

Neo-liberalism and Trade Unions of the Souths' Apathy to Participate in Clean Energy Transition Plans

Abstracts

One of the major challenges confronting the world is climate change and its adverse effects on humanity. There are concerted efforts, on a global scale, for everybody (including trade unions) to be part of initiatives aimed at combating adverse climate change. Transition from use of high emission energy sources to clean energy sources is one of the interventions that are being proposed, and in some cases being implemented, in the energy-mineral space. To bring on board parties that may have reservations about the energy transition, given that their livelihoods may be partly or fully dependent on the high emission energy sector, proponents of the energy transition decided to baptize it as the 'Just Energy Transition' (JET). Under JET, it is claimed that nobody will be left behind or made worse-off by the energy transition. Despite recognizing the need to have a clean environment, trade unions of the global South have reservations in participating in the energy transition plans under the JET framework due to its neo-liberal inclination and undertones. Using the case of South African trade unions, this paper discusses the neo-liberal undertones of the JET framework that have led to trade unions' apathy about it, including its effects on energy products' production network. Proposals that have been put forward by trade unions to ensure that neo-liberalism is detached from the energy transition and, ultimately, climate change mitigation are also presented. The trade unions' position is that they are willing partners in interventions aimed at having a cleaner and sustainable world as long as the process is divorced from self-interest and exploitative neo-liberalism. The paper notes that despite being against the neo-liberal leaning JET, trade unions still lack a comprehensive and well-thought-out alternative plan to it. This is an area that requires more research, inputs, and cooperation with global progressive social forces.

1 Introduction

Trade unions are a key stakeholder on South Africa's socio-economic development path. Apart from being the custodians of workers' interests, they often represent the interests of communities where workers reside, and they influence policy direction of the country in the interest of workers, communities, and the country at large. The trade union movement perspective, in general, tends to lean towards people-centred development, given their mandate to safeguard the well-being of workers. Unions in South Africa have, therefore, continued to be vanguards against the exploitive tendencies of neo-liberalism in any form that they may manifest.

One of the major challenges confronting the world is climate change and its adverse effects on humanity. There are concerted efforts, on a global scale, for everybody including trade unions to be part of initiatives aimed at combating adverse climate change. Specific to South Africa, trade unions are faced with the conundrum of how to embrace the transition to the low carbon emission energy regime in a way that still guarantees livelihoods to their members, given the significant number of people employed in the country's high emissions value chain. It is estimated that more than 500,000 South Africans earn their living, directly and indirectly, from the country's existing high emission energy sector (South African Mining Development Association, 2019).

Unions do recognise the reality and the need to take measures to mitigate climate change through emission reduction, hence they have reluctantly and cautiously participating in the energy transition processes in the country. However, their apprehension on the energy transition has been heightened by the neo-liberal undertones of the interventions that are being proposed by international partners to South Africa. To their dismay, some of these neo-liberal interventions to energy transition have already been accepted by the South African government.

Beyond limiting emissions and subsequently contributing to the noble public good of a favourable climate for mankind, proponents have highlighted other benefits relevant to trade union interests that will result from the transition. Among such benefits is increase in trade in critical minerals, like PGMs, that South Africa has in abundance. It is motivated that increase in trade of such minerals, coupled with the manufacturing of products needed for clean energy generation, has the potential to create jobs to replace those that may be lost in the process. Nevertheless, trade unions are not convinced - given the proposed processes of the transition and their neo-liberal undertones.

Against this background, this paper discusses these neo-liberal undertones of South Africa's Just Energy Transition (JET) framework that have led to trade unions' apathy. The paper highlights proposals that trade unions have put forward to ensure that neo-liberalism is detached from the energy transition and, ultimately, climate change mitigation efforts in the country.

The rest of the paper is arranged as follows:

- Section 2 expounds the link between energy transition, international trade, neo-liberalism, and trade unionism.
- Section 3 focuses on the neo-liberal elements of the country's JET framework.
- Section 4 articulates proposal from trade unions on how to ensure that the energy transition in the country is not captured by neo-liberal forces.
- Section 5 concludes with the default position of trade unions that they are willing to partner up with all other stakeholders on interventions aimed at having a cleaner and sustainable world as long as the process is divorced from self-interest and exploitive neo-liberalism.

2 Energy Transition, International Trade, Neo-liberalism, and Trade Unionism

There is a subtle but yet important link between energy transition, international trade, neo-liberalism, and the interests of trade unions. The energy transition in South Africa will literally affect mining and the subsequent trade in minerals resources - those linked to high emissions and those classified as critical minerals for clean energy. In the energy sector, the transition will bring changes to energy generation, require specific energy technologies, and necessitate the manufacture and supply of clean energy products. Local value addition chains will change, employment will be affected, and trade union memberships impacted on. This section expounds on the international trade dynamics of energy transition for a mineral resource rich country like South Africa in the context of neo-liberalism.

Global and local transition to low emission energy sources has the potential to change the extent and composition of the mineral trade of natural resource rich countries like South Africa. The current dependence on coal and oil as the main source of energy generation will have to be replaced by predominantly renewable energy sources.

There are a number of minerals that are required in the value chain of renewable energy production, particularly cobalt, copper, lithium, nickel, and rare earth metals. These minerals are key inputs in the building of solar plants, wind farms, and production of electric vehicles. It is estimated that the average electric vehicle requires six times more of the mineral inputs compared to a fossil-fuel powered car. The offshore wind farms are also said to require thirteen times more the amount of mineral inputs as gas power plants of a similar capacity (International Energy Agency, 2023).

The use of batteries to store energy so that it is available on demand will be critical in the low emission energy regime. Battery technologies require minerals such as lithium, manganese, graphite, and cobalt. The International Energy Agency estimates that the demand and trade in battery-related minerals will increase to four times its current size by 2050 (International Energy Agency, 2023).

From an international trade perspective, there is no doubt that trade in critical minerals will increase as a result of the energy transition. The key question remains: In whose favour will this trading be? With low value addition in local economies, which is in part linked to lack of technology, mineral-rich countries like South Africa and Congo DRC will remain the exploited parties of international trade.

The neo-liberal international trade architecture will not enable countries that are rich in critical minerals required for energy transition enjoy the full benefits of their increased demand. It will more likely perpetuate exploitation and, in some cases, political instability as global powers compete to access these minerals.

It must be acknowledged that there are efforts on the African continent for countries rich in critical minerals to force local value addition before these minerals are exported. For example, in 2022, Zimbabwe stopped the export of raw lithium to act as catalyst in building local capacity to process battery-grade lithium (Pistilli, 2023). Zambia and Congo DRC announced the same intention at the Africa Mining Indaba in 2021. However, the success of such initiatives by mineral-rich African countries to leverage local economic development from the energy transition is yet to be realized.

The mining sector is and will continue to be of great importance to the energy transition due to its role as an extractor of these minerals. However, trade unions, particularly those organizing in the mining and energy sectors of mineral-rich countries like South Africa, are reluctant to buy into the narrative that the resultant increase in critical minerals will increase jobs and ensure that the livelihoods of workers and communities are not compromised. Trade unions observe that the way the energy transition is being approached is typically like a green structural adjustment process; at the

root of it is making sure that private actors make profit from the world's effort to move towards a low emission energy regime (Sweeney, 2022).

3 Neo-liberal Undertones of the Just Energy Transition in South Africa

At the heart of neo-liberalism is the privatisation of public entities, a process that involves substitution of the state by profit-oriented private sector actors in the provision of public goods and services to the citizenry. In the specific case of South Africa, the state-owned public entity that is responsible for energy generation is called Eskom. As part of the energy transition, both subtle and direct pressure has been put on government to privatise Eskom.

Eskom has faced a number of operational challenges to the extent that it could not supply enough electricity to meet the overall national demand. The utility's problems cut across its generation, distribution, transmission as well as the operational spheres.

The entity was suffering from maladministration and corporate governance deficit (Businesslive, 2021) (BizNews, 2022) (Du Toit, 2021). There were concerns pertaining to over-staffing as well as excessive bonuses for top executives. The entity was also facing increasing input costs stemming from unfavourable contracts it had signed with some coal mines. There was also persistent breakdown of coal power plants that was attributed to the low-grade coal that was being supplied to the entity and advanced age of the power stations (De Lange, 2013). From the demand side, the entity was experiencing revenue deficit due to the non-payment of electricity by municipalities. The debt owed to Eskom continued to escalate due to a significant number of municipalities failing to pay, illegal connections, and outright refusal to pay for electricity by some communities.

In response to these challenges faced by Eskom, government was advised by its neo-liberal leaning consultants to undertake the following in order to rescue the energy situation in the country:

- unbundle Eskom,
- introduce competition in the domestic energy supply,
- open space for independent power producers, and
- stop government subsidies to Eskom.

Each of these suggested interventions was a direct or subtle step toward privatising the local energy sector, as explained in the next section.

3.1 Unbundling of Eskom

In 2019 the South Africa government announced that Eskom, the state-owned company, was to be unbundled. The unbundling process involved splitting Eskom into 3 separate entities, that is: generation, transmission, and distribution - under Eskom Holdings (SA Government, 2019). The rationale for splitting Eskom was that it would lead to specialisation, and eliminate inefficiencies that emanated from running a vertically integrated monopolist entity.

Trade unions vehemently opposed the unbundling of Eskom. They reasoned that the decision to unbundle Eskom did not take into consideration its core mandate of providing electricity in an efficient and sustainable manner to all the citizens of the country. The decision was mainly based on a profit-making motive, and ignored the developmental role of Eskom.

The National Union of Mineworkers (NUM) and the National Union of Metalworkers of South Africa (NUMSA), the two main unions organising in the energy sector, pointed out that unbundling Eskom

would result in job losses, would disadvantage poor workers and vulnerable communities, and that it was just a first step towards privatization the country's energy sector (News24, 2021). The two unions observed that the unbundling of state-owned energy utilities was not a new phenomenon in Africa. It had taken place in Ghana, Uganda, Kenya and Nigeria - with the common outcome of displacing the state from energy generation and provision of electricity to the citizenry. The empirical evidence from other Africa countries confirmed that unbundling was indeed the first step towards energy privatisation.

3.2 Policy change to open up the domestic energy sector to competition

Disguised under the migration to lower emission energy regime, government was lobbied to change policy to introduce competition in the domestic sector. A new energy model was subsequently adopted. The model provided for participation of private actors who are almost expected to compete with Eskom without any preference given to Eskom generation. It was implicitly assumed that clean energy would be supplied by mainly private actors and not Eskom.

Because Eskom generation was already facing historical problems, particularly the debt and non-payment of electricity by poor communities, it was disadvantaged in terms of open competition for business. In essence, the change of policy to introduce competition in the local energy sector was intended to make Eskom carry the historical costs of energy generation and provision in the country, while creating a clean slate or risk-free situation for private actors to supply energy going forward. It was a sure way to bring about the demise of Eskom and, by so doing, reduce the role of government in the domestic energy sector.

3.3 Introduction independent power producers in the local energy space

From the policy that opened up competition in the domestic energy sector there was an aggressive move to provide for and introduce Independent Power Producers (IPPs) in the energy space. Beyond providing extra energy needed to alleviate the energy demand and supply gap, IPPs were considered critical in migration to a cleaner energy regime because many of them were engaged in the renewable energy business.

Government introduced a Renewable Energy Independent Power Producer Procurement Programme (REIPPP) to facilitate the entrance of Independent Powers into the national grid (Eberhard & Naude, 2017).

IPP were given special incentives and business guarantees to encourage them to invest in the domestic energy sector. Selected Independent Power Producers had to sign a 20-year Power Purchase Agreement (PPA) with Eskom. The agreement included non-negotiable provisions on the price at which Eskom would buy power from the IPPs and the obligation of Eskom to pay for the produced power whether used or not. These agreements were signed against the background that Eskom-installed energy producing capacity was higher than the national energy demand. The challenge Eskom was facing was that it was producing less than 60% of its installed capacity. This meant that if Eskom was to increase its efficiency, it would meet national energy needs.

From a privatisation lens, the introduction of IPPs under the REIPPP created an assured market for private actors in the energy space, de-risked them from energy provision business risks, and provided a fertile ground for them to undercut Eskom business. All risks pertaining to conducting energy

business in the country were left with Eskom and the State, while ensuring that private actors' profits are safe.

3.4 Stopping government subsidy to Eskom: Providing it only with money for servicing the loan it owed to private financial institutions

In the investment plan adopted by government to move towards a cleaner energy regime, it is stipulated that no government subsidy related to energy generation should be granted to Eskom. Any money that Eskom receives from government should go towards servicing private debt, and not energy generation.

In recognition of challenges that Eskom was going through, in early 2023 the government announced measures to address Eskom's debt. The government committed to take over the R254 billion debt. This was a welcome intervention for trade unions that still believed that Eskom needed to carry out its developmental mandate. It was assumed that this measure was done in good faith and was meant to improve Eskom's financial position to allow it to make investments in necessary distribution and transmission infrastructure for the energy transition.

To the dismay of trade unions, this came with conditionalities - one of which was the barring of Eskom from participating in new generation activities using savings from the debt relief. Eskom was only allowed to spend on transmission and distribution. The only allowable expenditure on the generation side had to be on emissions control.

The capital expenditure limitation imposed on Eskom pertaining to energy generation meant that the entity was deliberately being replaced in energy generation, using financing as a tool. It was another way for creating space for private actors to take control of energy generation in the country.

Ultimately, trade unions are convinced that the way the energy transition to lower emission energy regime is being planned and executed equates to long-term privatisation of the energy sector of the country. It is based on neo-liberal principles of getting profit from everywhere and everything. Space is continuously being created for private actors to participate in energy generation, transmission, and distribution in the country. Although this does not seem bad at the outset, it will reduce the energy demand from Eskom, loss of its economies of scale, and lead to a further decline in its revenues. With the provision that energy will be sourced from the cheapest producers, Eskom generation and transmission will be further disadvantaged as they already have sunk costs and debt hanging over them.

The result will be a slow choreographed death of Eskom, with the IPPs waiting in the wings. With the demise of Eskom, the South African government will be stripped of the means to use energy and energy policy to direct its national development agenda. All these developments are unfolding, disguised under the Just Energy Transition phenomenon in the country.

4 Trade Union position on the Just Energy Transition in the Context of the Neo-liberalism threat

Trade unions in South Africa acknowledge opportunities that the transition to lower emission energy sources could bring, including increased trade in critical minerals. Nonetheless, they are reluctant to embrace the energy transition given its direct and indirect neo-liberal undertones. To fully embrace the energy transition to a lower emission energy regime, trade unions demand that the transition

should be devoid of any neo-liberal agenda that dilutes the justness of the transition. The meaning of the Just Energy Transition should not be re-crafted by other stakeholders.

For the unions, for the energy transition to be just, the process should entail a move from high emission energy to low emission energy generation and use, in which the livelihoods of people, communities, and national economies that are directly or indirectly dependent on the high emission energy sector are protected and guaranteed. In cases where livelihoods are likely to be negatively affected, alternative sources of livelihood should be provided with prior and mutual agreement of those to be affected.

The climate crisis is a huge threat to jobs, livelihoods, and the security for working class people. Many of the world's most vulnerable people are already dealing with climate instability. To achieve a just energy transition, the unions in South Africa are proposing first a public pathway to energy transition. Underpinning the public pathway to energy transition is the fact that energy needs to be considered as a public and merit service to which all citizens of the country are entitled - regardless of their economic status. Further, it is the responsibility of government to provide energy to the citizenry, in a unilateral or collaborative way with other actors including the private entities.

Unions believe that a public pathway to energy transition would be sensitive to the practical aspects of implementation that carry an inherent risk of making the transition unjust. These aspects include the pace of the transition, the choice and prioritisation of energy sources, energy access, security, and sovereignty.

With regards to the *Pace and Timing of the Just Transition*, they note that the speed at which the Just Transition is unfolding seems to be faster than the process of putting in place safeguards for jobs and community needs. It is imperative that the NUM considers taking a position on that. The speed at which the Just Transition is unravelling should not be based only on environmental concerns, but should also take into account the socio-economic ramifications to the country as a whole. This requires that the pace of the Just Transition be managed in a way that is sensitive and specific to the country's socio-economic imperatives.

Pertaining to *choice and prioritization of energy sources* in the country, trade unions prefer an open minded energy mix approach. In this approach, all energy sources available in the country should be considered for utilization based on their individual merits and circumstances. Energy sources such as hydro, coal, and nuclear should continue to be part of the energy mix the country ought to take advantage of. The high emission energy source like coal may be considered for phase out but in a well-managed way that has minimal adverse effects on the people and communities whose livelihoods depend on such energies.

It is necessary for a country that takes itself to be a developmental state to have *energy security of supply*. The only way to achieve the energy security of supply is to have reliable base-load electricity. The proposed energy transition path that focuses mainly on renewable energy sources does give South Africa the energy security of supply at least in the short term. As of 2023, South Africa can only use coal and nuclear as base-load until such time the country can have storage capacity for the electricity produced by wind turbines and solar panels. Electricity produced by wind turbines is not constant and it is unstable. The solar panels only produce electricity during the day. It is a common phenomenon for countries all over the world to use fossil fuels as base-load. The more developed countries like France use nuclear energy as their base-load. Trade unions content that in development history, there is no country that drove or is driving its economy using renewables as base-load. Hence, it is unrealistic to push a developing country like South Africa to immediately discard all other energy sources for renewable energies, in the name of the just energy transition.

Ensuring *energy access and affordability* to the citizenry can only be the responsibility of government and cannot be delegated to private profit-oriented actors. The electricity generation and supply model proposed under the Just Energy Transition will not guarantee energy access and affordability to the citizens of the country. This is due to the proposed structure of the Independent Power Producers (IPPs) having to sell electricity to Eskom based on the signed Power Purchase Agreements (PPAs). The present agreements compel Eskom to buy electricity from the IPPs at R2.14 and sell it at R0.90. This arrangement will force Eskom to increase the price of electricity so that it can be able to cover the shortfall. In the end, the consumers will have to pay more for the electricity. This will defeat the developmental aim of making sure that there is energy access, and that poverty is eliminated in South Africa.

The unions also propose that for a just energy transition to happen, it should be characterized by:

- *Social Dialogue*: This is a process of various social partners coming together to negotiate certain policy agreements in the best interests of those whom they represent.
- *Social Protection*: Social protection is about people and families having security in the face of vulnerabilities and contingencies; it is about having access to healthcare, and it is about working in safety.
- *Rights at work*: Rights at work include the right to freedom of association, and the effective recognition of the right to collective bargaining.
- *Employment protection and creation*: Employment protection and creation is one of the most important concerns of organised labour. Jobs of those who are working need to be protected and there should be more opportunities created for the those who are not working yet.

Organised labour strongly believes that with the incorporation of the above four characteristics in the energy transition, the transition would become just. The same thinking still underpins the position of workers and their respective trade unions on the just transition aspect in South Africa.

5 Concluding Remark

Trade unions in South Africa, especially those that organise workers in the country's mining and energy sectors, are not oblivious about climate change to which the mining and energy sector are contributors. However, as workers' representatives on the ground they are aware that the changes that will be required to reduce emission from the two sectors will drastically change the operations of these sectors; and in extreme cases some production units of these sector will have to close down. Jobs and sources of livelihoods will be lost. The loss of jobs will threaten the ultimate survival and influence of trade unions in the country as result of the reduction of trade union membership.

To counter trade union fears, it has been proposed that the process of energy transition will be embarked in such a way that nobody will be made worse off in the process – the process that has been baptised as the Just Energy Transition (JET). It is argued that new jobs and sources or livelihood will be created in the low emission energy regime. These jobs and livelihoods will come from increased mining and trade in critical minerals, and participation in value addition chains of producing clean energy products, among others.

Trade unions observe, though, that the justness of the energy transition is in word, not in action. The transition has been hijacked by neo-liberal leaning private actors who are using the need for energy transition in the country to create business. The State is being systematically displaced from its

development role of making sure that citizens have access to affordable electricity and that the country has a reliable energy base-load to support domestic productive activities.

All interventions that have so far been proposed and are being implemented as part of the JET are biased and tend to favour private profit-oriented actors in the local energy sector. There is a noticeable, deliberate effort to create profitable and risk-free business in the country with minimal consideration of the socio-economic development imperatives of the country. Trade unions and other development partners are only talked to as a box-ticking exercise, but their positions and inputs are ignored or lost in implementation.

So, despite recognizing the need to have a clean environment, trade unions in South Africa have reservations in participating in the energy transition plans under the JET framework due to its neo-liberal inclination and undertones. To the extent that trade unions have a say in the implementation of JET in the country, their cooperation and participation in the JET process will be dependent on the separation or divorce of neo-liberalism biases from the energy transition in the country. Trade unions may not be clear about how this will be done, but they are resolute that a just energy transition cannot be achieved if it is based on neo-liberalism principles. They cannot accept such an energy transition. From strictly trade perspective, the transition to cleaner energies may increase trade in critical metals, but the benefits therefore will still be skewed in favour private actors.

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