



South African Wind Energy Association

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Summary - Localisation Webinar:

Date: 23rd July 2020

Time: 09:30-12:H00

Overview of the Webinar:

This workshop was planned in conjunction with the SAWEAs Manufactures and Local Content Working Group. The working group advocated strongly for a discussion of this nature not only to learn from the best practices around the world but also to solicit a common understanding of localisation thus strengthening a collection policy position for the wind industry in South Africa.

The webinar was moderated by Mr Glen Robins a seasoned independent researcher and was well attended having attracted over 60 participants including panellists and moderators. The audience for the webinar was only limited to SAWEA members, partners and stakeholders. The panellists were drawn from various backgrounds and experiences boasting local and international expertise enticing the audience to a variety of examples of best case studies of local content from different parts of the world. The workshop was also graced by the presence and contributions from the Global Wind Energy Council researchers and Tentrans Group researchers who presented an international and local industry perspectives backed by empirical evidence based research. The Department of Trade, Investment and Competition was also present to share a South African policy outlook and new thinking going forward in the localisation space.

An open platform for commissions discussing various topics formed part of a second part of the webinar. The commissions discussed a range of topics such as the *pros and cons of various models of local content requirements, enforcement and monitoring to ensure fairness, market certainty and continuous demand, localisation in the context of industrialization, what of local costs need to be included as part localisation or local content requirements (LCRs) and government incentives for localisation.*

Highlights of the Webinar:

Global Cases:

Various case studies were presented and a number of key messages were received from the global cases such as Turkey, Canada, Russia and Morocco. Some of the lessons learnt regarding successful local content requirements included the following:

- Stable and sizeable market is necessary
- LCRs cannot be too restrictive
- Adequate financial support to absorb costs for technology transfer
- The importance of transparent phaseout of LCRs and support schemes
- Capability assessment is key
- Government to communicate to all stakeholders
- Clearly defined localization criteria is a must
- Frank discussion is needed regarding natural vs forced localization – No monopoly
- Global supply chain connection is key for sustainability.

Therefore, in developing the supply chain that will maximise local value chain and ensure cost effectiveness and competitiveness for local players in a global market, it is important to open the market in a gradual or phased manner.

Local Cases:

South Africa's 2010 Integrated Resource Plan (2010-2030) allocated 17,800 MW to renewable energy as part of the country's energy mix by 2030. The IRP 2019 makes an allocation of 20.4 GW of new additional capacity to renewable energy (solar PV 6000 MW and wind 14400 MW) by 2030. Local content requirements have been a constant feature of the REIPPPP since the first bidding round in 2011.

The contributors represented a variety of South African based entities such as Vestas, Siemens Gamesa, GRI Renewables Energy and Resolux South Africa. The key messages and experiences reported by the local entities included the following:

- Market certainty and regulatory framework as this is key to attracting international industrial investors to set up and develop a local industry;
- Stable market which, in spite of several attempts, has not been the case of South African wind energy market over the last years;
- Regulatory framework on supply chain and local content requirements must be monitored and enforced;

- Manufacturing require a significant amount of specific skills, which are scarce in the country;
- Embark on an ongoing concentration process, so the customer portfolio and commercial alternatives once industry is set are quite limited;
- Point system with thresholds is preferred as compared to the current rand value system which is always affected by the currency fluctuations;
- Localisation will be enhanced by predictable IRP and REIPPP windows- avoid stop/go roll-out;
- Sorting out supply chain inefficiencies by providing flexible sourcing rules in necessary;
- Some new jobs and other socio-economic benefits has been realised through localisation;
- Big OEMs can still do more to provide opportunities for the local companies especially in the generic and less specialised activities.

Research and Government Inputs:

The paper written by Professor Mike Morris and Glen Robins entitled “Is the aim of Localisation in RE to bring peripheral social gains or to drive Green Industrialisation?” was presented and it highlighted the following issues:

- OEMs play crucial lead role in the value chain to encourage “**FOLLOWER SOURCING**” of crucial components;
- There is a need for market demand, energy policy guarantee, industrial policy incentives and policy nudging;
- Manufacturing and service firms are important suppliers;
- Public policy (Industrial & Energy) can speed up, retard, obstruct the localization process;
- Energy and Industrial Policy are intertwined in Green Industrialisation;
- Renewable energy policy linked to Green Industrialisation as major post COVID 19 green economy opportunity;
- RE localisation mainstreamed into Industrial Policy as a key driver;
- Government work with lead RE firms to set clear localisation targets;
- Don’t over complicate localisation objectives as hard to deliver on;
- Separate localisation out from social development & BEE;

The social development, equality, and empowerment are issues but cannot drive Green Industrialisation/localisation policy.

- A masterplan is currently developed focusing on products, services and value chain development;
- Apply local content formula at a product level and/or include a manufacturing process;
- Include gates – if no locally manufactured steel – the bid is invalid in totality – for example;
- Include services and maintenance;
- Socio economic development and localization is not the same thing
- Use local labour and if not available – train
- Add value inside the country.