

# Agriculture, Aquaculture & Fishing Sector



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## In this issue

### SOUTH AFRICA

Surviving the impact of the electricity crisis on food production



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**AGRICULTURE, AQUACULTURE & FISHING SECTOR  
ALERT**

## Surviving the impact of the electricity crisis on food production

Persistent loadshedding continues to pose a significant threat to South Africa's food supply chain and agricultural production. Unforeseen power cuts affect irrigation schedules, heating, fruit and wine processing, milling, bakeries, abattoirs, cold chain logistic and exports. Extreme bouts of rotational power cuts and sporadic changes to the loadshedding stages, have in certain instances resulted in farms and processors having to discard their produce, with farmers reporting losses of between 30% to 50%. The frustration within the agricultural sector is driving farmers and agri-processors to find new solutions to mitigate their losses and manage their risk.

More and more farmers and agri-processors are solving this problem by generating their own electricity from renewable energy resources, particularly after the Department of Mineral Resources and Energy amended schedule 2 of the Electricity Regulation Act 40 of 2004 (Act) on 15 December 2022. The amendment to the Act has exempted generators of power with embedded generation facilities, with a connection point, from the requirement of holding a generation licence from the National Energy Regulator of South Africa (NERSA), in order to produce electricity, irrespective of the size or capacity of the facility. Certain

facilities are still required to be registered with NERSA, but that is a swifter and less cumbersome process than applying for a generation licence. As a result, farmers and agri-processors may generate their own electricity or enter into power purchase agreements with independent power producers, without the need for a generation licence. Due to their cost effectiveness, rooftop solar facilities, with or without battery storage, are the most popular technology.

As farmers and agri-processors invest in their own independent solutions, they will become less reliant on the national electricity grid. The innovative use of battery storage systems to store excess power from the embedded generation facility, that can be deployed when electricity from Eskom is at its most expensive, will also result in significant savings. Battery energy storage systems can also be used to store power directly from the national grid in an effort to achieve an arbitrage on the electricity tariffs by buying and storing electricity at a cheaper price and using such electricity during periods where the tariff rates are at their peak. Buying cheap electricity and using it during expensive periods can result in substantial savings for farmers and agri-processors.

The migration to renewable energy has been encouraged by local municipalities, such as the City of Cape Town, which has opened the gate to allow embedded generation users the opportunity to monetise on their electricity by

**AGRICULTURE, AQUACULTURE & FISHING SECTOR  
ALERT**

## Surviving the impact of the electricity crisis on food production

CONTINUED



selling any excess energy back to the municipalities at set tariffs. In addition, embedded generation projects may be registered as carbon offsets or a carbon credit source to acquire carbon credits, which may ultimately be used as an environmental benefit to accrue environmental credits and tax incentives.

The financial services industry has also identified this as an opportunity and is offering innovative funding solutions to farmers and agri-processors, to enable them to fund the installation of their own independent power generation solutions.

The continued risk of loadshedding is apparent and the stability of the loadshedding stages cannot easily be predicted. The value of embedded generation as an alternative solution cannot be understated as it alleviates the burden on the national electricity grid, provides additional autonomy and security over the availability of electricity, and offers financial and potential environmental and other tax incentives to farmers and agri-processors making use of embedded generation facilities.

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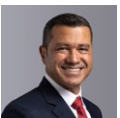
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**BBBEE STATUS: LEVEL ONE CONTRIBUTOR**

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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