary reporting of CO_2 emissions from 1994; emissions declined from a peak in FY14 of 233.3 $MtCO_2$ to 206.8 $MtCO_2$ in FY2021.

2. Previous contributions to the Intergovernmental Panel on Climate Change (lead authors and reviewers)

3. Climate Change Strategy in place since 2005 which has evolved over the years.

4. Historical contribution of data to numerous DFFE studies and reports, including the national Greenhouse Gas Inventories, more recent Grid Emission Factor studies and support for Tier 2 study.

5. Participation on the South African delegation on Climate Change.

6. Responsive stakeholder in the developing legislative processes; including submissions to the Integrated Resource Planning process (IRP2010 assumed first CO2 “limit”).

7. Voluntary participant in the pilot carbon budgets and compliance with current legislation i.t.o. reporting, pollution prevention plans and carbon tax.

8. Extensive voluntary disclosures in our Integrated Report (annual results) and supplementary reports.

9. A champion of the Just Energy Transition for South Africa.

Eskom supports the current Climate Change Bill and the speedy processing thereof

Remaining comments on the current bill – 1) capacity requirements pose a risk

1. Eskom supports the mainstreaming of climate change issues in all national, provincial and local government processes but there does not seem to be any initiatives to ensure sufficient capacity building for this.

2. This is especially concerning given the speed at which this capacity building will have to take place.

3. In section 15(1)(d) “climate change response implementation plans” are required effectively within two years of this bill being enacted. Such a plan must be developed by every province (9) and every district and metropolitan municipality (52).

4. There have been many comments about the current capacity at municipal level to deliver on these but indirectly, any stakeholders that engage on local government planning also need to build capacity. In Eskom’s case this would be with technical staff in the regions.

5. It is also noted that provincial and municipal climate change response plans (section 15(3)(b)) must “include measures or programmes relating to both adaptation and mitigation in line with the constitutional mandate of the province, or the metropolitan or district municipality.”

6. For role clarity, clause 15(3)(b) should specifically exclude the activities of industries within a province or district municipality that have been allocated a carbon budget in terms of section 24(1) and which already submit a pollution prevention plan to the national department.

Remaining comments on the current bill – 2) penalties for exceeding carbon budgets

1. A number of stakeholders have raised the issue of carbon budgets (section 24(2), 24(4)(b)(i), 24(6)(e)) in relation to the section on offences and penalties (32).

2. Central to the discussions in parliament at the introduction of the Carbon Tax Act no. 15 of 2019 and the formulation of carbon budgets in the Climate Change Bill, has been the in principle agreement that the two instruments would be integrated.

3. Eskom fully supports the proposed integration of the two instruments, such that emitters pay a higher tax on emissions that exceed the budgets.

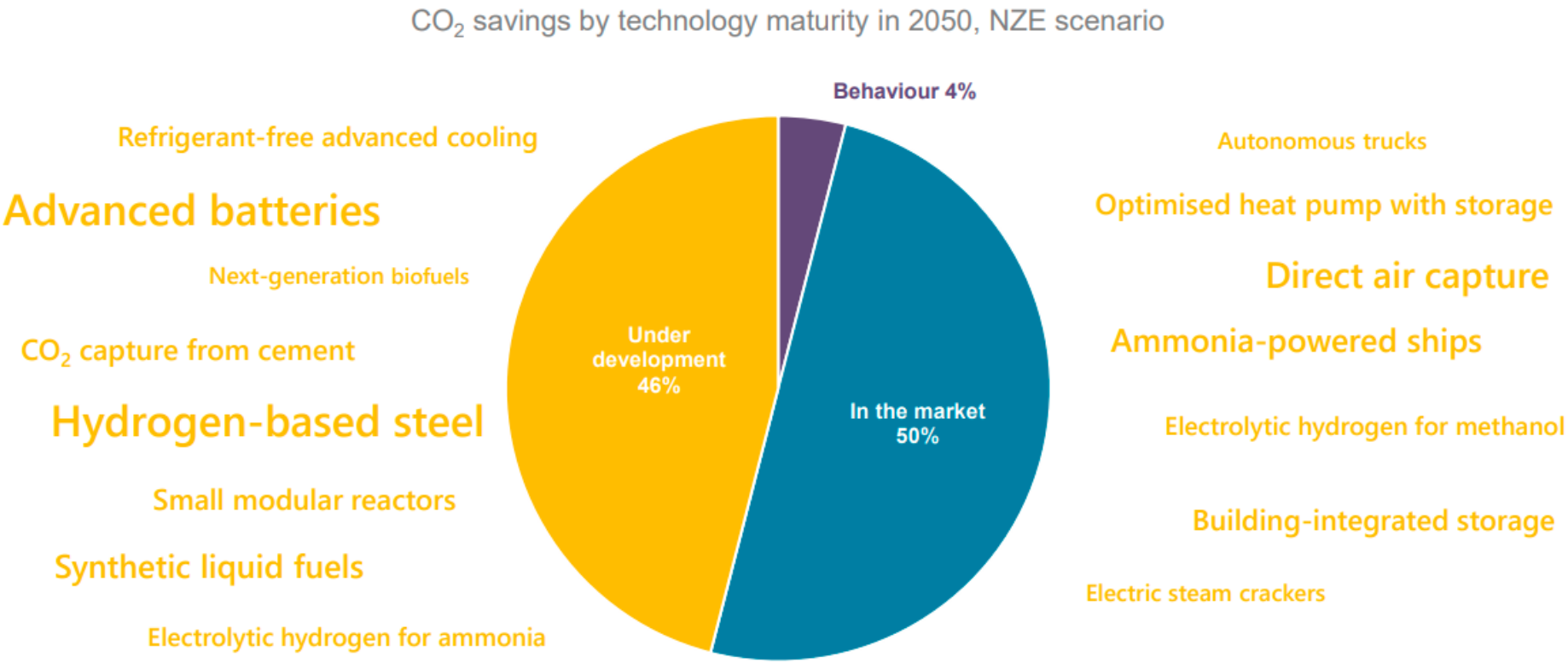
4. Unfortunately the current version of the bill differs from the version that came out of the Nedlac process where this was previously catered for. It is our understanding that it is a constitutional issue that the Climate Change Bill cannot dictate to “money bills”. At the same time, the current Carbon Tax Act cannot refer to mandatory carbon budgets until the Climate Change Bill comes into force.

5. While we agree that this creates the impression that there is no enforcement, it is our understanding that this is purely a matter of timing. Once the Climate Change Bill is enacted, the Carbon Tax Act can be amended to implement the “penalty”.

6. Unfortunately, in the meantime, stakeholders are calling for the introduction of penalties as contemplated in section 49B(2) of the National Environment Management Act. This would be a premature response and it will lead to inappropriate criminal sanctions.

Why are criminal sanctions an inappropriate response? 1) technology still has to be developed

Over the next 30 years, carbon budgets will inevitably contract to zero, but at the same time, the International Energy Agency published a recent "Net Zero by 2050: a Roadmap for the Global Energy Sector" report that acknowledges that **"half the technology to reach net-zero has not yet been invented"**.



Unlocking the next generation of low-carbon technologies requires more clean energy R&D and $90 billion in demonstrations by 2030; without greater international co-operation, global CO_2 will not fall to net-zero by 2050.

Why are criminal sanctions an inappropriate response? 2) an enabling environment is required

This is not just a potential problem for the future – the scope for Eskom to reduce our greenhouse gas emissions relies solely on the adequacy of alternative electricity supplies to meet demand and stabilise the grid. **Many of the underlying enablers are not in our direct control.** Eskom has already shared that we need the support of 7 key departments between now and early 2023 to accelerate the JET.

public enterprises
Department: Public Enterprises
REPUBLIC OF SOUTH AFRICA

- Alignment on funding availability, affordability, budget and plan for outage/maintenance programme Align on capital expenditure plan for clean energy projects opportunities

national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

- Alignment on funding availability, affordability, budget and plan for outage/maintenance programme
- Accelerate PPP reforms to enable Eskom and Private sector partnerships
- Review the need for government guarantees and move the risk to the investor, considering the maturity of the IPP programmes

mineral resources & energy
Department: Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

- Procurement of the required additional external capacity (initially 2000MW, now 4000MW) to the grid to allow for space for reliability maintenance[1] (asap)
- Accelerate the RMIPPP to enable space for adequate Eskom maintenance (TBC)
- Finalise IRP review to allocate more capacity considering developments in technology and declining cost trend
- Reconsider further REIPPP bid windows and confirm National Treasury capacity for guarantees
- Reconsider community investment requirements for RE IPPs or a standardisation of the localisation requirements across the board
- Review of the rationale for the 100MW cap and if warranted lifting of licensing restriction above 100MW
- Develop advocacy programme to promote rooftop solar development and Rooftop PV guidelines, procedures and policies
- Establish formal mechanisms/platforms to monitor uptake of rooftop PV installations and development of Rooftop PV technologies
- Approve Section 34 determination application for repowering projects at Arnot (17.2MW), Duvha (23.5MW), Lethabo (75MW), Majuba (65MW) and Tutuka (68.9MW) – prioritising Lethabo if required
- Collaborate with DTIC and other government departments to drive private investment in development of rooftop PV and other technologies

forestry, fisheries & the environment
Department: Forestry, Fisheries and the Environment
REPUBLIC OF SOUTH AFRICA

- Accelerate DFFE decision on emissions reduction plan appeal
- Accelerate Environment Impact Assessment (EIA) processes for generation capacity additions

THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

- Shorten the timeframes for environmental impact assessments and water-use licenses through the designation of embedded generation projects as Strategic Infrastructure Projects

nersa
NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

- Amend pricing policy to ensure level playing field for Generation fleet vs IPPs
- Accelerate registration of additional capacity

the dtic
Department: Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

- Develop incentive programme to promote rooftop solar development and guidelines, procedures and policies
- Collaborate with DMRE and other government departments to drive private investment in development of rooftop PV and other technologies
- Designate additional Renewable Energy Development Zones (REDZs) to reduce and **Special Economic Zones (SEZ),** to support supply chain development and manufacturing in Mpumalanga

Why is an integrated carbon budget/carbon tax system more effective?
> certainty, pervasiveness & consequences

1. “Nothing can be said to be certain, except death and taxes” (Benjamin Franklin – 1789).

2. A carbon price can be integrated into existing financial systems.

3. This provides investors with useful information about liabilities and risks.

4. It also provides concrete signals for decisions around investments.

5. The proposed carbon tax is considerable – previous projections were that Eskom would have a carbon tax liability of over R10 billion per annum at the end of phase 1.

6. Everyone facing a carbon price, means everyone driving decisions in the same direction.

7. Yet there is also inherent flexibility for the government (through the National Treasury) to dictate the rate of change as well as respond to short term shocks.

8. Flexibility is useful in the face of international developments – as all the parties come to the table, there is opportunity to move more aggressively and vice versa.

9. Ultimately, South Africa’s nationally-determined contribution contains a GHG emissions target range exactly for this reason > the modelling undertaken ahead of the revised targets indicated that South Africa should be able to achieve the top of the range based on our domestic resources. However, we cannot achieve the bottom of the range without international support.

In conclusion

1. Eskom supports the current Climate Change Bill and the speedy processing thereof

2. There is a concern that there is not sufficient capacity at the municipal level, nor any current initiatives to build capacity, to ensure that the “climate change response implementation plans” can be delivered timeously and comprehensively.

3. The current call for NEMA penalties (which equate to criminal sanctions) to be applied to carbon budgets is understandable but premature.

4. Integrating the carbon budgets with a carbon tax is likely to be far more effective in driving strategic decision-making across all relevant stakeholders to enable the necessary reduction in greenhouse gas emissions.