How South Africa's automotive sector is navigating the green transition

By Justin Manson

12 Mar 2024

In his most recent State of the Nation Address (SONA) 2024, President Cyril Ramaphosa reaffirmed the Presidential Climate Commission's Energy Transition Investment Plan (JET IP) for the five-year period between 2023 and 2027.

Source: Unsplash

EVs will form an important element of this plan. While the 2023 tax incentive for solar investments was not extended, Treasury's latest National Budget revealed an increase of the carbon fuel levy from 10c/l to 11c for petrol, and from 11c to 14c for diesel effective from 3 April 2024.

An additional carbon tax on industry increased from R159 to R190 per tonne of carbon dioxide equivalent, as of 1 January 2024.

Dovetailing into this will be long-awaited incentives for investments into the local production of electric vehicles.

From March 2026, manufacturers of electric and hydrogen vehicles will be able to claim up to 150% of “qualifying investment spending” in the first year of product

Treasury has also allocated R964m to help fund the transition to EVs, in addition to the incentive scheme.

The country plans to collaborate with neighbouring countries, such as the Democratic Republic of Congo and Botswana, which respectively possess essential minerals and expertise in the value chain of automotive manufacturing.

EVs to take over

Although these measures are intended to stimulate progress, widespread adoption of EVs will likely be a gradual journey, regardless of the extent of governmental influence on both drivers and industries.

Current limitations in the range of EVs, as well as the persistent constraints in baseload power capacity, will need to be significantly improved before we can see significant adoption.

This will change over time, however, and data will become increasingly important as EVs become more accessible.

This will make telematics companies, who have adopted and become owners of rich data early on, more important than ever, motivating Government to engage more closely with this key stakeholder to share in its vision.

Overall, while painful at first, a move towards EVs will be beneficial for the economy, creating new jobs in the sector. However, manufacturing may not be a significant contributor in the early stages.

Job creation in SA

The initial job increases will be felt in second-tier businesses that support the EV market, mainly in the charging station industry.

These will need to be installed and maintained, along with an increase in solar installations, to support the charging stations, due to the energy crisis.

In this process, we must even anticipate mechanical skill-set changes, as servicing EVs is quite different from servicing internal combustion engine (ICE) vehicles.

As South Africa seeks to move towards green energy, with the Government embracing the use of green (clean) energy in the national grid, the country will be in a favourable position compared to many developed nations. Many areas can support solar, while others could easily add clean energy to the grid through wind turbines.

If the national clean energy strategy is executed correctly, with meaningful private sector inclusion, then the real “green” benefit of EVs will be realised across all sectors.

Should the energy transition plan be effective, with participation from the private sector, substantial economic benefits can be unlocked quite quickly.

In addition to clean energy sources being much friendlier to the environment, they can create skilled specialist jobs, while also eliminating the cost of doing business, as they are much cheaper.

ABOUT THE AUTHOR

Sales director at Webfleet.