Energy reform in South Africa: Hogan Lovells' interview with Ntombifuthi Ntuli, CEO of the South African Wind Energy Association

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Camilla Fröhlich from our German Africa Group in Frankfurt virtually interviewed Ms. Ntombifuthi Ntuli, CEO of South African Wind Energy Association (SAWEA) on South Africa's need for energy reform and what lies on the horizon post COVID-19.

HL: You recently celebrated one year as CEO of SAWEA. In your role as CEO, you have been placed at the helm and given the substantial task of steering the wind energy industry during what is hailed to be South Africa at the cusp of an energy transition. This is no easy task, but you are active and present and seem to have faith in both South Africa and what it can bring to its people and foreign investors. How do you see things developing in the next year?

Ntombifuthi Ntuli: Before I look at the next year, I would like to reflect on the past year of wind energy industry, which, like you said coincides with my first anniversary as CEO of SAWEA. I would label the past 12 months as a year of progress and crisis. In October 2019, the long awaited Integrated Resource Plan (IRP 2019), which allocated a lion's share (14.4 GW) of the new generation capacity to wind energy, was approved by cabinet. This happened while the country was going through the worst power crisis in history, characterised by load shedding which reached the unprecedented stage 6 by December 2019 At the time we proposed that the independent power producers could feed more power into the grid, if the maximum export capacity condition in their PPAs was reviewed. In February, during the State of the Nation Address, President Cyril Ramaphosa announced a 9 point plan to address the energy crisis in the country. Although COVID-19 happened and the country went into lockdown, resulting in a drastic reduction in energy demand, the crisis was not over. As soon as the economy opened up, we went into load shedding again.

The positive news is that, even though we went through lockdown, we have witnessed a lot of progress on the policy side. The Ministerial Determination for Procurement of 2000 MW emergency power for various technologies as well as the Ministerial Determination on procurement of renewable energy, storage, coal and gas were both gazetted. The Risk Mitigation RFP for procurement of 2000MW emergency power was issued in August, and reports for the Department of Mineral Resources and Energy are that the Bid Window 5 of the Renewable Energy Independent Power Producer Programme will be issued in the first quarter of 2021. This leaves the sector with a lot of optimism that, after 5 years of no procurement, the next bidding round is quite imminent. We therefore expect the next year to be the reawakening of the wind energy sector as 1.6 GW of wind power will be procured annually until 2030 as per IRP.

HL: In a nutshell what does the SAWEA, in its quest to advocate for investment in wind power, offer to, and expect from, its members who are either already in the wind industry or looking to enter it, other than access to a vast network?

Ntombifuthi Ntuli: SAWEA is a platform for the wind industry to organise itself and speak with one voice. The wind industry is driven by government policy and therefore it is important for the sector to engage strategically in the policy dialogue; that is why the biggest role of the industry association is policy advocacy and stakeholder relations. SAWEA therefore facilitates dialogue between the industry and government and other stakeholders. We also promote the industry's economic contribution by highlighting some of the benefits including investments, the low cost of wind power, localisation, socio-economic benefits and jobs. We also provide pertinent information to current and prospective investors seeking to enter the SA wind power market.

HL: We can't hold any kind of discussion in 2020 without touching on COVID-19. We have seen it printed, communicated to role players, and in fact tell our clients who are active in Africa all the time – Africa is no stranger to crises and can use this as a proverbial re-set button and take hold of new opportunities and provide exciting alternative opportunities for foreign investors alike. Would you agree with this statement pertaining specifically to energy transformation opportunities?

Ntombifuthi Ntuli: Yes, definitely, I agree. I think COVID-19 and associated lockdowns actually gave the country an opportunity to plan. For us in the energy sector, it was a crisis on top of another because, like I said before, we were already going through an extended energy crisis in South Africa when COVID-19 hit. There was wide acknowledgement that the reduction in energy demand during lockdown was not an indication of the end of the crisis, therefore government forged ahead with plans to procure emergency power as soon as lockdown conditions eased up. Now with the ministerial determination published, and further procurement of renewable energy quite imminent, the country has an opportunity to further decarbonise the energy sector, while creating new green jobs, new investment opportunities and improving the economic growth prospects.

HL: Do you believe that there is a general consensus in South African society to transform the energy industry to a more renewable one?

Ntombifuthi Ntuli: South Africa has an approved Integrated Resource Plan; an electricity plan which outlines the new generation capacity from 2020 to 2030. Included in the plan is a plan to decommission more than 11GW of coal power, while adding 23GW of renewable energy in the energy mix. This means that by 2030, renewable energy (wind, solar PV, CSP and Hydro) will constitute 39.6% of the total installed capacity. This therefore means that from a policy perspective there is an acknowledgement that South Africa needs to decarbonise its power system in order to meet the Paris Agreement commitments. Renewable energy technology also offers this opportunity at the least cost. However, we there is also anti renewable energy lobbying ongoing in the country, that pushes negative narratives about renewables in order to advance arguments for conventional technologies. Energy transition has come up a lot in policy dialogues. The main concern is that transitioning to renewables may take away jobs and economic activity from the parts of the country that are centres of coal mining and coal power generation. So I wouldn't say there is wide consensus; however, we look to policy makers to map the direction for the energy industry transition. As an industry association we have taken it upon ourselves to educate the public about the benefits of renewable deployment and dispel the myths such as "renewable energy doesn't create significant jobs" and "renewable energy is too expensive".

HL: We note, from your impressive resume, that you are familiar with European investors, having worked for a few years at the embassy of Denmark facilitating business linkages between Danish and South African companies. This experience must be vital to your role at SAWEA. How do you see the balance between encouraging foreign investment, on which South Africa relies, promoting South African local industry and creating jobs for South Africans, all while taking the local renewable energy market forward? In other words ensuring a balance is achieved between attracting global competencies and protecting the Proudly South African brand aspect?

Ntombifuthi Ntuli: That is correct; working for the Embassy of Denmark was the first experience in dealing with foreign investors into the country. At the time, we worked with energy companies like Vestas, Suzlon and Vatenfall, assisting them to set up shop in the country or doing market studies, as it was right at the brink of the renewable energy procurement in South Africa. When I worked for the Department of Trade and Industry, I had the opportunity to meet most foreign companies that wanted to invest in SA's renewable energy sector, as investment promotion was one of the DTI's mandates. At the time, I was responsible for setting local content rules for the renewable energy sector. The local industry was to be built on the back of the localisation requirements, but we soon learnt that there were a lot of variables at play for localisation to be successful, such as, the need to build local competency before increasing the local content thresholds, through pacing the procurement in a way that allows time to build such competencies. Another variable was continuous and consistent demand in order to sustain the local manufacturing facilities built on the back of the renewable energy procurement programme. Currently, the foreign investment in the Renewable Energy Independent Power Producer Procurement Programme ("REIPPPP") programme is 31% which indicates that almost 70% equity of these projects is sitting in local entities, which has a big impact on the economic growth of the country.

HL: You just referred to the REIPPP, the most recent RfP was recently released which saw more than 6.4 GW of capacity being awarded to over 100 projects across four bid windows in the span of 2011 to 2018. South Africans are no strangers to power issues, having endured rolling blackouts and load shedding schedules. It seems that the REIPPP aims to deliver clean energy timeously but also creating jobs in South African for South Africans and emphasise the local content requirements. By March 2020, we have seen approx. 41 billion in foreign investment in this regard. What are your views looking ahead, and how do you see this latest RfP structure developing?

Ntombifuthi Ntuli: The REIPPPP programme started in 2011 with great momentum of back to back procurement rounds. By 2014, we were at the 4th round of procurement and 27 projects were awarded preferred bidder status. What followed after that was a 4 year impasse on signing of PPAs between Eskom and IPPs. The impasse was finally resolved in 2018, when the PPAs were signed for the 27 projects (of which 12 were wind) and they began construction. These projects are now reaching commercial operation and will start feeding power to the grid. Up to now, the renewable energy industry has attracted R209 Billion in investment (of which R80.6 is from the wind energy sector) from 112 Independent Power Producers, for the construction of 6422MW, and this has contributed more than 55 000 jobs by March 2020. Going forward, we expect these numbers to grow exponentially, as the capacities are much larger in the next procurement rounds. For the wind sector, we have estimated an annual investment of about R40 billion. We have been informed by the DMRE that the RfP can be expected within the first quarter of 2021 and we wait in anticipation. We don’t expect drastic changes on the RfP structure and requirements from the round 4 RfP; however, it is difficult to be certain until we have seen the document.

HL: When one takes a look at the SAWEA board, it has a female chair and you as CEO. It's fair to say women are leading the way, driving the policies forward and promoting energy in South Africa. Thank you for your time and we look forward to seeing what develops.

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