



MINISTRY OF ENERGY
REPUBLIC OF SOUTH AFRICA

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Memorandum from the Parliamentary Office

National Assembly : 418 (NO3755E)

Mrs. C Dudley (ACDP) to ask the Minister of Energy:

Why does the Government place stringent controls on the renewable energy industry by not offering subsidies like it does for the coal mining industry? NO3755E

Reply:

When external costs, like medical and environmental costs associated with coal mining, are not reflected in the price that is paid for the coal, this is tantamount to a subsidy because it is government that pays the medical bills of those affected by coal mining, and government also pays for environmental rehabilitation of coal mines. The end-user is therefore not charged for the full costs of coal mining. The argument then is that should these “externalities” be included in the coal price, renewable energy will become more competitive in comparative terms.

The introduction of renewable energy technologies is aimed at meeting our energy policy objectives like reducing water consumption and reducing greenhouse gas emissions. In the South African context, the renewable energy industry has grown significantly over the last 4 years, through a process of deliberate facilitation by government. Despite a long legacy of power generation using coal, technologies like wind turbines, solar photovoltaic and concentrating solar power have been introduced through determinations made by the

Minister of Energy that require that Eskom must buy power generated from these alternative technologies. By 2014 renewable energy IPP production costs had fallen to a level that was competitive enough as to not warrant any government subsidies.

Fortunately South Africa is blessed with the wind and solar resource base that allows for power generation from these resources to be competitive enough. Over and above wind, solar, biomass technologies, government is pursuing regional renewable energy projects like the Inga Hydropower Project, which offers the possibility of generating up to 40 Gigawatts of renewable energy. We have signed a Treaty with the Democratic Republic of Congo in this regard.

It is therefore clear that rather than placing stringent controls on renewable energy, government policy is to introduce the energy mix as outlined in the Integrated Resource Plan, including coal, renewable energy, gas, nuclear and energy efficiency.