

SPEECH DELIVERED AT THE ENERGY POVERTY SYMPOSIUM

BY

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International Energy Forum Secretary, Dr van Horst,
Invited speakers,
International and local delegates,
Senior Government Officials,
Distinguished guests,
Ladies and Gentlemen.

South Africa is honoured to host this conference on energy poverty here in Africa on behalf of the energy poor on the continent and the world at large. We are all aware that Africa is the poorest continent in the world and is home to the poorest of the poor. This fact is further highlighted by the study recently conducted and published by the World Bank. The World Bank study on African Infrastructure released in November 2009, conducted over 24 African countries shows that there is a poor state of infrastructure in Sub-Saharan Africa. The poor infrastructure mainly affects the following areas- electricity, water, roads, and information and communications technology (ICT) . It is estimated that as a result of this poor state of infrastructure, national economic growth has been reduced by 2 percentage points annually and business productivity is cut by as much as 40 percent per annum.

Africa has the weakest infrastructure in the world and this largely explains why Africa is the poorest continent. Without infrastructure, it is not possible to stimulate economic growth and development of the continent. The report estimates that US\$93 billion are needed annually over the next decade to cover the infrastructure gap. Almost half of this amount is needed to address the continent's current power supply crisis that is hindering Africa's economic growth. The financial gap in infrastructure will need roughly 15 percent of the continent's gross domestic product (GDP). The study further notes that existing spending on African infrastructure is much higher than previously known. At least \$45 billion a year is spent on infrastructure. Most of this money is domestically financed by African tax payers and consumers. The study also found that there is considerable wastage to address; a number of efficiency improvements could potentially expand the available resources by a further \$17 billion. Another startling fact is that Africans in some countries pay twice as much for basic services as people elsewhere. This points to the need of well functioning infrastructure essential to Africa's economic performance. Thus by improving inefficiencies and reducing waste could result in major improvements in African's lives.

Energy, ladies and gentlemen, is the engine of economic growth and development. Access to modern energy sources and adequate supplies of electricity should be at the core of development and poverty reduction strategies. It is estimated that 1.6 billion people in developing countries have no access to electricity. Most of these people without access to modern energy carriers live in Africa and

South Asia. Within Africa, Sub-Saharan Africa is the worst in terms of energy poverty. The number of people without access to energy in Sub-Saharan African countries is projected to rise from 177 million to 190 million in 2030, despite current efforts to reduce this number. Increasing access to improved energy services remains a global challenge. A challenge which I hope you will be able to discuss and make recommendation to during this conference.

Without access to energy services the poor will be deprived of the most basic economic opportunities needed to improve their standards of living. Without energy, the poor face very limited or no economic growth; factories and businesses cannot function efficiently; hospitals and schools cannot operate fully or safely; basic services that people in rich countries take for granted cannot be offered. This is the reality of most poor countries and the situation is most oblique here in Africa and Sub-Saharan Africa in particular.

A comparison of Africa with South Asia, a region with similar per capita income is striking. “In 1970, Sub-Saharan Africa had almost three times as much generation capacity per million people as South Asia. Three decades later, in 2000, South Asia had left Sub Saharan Africa far behind- it now has almost twice the generation capacity per million people.”¹

Africa’s most underdeveloped infrastructure is the power sectors especially the generation capacity. This affects electricity consumption and energy security of supply. The power infrastructure

¹ World Bank study Nov 2009- African Infrastructure Country Diagnostic: Overhauling the Engine of Growth Infrastructure in Africa.

generates a small fraction of what other regions of the world provide. It is estimated that 48 countries of Sub Saharan Africa with 800 million people, generates the same amount of power as Spain with a population of 45 million. This ladies and gentlemen is the magnitude of the problem we have to tackle. It's a tall order. What is even more disturbing is that the African households pay more per unit of energy consumed than the households elsewhere for energy services. This assertion has been confirmed by Eberhard an energy expert in 2008. Eberhard noted that "most African countries rely on small scale diesel generation that cost US\$.40 per kilowatt our in operating costs which is three times higher than those faced by households in where generation capacity is in excess of 500 megawatts." The picture above, points to the need for the energy poverty stricken countries to regroup, reorganize and develop strategies to combat energy poverty. This conference is a step in the right direction.

This conference focusing on energy poverty has been initiated at the right time. Africa is ready for change but this change needs partners to succeed. Africa has the New Economic Partnership for Development (NEPAD) initiative which mainly focuses on infrastructure development on the continent. This initiative is ready to drive investments in the energy sector and is a vehicle which has a role to play in the energy sector investments too. Africa has regional power pools with specific plans but funding is a challenge. Again this is an area that private public partnership can contribute. For instance, the Southern African Power Pool has 29 projects lined up for investment but funding is a major challenge. All these efforts point to

the realization by the continent of the need to ensure that the population has access to clean, affordable and reliable energy.

I hope that this conference will make concrete recommendations to energy poverty countries on how to energise their economies and alleviate energy poverty. These recommendations could focus on among other things the following:-

- the role of the state from a policy perspective. It is important for the energy poor countries to develop clear policies that provide certainty to potential investors, take care of the poor and remote rural communities and identify what governments need to do to create an enabling environment which promotes development of the energy sector;
- optimal utilization of current energy service especially promotion of energy efficiency, maintenance and rehabilitation of energy infrastructure;
- institutional strengthening of energy institutions to ensure that the pricing models provide the correct price signals to both the consumers and investors. Price discrimination methodologies should also accommodate the poorer communities;
- funding is at the core of lack of energy infrastructure and energy poverty in Africa- mechanisms to attract donor, private and multilateral funding in the energy sector is important.

- Promotion of interregional connectivity to optimize resources in the region and enhance efficiencies in both investments in the sector and use of available resources is important. Strategies to enhance interregional connectivity will be useful.

Ladies and gentlemen, I want to take this opportunity to thank the IEF secretary and his team for having confidence in South Africa to host this important conference. I understand that you Secretary have elevated the agenda on energy poverty in your IEF program as well as the agenda for the forthcoming 12th International Energy Forum Ministerial Meeting in Mexico. My government and other countries take heart in your initiatives to elevate the plight of the poor and I thank you. We have a saying here that working together, we can do more. Yes together we can tackle the energy poverty syndrome in the world.

I wish you all the delegates a fruitful engagement and for us in Africa, we take this initiative seriously and expect tangible action oriented plans that can be used to deal with the challenges we face. We also hope that our development partners will participate in this debate and review their strategies inline with the recommended action plans.

The time to transform Africa is now, further delays will not only be a disaster for Africa, but a global catastrophe. Enjoy your stay in the sunny South Africa.

I thank you.