JUST ENERGY TRANSITION: Localisations, Decent Work, SMMEs, and Sustainable Livelihoods

Institute For Economic Justice
POLICY BRIEF

ESKOM GREEN: WHY PUBLIC OWNERSHIP PROTECTS WORKERS, AND LOCAL MANUFACTURING

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Executive summary

Eskom is the most suitable institution to drive a just energy transition. This requires reconfiguring Eskom's operations for a developmental agenda. This includes: rebuilding South African industry, eliminating energy poverty, and protecting communities from devastating pollution.

Currently, there is little state investment in renewable energy generation. This has been left to the private sector. Even the transmission network is being increasingly outsourced. This has thrown many into energy poverty. Further, private contractors have destroyed local industry by choosing imports. Manufacturing jobs have

disappeared while the quality and formality of construction jobs erodes.

Eskom Green is a new publicly owned renewable power generator. This is an opportunity for renewed public participation to address developmental challenges. However, it is currently constrained by neoliberal policies. Eskom Green is committed to coexistence with private competitors. The project coquettishly courts the capricious favour of financial capital rather than purely public financing. It currently focuses on energy heavy industries as potential customers, leaving households and light industries energy needs to the market. Finally, Eskom Green has made no commitment to localisation, decent work, or reducing energy poverty.

Under these conditions, Eskom Green cannot meaningfully contribute to a just energy transition. Instead, achieving this will require:

1. Expanded financing for Eskom's internal investment.
2. A firm commitment to monitor current programmes to ensure success.
3. An expansion of state-owned renewables to provide cheap electricity for energy poor households.
4. Eskom Green has high local content requirements
5. Insourcing to Eskom Rotek to support decent work creation.

1. Introduction

South Africa's energy sector is undergoing a highly contested liberalisation. This is often put forward as a necessary step in a green and just transition. However, it is anything but. Instead, a capacitated and well-financed state entity is the best vehicle reducing emissions and energy poverty while providing energy for industrialisation. This brief highlights the potential for a strong, capable state entity to rebuild South Africa's industrial sector through localisation.

Eskom's push into renewable energy through Eskom Green is an avenue to build not only state-owned renewable generation capacity but also a vehicle for supporting the local renewable energy manufacturing sector. However, neoliberal policy limits its developmental potential. First, Eskom Green's finances may be strained by intense private sector competition. Second, its state support and coordination with other Eskom subsidiaries are at risk. Private sector lobbies argue that such coordination amounts to anticompetitive behaviour. Third, Eskom Green's internal model has limitations for building public capacity and local manufacturing. It will likely outsource much of its work; lacks a commitment to local content; and relies on private financing.

This policy brief is divided into four sections. We begin by contextualising Eskom Green in the current energy system. We then examine issues within the energy system, and their impact on local renewable energy manufacturing. Next, we look at the proposals for Eskom Green and what they reveal. Finally, we see if Eskom Green can be a solution to the issues with the current energy system, boosting localisation and creating decent work. This is followed by policy recommendations.

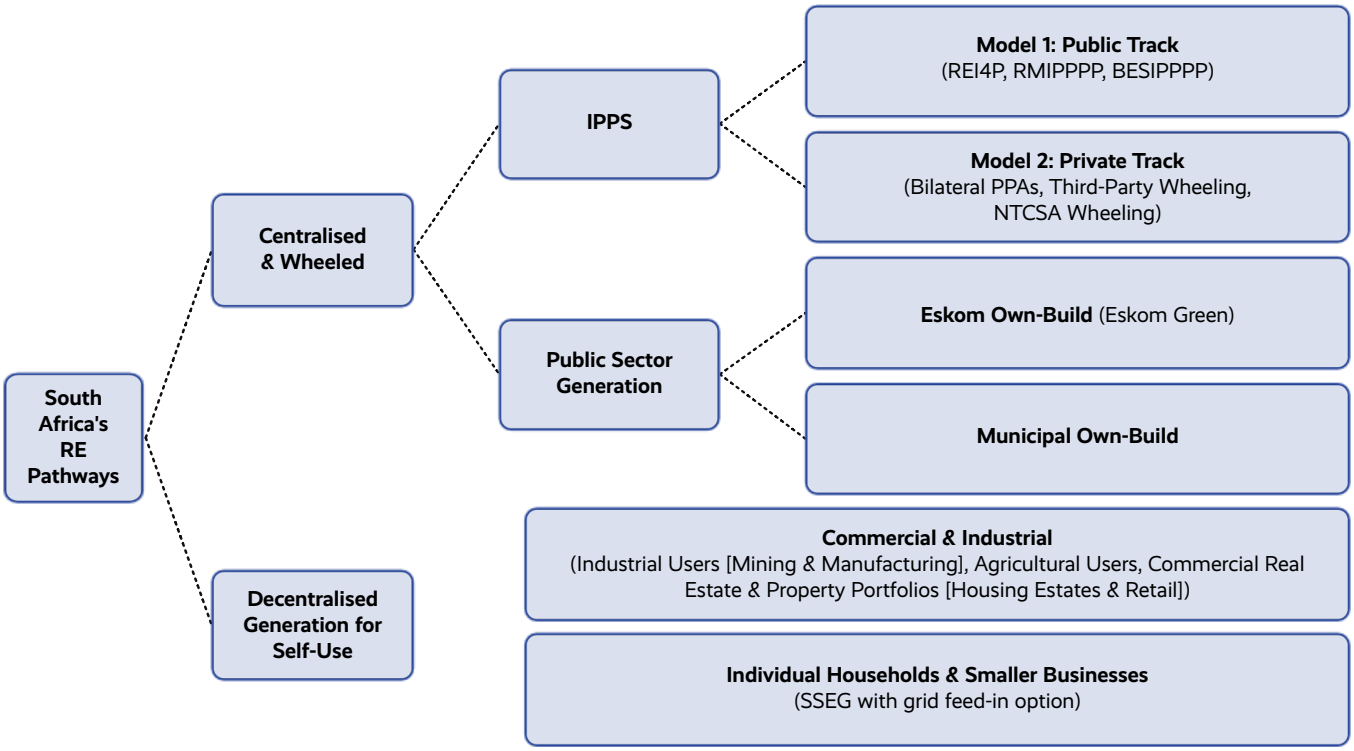
2. Situating Eskom Green within South Africa Electricity System

Eskom Green can only be understood by looking at its role within South Africa's energy system and its relationship to South Africa's industrial system. It functions as a way to maintain South Africa's heavy industries that are facing a number of new challenges, these include risks of rising energy costs, difficulty adjusting to growing environmental regulations and intense international competition. Affordable renewable energy is a necessary but not sufficient condition for the success of South Africa's heavy industries. In contrast, the current provision of renewable energy from private sector generators risks severe uninvestment and price increases. Eskom Green's current build programme is too small to have a significant impact, and so the main issue to examine is whether it demonstrates a credible model which can be rapidly scaled in future.

There are a range of social and economic and environmental concerns with the current energy system. These have been raised by trade unions, civil society and negatively affected firms. These concerns include limited localisation, widespread energy poverty and the effects on communities from pollution from existing coal power plants. We argue that expanded public investment in renewable energy may be able to overcome many of these challenges with the existing energy system. However, in understanding Eskom Green's current structure, ambitions and context, it is important to remember that it currently has a limited role aimed only at filling an investment gap for renewable generation for heavy industry. It is important to strengthen Eskom Green's ability to meet its current ambitions, identifying potential challenges in existing financing and project development models and closely monitoring progress. It is also important to lobby for a more ambitious project of public renewable generation development which can power the whole of South Africa, not just heavy industry, and provide a large and stable demand boost for local manufacturing and local labour.

The current system is shown in Figure 1. Here we see that Eskom green sits alongside a wide variety of existing private investments in renewable generation and storage.[1] Small municipal programmes provide the only other publicly-owned renewable generation. The private sector currently dominates renewable generation and storage. Private ownership appears in a range of institutional arrangements. Private generation and storage is provided by Independent Power Producers (IPPs). IPPs may sell power to the state, such as via the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). This gives the state some powers as a purchaser to enforce a developmental mandate. Alternatively, power may be sold directly to private consumers. In this case the states only role is wheeling, that is the transmission and distribution of power. Finally, power can be produced and used on site, without sales across the grid.

Figure 1 Commercial Pathways and Institutional Structures for South African Renewable Electricity



Source: Alexander R. 2026

Despite falling prices, renewable investment is concerningly low. It sits below the rates needed for development and reducing carbon emissions. This is true both globally and in South Africa.[2] There is a huge benefit to industrial energy users, if renewable energy can be produced at cost, or with low operating margins. The difficulty is amassing the capital to finance a stable pipeline of such developments. Eskom Green claimed in their opening statement "only about 50% of the awarded renewable projects with grid allocation and power offtake agreements have been built".[3] They aim to address this challenge through a public ownership model, which relies on stabilising demand from energy intensive users to create the certainty needed to accelerate renewable investment. The model will still rely heavily on the private sector, but aims to use the state to catalyse and coordinate private sector investments.

Eskom Green currently only has a relatively small build programme which may form a proof of concept for later expansion. Eskom began its recent foray into renewable energy through the Renewable Energy Offtake Programme launched on 19 August 2025. This programme began with 291MW of solar PV to be sold to large corporate users signing purchasing power agreements for at least 10MW. The initial scale is modest, roughly 0.6% of Eskom's current capacity at 47,378MW[4] and 3% of installed IPPs at 9,771MW.[5] The first project in construction is the 75MW solar power plant at Power Station which was announced on 27 May 2026.[6]

Eskom green aims to rapidly scale its capacity. The Renewable Energy Offtake Programme aimed to scale to 2,000MW including storage and wind.[7] The project was later formalised into a unified organisation with Eskom Green launching on 9 June 2026, the target is set at 6,000MW by 2030. The project has identified existing coal power stations where renewable installations can be installed including: Arnot, Duvha, Majuba, Tutuka, Komati, Kendal, Kusile, Hendrina, Camden, and Grootvlei. This will be a much more significant contribution, about 13% of Eskom's current

capacity and 61% of IPPs current capacity. However, the credibility of these ambitions depend on implementation and raising sufficient finances.

3. Situating the Impact of Current Institutional Arrangements on Renewable Energy Localisation

The next section analyses the impact of private dominance in the renewable energy system on localisation. Localisation offers significant opportunities for South African industry and labour. Local firms can manufacture a range of renewable energy components including: solar panels, steel structures for solar and wind, battery and storage systems, and balance of plant equipment. However, local manufacturers have faced severe pressure due to weak domestic demand. It is heavily undermined by the existing private system.

Localisation levels in the private sector depend on the leverage of the state as a buyer, regulations and tariffs, price pressure and other consumer and investor demands. Where the state buys from the private sector it can dictate localisation requirements, although this has been evaded. Where the buyer is private the state does not mandate any localisation, and decisions are based on costs, quality and supplier relationships. In both cases, local manufactures face limited and erratic demand.

We believe that a shift towards public investment represents a historic opportunity to reignite local industry. However, this is far from guaranteed as Eskom green may fail to meet its existing capacity goals, or may fail to translate this into demand for local manufacturing. Here we outline the issues across different segments of the private local renewable industry. This demonstrates the need for a public alternative, but it also shows many risks which may reemerge in the public sector, particularly given the amount of private partnerships which Eskom Green is seeking out.

3.1 Supplying utility scale projects

IPPs have provided the bulk of demand for South Africa's manufacturing sector historically, however firms often avoid localisation and evade policy. IPPs selling directly to Eskom have local content requirements and designations they are supposed to meet, in comparison those selling to private sector offtakers do not. Tariffs should be paid on imported products for both, though these are often evaded. IPPs generally subcontract out construction work to Engineering Procurement and Construction companies (EPCs). The EPCs are directly responsible for sourcing components either from local manufactures or importers. This is concerning as Eskom Green has already commissioned a private EPC (Powerchina) for the construction of the Lethabo plant.

Local manufacturers also struggle with arduous negotiations and qualification requirements. Firms have to undergo site audits, sign non-disclosure agreements and meet supplier certification standards, and requirements for financial bonds.[8] These requirements improve quality assurance and reduce buyer risk for lead developers. However, they also lock out under-resourced domestic manufacturers that have the physical capacity and capability to produce the components at the requisite specifications, but are without the financial and administrative skills to do so.

EPCs often leave local firms stranded when global costs fall. Even where good interfirm relationships exist, these can be undermined by downward pressure on project costs. Local manufacturers will not get stable utility-scale demand without local content mandates.[9] EPCs have established relationships with global suppliers. They may even be vertically integrated. Vertical integration in the sector can also harm local firms in other ways. For example, the wind industry is dominated

by large firms manufacturing the most complex equipment. These are called Original Equipment Manufacturers (OEMs). Local content regulations may compel OEMs to set up local plants. However, even in this case they are unlikely to source subcomponents from existing local suppliers. Instead, they often choose to persuade their global suppliers to also set up local plants. They prefer to maintain their existing relationships and not work with new unknown local firms.[10] This makes entry extremely difficult. However, it may open up a high-value opportunity if a domestic firm builds a trusting stable relationship with a foreign OEM. EPCs want globally recognised certification and long warranties. This makes it difficult for manufacturers to meet standards. However, it may drive them to improve their products.

Further EPCs may undermine local suppliers. Local manufacturers suggest they are often given impossibly late orders, or asked to meet unreasonable technical specifications. Sometimes financing arrangements are prohibitive. Suppliers often must finance manufacturing before receiving significant payment, putting them at risk. For example, the quote below from the solar industry illustrates the frustration manufacturers face with late orders.

> *"First, [IPPs] will say, they're always engaged, very nice, over a long period. And they like the length of time. Why? Because they take you to a point and then they constrict you and they restrict you and then they say, 'Oh, we're so sorry, you actually just have three months left because we need to hand this over. So, we have to import." But all this time, we tell them, 'Guys, 24 months, 23 months.' And up front."* **(Interview from Solar Industry)**

4. Can Eskom Green address the challenges of South Africa's energy system

Eskom Green provides a clear avenue to bolster demand for local manufacturing. Public ownership gives it a wider capacity to embrace a developmental mandate. In comparison, IPPs and private projects have undermined existing localisation policies. However, as yet, Eskom Green has not committed to local sourcing in a meaningful way. Further, Eskom's reliance on private financing may undermine localisations, as investors view local products as higher risk. A final challenge is Eskom Green's proposed separation from Eskom holding. This may undermine decent work creation by limiting coordination and encouraging outsourcing. It may also undermine the overall sustainability of Eskom generation which will be left without new investment or a transition plan. To fully realise Eskom Green's potential, a mandate to prioritise local sourcing should be developed, along with public financing and coordination with other Eskom subsidiaries. This would create demand certainty for domestic producers and protect public control of the energy system.

4.1 Commitments to localisation

Eskom Green's parent company, Eskom, reports a strong commitment to local sourcing, stating that they reached a 84% local content spend, including 100% compliance in designated categories.[11] This shows the potential for public ownership to drive local procurement. On the Letsatsi solar farm the reported local content spending amounted to 35%.[12] However, the main issue will be transparency and compliance with stated local content objectives. The subcontracting to private EPCs (in this case Letsatsi Joint Ventures) creates greater room for local content evasion. Private companies have

historically blocked transparency of local content commitments as commercially sensitive information.[13] This hinders enforcement and creates the potential for corruption. Such information would be more difficult to restrict under public ownership and management. For other projects, Eskom is currently looking for strategic partners in the private sector. However, the details of how the public-private partnerships will be structured is still unclear.

4.2 Impact of public private finance on localisation

Eskom Green aims to use the guaranteed payments from its PPA to source private financing through SPVs. SPVs are separate legal entities with limited liability for equity owners. This means that if an SPV owned by Eskom Green goes bankrupt then this will not undermine Eskom Greens overall finances. Thus, it protects Eskom Green from the full risk of on book financing for its projects. SPVs raise money for the project either by lending or by selling securities.[14] A security is a loan which is more easily tradable on financial markets. So if an SPV owes the buyer of a security a constant revenue stream, (as loan repayment) the rights to this revenue stream can be sold onto a third party. This is a way to raise money while being insulated from the risks of other revenue streams being directed towards repayment project bankruptcy. This sounds very useful but there is a catch.

Here is the problem. Why would investors choose to lend to a limited liability company which does not have Eskom's revenue, assets, or tax revenue as surety in case the project does not earn enough for repayment? This raises the risk profile to lenders. Thus, to entice investors, the SPV must find other ways of improving the reward to risk ratio. Typically, SPVs are aimed to attract private investors who demand high and faster returns and lower risk. The simplest way to attract investors is to simply raise the interest repayment, which may ultimately cost the state substantially more. A second method is known as derisking. This involves linking SPVs with guaranteed revenue streams, in this case the PPAs, as well as putting in place a range of investor friendly policy constraints.[15] However, derisking also can come at the cost of localisation. Private finance often views local components as more risky and discourage their use in order to increase the project's bankability.[16]

International experience shows that SPVs can expose states to higher interest rates and more restrictive terms. This is particularly true when terms are not transparent. Governments may be liable for unexpected risk or face policy constraints due to commitments to private lenders. It is generally argued that such arrangements are necessary because more traditional state financing options, including the use of tax revenue, cross subsidisation from other state revenues, and traditional state lending have been exhausted. However, this is often a false constraint. The additional, interest costs and policy constraints may well outweigh the benefits of the risk control offered by limited liability. We can examine the existing pilot projects to assess this credibility and preempt potential obstacles.
In contrast to the proposed future model, Lethabo power station will be financed directly on the balance sheet rather than through a Special Purpose Vehicle (SPV).

Eskom Green will initially sell energy through long-term Power Purchase Agreements (PPAs). The PPAs will be 'take or pay contracts'. Buyers must commit to purchasing a certain amount of energy. This will stabilise Eskom Green's revenue. The PPA's will be priced transparently with generation storage and transmission all billed separately. The electricity will be sold at cost. This reflects the historical tendency towards state provision of cheap energy for South African heavy industry.[17]

4.3 Impact of coordination benefits on energy governance and localisation

Currently, Eskom Green sits under Eskom Holdings. However, it will soon be separated as part of unbundling Eskom.[18] This has both potential benefits and drawbacks. It may insulate the new entity from some of the mismanagement and corruption of its parent. Further, interests in Eskom who rely on fossil fuel revenue may hamper renewable deployment to delay a transition. However, unbundling is also a step towards privatisation and liberalisation. Further, separating Eskom Green places Eskom in a worse position. Eskom will be without new assets. Importantly, it may hamper coordination with other Eskom subsidiaries. These include for transmission as well as storage and firming infrastructure.

Unbundling Eskom into different subsidiaries may sustainably increase costs as synergies are lost, Eskom Green in particular can have a number of important potential complementaries with other Eskom subsidiaries. Historically, before neoliberal reforms, power companies reduced costs through vertical integration. This is due to a particular type of economy of scale called an economy of height. This is lost in unbundling. In other countries lost economies of height have amounted to a significant portion of energy costs.[19] Coordination can provide various benefits. For example, there is potential for coordination between solar and existing coal plants, by running coal plants in winter months and taking them offline in summer when there is greater solar capacity. This would mean that less gas peakers would need to be run for variable power generation, and allow for a more managed decline of Eskom's existing coal fleet.[20]

Another area where coordination is important is with Eskom Rotek. This is an Eskom subsidiary which has historically been responsible for much of the repair and maintenance of Eskom infrastructure. However, there is growing outsourcing to EPCs. This is a loss for decent work as Rotek offers wages above the rest of the industry. It will also damage any long-term state capacity to maintain renewable energy systems. Corruption often happens through outsourcing and tenders rather than in the internal interfaces of state organs, meaning that insourcing can be a key way to reduce corruption and mismanagement. Furthermore, maintaining collaboration with Eskom Rotek can create a more stable transformational project, by building long-term capacity along BBBEE lines, rather than instituting BBBEE in short-term contracts from small companies which may struggle to develop long term diverse human capital.

Recommendations

1 **Closely track Eskom Green's current programmes to ensure success.** The current programme may fail due to a range of reasons: a lack of enthusiasm from private investors; mismanagement; or legal challenges from private sector competitors. It is important that Eskom Green's ambitions do not creep downwards in the face of challenges.

2 **Ensure Eskom Green has high local content requirements for its supply chain which are effectively implemented.** Currently Eskom Greens projects have significant local content requirements. However, it is important to ensure that private sector patterns of local content evasion are not reproduced in Eskom Greens build programme. This means improved monitoring for local content and designation compliance, as well as coordination with measures to reduce tariff evasion. It is also possible to increase the

ambition of local content targets in this sector given the higher level of state control.

3 **Ensure that maintenance work is insourced to Eskom Rotek.** This will help build public capacity for the construction and maintenance of renewable energy projects. This is important for localisation as private EPCs play a key role in the undermining of localisation for renewable components. It will also support decent work creation as wages, working conditions, and jobs within Eskom Rotek are better than for many private sector competitors.

4 **Mobilise public finance to avoid an overreliance on private finance and SPVs.** SPVs constrain policy options and can increase interest rates in comparison to public financing. SPVs derisk private investment by placing the risk on the state or consumers. Private lenders discourage localisation. Thus, public financing options should be examined as an alternative.

5 **Create strategic plans for subsidised renewable energy to reduce energy poverty and support strategic industries.** Currently, Eskom Green focuses only on heavy industry. Publicly owned renewable energy should be mobilised by the state to alleviate energy poverty and help light industry. Without this, households and light industry must meet their energy needs from private sector renewable investment and Eskom's ageing fossil fuel fleet. This risks increasing energy poverty, and hamstringing light industry (which is typically more labour intensive).

Endnotes

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