



Remarks by Ms Dipuo Peters, Minister of Energy, at the Investec Power Summit

Investec Bank Headquarters, Sandton, 07 September 2010

Chairperson,
Mr. Alan Leith, Joint Managing Director of Investec Bank
Senior Managers of Investec,
Chief Executives
Invited Guests,
Ladies and Gentlemen,

Good Morning,

Yesterday afternoon trade unions organized in the public service announced that they were ending almost three weeks of industrial action that had effectively undermined the efforts of government to render services particularly to millions of the poorest of the poor of our country.

The Sowetan front-page story (Friday, August 20) put it bluntly and declared: What a shame, as strikers leave at least 6 people dead; abandon new-born babies; assault pupils; stone scared mother-to-be; block several ambulances; shut down some courts.

South African society particularly the ones that we are privileged to serve should stand for everything that is an antithesis of the images described by the Sowetan.

Ours should be a society where we correctly allow workers in the public service to belong to trade unions and to have the same right of collective bargaining as workers in the private sector. This should always happen in a manner that respects the values of ubuntu.

It is these values that propelled uMkhonto Wesizwe to refrain – however the temptation - from hitting soft targets when conducting their military operations.

Yet despite the gloom and doom of the actions of a tiny minority of the public servants, there are people, patriotic South Africans, such as yourselves and many others out there, who are not distracted from attempting that which is good for our country.

That is precisely why I am here to join you this morning.

I do believe that you represent a mosaic of forces who committed to the success of our country. The same sentiments, by the way, are shared by many workers, who took part in the industrial action to which we referred.

We all accept that government has created proper macro-economic fundamentals that are underpinning our economy.

Energy therefore has a crucial role to play not only for our country's economic development but also in terms of fostering social cohesion.

Even during the worst period of *apartheid* our 'masters' understood that if they were to maintain the *status quo* and subsequently survive crippling economic sanctions and disinvestment they needed to invest in energy and intensive energy industries.

This resulted in the creation of SASOL, ISCOR and ESKOM and many other such companies.

We have now reached a moment in history – a rare historical epoch - wherein government has to take bold and decisive decisions about the quantity, the type of the current and future electricity infrastructure that our country will need going forward.

We will have to decide on the timing, quantity and the type of investments we need. We also have to identify the type of technologies that will accompany these eventual and inevitable investment decisions.

You will recall that historically Eskom has carried the mantle of being the “supplier of last resort” in terms of which they were the only entity that had the authority to guarantee the security of electricity supply. Eskom was therefore responsible, in terms of this arrangement, for determining the extent and nature of the new generation capacity that was required at the time.

This has now changed. It is now the responsibility and the legislative mandate of the Ministry of Energy. We now invariably have to drive a process that was historically the exclusive preserve of Eskom.

You will also recall that it has been about 15 years since South Africa last commissioned new generation plants. In the 1980's and early 1990s, we experienced reserve margins higher than 30% and, over a long period of time, it was therefore not necessary to build new power stations.

It is, however, common knowledge that even though our reserve margin has now gone down to 16% it is nevertheless better than what it was during the dreaded load shedding of 2008.

It is further common knowledge that we are now entering an intensive capital investment programme, in terms of which approximately 40 000MW of new generation capacity *could* be required over the next 20 years. This figure will soon be confirmed or refuted once we have finalized the IRP.

This is still a modest target, considering that countries like China bring on stream about 40 000 MW worth of electricity each year.

Surely all of assembled here have to collectively work together so that we can meet our modest target. We cannot and should not fail to bring on stream, over a period of two decades, what China is able to introduce each year.

Two weeks ago, during the State Visit to China, we were informed that this is being done as the government of China is moving, each year, about 40 million people to the newly built modern cities.

It is no wonder their economy has overtaken that of Japan to become the second largest in the world.

In 2006, Government committed itself to achieving a target with the minimum of 30% participation by the private sector in the new generation capacity going forward. This commitment was born out of the realization that it is critical for the Independent Power Producers (IPPs) to be brought on stream to complement Eskom's electricity supply.

We have, however, noted with serious concern that the investment by the private sector has not happened on the magnitude that was originally envisaged, and as Government, we are working tirelessly to create an enabling environment for the IPPs to penetrate our electricity supply industry.

The President of the Republic of South Africa, Jacob Zuma, has established an Inter-Ministerial Committee (IMC) on Energy to finalize decisions around this issue.

I am delighted that we are making steady progress on these issues, and accordingly we are in the process of reporting back to Cabinet.

We are also finalizing the assessment of the current environment which, amongst others, includes the independence of the buyer in facilitating the procurement from the IPPs. We are also in the process of facilitating the establishment of the Independent System and Market Operator (ISMO).

This will be a body that will be charged with the procurement of power from the IPPs.

The ISMO is intended to level the playing field and eliminate conflict of interest between the buyer and the seller of electricity in a manner that protects all players (from potential market abuse).

In addition to having IPPs contributing to energy security, we recognize and acknowledge that renewable energy also has the potential of contributing immensely to energy (supply) security.

Diversification of energy sources, expanding access to energy services and contributing to sustainable development through the optimum use of cleaner energy resources is critical especially in this era. We all know that even the leading economies globally are taking this path. So are we.

It has been acknowledged and accepted globally that in order to overcome the challenges of global warming we need to diversify our energy supply by developing advanced, non-polluting, more efficient, affordable, sustainable and cost effective energy technologies. This will help in meeting the rising global demand for energy, particularly in developing countries.

We are required to balance the exploitation of fossil fuels with alternative energy options so as to avert the dire consequences emanating from green house gas emissions.

South Africa, just like other countries on this continent, is well endowed with renewable energy sources such as Solar, Hydro and Wind. However, we still have a huge task of developing them to their full potential.

In this regard we have identified clear targets for renewable energy options within the Integrated Resource Plan (IRP). The IRP is expected to pronounce on the targets contained in the Renewable Energy White Paper of 10 000 GWh (approximately four percent of the renewable energy by 2013).

It is important to note that we are reviewing the renewable energy white paper in order to come up with even more ambitious medium and long term targets.

Accordingly, and in order to address challenges of funding renewable energy technologies, the National Energy Regulator of South Africa (NERSA) has promulgated Renewable Energy Feed-in-Tariffs (REFIT).

These are meant to attract investors in this sector.

Investors who are operating within this framework will have guaranteed tariffs over a period of 20 years.

The full implementation of REFIT requires that a standardized Power Purchase Agreement (PPA) be put in place. In addition to the PPA, as prescribed in the New Generation Capacity Regulations, NERSA is putting together procurement guidelines.

We are currently working with all relevant government departments to ensure that all these systems are in place.

In the midst of all of this remain the need for all of us to collectively contribute to the national effort of demand side management and energy efficiency. We need to change the manner in which we deal with this valuable resource – electricity. I have previously announced that one of the major interventions in this field will be the roll-out of 1 million solar water geysers over a five year period.

This programme is significant, as we understand that the introduction of a massified SWH programme, implemented correctly, will replace the need for the construction of a new power station in future.

I am made to understand that we have amongst us here representatives of some of the largest mining companies in our country, the Kumba's, De Beers, Anglo America, BHP Billiton, etc. I dare say that your presence here is quite opportune – I want to challenge you all here today to define a role for yourself in this critical programme in the areas that you operate in.

Imagine the sight of all households and public buildings in the Sishen, Kathu and Posmasburg areas having been installed with these systems.

Imagine the benefits that ordinary South Africans, toiling in these areas will derive from such initiatives.

Lastly, imagine that you, as major mining interests – are taking the lead in energy efficiency and carbon emissions mitigation.

I eagerly await those companies that I have mentioned, and indeed all of us here today, approaching the Department on Energy on defining your role!

Ladies and Gentlemen,

I want to express appreciation to Investec and its management for providing us with this platform, and to further urge you to continue to, as Chairman Moe Tse Tung have said – ***let a thousand flowers bloom, let a thousand thoughts contend.***

I wish your Power Summit success, and I eagerly await the outcomes.

I thank you