The Load Shedding Impact on the South African Economy: Analyzing Price Inflation and Strategies for Post-Load Shedding Price Reductions

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Abstract:

Years of corruption and mismanagement have since left the Eskom utility company with a considerable debt that has prevented it from investing heavily in building new infrastructure and maintaining the old ones. Eskom lacks sufficient generating capacity as South Africa produces around 47,000 MW against an installed generation capacity of 52 000 MW and is struggling to satisfy growing demand for electricity in the country. To preserve the national electricity grid, Eskom has been resorting to voluntary power outages called loadshedding, which have a significant impact on the country's economic growth, public finances, and political stability. With loadshedding going on for the past 15 years, Eskom's power reliability was at its all-time lowest in 97 years disrupting and closing businesses and negatively impacting on households, costing the economy between R60-billion and R120-billion in 2019. The study seeks to contribute to the understanding of policy challenges confronting South Africa due to the economic downturn which caused an inflation on prices. Understanding South Africa's energy sector challenges is a path to fully understanding the country's business climate, an important link to attracting sectoral investment into the country's future growth. The study will cover a comprehensive review of documents such as the regulatory framework, policies, and other relevant reports to be able to uncover the prevalence and intricacies of loadshedding with a specific focus on the economic sector. The recommendations will contribute significantly to the governance decisions towards an improvement in the policy landscape.