

National Assembly question: Question 150

Mr D C Ross (DA) to ask the Minister of Energy:

- 1) Whether she has been informed that the Energy Development Corporation (ECD) has not made any progress on the envisaged 90 million litres per annum of bio-ethanol production at the facility in Cradock, Eastern Cape, as the Central Energy Fund (CEF) indicated its withdrawal on 12 July 2011; if not, what is the position in this regard; if so, what (a) is the current functional status of the intergovernmental bio-fuel task team who adopted the Sugar Beet, Cradock project and (b) progress has been made by the accounting authority to submit information (details furnished);
- 2) whether she has been informed that the CEF could not sign the shareholder agreement in the absence of approval in terms of section 54 of the Public Finance Management Act, Act 1 of 1999; if not, what is the position in this regard; if so, what are the relevant details? NO2478E

REPLY

- 1) Yes, through the leadership of my Department, the Biofuels Task Team (BTT) remains committed to guiding the development of South Africa's nascent biofuels industry. As you have rightfully stated, the BTT adopted the Cradock bioethanol project plant as a pilot, and is still forging ahead with piloting this project.

Pertaining to the current functional status of the BTT, this inter-governmental body continues to execute its responsibilities as mandated by Cabinet in 2005. This year, the BTT last met on 23 June 2011, and will immediately convene once the two studies on determining the biofuels break-even price and bioethanol blending value have been completed to discuss the recommendations for further approval by Cabinet.

I will then provide a detailed report to Cabinet on progress made in developing the local biofuels industry once the BTT have duly considered the recommendations of both studies.

- 2) Yes, I did not provide the section 54 approval as I needed to satisfy myself that the transaction will not unnecessarily burden the entity. There were other reasons why the shareholders agreement was not signed chief among them being the fact that it required that on signature all signatories make their contributions available. CEF's 48% shareholding, equivalent to R446 million was to be financed through a R350 million loan on the strength of CEF's balance sheet and R100 million from CEF's

reserves, but this increased to approximately R800 million as a result of increases in the project costs.

The uncertainty around the approval of the water licence for the project and the fact that the pricing framework was yet to be finalised meant that CEF would have to finance the loan and interest until such time as the project becomes operational and profitable.

After considering the involvement of the Industrial Development Corporation (IDC) in the same project and the fact that the IDC had proceeded with the ordering of long lead items prior to reaching bankability, as well as other commitments of CEF, the continued involvement of CEF in the project was not recommended.