Summary

South Africa is the second-worst performer of the G20 non-Organisation for Economic Cooperation and Development (OECD) member countries thanks to its lack of transparency and continued support for coal production, fossil fuel-based power, and the consumption of fossil fuels. Progress in ending support is poor, with a 14% increase in total government support for fossil fuels relative to the 2014–2016 average.

BIGGEST RED FLAG → South Africa continues to heavily back fossil fuel-based power through its predominantly coal-based electricity system, providing USD 5.7 billion annually. The exploration and production of coal also continue to receive support. Of particular concern is the USD 68 million in government funding made available for water transportation projects to supply water to coal-based power plants, including the Matimba and Medupi power stations (OECD, 2020).

PROGRESS → South Africa increased its total support for fossil fuels by 14% relative to the annual 2014–2016 average. This is predominantly due to a 79% increase in price support, mostly

See Table 2 in the main report for score descriptions and their relationship to numerical scores. Estimates in the table are in USD ($) and are annual averages based on the following sources:

- For direct transfers and tax expenditure: OECD (2020) data, 2017–2019 averages
- For public finance: Oil Change International data collected from several sources, 2017–2018 averages
- For SOE investment: capex data collected by Overseas Development Institute (2020) from annual reports, 2017–2019 averages

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for fossil fuel-based power. Public finance also increased by 13% to a total of USD 235 million in investments from the Export Credit Insurance Corporation of South Africa (ECIC), Development Bank of Southern Africa (DBSA), and the Industrial Development Corporation of South Africa (IDC).

MAIN UNACCOUNTED FOR AND UNQUANTIFIED SUPPORT ➔ The value of government bailouts (e.g., USD 2.8 billion in 2019–2020 alone) and loan guarantees (on USD 20 billion of debt) for South Africa’s state-owned utility, Eskom, are not accounted for in the data (Geddes et al., 2020; Merten, 2019; Special Appropriation Bill B10-2019, 2019). Certain major emitters in the fossil fuel sector are partially exempt from paying South Africa’s recently introduced carbon tax. Sasol, the partially state-owned coal-to-liquid fuel company, receives a 90% exemption, and many other major emitters receive a 60% exemption from the 2019 carbon tax (National Treasury Republic of South Africa, 2018; Pant et al., 2020). This foregone tax revenue is not accounted for in the estimates.

COVID-19 GOVERNMENT SUPPORT ➔ South Africa has introduced a three-month deferral of its recently introduced carbon tax payment (Energy Policy Tracker, 2020; Ministry of Finance, 2020).

TRANSPARENCY & PEER REVIEWS ➔ South Africa does not regularly report and quantify its government support measures to fossil fuels and has not undergone a peer review. Neither state-owned enterprises (SOEs) nor public finance institutions report on their investments at a comprehensive transaction level. A lack of transparency continues to be an issue for accurately estimating government support to the sector (Burton et al., 2018).

References


