**National Assembly**

**Question No: 710**

**Mr K P Sithole (IFP) to ask the Minister of Transport:**

In light of the fact that globally the automotive future is looking increasingly electric due to growing regulatory moves, including forthcoming bans on sales of internal combustion engine vehicles and ongoing improvements in battery and charging technology (details furnished), (a) how will the trend toward electric mobility play out in the Republic’s transport industry and (b) what are the opportunities and challenges associated with the Republic’s electric transport future? NW849E

**REPLY**

1. The Department of Transport developed the Green Transport Strategy (GTS), which was approved in 2018. The GTS establishes the national environmental policy directive for the transportation sector. It begins by identifying the transportation sector as the fastest-growing source of SA's GHG emissions, with road transport being the primary source, and emphasizes the importance of transitioning to an accessible, cost-reflective, and affordable low carbon transportation system. The Strategy considers a variety of policy interventions that could significantly reduce "GHG emissions and other environmental impacts from the transportation sector by 5% by 2050, thereby promoting economic growth and inclusive development."

The GTS also makes provision for discussing the outlook for green transport technologies in its implementation pillars. Implementation Theme no 8. specifies the following actions: i) Reduce the carbon footprint and over-reliance of petroleum-based fuels, by decarbonizing the transport sector, ii) Promote the use of alternative fuels such as compressed natural gas (CNG) or biogas, and liquid biofuels, and iii) **Promote and facilitate the uptake of electric, hybrid-electric, and fuel cell powered vehicles.**

The policy statements from the GTS in its implementation themes as well as in its strategic pillars, have afforded the transport sector clear directives from the Department of Transport, as our predominant goal is to decarbonise the transport sector, and reduce the over-reliance on petroleum-based fuel in the sector, by promoting and encouraging the mass uptake of green transport technologies, including the mass uptake of electric vehicles.

Since the adoption of the GTS, and especially since the issue of electro-mobility is cross-cutting, the Department has been working in conjunction with other Departments such as DTIC (Department of Trade, Industry and Competition) on their work regarding automotive industry, specifically regarding new and efficient vehicle technologies.

Amongst the challenges identified were the, (i) range anxiety among consumers that became key in discussions around electric vehicles. Although this has dramatically been alleviated with the recent provisioning and upgrade of over two hundred charging stations throughout the country, it still remains a key challenge which we are constantly engaging among one another as government departments to resolve. (ii) The issue of the constrained power grid from ESKOM that also becomes a challenge for the overall uptake with a key issue of how these vehicles will be recharged should a major power outage should occur, or even during the regular load shedding intervals. There is also the issue of market stimulations of offering monetary incentives that other countries have incorporated into their ideals for the mass uptake of electric vehicles. The incentives can be offered to both the consumers and the manufacturers as was done in the areas around the EU such as Sweden, or Norway.

1. The Department is are also very cognisant however to the challenges that will occur for this shift in vehicle technology to occur, especially if it would be “mass uptake”.. The first challenge is that the *tax regime* (import duties) for electric vehicles in South Africa has created a situation of barrier to trade. Compared with the around 18% import duty currently added to the price of a vehicle with an internal combustion engine landing in South Africa, an all-electric vehicle is taxed by up to 25%, Thus pushing the electric vehicle out of the typical affordability market also puts the electric car into being classified as luxury, irrespective of the type, or model of the car. The import duties are currently being imposed by the Department of Trade Industry and Competition.

In the past rigorous, engagements between the two Departments, DOT and DTIC has occurred, on how to sufficiently manage the issues surrounding the import duties and how they are becoming a market barrier for the technological switch within the transport sector. To date the DTIC has developed a “Green Paper on New Energy Efficient Vehicles” which has the purpose of establishing a clear policy foundation that will enable the country to coordinate a long-term strategy that will position South Africa at the forefront of advanced vehicle manufacturing as well as advanced vehicle-component manufacturing. The strategy is complemented by a consumption leg, and a focus on increasing competitiveness in the global race to transition from the internal combustion engine era into electro-mobility solutions and technologies, and to help develop a roadmap to the local production of electric vehicles.

There are also efforts to build electric vehicles in SA, to keep our auto industry at the cutting edge of new market developments and to maintain our export capacity for key markets such as the EU and UK, whom have both set new targets and deadlines to reduce the number of fossil fuel reliant vehicles on their roads. We need charging infrastructure – and must expand beyond the existing two hundred charging points for electric vehicles in SA using the agreed SABS standards.

The ever-pressing issue of fiscal and non-fiscal incentives also becomes a challenge when dealing with making the electro-mobility market appealing to the consumer. The DTIC currently offers manufacturing incentives to OEMS’s in the country through their Automotive Incentive Scheme: *the AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets for original equipment manufacturers (OEMs) and 25% of the value of qualifying investment in productive assets for component manufacturers and tooling companies, as approved by the DTIC:* However, while these incentives are appreciated, they seem to be inadequate in ensuring that electric vehicles are competitively priced within the domestic market for both manufacturing of these vehicles and selling of the vehicles domestically.

The policy developments within each and between both the DOT and DTIC have created a shift as the country creates an enabling electro-mobility space. This new space within the vehicle industry will need intensive support from both the local OEM’s and government to ensure that there is seamless entry to the EV market throughout the whole value chain of electro-mobility. With the base of policy directive from the GTS and follow-up policy directive from the Auto Green Paper, there is a clear policy will form government regarding the uptake and implementation of EV’s within the South African car market.