



Institute For Economic Justice Renewable Energy Localisation Factsheet



MAKING RENEWABLE ENERGY LOCALISATION WORK IN SOUTH AFRICA

In Brief

- ✓ South Africa has a base of firms that can manufacture renewable-energy components. But irregular demand has limited the sector's growth and cost jobs.
- ✓ Local content rules are meant to ensure that public renewable-energy investment supports domestic production. However, much of the equipment is still imported.
- ✓ Weak enforcement and manipulated exemptions make it easier to avoid localisation commitments.
- ✓ When domestic producers do not obtain orders, they lose workers and productive capacity. That makes it harder for them to provide secure jobs and compete for the next round of work.

The energy transition can help rebuild South African industry. But localisation efforts have to create a reliable market for local firms, not just targets on paper.



Why localisation matters

South Africa is expanding wind, solar, battery storage, and transmission lines. That investment could also support local manufacturing and develop skills and employment.

The main public programme is the Renewable Energy Independent Power Producer Procurement Programme (REI4P), through which the state buys power from private renewable energy generators under long-term, stable offtake agreements. Other similar programmes include the Risk Mitigation Independent Power Producer Procurement Programme, and the Battery Energy Storage Independent Power Producer Procurement Programme. Local content requirements within these schemes are supposed to ensure that part of the money for these projects goes to South African goods and services.

But manufacturers need continuity. A factory cannot retain workers, invest in equipment, or build up production capacity if orders are irregular and unreliable.

What are local content rules?

In South African public procurement, local content rules can work in three different ways:

Pre-qualification: a bid can be required to meet a minimum local-content level before it qualifies for further evaluation.

Points: local content can count towards the points used to evaluate a bid.

Designation: government can designate particular goods or components that must be sourced locally.

Only the method prescribed by the South African Bureau of Standards (SABS) can be used to calculate local content as a percentage of bid price.

Why the system is failing

01 Inconsistent procurement: delayed bid windows in the REI4P have deterred investment in local manufacturing.² These included REI4P Bid Windows 5 and 6, as well as Risk Mitigation IPPs, which combine solar PV, wind, and storage.

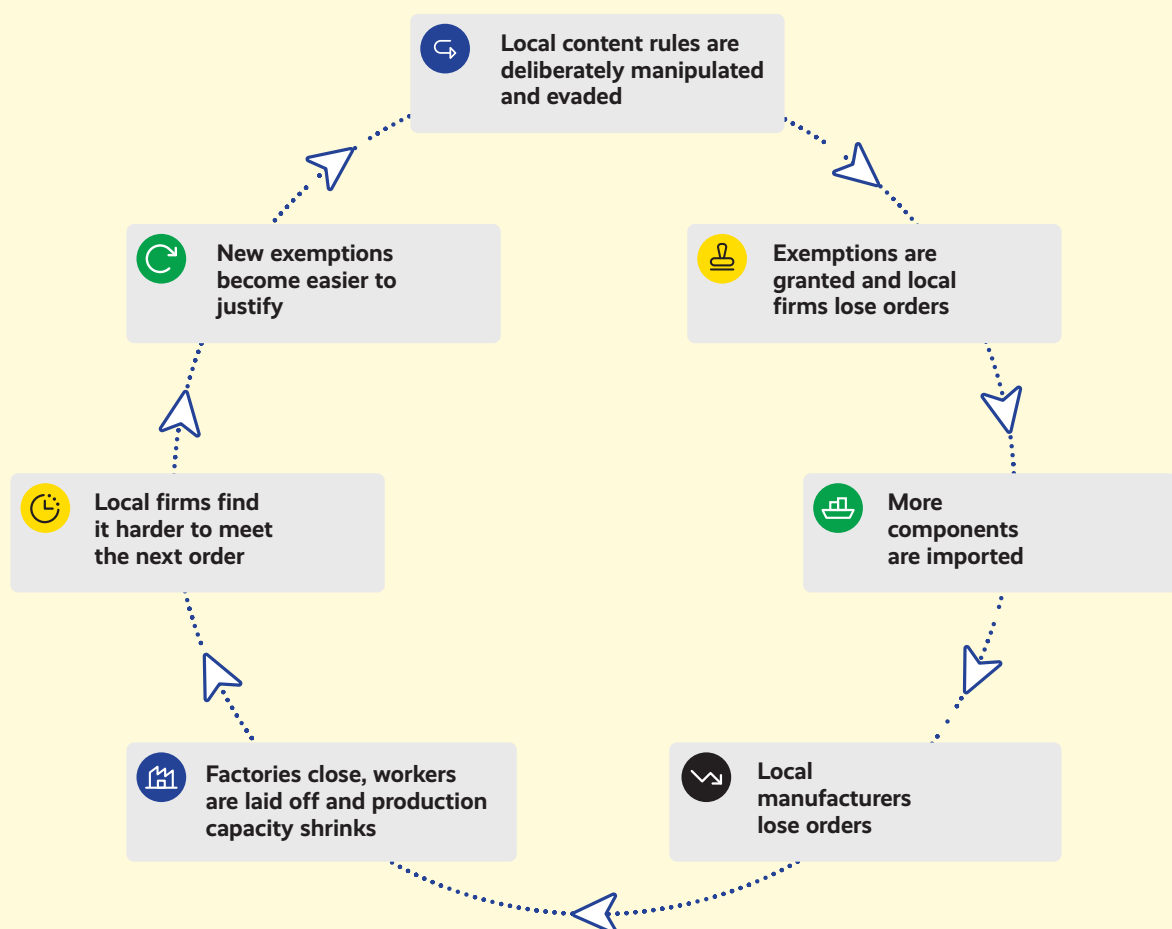
02 Exemptions: these have been used deliberately, and increasingly frequently, to sideline local firms. Exemptions are granted when local suppliers are deemed to be too slow, too expensive, or unable to meet technical specifications. However, these grounds are being manipulated.³ Local firms are being given unrealistic specifications or asked to deliver at very short notice, making imported alternatives appear necessary. As a result, several local factories have closed and workers have been laid off.

03 Late orders: these make the problem worse. Local manufacturers need time to buy inputs and prepare production lines. They may also need to bring workers back from lay-off or train new workers. If they only receive an order when a project is close to its deadline, they are unable to respond in time, providing an excuse for the contracting firm to import.

04 'Cheap' imports: tariff evasion, including the misclassification of imported components, is used to reduce the duties paid on imports. This makes the price gap between imported and locally-produced goods look bigger, strengthening the case for exemptions. It also makes it harder for local manufacturers to compete for private-sector renewable-energy projects. This denies them the bigger and more stable market they need to grow and develop.

05 Weak enforcement: the state does not have the capacity to check whether all the winning bidders source the local content they promised. This situation has worsened due to budget cuts. Verification often happens too late, when a project is already under way, and this makes enforcement difficult and expensive to apply.

The vicious cycle of localisation failure



Weak localisation destroys the capacity needed to sustain and expand local production.

What needs to change?



Verify local content before projects are awarded: firms should be required to apply to SABS to verify local content. They can then be issued with a certificate to use when they submit their bids, rather than leaving verification until after the contract has been awarded. In this way the costs are transferred away from the state towards the bidder.



Penalise non-compliance: where a bidder has failed to meet its local-content commitments, it should be required to replace imported equipment with locally-manufactured equipment at its own cost. Failing that, it should be excluded from future bids.



Stop fake exemptions: procurement bodies should be given enough technical capacity to judge whether claims about price, quality, and delivery are genuine. All exemptions should be gazetted, with reasons.



Give local firms a fair chance: there should be a requirement that orders be placed early enough for manufacturers to prepare. Local manufacturers should be paid a significant proportion of the contract price upfront so that they are able to finance materials and production.



Stop tariff evasion: there should be a system of verification of 'cheap' imported products, to check whether the price advantage comes from incorrect customs classification or other forms of tariff evasion. Tariff policy and local-content rules should be implemented in tandem so that local firms can compete.



Make public support conditional on decent work: local firms should be required to commit to creating decent work as a condition for receiving support.

The choice facing South Africa

South Africa will increasingly be spending heavily on renewable energy. That spending can either deepen dependence on imported equipment or help build a stronger domestic manufacturing base.

Local content rules can help shift the balance towards local production. But they have to change what happens in practice. Local manufacturers need to know that commitments will be enforced and that genuine, consistent orders will follow.

A successful localisation strategy will leave South Africa with stronger firms, more skills and secure jobs, and a growing renewable energy industry.

Endnotes

1. Krinsky, J. 2026. *The state of local content in South Africa's renewable energy market*. Advancing a Just Energy Transition: Localisation, Decent Work, and Sustainable Livelihoods Series. Johannesburg, South Africa: Institute for Economic Justice.
2. JUWI. 2025. '[The future of REI4P: Evolving beyond least-cost](#)'. JUWI, 28 January.
3. Kruger, W. 2026. '[What's stopping sunny South Africa's solar industry? Court case sheds light on the wider problem](#)'. Polity, 2 February.

