

Of Coal and Revolutions - Revisited

The energy transition is happening. The harder question is who pays.

by Lionel Kruger, managing director, Lionel Kruger & Associates 08 October 2026



Credit: Getty

When I wrote *Of Coal and Revolutions* in 2019, my concern was that Africa could not approach the energy transition as though decarbonisation were simply a choice between coal and renewables.

Electricity access mattered. Reliability mattered. So did the communities whose livelihoods depended on coal.

Seven years later, renewable energy is firmly established and South Africa's electricity market is being transformed. But the meaning of a "just transition" has become more complicated. The question is no longer only what replaces

coal. Increasingly, it is who pays for the system we are leaving behind - and who finances the one replacing it.

South African renewable energy no longer needs to prove that it can attract private capital. REIPPPP demonstrated more than a decade ago what carefully structured procurement, bankable contracts and sensible risk allocation could achieve.

Since then, the market has moved well beyond government procurement. Private PPAs, embedded generation, electricity trading and battery storage are attracting substantial capital. NERSA's Q1 2026/27 update records 2,619 generation facilities registered since 2018, representing more than 20 GW and an estimated investment value of around R409bn.

This is no longer simply a transition from coal-fired generation to renewables. The electricity market itself is being rebuilt.

Large industrial users now have choices that barely existed when I wrote the original article. Mines and other creditworthy corporates can contract with independent generators or traders and wheel electricity through national or municipal networks. They can achieve greater price certainty, access renewable electricity and gain more control over an input fundamental to their businesses.

There are compelling commercial reasons for doing so. But there is another side to this. These companies have historically been among the most financially attractive customers in the incumbent electricity system. The OECD estimates that electricity revenues account for around 25-30% of total municipal government income in South Africa, approaching 50% in some areas. Electricity margins have also helped finance expenditure outside the networks themselves.

At the same time, much of local government is in poor financial and operational condition. The Auditor-General's 2024/25 assessment found only 35% of municipalities to be in good financial health. Municipalities took an average of 129 days to collect amounts owed and wrote off R62.12bn of debt they could not recover.

If a municipality sells an increasingly expensive product through an inadequately maintained network, while offering unreliable service and weak administration, we should hardly be surprised when its largest customers exercise choice once they are able to do so.

The difficulty is what happens to the costs they leave behind.

A customer can change electricity supplier. The network does not disappear. Transmission and distribution infrastructure still needs to be maintained and expanded, system security still costs money and social obligations remain.

Somebody still has to pay.

For the PPP market, this raises a different question.

South Africa has proved that private capital can finance new generation. The harder infrastructure question may now be how to finance and operate the networks underneath an increasingly competitive electricity market.

The OECD has suggested that struggling municipalities could ultimately transfer electricity-distribution operations to independent companies under concession agreements, while retaining ownership of the grid.

Private operators could bring capital and operating expertise, with municipalities receiving concession income.

That is an intriguing proposition, but it is not a financial sleight of hand. A concession does not make the underlying costs disappear. It needs a sustainable revenue model, clear service obligations and a deliberate allocation of risk between the municipality, private operator and electricity users.

The same applies more broadly to electricity-market reform.

South Africa's proposed pricing reforms seek to make the different components of electricity costs more transparent. That matters. Generation, networks, system services, social subsidies, losses and inefficiency have historically been capable of disappearing into a single tariff. Competition makes that increasingly difficult.

And that is probably healthy.

Municipalities cannot reasonably expect customers to subsidise inefficiency indefinitely simply because electricity has historically provided a convenient source of revenue. Equally, municipal financial failure cannot be allowed to undermine distribution networks on which private generators, traders and consumers all depend.

This is where my thinking has changed since 2019.

Coal communities still need viable economic futures and poorer consumers need affordable, reliable electricity.

But a just transition must also accommodate the capital required to build and maintain the new system. Private investors need to earn returns commensurate with the risks they assume, while public infrastructure needs a sustainable funding model.

For PPPs, the opportunity may therefore extend well beyond building more renewable generation. It may increasingly lie in helping restructure and finance the networks that make a competitive electricity market possible.

The objective should not be to protect the old electricity model. It should be to make sure that the costs of replacing it are visible and deliberately allocated.

Otherwise, those least able to change supplier, self-generate or absorb higher tariffs risk becoming the residual financiers of the system we are leaving behind.

The transition is happening. The harder question is whether it will truly be just.

