

**KEYNOTE ADDRESS BY THE DIRECTOR-GENERAL, MS NELISIWE MAGUBANE –
SUSTAINABLE ENERGY SEMINAR**

12 OCTOBER 2011

Programme Director,

Members of the business community,

Leaders of various community formations

Senior Government Officials and other Executives,

Distinguished Guests,

Ladies and gentlemen,

Good morning.

It is my pleasure to be party to this highly esteemed occasion. As we all know, we are confronted with an enormous challenge posed by climate change. We align ourselves with those that say that if this problem is not arrested, we will then be faced with dire consequences and South Africa will not be immune to it. We are moving from the premise that the energy sector contributes significantly to adverse climate change, and this calls for countries including our own, to re-look at their energy mix going forward.

Statistics indicate that our energy sector accounts for approximately 60 percent of greenhouse gas emissions currently. To change this picture, it has become critical to introduce practices that will reduce the demand for energy as a matter of urgency. This imperative is not driven only by climate change considerations, but the economics of energy efficiency are more favourable than exploiting the supply side options available to us. Energy efficiency interventions in residential areas, commercial buildings and industrial applications are the best option for us as a country. Such interventions do not only offer the

solution to arrest the greenhouse gases, but they are low cost, quickly deployable and stimulate job opportunities.

Side by side with energy efficiency interventions, we are also looking at clean energy technologies and to deploy them in a manner that will also contribute positively to our socio-economic challenges.

In 1998, Government promulgated the Energy White Paper which envisions an electricity industry that would increase the opportunity to exploit cheaper and environmentally benign generation options; has the potential for downward pressure on electricity prices; and has the potential to improve energy security.

Programme Director, it is a common knowledge that our department, in line with this vision, presides over a sector with arguably one of the highest potentials to improve the lives of the people of South Africa. As it has been proven the world over, that sustainable development will only occur when a sustainable and affordable energy supply is universally accessible and this is exactly what we are striving to achieve.

In March 2010, Cabinet approved the Integrated Resource Plan (IRP 2010-2030) and this was groundbreaking for South Africa. It defined a tangible plan for embarking on a low carbon energy future that also secures the participation of Independent Power Producers (IPP). The IRP was approved with a 42% complement of all new generation capacity to be delivered by renewable energy technologies. Solar and Wind generation constitutes over 16 000 megawatts of the portfolio up to 2030.

Programme director, it is also important to recognize that we are continuing to revamp the regulatory regime in a parallel process, for the introduction of renewable energy technologies. A milestone worthy of being celebrated was achieved when Minister Dipuo Peters made a determination to procure 3,725 megawatts from renewable energy IPPs in the period up to 2016. A request for proposals (RfP) was issued in response to the determination and I must say the the response we got from project developers has been overwhelming.

As much as government has demonstrated its commitment to the introduction of renewable energy technologies into the energy mix, there are number of realities that we cannot ignore.

Firstly, the relative impact that South Africa will make in mitigating adverse climate change through the IRP in particular, is a drop in the ocean compared to what China and India can contribute, yet the financial contribution of our ambitious programme is huge. There are certainly much cheaper adaptation options that we could pursue as a country, particularly energy efficiency and other demand side interventions.

Secondly, we do not have the financial support yet of the international community as envisaged under the climate change discourse that will be hosted in Durban in November/December this year. At COP 15 we announced an aggressive target relating to greenhouse gas emission reduction, subject to financing and technology transfer being made available. Irrespective, the IRP was approved on our own volition, notwithstanding that none of these conditions were satisfied.

Thirdly, the global economic slowdown has somewhat made financing more difficult. If it has reduced the urgency to introduce new generation capacity, this does not mean we are out of the woods yet, it just means that we have some breathing space. Government has learned from the load shedding experience of 2008 that the reserve margin and other security indicators have to be improved to constitute a comfortable supply-demand situation. We recognize that renewable energy technologies will improve the reserve margin, yet they provide relatively low capacity factors in comparison to fossil-fired technologies.

Lastly programme director; there is enormous upward pressure on electricity tariffs as we embark upon an intensive capital investment cycle. The extent to which tariffs can continue to rise is constrained by considerations relating to affordability, competitiveness and economic impact. We must not take for granted the extent to which the renewable energy programme costs the country, relative to its benefits. Consequently it becomes imperative on us as government to set clear objectives for the renewable energy programme, outside of the narrow climate change debate.

Ladies and gentlemen, it is paramount that we should ask ourselves why are we so keen to pursue renewable energy technologies while their capital costs are so expensive compared to fossil-based technologies. There are valid reasons as to why we should pursue this, for example grid security can be improved simply by diversifying the generation points through smaller generators spread across the South African geography. Studies have also shown the potential mitigation of transmission losses due to generation near load centres.

The renewable energy programme also presents us with the opportunity to meet our industrial policy objectives as espoused under the Industrial Policy Action Plan (IPAP 2) and the New Growth Path. Our belief is that technologies related to wind, solar and other renewable power generations hold the key to creating the green economy jobs that we so badly need.

Programme director, before I conclude, allow me to mention that we should remember that the IRP presents a balanced portfolio of supply and demand side options. The only plausible way to achieve our objectives of reducing demand ladies and gentlemen is by saving energy. This holds the biggest upside in the shortest possible term, and it needs to be pursued vigorously. We have to spread the education about our bad habits that lead to energy wastage.

South Africa will host the United Nations Framework Convention on Climate Change (UNFCCC) - COP 17 in November/December 2011. We have a responsibility to intensify our efforts of implementing all viable initiatives to address climate change, and quite frankly, to meet our own objectives relating to the renewable energy technologies.

As we interact with the world during this conference, it should be clear what we are doing on the ground as actions speak louder than words.

Let me take this opportunity to wish you well in your deliberation and we are certainly looking forward to the outcome of this seminar as an input to sharpen our policy debates attuned to the realities around the world.

I thank you