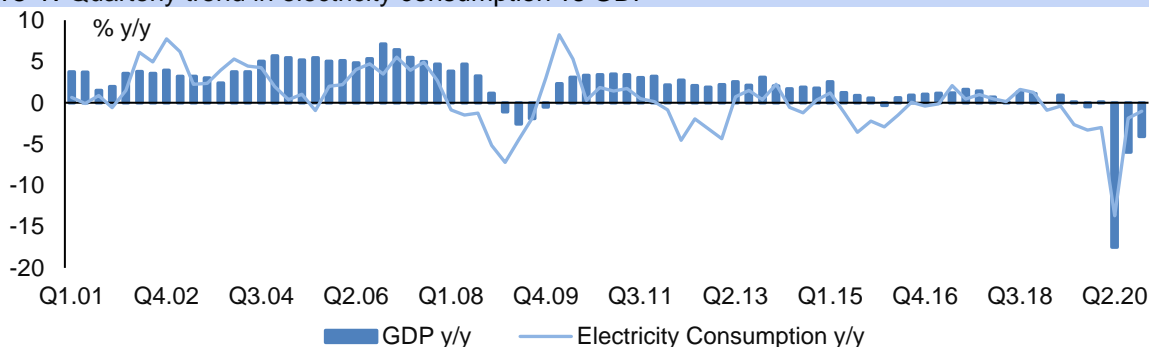




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Figure 1: Quarterly trend in electricity consumption vs GDP



Source: Stats SA

- Electricity fell by a further -4.3% y/y in February, following January’s -3.2% y/y decrease. Similarly, consumption of electricity slid by -3.8% y/y, after contracting by -2.4% y/y in January.
- Indeed, the impact of the pandemic initially reduced overall demand for energy as industry was largely at a standstill and allowed for “the execution of increased reliability maintenance and opportunity to address emergent issues,” according to Eskom. However, the subsequent loosening of restrictions as economic activity increased saw a spike in demand, accompanied by a lower Energy Availability factor (EAF) which led to higher, costly Open Cycle Gas Turbine (OCGT) usage.
- As at March 2021 (including 15 March), “increasing breakdowns and low plant availability meant that Eskom was forced to implement load shedding totaling 43 days since 01 April 2020”. Specifically, load shedding between October and March was largely the result of “high levels of unplanned losses throughout the Generation fleet,” according to Eskom.
- The EAF did improve somewhat in May and June of last year but has been below the 70% mark since the start of Q3.20.
- Unreliable electricity supply remains one of the biggest downside risks to economic growth domestically, thus the extension of South Africa’s energy generation capacity is one of government’s key priorities.
- Progress in this regard has been achieved, with the Minister of Mineral Resources and Energy recently announcing the 8 preferred bidders for the Risk Mitigation IPP Procurement Programme (RMIPPPP).
- “The solutions provided by these preferred bidders are from a combination of a range of technologies that include, Solar PV, Wind, Liquefied natural gas and battery storage”. Total private sector investment of around R45 billion is projected to be added to the domestic economy, with thousands of job opportunities created.
- Additionally, the request for Proposals (RFP) for the Fifth Bid Window under the Renewable Energy Independent Power Producer Procurement Programme has been released, to procure a further 2 600MW of renewable energy.
- The financial and operational stability of Eskom however remains central to the country’s economic recovery, along with the vaccine rollout and other crucial reforms. Currently Eskom’s debt burden continues to weigh heavily on the fiscus and remains a key concern for rating agencies.

Figure 2: Electricity production and consumption (%)

% y/y	2016	2017	2018	2019	2020	2021 YTD
Production	1.0	1.0	0.3	-1.5	-5.3	-3.7
Consumption	-1.0	0.5	0.9	-1.9	-5.0	-3.1

Source: Investec, Stats SA

Electricity update: Electricity generation and consumption fell by -4.3% y/y and -3.8% y/y respectively in February

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