

Fresh billions in debt relief for Eskom announced

By  Katja Hamilton

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On the back of South Africa's rand falling to its lowest level this year against the US dollar, the 2023 budget speech saw Finance Minister Enoch Godongwana announcing National Treasury's Eskom debt relief plan.



Source: iStock

The R254bn debt relief amounts to almost as much as the power utility has received in bailouts since 2008, a step in the right direction that will likely determine the currency's next move, analysts say.

"The Eskom debt relief, amounting to R254bn will require a step change in public debt which will result in government debt stabilising at 73.6% of GDP in 2025/26, later and at a higher level than in the 2022 medium term budget policy statements," Godongwana said.

He said government taking over a portion of Eskom's debt will ease pressure on the company's balance sheet, enabling it to invest in transmission and distribution infrastructure. It will also allow Eskom to conduct the maintenance required to improve the availability of electricity, he said.

"Secondly, R337bn of Eskom's debt is already government guaranteed. Explicitly taking on this debt, will reduce fiscal risk and enhance long-term fiscal sustainability."

“ [#Eskom](#): The [#ANC](#) “want what will win them the next election – not what will keep the country going for the next two decades” - André de Ruyter <https://t.co/NxUPABRzu3>
— Pauli Van Wyk (@PaulivW) [February 22, 2023](#) ”

The proposed debt relief comprises two components, Godongwana explained. One is R184bn. This represents Eskom's full debt settlement requirement in three tranches over the medium term. Second is a direct take-over of up to R70bn of Eskom's loan portfolio in 2025/26. "Because of the structure of the debt relief, Eskom will not need further borrowing during the relief period," he said.

Government will finance the arrangement through the R66bn baseline provision announced in the 2019 Budget, and R118bn in additional borrowings over the next three years.

Investing in renewable energy

A fiscal support package to encourage businesses and individuals to invest in renewable energy and increase electricity generation was announced. From 1 March 2023, businesses will be able to reduce their taxable income by 125% of the cost of an investment in renewables.

There will be no thresholds on the size of the projects that qualify, and the incentive will be available for two years to stimulate investment in the short term.

As announced by President Cyril Ramaphosa, government will also introduce a new tax incentive for individuals to install rooftop solar panels to reduce pressure on the grid and help ease loadshedding.

"Individuals who install rooftop solar panels from 1 March, 2023 will be able to claim a rebate of 25% of the cost of the panels, up to a maximum of R15,000. This can be used to reduce their tax liability in the 2023/24 tax year. This incentive will be available for one year," Godongwana said

“ Public enterprises minister Pravin Gordhan has launched an attack on outgoing Eskom CEO André de Ruyter, slamming him for “meddling” in politics instead of focusing on ending load-shedding. <https://t.co/C7NYCDQNVc>— Times LIVE (@TimesLIVE) [February 22, 2023](#) ”

Changes to the Bounce Back Loan Guarantee Scheme are also proposed to incentivise renewable energy, rooftop solar investments, and address energy-related constraints experienced by small and medium enterprises.

Government will guarantee solar-related loans for small and medium enterprises on a 20% first-loss basis.

National Treasury will launch the Energy Bounce Back Scheme in April 2023.

In addition, by means of the Just Energy Transition investment plan, launched by the President in 2022 at the Cop27, significant investments will be made in SA's economy over the next five years, supported by a coherent industrial policy to enable innovation and economic diversification.

The International Partners Group of developed economies in 2021 pledged \$8.5bn to support South Africa's transition. As in the 2022 Budget, government again proposes no changes to the general fuel levy or the Road Accident Fund levy.

To limit the impact of the energy crisis on food prices, the diesel fuel levy refund will be extended to manufacturers of foodstuffs for a period of two years, from 1 April 2023 until 31 March 2025. Furthermore, old age and disability grants will increase by R90 on 1 April and a further R10 on 1 October 2023. The child support grant rises from R480 to R510 on 1 October 2023. Foster-care grant increases from R1,070 to R1,130 over the same period.

Total consolidated government spending will amount to R7.08tn over the next three years, of which 51% or R3.6 tn is allocated for the social wage.

Read the full 2023 Budget Speech [here](#).

ABOUT KATJA HAMILTON

Katja is the Finance, Property and Healthcare Editor at Bizcommunity.

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