



Ownership and a Just Energy Transition

1. Introduction

A just energy transition can be viewed as a “transition path that reconciles the material needs of the poorest people on the planet with the need to safeguard the stability of the Earth’s climate.”¹ The ‘transition’ is towards a sustainable, low-carbon, and equitable energy system, which is better for people and the planet than what we currently have. An example is the movement away from coal as a means of electricity production to renewable energy (RE) sources such as wind and solar. The ‘just’ component means that we make the shift as fair as possible, particularly for those workers in legacy energy systems where jobs will be at risk. As South Africa moves away from an energy mix dominated by fossil fuels, there will be a number of socio-economic challenges, and for this reason it is imperative that adequate resources are given to planning for a just energy transition. In this case, if the government establishes policies to upscale RE and phase out coal, there must be a ‘just’ way of doing it so that workers in the coal sector are employed elsewhere, or given training to allow them opportunities for jobs or livelihoods in other sectors.

In addition to changing energy sources and systems to those that have a greater overall benefit to society and the environment, there should be changes made relating to ownership in the energy sector. Ownership is important because it can provide the owners or shareholders with a number of benefits. These include control over project outcomes, delegating responsibility, having a hand in future planning, direct financial return, choosing suitable partnerships, and influencing investment choices. Since energy underpins many of the basic human rights, there

is a strong argument for ownership in the energy sector to be in a form that benefits citizens the most.

This briefing paper focuses on the notion of ownership in relation to energy, from a South African perspective; and in the context of a changing energy landscape. How should the status quo and distribution of ownership be changed? What are the preferred ownership models of the future? And how can various stakeholders work together on the topic of ownership, so that it does not become an obstacle to progressive change?

2. Ownership in the Energy Sector

Ownership relating to energy could apply across the value chain: from the raw material (such as coal), the power plant, the transmission and distribution infrastructure, associated industries (like component manufacturing), and shares in the respective companies. There are three main categories of ownership: state owned (national/municipal); privately owned; and socially owned.² Within these broad models there are various combinations, and all ownership categories can apply from small, residential scale projects through to massive, utility scale operations.

State ownership

Much of the energy sector falls under state ownership directly via state-owned enterprises (SOEs) or their subsidiaries. This covers the majority of electricity generation, transmission and distribution (Eskom and municipalities), oil and gas extraction (PetroSA, but reserves are small and near end of life), hydroelectric, and

pumped storage (Eskom), and piping infrastructure (Transnet Pipelines).

Private ownership

Transnational and multinational corporations feature throughout the energy sector, including mining, liquid fuels production, RE and international trade (natural gas and crude oil). Sasol Gas is the main player in the importation of natural gas, and the main importers of crude oil are corporations and SOEs linked to the four oil refineries in SA. Sasol also produces liquid fuels from coal. The utility-scale wind, solar photovoltaic (PV), and concentrated solar power installations are owned and operated by private companies and consortiums as part of the independent power producers (IPPs) programme. There are also a handful of small landfill and biogas plants run by private entities. Private individuals and companies are starting to own small scale generators (residential and business-scale) mainly in the form of roof-top solar PV and co-generation facilities.

Social ownership

Also called community ownership, this model is very limited in the South African energy sector at present. Other than a few off-grid examples, there has been very little development in this space. However, social ownership provides a way to solve the prevalent energy inequalities in the global market, and has widespread support from the labour movement.³

From this brief summary of the status quo, it can be seen that the vast majority of the energy sector is controlled either by SOEs or by private companies. In recent years there have been increasing issues at SOEs including corruption, state capture and political interference. While private companies do allow for a more decentralised energy system, many of them are foreign, and have less impact along the value chain than locally owned companies could have. Neither of the currently predominant ownership models allows for direct worker ownership in their industries. Social ownership can address this, and there are numerous international examples that can be used as a starting point for adapting these models to South Africa. This type of shift in ownership is integral to the overall just energy transition.

3. Ownership Issues

In a discussion on ownership related to energy, one must also consider the contentious issue of land ownership. All the activities in the energy sector have a connection to land: from where resources are extracted and where infrastructure is built, to where power cables and pipelines run. With land, there is often tension between local communities and private/state players in the energy sector.⁴ This is a complex issue, as it covers both environmental impacts (such as the responsibility for rehabilitation of mining-affected land) and social issues (such as how local communities should benefit from energy projects near their land). Furthermore, with the slow rollout of land restitution in South Africa, and the initiation of dispersed RE projects in rural areas, there are more factors to consider. For example, in the context of the large-scale, national RE programme, “land ownership is important in defining the beneficiary community and when designing community benefit structures to which revenue will be channelled.”⁵ This highlights how land ownership can be directly linked to the potential financial reward from energy projects.

Ownership patterns in the energy sector also have a substantive impact on the energy system itself. Certain forms of ownership, such as state or private ownership, can lead to a monopoly in the energy market, where mismanagement or exploitation could follow. The national power utility, Eskom, has been plagued by corruption, inefficiencies and conflicts of interest that have contributed to the current financial crisis at Eskom. This does not imply that social ownership is without problems: international examples show that lack of experience, onerous legislation and insufficient funds are some factors that affect this ownership system.⁶

Another difficulty in discussing this topic is the potential for entrenched views to get in the way of collaboration. In general terms: the government wants to maintain state control; it suits industry if there is a move toward privatisation; and civil society, along with the labour movement, is pushing for more social ownership. It is unlikely that these ideological differences will align, and so the best approach seems to be to find what areas all stakeholders can agree on, and make a start on working on those together. This was a chief motivation for a roundtable discussion on the topic.

4. Roundtable Discussion

On 24th August 2017, the Catholic Parliamentary Liaison Office, in collaboration with Project 90 by 2030, hosted a roundtable discussion with Brenda Martin, CEO of SAWEA (South African Wind Energy Association); Lebogang Mulaisi, Policy Co-ordinator at COSATU (Congress of South African Trade Unions); and Richard Halsey, researcher at Project 90 by 2030. Together with the audience, they discussed aspects of ownership within a framework of a just energy transition in South Africa.

All three panellists saw this transition as necessary, and confirmed their willingness to invest in the matter. This part of the discussion also opened up the opportunity to find common ground early on in the discussion. Mr Halsey summarised the contribution of civil society organisations (CSOs) towards a just energy transition as providing platforms that bring stakeholders together to discuss concerns about the transition; conducting research on aspects of such a transition; and creating awareness in the media about the shift. He also stressed the need for all stakeholders to earnestly collaborate to strengthen advocacy efforts, as well as to share resources and insights.

Despite these steps toward co-operation, there are areas of contention. The proposed early closure of five coal fired power stations, without any reskilling of workers who would lose their jobs, along with the absence of a just energy transition plan by government, has resulted in COSATU lodging a Section 77 notice⁷ with the National Economic Development and Labour Council (NEDLAC). The notice was to declare their intention to protest, chiefly against privatization of the RE sector, but also against the continuation of the IPP program in its current form. COSATU views this as a way to put pressure on government to engage on concerns surrounding the transition, particularly the socio-economic impacts of these power plant closures. However, there is also a view that the Section 77 notice is, by extension, a move against RE. On this point, Ms Mulaisi cautioned everyone not to be deceived by propaganda tactics pitting one energy source against another, since it should not be a 'coal versus RE' debate. There was consensus that the social economics are central, and require serious consideration by government.

Ms Martin indicated that the RE industry, which was established less than five years ago in this country, is currently under extreme pressure from all sides. These take the form of a stringent quarterly reporting regime (from which the fossil fuel industry is currently exempt) directly linked to whether power purchase agreements (PPAs) are honoured; delays in signing the duly procured PPAs by Eskom; lenders seeing the ongoing delays as unacceptable investment risk; the pending Section 77 application and court cases. Ms Martin affirmed that in spite of the effect of these cumulative burdens, the RE industry is taking a future-focused stance by seeing RE investment as contributing directly to development. Notwithstanding the cumulative short-term stresses, RE companies have helped one another to keep their respective doors open in a concerted effort to protect the prospects of an embryonic industry that has yet to firmly establish itself nationally. Ms Martin also echoed the earlier stated sentiments regarding misleading rhetoric creating a competition between energy forms, making it clear that: "The just transition is necessary and it is about changing integrated systems not only technologies."

On the topic of ownership, the panellists had rather diverse understandings of ownership in relation to the RE sector. Ms Mulaisi admitted that COSATU is apprehensive about RE IPPs in terms of their private ownership, uncertainty about localization, and how much of the ownership was foreign. Mr Halsey's view was that there were many possible ownership models and hybrids, and that South Africa should learn from other countries as to how we can diversify ownership within the energy space. Ownership is a wide-ranging and nuanced matter which can be applied across the value chain, and which also relates to land. Getting to the heart of these distinctions is significant in avoiding the confusion that often surrounds genuine stakeholder concerns. Ms Martin explained that there are several different types of ownership in the RE industry: equity shareholding, development and other finance institutions with ownership via debt contracts and community ownership (predominantly in the form of trusts). In addition, community beneficiaries are eligible to apply for grant funding available to non-profits through SED and ED allocations committed to in project bids. These are all separate and different social aspects of Utility scale renewable power, all aimed at addressing different levels of social development that are complementary to government's role.

It was clear to the audience that South Africa has difficult, extensive work to do, and we are already behind schedule, with not nearly enough done by way of preparation. After such a prolonged era of the exploitation of workers and resources, it is imperative for this country to adopt a more nurturing approach towards our environment and its people. The benefit of the emergence of the RE industry as a chief contributor to a better, more sustainable energy system gives us the opportunity to set a fair foundation now, so that we are not still trying to radically alter ownership structures decades from now. What became increasingly evident was the need for all stakeholders to collaborate and engage with each other more often, with the inclusion of government, which is the correct driver of the entire process. As the participants engaged, it was clear that the constraints imposed by dealings based on profit-maximization are currently obstructing a socially and ecologically desirable transition to an altered energy system in which renewable energy plays the principal role. What rendered this event a resounding success was getting the participating stakeholders – CSOs, the RE industry and the labour sector – to acknowledge commonalities and to commit to create a concrete collaboration towards achieving a just transition of our energy system.

5. Conclusion

The roundtable was a valuable opportunity to bring together different South African stakeholders to talk about this controversial topic. The discussion showed that on the one hand, there is a lack of communication between different players in the energy sector, but that on the other hand, when engagement happens, consensus among stakeholders is possible on some key points.

Representatives from CSOs, the RE industry, and labour agreed that there is a need for an energy transition in South Africa that has to be just and fair for all stakeholders. The discussion demonstrated that the representatives do not view this as a battle of technologies between fossil fuels and renewable energies, but as an opportunity to choose an energy system which

meets South Africa's socioeconomic and environmental needs. Equally, it should not be a debate about public versus private ownership, but about finding a mix which also includes social ownership. South Africa needs a robust plan for a just energy transition, which can only be formulated through hard work and collaboration between labour, civil society, the private sector and government.

Looking at the issue of ownership within the energy system, different forms are possible and have been implemented globally. We need to find the right fit for our South African energy economy. As immediate next steps, the Department of Energy needs to finalise the process around the Integrated Resource Plan (IRP) to give clear guidance on the country's electricity infrastructure plans for the future. Importantly, this IRP should address the issue of ownership. The National Energy Regulator South Africa (NERSA) must ensure that this process is as participatory as possible, and include all interested parties. Eskom is owned by the state, but is on the verge of collapse, and should be restructured – which will involve aspects of ownership. With regard to RE, a first step could be to adapt the current rules and regulations for the IPP programme to include more community ownership. This could help ease tensions between trade unions and the RE industry after the recent Section 77 notice. For existing energy sources such as coal and nuclear, the government should review and adapt the current ownership structures to ensure that communities and citizens gain maximum benefit from the use of every energy source. Moving forward, the role of socially-owned RE and local job-creation should be expanded in future energy plans.

Before a plan for a just energy transition can be drafted, capacities for a bottom-up approach need to be developed so that all spheres of society can play a role in an inclusive process. Through education and improved communication, valuable information can be shared and the general awareness of energy issues can be raised. New partnerships and engagement spaces can enhance collaboration between stakeholders and an active citizenry.

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¹ Michael, J. and Steckel, J.C. The Just Energy Transition.

http://awsassets.wwfit.panda.org/downloads/jakobsteckel_2016_jet.pdf

² Project 90 by 2030, Energy Sector Transformation in South Africa (https://90by2030.org.za/wp-content/uploads/2017/08/Project-90_Energy-Sector-Transformation-in-SA_study-report.pdf)

³ NUMSA - Building a Socially-Owned Renewable Energy Sector in SA.

http://www.numsa.org.za/admin/assets/articles/attachments/00123_1_building_a_socially-owned_re_sector_in_sa.pdf

⁴ See <https://mg.co.za/article/2012-10-12-00-whites-took-their-land-then-the-mines-did-the-same>,

<https://www.enca.com/south-africa/mining-impacts-farming-output>,

<http://www.news24.com/SouthAfrica/News/xolobeni-villagers-are-tired-of-being-abused-20170415>

⁵ Wlokas, H.L. Boyd, A. and Andolfi, M. "Challenges for local community development in private sector-led renewable energy projects in South Africa: an evolving approach" *Journal of Energy in Southern Africa*, Vol 23 No 4, November 2012, 48.

⁶ The difficulties are dependent on the circumstances that surround a particular community. In the USA, for example, communities face challenges in terms of meeting onerous laws, being excluded from tax incentives and legal limitations for sharing electricity output. For more, please refer to ILSR (2016). *Beyond Sharing: How communities can take ownership of renewable power*. <https://ilsr.org/wp-content/uploads/2016/04/Final-Beyond-Sharing-How-Communities-Can-Take-Ownership-of-Renewable-Power.pdf>)

⁷ This refers to Section 77 of the Labour Relations Act regarding protest action to promote or defend socio-economic interests of workers. The intention of the Section 77 notice is primarily to bring disputing parties together to engage on a matter in order to find resolution, and at the same time to try and prevent any protest action which is burdensome to both workers and employers, while negatively affects the economy. The Act has designated NEDLAC, as the primary social dialogue forum in the country, to be the platform for these engagements.

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