

**REMARKS OF THE MINISTER OF ENERGY OF SOUTH AFRICA, Ms DIPUO PETERS, MP, AT  
THE PRESS BRIEFING REGARDING THE INTEGRATED RESOURCE PLAN: CENTURION, 03  
DECEMBER 2009**

**Chairperson,**

**Members of the Press**

**Ladies and Gentlemen**

I would like to thank members of the media for continuing to demonstrate keen interest on matters that have to do with energy challenges facing our country.

The vision that has always driven the ANC in relation to the energy sector can be traced back to the ANC policy document called ***Ready to Govern***. This document enjoins the ANC government to “develop a sustainable economy and state infrastructure that will progressively improve the quality of life of all our people”.

The Energy Policy enunciated in the ***Ready to Govern*** document enjoins us - as post *apartheid* energy administrators - to “institute (an) appropriate regulatory framework...(to) achieve the national economic and development goals that are protective of the environment.”

The RDP White Paper of September **1994** included the salient point that our “economy was built on systematically enforced racial division...rural areas were divided into underdeveloped Bantustans ....towns and cities were divided into townships without basic infrastructure...”

It has always been the intention of the ANC to defeat the spatial geography of *apartheid* and, in its place, create a democratic state. It is this state that has been charged with the responsibility to restructure the energy sector. The President of the

Republic, Mr Jacob Zuma, then took a decision to establish a separate and distinct energy department.

This was in line with the resolutions that were taken at the watershed Polokwane Conference of December 2007. The resolutions of that conference spoke about the need to “diversify (our) energy sources away from coal, (and gravitate towards) nuclear energy and renewables.”

In fact, the 2006 Electricity Regulation Act gives practical expression to the policy prescriptions that have, for years, emanated from ANC policy documents.

The introduction and development of the Integrated Resource Plan is, therefore, an intervention that is provided for in the Act. It will enable us, as the Energy Department to correct the *apartheid* inspired spatial energy planning.

We have reached a delicate situation which requires us to take bold and decisive decisions about the type of the current and future energy requirements for our country. We need to decide whether to build coal fired or nuclear power stations for base load energy requirements.

We have to do this whilst implementing the resolutions of Polokwane which called on the ANC led government to take “climate change considerations” into account and “accelerate the introduction of renewable energy sources.”

The IRP clearly spells out the road map into the future and it will be adapted and changed as and when the Minister of Energy so determines.

We are entering an intensive capital investment programme, in terms of which approximately 40 000MW of new capacity will be required over the next 20 years. The

funding of the programme has become critical. At the same time, it has become important for us to take the lead in defining what the energy mix of the country will look like, pursuant to certain policy objectives for the energy sector.

In order to provide the necessary regulatory and legislative instruments the Electricity Act makes provision for the introduction of the Integrated Resource Plan (IRP), which is defined as *“a resource plan established by the national sphere of government to give effect to national policy”*.

The regulations that were subsequently promulgated under the ER Act enjoined me, as the Minister of Energy, to consult with the regulator (NERSA) before releasing the IRP. This I have done.

This is important as Eskom would be expected to apply to NERSA to execute a particular generation capacity programme, which may not be necessarily aligned with government policy. This has invariably created a policy vacuum, to the extent that it may become imperative for government to intervene and to execute the policies espoused in the Energy White Paper.

There is an inclusion of provisions in the Electricity Act that mandated the Minister to prescribe the IRP as the only plan that NERSA is bound to use as a license for meeting the capacity requirements of our country.

The IRP is therefore a continuous cyclical modeling process that is repeated every 2-3 years, depending on the need, to determine the best options that could be undertaken to balance electricity demand with supply. The process is continuous because it depends on the input assumptions that are made, and the outcomes are sensitive to these assumptions.

It becomes critical therefore to continuously check if the assumptions hold true, particularly macro-economic parameters like GDP projections, Consumer Price Index, currency exchange rates etc. Consequently the IRP modeling process will be adjusted as soon as the assumptions that are made prove inaccurate. It is envisaged that the IRP will be developed every 2-years.

In regard to environmental considerations, international deliberations about climate change are the biggest influence. Accordingly we have developed the Long Term Mitigation Scenarios (LTMS). We will however pronounce on definitive policy only after the Copenhagen negotiations on climate change have concluded. The IRP anticipates that we would need to reduce our emissions irrespective whether this would be imposed or voluntary.

The IRP has to take into account certain policy choices that government has pronounced on. These include, *inter alia*, the diversification of the generation portfolio to accommodate 10 000GWh of renewable energy by 2013, the introduction of 1m solar water heaters by 2014, the introduction of energy efficiency incentives as well as the preparation (**not investment decision**) regarding the next base load power plants. All these are policy choices that are in the IRP. We will accordingly adjust the IRP to suit the relevant requirements.

Whilst this is not part of the IRP process, we want to emphasize the need urgently to create the Independent System Operator (ISO) as required by Electricity Regulation Act. This will assist us fully to exploit the IPP option. Currently there is approximately 417MW of generation capacity that is immediately available from cogeneration, about 1000MW from renewable energy generation, and 4000MW from IPPs. These can only be introduced once the ISO is in place.

I have accordingly instructed my department to intensify consultation – on the IRP - in the first quarter of next year, and this is over and above, the work that we have already done in this regard. We have agreed to move beyond government departments, Eskom, NERSA, as well as the Independent Systems Operator (ISO).

Through the IRP we are ensuring that, like the trapeze artists, we balance our energy mix over a 20-year horizon. We will do this driven solely by the desire to balance the environmental, financial, as well as supply imperatives.

Finally, as we are announcing this IRP, we are being inspired by the words that were uttered by **Lao-Tse, the Taoist sage**, more than 2000 years ago: even the hardest journey must begin with a first step.

Thank you!

(Ends)

