

Comments on Draft National Legislation

Name of Department:	Economic Development & Tourism		
Matter: (Title of Legislation)	Advancement of New Energy Vehicles Green Paper		
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COMMENTS:

Clause <i>(Indicate clause/ regulation Number)</i>	Comment <i>(State why the clause/regulation or proposed amendment is not supported or what the problem is with the provision)</i>	Suggestion <i>(Suggested deletion/amendment/ addition)</i>
General	The overall thrust of the Green Paper is positive, recognising that South Africa needed to prepare for EVs. However, the Green Paper is light on detail, which means that unless matters such as those set out below are addressed, a significant amount of work would have to be done during the White Paper stage to deal with these issues.	<p>Consideration should be given to providing more detail in certain areas, and where detail must still be determined, indicating explicit areas for further development during the White Paper phase.</p> <p>*For additional information please also find attached research conducted by GreenCape in the form of the 2021 Electric Vehicles Market Intelligence report. See https://www.greencape.co.za/assets/EV_MIR_9_4_21.pdf</p>
General	There are few targets set for transitioning to EVs over the next however many years; there's no quantification of what it would take to achieve ambitious targets. The changes in many countries globally towards EVs have been rapid and very ambitious, and if South Africa does not move decisively and fast, it risks losing export market share, particularly with new vehicle brands entering the market and building a name for themselves as being of a good quality.	The Green Paper should set ambitious targets for the growth of the sector – this should then be translated into a plan of action for achieving the targets.
1.4. Reducing	The Green Paper lists a range of different solutions, including	The definition of electric

<p>the carbon footprint and creating a fertile business environment</p>	<p>hybrid electric vehicles, plug-in hybrid electric vehicles, and the introduction of zero-emission tailpipe vehicles such as battery electric vehicles [BEV] and hydrogen fuel cell electric vehicles [FCEV].</p>	<p>vehicles (and new energy vehicles) used in the Green Paper should also include micro-mobility such as electric bikes and electric scooters, which will likely play a key role in the transition.</p>
<p>2 The proposal and the key policy instruments</p>	<p>The paper raises the possibility of an incentive scheme to support EVs, noting that it would have to have a "soft run-out". Implementing generous incentives in a fiscally constrained environment will be difficult, and requires further consideration.</p>	<p>The Green Paper should explore issues such as where exactly the incentive would be applied (for example, at the point of sale, or as an incentive to manufacturers to enable them to produce more cheaply, or as a rebate on vehicle licenses, or a rebate on the carbon tax, or a combination of the above. The policy statement must also pay attention to who would carry the cost of the different incentives.</p>
<p>2.1 Key principles and challenges</p>	<p>The Green Paper provides that South Africa will be technology agnostic to keep the country's options as open as possible. However, it may be asked whether components that are at an advanced stage of development, such as connectors, safety systems, and power ratings, should be standardized through a common standards platform created by – for example – the South African Bureau of Standards (SABS).</p> <p>It may also be necessary to create standards and technical norms to ensure vehicles can conveniently be connected to the grid to recharge and allow for interoperability. With interoperability, an EV driver could charge at a variety of public networks and not be limited to only a certain type of charger or connector. This would also ensure that networks are developed in an optimized manner and are driven to maintain price competitiveness.</p>	<p>The EV Green Paper should consider how to balance being technology agnostic and allowing for "global standards" that enable EV roll-out, rather than giving rise to technological islands.</p>
<p>2.1 Key principles and challenges</p>	<p>The paper doesn't provide much detail about the role that R&D might play in the development of an EV manufacturing sector. The following matters come to the fore relating to R&D:</p> <ul style="list-style-type: none"> • Does South Africa choose to be a technology adopter, or should attention go towards adapting technology for local solutions or for the African market? • Given that SA manufactures international makes and 	<p>The Green Paper should make reference to the role of research & development in developing a sustainable EV industry in South Africa, and how support could be provided to move from R&D to commercialisation in the</p>

	<p>models, it should be able to leap frog the R&D curve</p> <ul style="list-style-type: none"> • Is there scope for local EV manufacturing for the non-passenger market (mining vehicles, golf carts, fork lifts etc.)? • Are there local non-passenger EV concepts that require support to move towards commercialisation? 	EV space.
2.1 Key principles and challenges	The paper points out that the transition to EVs should be accompanied by a transition in the country's energy mix to ensure that the benefits of deploying EVs are not eroded by EVs being charged off coal-fired electricity. There is, however, little detail about how EVs are linked to the deployment of smart grids and distributed (renewable energy) power generation.	The Green Paper should pay more attention to the link between EVs and the transition to renewable distributed energy generation
2.1 Key principles and challenges	There is reference to the need to strengthen the EV charging infrastructure network, and that the private sector would have to play a role in its development. However, there are areas on which the Paper is silent. The manner in which the roll-out of EVs is conceptualised would determine the manner in which a network is consciously built, rather than leaving it to an "organic" process of uncoordinated efforts that may be sub-optimal. There are also lessons to be learnt from how charging networks have been rolled out in other countries, and how this might be translated into the South African context.	This policy paper would have to look at how an infrastructure network fits in with a strategy to significantly increase the uptake of EVs in South Africa; what role would the public sector need to play where roll-out is led by the private sector, and what the best solution might be for South Africa.
2.1 Key principles and challenges	An EV policy would have to account for how the transition to EVs might impact on jobs in auto manufacturing (destroying jobs or bringing new jobs), and how it might impact in the long run on the vehicle servicing industry (filling stations etc.).	Consideration should be given to whether there are successful models elsewhere in the world that indicate potential paths for the transition.
2.1. Key principles and challenges	The Green Paper also notes that the benefit of EVs to South Africa must be quantified in terms of jobs and industrial capabilities; there appears to be little space for quantifying the benefits of EVs in terms of environmental benefits of moving away from fossil fuels. Given the content of South Africa's National Determined Contributions (NDCs) (ie. South Africa's commitments to the Paris Agreement), this is important with emissions from the transport sector accounting for approx. 10% of the country's total greenhouse gas emissions, with road transport being responsible for 88% of these GHG emissions (National GHG inventory – based on 2017 data).	The EV Green Paper should focus more clearly on the environmental benefits associated with EVs as part of the value proposition for South Africa.

<p>2.2 Use tax reforms to support industrial policy ambitions</p>	<p>The Green Paper proposes that import duty on EVs would have to be reviewed. The following issues may be raised in relation to tax rebates, namely:</p> <ul style="list-style-type: none"> • how the discounts may be calculated; • how long they might have to be applied for • exactly which other measures could be employed to ensure that the price of imported EVs and EV components come down • how to stimulate local manufacturing of components (through a combination of the right kind of import tariffs and local content requirements, coupled with programmes that develop local capacity to supply an increasing percentage of components). 	<p>There is a need to do a much more detailed investigation of a range of tax incentives that might stimulate the EV market, including phase out or exit plans thereof to ensure that the industry doesn't collapse with the removal of the tax incentives, but is rather supported in a sustainable manner.</p>
<p>2.2 Use tax reforms to support industrial policy ambitions</p>	<p>This section specifically proposes the reduction of the Ad Valorem tax to reduce the price of EVs for a period of, for example, 5 years.</p>	<p>Consideration should be given to a shorter period of reviewing the standard rate from 5 years to 1-2 years to allow for unforeseen (significant) events and factors such as technology changes, exchange rate changes, etc.</p>
<p>2.2 & 2.3</p>	<p>One of the EV industrialisation policy options for consideration is to lower or for zero rated duties/tariffs for identified unique EV components.</p> <p>This option is supported as it would not just reduce the cost of importation of EVs and EV components, but it can also be incorporated in a strategy to help South Africa migrate to manufacturing components and EVs locally.</p>	<p>Lowering or zero-rating import tariffs on components for local EV assembly and on imported EVs to help grow the market. Import tax and tariff relief should be part of a strategy that helps South Africa migrate to manufacturing components and EVs locally (for the domestic and export market), so that South Africa moves beyond just assembling imported parts and cars.</p>
<p>2.3 Local Manufacturing</p>	<p>Competitive manufacturing in South Africa for the EV sector will not be achieved overnight, nor without significant reorientation of at least a section of the auto industry. The EV Green Paper does not explore in detail what will be required to have EVs manufactured competitively in South Africa,</p>	<p>The Green Paper should provide more detail of what is required for competitive manufacturing in the EV sector (or the steps to ascertain what is required), and how this understanding might be translated into an</p>

		industry support programme (distinct from or in conjunction with support programmes for the internal combustion engine industry).
2.3 Local Manufacturing	Neither the South African Automotive Masterplan or the SA electromobility regulatory framework are discussed beyond a mention but could hold the key to driving local manufacturing and domestic demand for EVs (either in their current or revised form). There is also little discussion on the Clean Fuels roadmap from the current Euro 2 that is mentioned.	Consideration should be given to discussing the following in the Green Paper: <ul style="list-style-type: none"> • what the position in these frameworks is on EVs (or NEVs) • why each of them is needed to drive forward the objectives set out in the Green Paper • what may need to change in each to support the objectives of the Green Paper • who is driving the linkages between the different instruments
2.3 Local manufacturing	<p>The Green Paper argues that there is a link between the transition to EVs and a transition towards renewable energy supply for manufacturing operations.</p> <p>Remaining capacity/energy gaps should be addressed through an accelerated DMRE RMPPP (Risk Mitigation Power Purchase Programme) process to ensure sufficient capacity is available and online to support the increased demand from EVs and automotive manufacturing.</p> <p>A successful roll-out of EVs must also be backed by a multi-faceted, customer focused response at scale, driven by Small Scale Embedded Generation (residential), embedded generation (commercial/agricultural), EG/DG (industrial/mining), and storage.</p>	The Green Paper should explore the need to upgrade the electricity grid, particularly in implementing smart grid, grid management and smart charging (all renewable energy based as far as possible) to account for the increased electricity demand from electric vehicles and automotive manufacturing.
2.3 Local manufacturing	One of the measures that could be explored to stimulate the EV value chain is the re-use of EV batteries to supply homes with electricity to mitigate against power outages and a better balance of energy demand and supply cycles.	Consideration should be given to including a section on the potential for Vehicle to Grid (V2G), Vehicle to Home (V2H), inductive charging, and wireless charging for electric vehicles.

Signature of manager responsible for comments

Date:

Comments noted and supported.

(Head of Department)

Date:

Comments noted and supported.

(Provincial Minister)

Date: