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MEDIA RELEASE

Localisation Support Fund (LSF) reveals manufacturing localisation potential in renewable energy

24 January 2024

Against the backdrop of escalating load shedding and substantial backup power expenses, the Localisation Support Fund (LSF) has released a comprehensive report that analyses the local manufacturing capacity for essential components for three primary renewable energy technologies, namely: Solar PV, Wind, and Battery energy storage systems. The report is aimed at supporting the South African Renewable Energy Masterplan (SAREM) process.

The study unpacks the required value chains and technologies and then compares them to existing capability and capacity within South Africa, identifying the challenges and opportunities that exist to localise the manufacturing of renewable energy (RE) components in South Africa. It determined the ramp-up curve that would be required for those components to meet the specification, demand, and competitive positioning of local manufacturers to supply against the anticipated requirements for both public and private sector energy programmes.

At a roundtable hosted by the LSF earlier today, Gaylor Montmasson-Clair from the South African Renewable Energy Masterplan (SAREM) highlighted an undeniable surge in demand for renewable energy. Over the past year, there was a massive interest in South Africa's renewable energy, the private sector registered a staggering 4.5 GW of renewable energy in 2023; triple the numbers from 2022, and about 50 times the capacity in 2021.

By 2030, the total installed grid capacity is forecasted to be 111 GW. Coal will still hold a substantial share at 31 GW, and renewables with solar in the lead with 42 GW, wind at 14 GW, and batteries contributing 6 GW, and the balance from other generation.

Notably, in the first nine months of 2023, South Africa spent an estimated $USD 3.3 billion on importing solar components (panels, inverters, and lithium-ion batteries) and about USD1.8 billion in 2022 during the same period, raising concerns as most of these components could be manufactured locally. Despite substantial investments, the lack of government support remains one of the biggest impediments to local manufacturing.

The study showcases how the creation and expansion of new industrial value chains associated with renewable energy, particularly in the wind energy, solar photovoltaic (PV), and battery energy storage sectors can become catalysts for supporting economic growth in South Africa.

"Without a doubt, such a development is well-poised to reposition the manufacturing sector, creating new industries and a pathway out of the country's costly energy crisis," said Thami Moatshe, Executive Head of the Localisation Support Fund.

However, this is not without significant challenges, among others including, the surge in imports for the various renewable energy components, implementation of duties, policy and regulatory alignment, inconsistent demand and the shortage of technical skills for this industry. Furthermore, the study identifies key opportunities drawn from stakeholder engagements and market sentiment that suggest that South Africa can leverage the current surge in demand for renewable energy solutions.

Highlighting the diverse nature of renewable energy value chains, the report emphasises the need for tailored interventions based on the unique dynamics of each technology. It identifies zones of opportunity across the value chains and highlights the potential for unlocking growth through supportive policies and strategic partnerships.

The report reveals that there are several local companies capable of contributing to three technologies Solar PV, Wind, and Battery energy storage systems across the value chain.
Local component manufacturers in attendance at the roundtable expressed apprehensions about the significant challenges posed by imports. They emphasised that South Africa is strategically positioned to compete effectively; however, the lack of government support *(protection and incentives)* for local production remains a pressing concern. This gap in support raises concerns within the industry, signalling a critical area that demands attention.

Furthermore, there is a need to secure interest and commitment from relevant stakeholders for the implementation of investment incentives, and the DTI has a crucial role to play in driving this.

The study makes it clear that if South Africa wants to re-industrialise by leveraging renewable energy opportunities, substantive changes will be necessary in the policy and regulatory landscape, along with the introduction of globally attractive manufacturing investment incentives. As the private sector increasingly moves into renewable energy, market fundamentals will become increasingly important, unlike the case with public sector procurement processes which are based on designation rules.

The report highlights three main areas where interventions will have the most impact on attracting manufacturing interest and investment to enable positive growth in this sector. The first is to enhance competitiveness to ensure that there is clarity on standards and upgrading requirements for local testing facilities. The second is protecting the local market, implementing duty protection processes, and correctly applying duties on minerals. The third is creating demand consistency. Public and private sector demand must be cultivated through the Integrated Resource Plan.

There was consensus that the rollout of the RE programme presents a huge opportunity for the manufacturing sector.

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About the Localisation Support Fund (LSF)

The LSF is a non-profit company (NPC) and public benefit organisation (PBO) that was established in 2021 by private sector contributors, in partnership with the South African Government, in support of strategic localisation of manufacturing in South Africa.

The LSF operates with a focused mandate: to identify and address barriers to industrialisation through evidence-based research, industry engagement, and strategic interventions. Our approach ensures that localisation is not merely about import substitution but about scaling South African firms into competitive, high-growth markets.