



OUTA

ORGANISATION UNDOING TAX ABUSE

IEP & IRP RESPONSE DEC 2016

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WHO IS OUTA?

ORGANISATION UNDOING TAX ABUSE

A proudly South African non-profit **Civil Action Organisation**, supported by the public, with a mandate and intention of improving the prosperity of South Africa, by challenging the abuse of authority.

PUBLIC ENGAGEMENT... A FLAWED PROCESS

- We have waited 11 years for the IEP update and 6 years for IRP.
- And now public engagement is being rushed into a very short and unreasonable participation process.
- DoE's IRP2016 document available since Jan 2016??
- The lights are on with sufficient current capacity 46GW vs 32GW needed. **Why the rush?**

IEP/IRP- PROCESS FLAWED

- Unless process and DOE's intentions are credible, the public is being asked to rubber stamp flawed process.
- Advertising of this public participation was grossly inadequate.
- Meaningful engagement at a sensible pace must be displayed.
- The IRP should follow the IEP process.
- Why is DOE running IEP and IRP in parallel?

IEP/IRP ENGAGEMENT PROCESS

- Any significant changes to IEP will (must) impact on IRP – as latter flows from former.
- The public participation process closes before policy adjustment commences. Public **must** be allowed to comment both on the amended draft and again on any policy adjustment to the IRP
- Unless this happens, the process allows for reverse engineering to favour questionable energy sources into final IRP.

STAKEHOLDER ENGAGEMENT

Take note of this quote in IEP2012 (pg 40)

1.2.1 Stakeholder Engagement

“Stakeholder engagement underpins the entire IEP development process and is critical in ensuring that the IEP is understood, its development process is transparent, and that ultimately the necessary stakeholder buy-in is obtained”

- In our opinion, **buy-in** will require that public are invited to comment at final draft and after policy adjustments have taken place.

IRP ENGAGEMENT PROCESS

- A rushed program flouts PAJA and Section 195 of Constitution, in as far as meaningful public consultation goes.
- The rushed public engagement process smacks of token participation.
- Also flouts National Energy Act of 2008 – which defines the construction and development of the IEP

IRP2016 PROCESS SHORTCOMINGS

Documents were Gazetted without annexures – then withdrawn and replaced – (see EE publishers Article)

- A number of the Appendices referred in Section 7 of the gazetted Draft IRP2016 dated October 2016 are missing, and contrary to what is stated on page 18, these are not readily available on the DoE website.
- Within days, a revised Draft IRP2016 Revision 1 dated November 2016 was published on the DoE website in which all references to the above missing Appendices have now been removed ??

IEP/IRP BASE CASE FLAWED

- Starting point of IEP is flawed – in that it starts with selective IRP-2010 assumptions.
- The lowest cost base case was not published in IRP-2016, yet this approach was applied in 2010. Lack of consistency raises questions.
- Lowest cost is not only best practice but a prerequisite.
- Accordingly the additional scenarios become flawed/afflicted

IEP/IRP ASSUMPTIONS FLAWED

- The base case scenarios presented in the IEP are simply replicated in the IRP.
- Evidence that scenarios have been selected without forethought and have been clustered to negate a wider range of options.
- This appears to create a bias toward inclusion of nuclear.
- Process appears random/unscientific and highly questionable

IEP/IRP ASSUMPTIONS FLAWED

- We know that an IRP-2016 lowest cost base model exists, as the MACE subcommittee was requested to supply this and recommended it.
- The MACE recommendation indicated no nuclear power needed.
- Why then does Nuclear Energy appear to be set as a given in the IRP-2016 Base case?
- Why have DOE placed artificial constraints on Renewable Energy?

ASSUMPTIONS QUESTIONABLE

- Assumed energy demand increase from 2017 defies current flat rate of demand.
- Eskom's future significant tariff hikes and its relative negative impact of price elasticity on demand appears to be ignored.
- Coal decommissioning with no new (uncommitted) coal prior to 2045 appears to artificially enable Nuclear
- Contradiction in IRP which indicates current coal decommissioning, yet Eskom have clearly indicated life extension of existing plants with cleaner emission technology.

IRP BASE CASE FLAWED

- Extract from Pg 13 of 2016 IEP draft

Integrated Energy Plan

“...All the above mentioned core scenarios **include** the implementation of the 9.6 GW New Nuclear Build Programme, a policy decision that was outlined in the Integrated Resource Plan 2010 (IRP2010) and mentioned by the President in his 2014 State of the National Address.”

- **This is unacceptable to OUTA**

IEP/IRP ASSUMPTIONS FLAWED

- Highly questionable assumptions and inexplicable omissions:
 - Growth of rooftop solar omitted,
 - Optimistic GDP growth rates – well ahead of Treasury assumptions.
 - Population growth rates questionable
 - Life of mining, smelting & other industries questionable.

IEP/IRP ASSUMPTIONS FLAWED

- IRP inconsistent with prices of new build technologies.
 - For Nuclear – Base case looked at Western and Asian examples and chose lowest cost from these (contrary to EPRI which DoE keeps quoting).
 - Yet latest known lower costs of PV & Wind generation are ignored.
- Technology learning rates applied in model assumptions show relatively low improvements for various RE alternatives, whilst recent trends indicate significantly improved levels.

IEP/IRP OVERLOOKS ESKOM BEHAVIOUR

- Eskom has history of ignoring serious issues of wasteful expenditure and questionable deals, not only limited to that implicated in State Capture
- Massive cost over runs on new-build (Medupi ZA 69 billion – 193 billion; Kusile ZAR 80 billion – 213 billion; Ingula ZAR 9 billion to ZAR 36 billion)
- Existing Ministerial Determinations on renewables can sustain a steady build of low cost energy – yet these are ignored by Eskom who displays an urgent attempt to start with a nuclear build program.

ESKOM'S BEHAVIOUR IGNORED

- IRP “base case” assumes high amounts of independent power purchases by Eskom
- Yet, Eskom presently defies Ministerial Determinations and refuses to buy additional independent power.
- Will DOE / Government bring Eskom into line and if not, how have they built their behaviour into IRP?
- Process should be suspended until it becomes clear that Eskom can be made to obey the law otherwise IRP becomes academic exercise

ESKOM DOMINANCE SUPPORTED

- Eskom's monopolistic dominance has become a burden to SA - through constrained IPP programs
- The IEP and IRP base case scenarios retains and further entrenches Eskom's dominance.
- The IEP / IRP appears to be manipulated to enable Eskom's control and capture of the electricity sector for the next 50 plus years

MISTRUST IN DOE LEADERSHIP

- The DOE's actions appear to support Eskom's haste to implement the new nuclear build program.
- Lowest cost electricity is key for economic development - not demonstrated in IEP/IRP process.
- This approach ignores the NDP premise of economic growth supported by cheapest electricity options

...MISTRUST IN DOE LEADERSHIP

- SA has been misled about the costs of nuclear energy generation costs... R1.20 – R1.40 /kWh in a prior year scenario document, yet IRP-2016 uses R0.97 /kWh.
- As per Parliament - DOE secretly spent R171m under “confidential” reasons on “preparing for nuclear on an information management system with Empire Technology owned by Shantan Reddy, the son of Zuma’s friend Vivian

Reddy” <http://www.businesslive.co.za/bd/national/2016-11-30-nuclear-secrets-revealed/>

...MISTRUST IN DOE LEADERSHIP

Questionable conduct by DOE since 2013, requires that we deal with the elephant in the room.

(5 slides at the end of this presentation gives more detail)

- IRP-2010 update in 2013 was necessary and credibly conducted & yet never promulgated.
- 21 November 2013, Draft IRP update was published.
- There was no indication it would **not** be followed through on.

...MISTRUST IN DOE LEADERSHIP

- Yet on 11 November 2013, while the process was underway and it emerged that nuclear would not be needed, the Minister Of Energy Ben Martins signed a 9.6 GW determination indicated in the outdated 2010 IRP. Why?
- There was no way he could have known on that date, that the IRP-2013 would not be followed though.
- **This creates extreme doubt about the bonafides and rationality of the nuclear decision**

...MISTRUST IN DOE LEADERSHIP

- The fact that the very existence of that determination was only gazetted on 21 December 2015 (two years later) creates extreme suspicion.
- Since 2013 government's actions have ensured the nuclear deal has remained alive for dubious reasons.
- Similar actions are being repeated today.
- We need transparency and reasons for this conduct.

OUTA DEMANDS

- Finalise the IEP first and suspend IRP until IEP process is complete
- Conduct meaningful public engagement process - more time.
- IEP process adopts lowest cost scenario as base case.
- IRP should not constrain any technology

...OUTA DEMANDS

- Investigate Eskom corruption - ascertain if Eskom is willing to sign PPA's.
- Allow and ensure meaningful public participation now and again, after the policy adjustment phase.
- With all indications that nuclear build is being politically motivated and is not necessary, DOE must instruct Eskom to suspend activity and wasteful spend on Nuclear, until outcomes of IEP and IRP is finalized and promulgated.

...OUTA DEMANDS

- Each scenario presented is supplied with electricity price tariff impact over the period to 2050 and impact on business / public
- Each IEP scenario should also present socio-economic impact on jobs (losses and gains).

CONTACT DETAILS

Thank you for your time.

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ADDITIONAL SLIDES WHICH SUPPORT OUTA'S VIEWS OF GROWING MISTRUST IN DOE: IEP-2016 FLAWED USE OF IRP-2010

Deputy Minister **Barbara Thompson** says the [IEP-2014] draft process...

- The draft report contains a 'base case' and several test cases, which are premised on a set of core assumptions relating to matters such as [project](#) discount rates, population and demand growth and [energy](#) prices.
- **The 'base case', which offers the lowest cost outcome for the period from 2010 to 2030** across both electricity and liquid fuels, **fails to meet a range of other policy objectives**, including South [Africa](#)'s carbon-dioxide emission reduction commitments and its aspiration to materially lower [water](#) intensity.

Source <http://www.engineeringnews.co.za/article/south-africa-aims-to-finalise-integrated-energy-plan-in-2014-2013-09-25>

DOE DECLARES IRP-2010 OBSOLETE IN 2013

- Dear Stakeholders
- The Integrated Resource Plan (IRP) 2010-30 was promulgated in March 2011. It was indicated at the time that the IRP should be a “living plan” which would be revised by the Department of Energy (DoE) every two years i.e. an Update is required in 2013.
- Since the promulgation of the Integrated Resource Plan (IRP) 2010-30 there have been a number of developments in the energy sector in South and Southern Africa. In addition the electricity demand outlook has changed markedly from that expected in 2010. Consequently the Department of Energy have completed an IRP 2010 Update which is available for you to download.

MISTRUST OF DOE ABUSE OF PROCESS STARTING 2013

- In 21 November 2013 – Draft IRP update was published
- There was no indication it would **not** be followed through on:
- To quote from the executive summary:

*“**The nuclear decision can possibly be delayed.** The revised demand projections suggest that no new nuclear base-load capacity is required until **after** 2025 (and for lower demand not until at earliest 2035) and that there are alternative options, such as regional hydro, that can fulfil the requirement and allow further exploration of the shale gas potential before prematurely committing to a technology that may be redundant if the electricity demand expectations do not materialise;”*

- http://www.doe-irp.co.za/content/IRP2010_updatea.pdf

MISTRUST OF DOE

ABUSE OF PROCESS STARTING 2013

- Yet ten days earlier, on 11 November 2013, while the process was in full flow and it had almost certainly already emerged nuclear would not be needed, the Minister Of Energy Ben Martins signs a 9.6 GW determination under the 2010 IRP. Why?
- There was no way he could have known on that date that the IRP 2013 would not be followed though. **This creates extreme doubt about the bona fides and rationality of the decision.**
- ***The fact that the very existence of the determination was only gazetted on 21 December 2015 (two years later) creates extreme suspicion*** about the process. Especially as there was another Gazette dealing with electricity matters and Ministerial Determinations on 18 August 2015 – why was the nuclear determination not included herein?

...DOT – ABUSE OF PROCESS

- Moreover, knowing for two years that the IRP 2013 was postponed and questioned nuclear and not having gazetted the determination, why then did the Minister follow through on it at the end of 2015?
- Also in November 2013, the draft ISMO Bill which had gone through Parliament was allowed to lapse.
- Minister of Energy said Eskom could not be “player, referee and linesman”. (Refer to: <http://www.bdlive.co.za/business/energy/2014/02/19/eskom-no-longer-player-referee-and-linesman-if-new-plan-is-approved>)
- **Since 2013 governments actions have ensured the nuclear deal remained alive for questionable reasons. Similar actions are being repeated now today. Why?**