



Monday, 30 January 2023

WE NEED TO WORK MORE CLOSELY IN THE STRUGGLE FOR AFFORDABLE ELECTRICITY

Dear Fellow South African,

The recent announcement of an increase in electricity tariffs comes at an extremely difficult time for citizens and businesses alike, who are already contending with the high costs of fuel, food and other essentials.

It is in this context that I made a call last week for the Eskom board to consider measures that can help to mitigate the impact of the 18.65% increase from an implementation timeframe point of view.

The new tariff was approved by the National Energy Regulator of South Africa (NERSA) following a prescribed process, which includes wide-ranging public consultation. It is important that we affirm the independence of NERSA and the importance of following the due legal process in setting tariffs.

Tariffs that reflect the cost of producing electricity are necessary for Eskom's financial sustainability and for the utility to be able to service its debt and to undertake the critical maintenance that is needed to end load shedding.

Yet, there is little doubt that increasing the price of electricity now, at this challenging time, will add to the difficulties South Africans are facing. Rising food and energy prices are fuelling a cost of living crisis around the world, and the poor are being hardest hit. In South Africa, food prices have increased on average by 12% over the past year.

This is the problem we face: we have to ensure that Eskom has the resources it needs to resolve the electricity crisis while protecting South Africans from the effects of higher prices.

There is no simple answer to this problem. That is why all stakeholders, including government, Eskom, business, labour and communities, need to work together to achieve a very difficult balance. At all times, we must be guided by the needs and interests of South Africans, especially the poor, both now and into the future. We should be wary of short-term solutions that we will regret in years to come.

As government we will continue to implement policies and measures to mitigate the hardship being experienced by vulnerable citizens. Since the earliest days of democracy we have implemented a policy of free water and electricity for indigent households. The free basic electricity allowance, if implemented properly by municipalities, should shield the poorest households from the effect of the tariff increase. We remain absolutely committed to this policy.

Other programmes to expand the social wage include the provision of free primary healthcare, exempting learners from poor families from paying school fees, a school nutrition programme that supports over nine million learners countrywide, and the provision of free tertiary education for students from poor families. The zero-rating of basic food products for VAT helps to decrease their cost for the poor.

The national minimum wage, which was introduced in 2019, has improved the remuneration of many workers, especially farmworkers, domestic workers and other vulnerable workers.

Another means by which the state is supporting society's most vulnerable from excessive price increases is through competition policy. During the pandemic, the Competition Commission used its powers to bring down the prices of COVID-19 tests and suppliers found guilty of overcharging for face masks were fined.

The Competition Commission monitors essential food prices, and recently found that consumers were facing ‘opportunistic increases’ in the prices of sunflower oil, a basic cooking staple for millions of households.

All of these measures provide an important ‘social wage’ that has helped to cushion poor households from the worst effects of rising prices. Government is considering additional mechanisms to address the rising cost of electricity. These include measures such as helping households and small businesses install solar power and energy saving devices, supporting households with rechargeable lights, and working with learners to catch up where load shedding interrupts lessons. We should be able to provide further information on these and other initiatives in the coming weeks.

As we work together to overcome the energy crisis, I call on all South Africans to pay for the electricity they use. We can only improve and expand the provision of electricity and other basic services if government and municipalities in particular have the means to do so. Non-payment and illegal connections make electricity provision more expensive and less reliable.

The global cost of living crisis has been described as a once in a generation economic shock, and it is being worsened by global events that are beyond our control.

As government we will continue with our efforts to expand the social wage, just as we accelerate our efforts to restore a reliable and secure electricity supply. We will continue to pursue closer cooperation with all social partners and public entities to find sustainable ways to shield South African households from the worst effects of rising energy and other costs.

With best regards,

Cyril Ramaphosa





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