



MINISTRY OF ENERGY  
REPUBLIC OF SOUTH AFRICA

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**Memorandum from the Parliamentary Office**

**252. Ms C Labuschagne (Western Cape: DA) to ask the Minister of Energy:**

Whether her department will have an oversight role over Eskom and its Nuclear New Build Programme; if not, why not; if so, what are the relevant details? CO511E

**Reply:**

I wish to clarify that it is not Eskom's Nuclear New Build Programme but rather that of Government as a whole. The Programme is broader than just Eskom various state owned entities will also be involved.

A Governance Framework will be put in place (currently under development by the Department of Energy) to oversee the new build programme including parliament's important oversight role through the system of parliamentary committees. Once this is done, and approved by Cabinet, the relevant details will be provided to Parliament. In addition the Cabinet has a special sub-committee, the Energy Security Cabinet Sub-Committee, that is tasked with reviewing and monitoring the Programme and advising Cabinet according.

Please read attached opinion piece that was published in the Sunday Times dated 16 October 2016, as it explains in more detail and provides a holistic picture in response to the question asked.

## Op-Ed for the Sunday Times 16 October 2016

Over the past two weeks the Department of Energy has made significant strides in advancing government energy policy for the electricity sector, in particular regarding our aspiration for an energy mix comprising coal, nuclear, gas, hydro, solar and wind power generation technologies.

Against a legacy of a dominant coal power generation sector, it is prudent for Government to take measures that decarbonise our economy. In October 2011 Cabinet adopted the climate change policy, which has culminated in South Africa endorsing the Paris Agreement under the auspices of the United Nations Framework Convention on Climate Change.

Government has set specific objectives for the energy sector, upon which the case for the energy mix is predicated. The objectives include improving energy security, reducing the cost of energy, reducing greenhouse gas emissions, reducing water consumption due to power generation, increasing energy efficiency, increasing access to modern energy carriers and perhaps more critical given the challenges facing our country, to increase the potential for localisation and job creation due to our energy sector.

Government has promulgated air quality regulations and coal power plants that are not compliant have enjoyed an extension to the date by which they must comply. The due date is looming again and by 2018 these power stations must either comply or be decommissioned. Government has taken all these factors into account in the development of our energy plan. When we announced nearly 900MW of projects under the Coal Independent Power Producer Programme last week, this was significant for South Africa because it reaffirmed our commitment to continue utilising coal for power generation through the use of clean coal technologies.

The pursuit of nuclear energy is based on it being a clean energy option that aligns with our energy objectives. Nuclear power generation can significantly reduce our greenhouse gas emission footprint. This past week we made announcements regarding the nuclear build programme. One of these announcements was that Cabinet has been requested to approve that the procurers in the nuclear programme would be Eskom for the nuclear power plants and the South African Nuclear Energy Corporation (NECSA) for the nuclear fuel cycle and the multi-purpose reactor, which will replace the existing Safari-1 reactor at Pelindaba. Besides being an important research facility the Safari-1 reactor is an important element in the production of medical isotopes and is the main supplier in Africa. The reactor is now more than 50 years old and needs to be replaced.

This procurement process will remain under the coordination of the Department of Energy as the lead institution that will manage the new build programme, supported by key stakeholders in government and state owned enterprises. To this end a comprehensive governance structure will be put in place to oversee the new build

programme including Parliament's important oversight role through the system of parliamentary committees. Government and the Department of Energy in particular will remain centrally involved in the coordination and oversight process. Fears that the nuclear procurement process will lack transparency can be allayed by the oversight role that Parliament will continue to play even though Eskom and NECSA will be the procurers.

In this respect it is important to note that Intergovernmental Agreements have been signed with a number of countries commencing as early as 2004. It should be again emphasised that these agreements are international and necessary before any procurement negotiations can commence with any vendor due South Africa's adherence to requirements of the IAEA (International Atomic Energy Agency) treaties for the peaceful use of nuclear energy.

We have repeatedly stated that there is no nuclear deal that has been entered into or agreed – not formally, not informally and not through any “nudge-nudge wink-wink” secret handshake. There is NO deal and any suggestions to the contrary are false, misleading and simply malicious. We are fully committed to a fair and transparent process. This will commence with the issuance of a Request for Proposals (RFP) in the coming months.

These bids will be carefully evaluated before a successful bidder or bidders are selected for the various aspects of the programme. As part of this evaluation process a comprehensive funding model will be developed and submitted to Cabinet for consideration. Government has indicated that the approval of any nuclear procurement programme will be informed by the price, affordability, pace and scale of this programme. We will only implement what our country can afford.

Eskom has already signalled that it will be able to fund a considerable amount of the new build programme off its balance sheet particularly as Eskom's financial situation improves and as Medupi and Kusile power plants approach completion in the years ahead. Other sources of funding may also need to be explored through export credit agencies and other multi-lateral funding organisations. But these are matters that will be more thoroughly assessed once proposals from the prospective vendors have been received.

There have been a number of representations and comments to the effect that the Request for Proposals for the new build programme should be delayed until such stage that a new Integrated Resource Plan (IRP) has been approved. Government relies heavily on the plan to determine what new generation capacity is required. Current new generation determinations in terms of the Electricity Regulation Act (of 2006) have all been done in terms of the IRP of 2010. The IRP is a dynamic document subject to change from time to time as a result of economic activity, technological developments and the like. However we are confident that all determinations done to date including that for 9.6GW of nuclear energy remain pertinent and appropriate.

A revised IRP together with an Integrated Energy Plan will shortly be considered by Cabinet for approval. Once these have been approved by Cabinet they will be released for public comment and reviewed accordingly before being processed for promulgation. Given the long term need to increase our generation capacity especially as older coal fired power stations are decommissioned we expect that additional determinations will be necessary across the energy mix to meet the needs for the future. Through careful planning we wish to ensure that we do not end up in a situation where economic growth is constrained by a lack of electricity supply as has happened in the past. At the same time we also need to ensure that we do not end up with too great a surplus of generation capacity.

We remain confident that we are on track with our generation choices to facilitate socio-economic growth and development to meet the needs of our country for the next 50 years and more.