MINISTER
ENERGY
REPUBLIC OF SOUTH AFRICA

KEYNOTE SPEECH DELIVERED BY THE MINISTER OF ENERGY – MS DIPUO PETERS AT THE
WORLD COAL ASSOCIATION'S COP17/CMP7 SIDE EVENT
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Programme Director;
Chairman of World Coal Association, Mr. Frederic Palmer;
World Coal Association Members;
Industry captains;
Officials from the various government departments;
Members of the Media;
Honoured Guests;
Ladies and gentlemen

It is my great pleasure to address you at this COP17 side event hosted by the World Coal Association. For a country that is generously endowed with coal resources a side event dedicated to the role of coal in the context of the global challenges of climate change and sustainable development is critical.

Responses to these challenges have necessitated changes in the energy mix and the energy industry landscape, aimed at scaling back on coal whilst phasing in alternative and renewable energy resources as well as embarking on energy efficiency programmes.

However, we note with appreciation efforts aimed at the continued use of coal with less harmful impact to the environment through the use of clean coal technologies.

Coal continues to be a significant primary energy resource in the world. Even the global economic crisis that commenced in 2008, and continued throughout 2009, could only result in reduced production growth, registering a 2% rise to 6.9 billion tons in coal production compared with a 6% percent growth trend experienced in the six years prior to the crisis.

In 2009, the South African summation of fossil fuels contribution was 89.2% towards primary energy, being coal (65.9%), oil (21.5%) and gas (2.8%); whilst nuclear and renewable energy respectively provided 3.2% and 7.6% of the primary energy balance. About 90% of our electricity is generated from coal while about 30% of our total domestic liquid transport fuels are derived from coal via the coal-to-liquids refinery in Secunda.

Over the previous seven years, aircrafts flying from OR Tambo International Airport have used a “50:50 semi-synthetic blend” of jet fuel produced from Sasol’s CTL refinery and one derived from crude oil. South Africa’s domestic coal consumption as a primary energy input was 185 Mt, where electricity power generation by Eskom accounted for 63%, production of synthetic fuels by Sasol 18%, mining 7.5%, metallurgical sector 4% and merchants and domestic market 7%. It is no wonder that coal is affectionately referred to as “King Coal” or the “Black Diamond” of South Africa.

South Africa is endowed with an abundance of coal resources estimated at 140 billion tons, while reserves are almost 30 billion tons. We acknowledge that coal is a finite resource that can be rapidly depleted if not properly managed and optimally exploited. Sustainability of the coal industry depends, amongst others, on efficient operations throughout the value chain. For example, abandoned coal seams and coal discards, if not properly managed, pose an environmental threat as they get ignited, adding to CO_2 emissions into the atmosphere.

Ladies and gentlemen, It is also critical to know the quantity and quality of economically mineable coal contained in the ground (i.e. reserves) for integrated energy planning and the sustainability of coal supply to meet the country's needs while taking due regard of the political, economic, social, technological, environmental and legal (PESTEL) dynamics.

Programme Director; allow me at this point to outline, albeit at a high level, the relevance and significance of the coal industry in South Africa.

Prior to the global recession of 2008, South Africa had experienced a 5% growth trend of Real Gross Domestic Product for four consecutive years including 2007, because of macroeconomic stability and commodity boom. The global financial market turmoil of 2008 resulted in the reduction of South Africa's GDP growth to 3.1% and a further contraction to -1.8% percent in 2008 and 2009 respectively.

South Africa is globally recognized as one of the leading economies in mineral production and sales.

The mining industry plays a significant role in the economic growth and development of the country, where mining contributed about R213 billion, an equivalent of 8.8% to South Africa's Gross Domestic Product, in 2009. However the total mineral sales revenue had decreased by 19.6% from R300 billion in 2008 to 241 billion in 2009.

This indicates that South Africa is not immune to the global economic crisis that has destabilized economies at various levels of comparison across the globe.

In 2009, coal emerged as the leading revenue earner in total primary minerals sales by 27%, followed by Platinum Group Metal (24%) and gold (20%). Increased local coal demand and appetite for South Africa's coal in Asian bloc countries contributed to improved revenue earnings. Observing the weakening in commodity demand influencing decrease in overall prices, one rationally attributes recovering commodity prices to remnants of the global economic crisis.

Historically, South Africa's coal industry output straddles between markets for high grade coal with a minimum calorific value (CV) of 27.5 MJ/kg to exports, and low grade coal with CV ranging from 15.3 MJ/kg to 23.5 MJ/kg to the domestic market, mainly for power generation. It is always stated that "success breeds success". Unfortunately, success also brings along new challenges and problems. Post-Apartheid era growth and development led to an increase in demand for all forms of energy. It is therefore critical that energy efficiency be a way of life and religiously followed in all mining and other industrial operations.

Ladies and gentlemen, The South African Government developed an Integrated Resource Plan (IRP) 2010, which presents a 20-year view on South Africa's energy mix for electricity generation that seeks to balance growth in demand with South Africa's commitments to reducing its dependence on coal and to reducing climate-changing emissions.

The IRP2010 alludes to the continued use of coal for electricity generation albeit at a lower scale than is currently the case. Noting that energy is an input cost to the economy, it also aims to improve South Africa's global competiveness and support job creation; as well as improved management of our natural resources.

It is aligned to the objectives set in the Long Term Mitigation Scenarios and the commitments made to the climate change imperatives, especially the Copenhagen Accord – President Jacob Zuma announced South Africa's commitment to reduce carbon dioxide emissions by 34% in 2020 and by 42% in 2025 subject to the receipt of financial, capacity and technological support from developed countries. In this context the IRP2010 will also serves as an input to other planning functions, including economic development as well as environmental and social policy formulation.

Under the IRP 2010, coal is expected to make up 15% of all new electricity generation, imported gas 6%, hydro-power 6%, open-cycle gas turbines (OCGTs) 9% and nuclear 23%. However, the continued use of coal is premised on the development and deployment of clean coal technologies like Carbon Capture and Storage (CCS) as well as energy efficiency interventions while phasing in renewable energy.

What I have just said should have given you some idea that a pragmatic approach to climate change mitigation, which takes due cognizance of the socio-economic realities of parties involved as well as the realities of the impending dangers and disasters, needs to be followed. Most developing countries are poor and not the main contributors to climate change but would bear most of the brunt of the consequences of climate change.

Technologies that have to be employed to mitigate greenhouse gas emissions such as clean coal technologies, and carbon capture and storage (CCS) in particular, are prohibitively expensive for developing economies. These technologies have to compete for very limited resources against a country's pressing socio-economic imperatives, especially poverty and unemployment alleviation.

The future of coal industry in South Africa depends on the ongoing geological exploration that employs technologically advance methodologies to transform more resources into reserves. However, the exploitation of the reserves hinges upon the use of clean coal technologies to enable the continued use of coal in an environmentally responsible manner.

Socio-economic imperatives, such as reduction of unemployment, poverty alleviation; rural development and empowerment of the historically Disadvantaged South Africans, require an environmentally responsible modus operandi for the coal industry.

I must however, be quick to point out, Programme Director; that technology development should include a significant element of local content and local beneficiation - Developing countries should not be dumping grounds of inferior technology from developed countries. Neither must developing countries be mere markets for technology from the developed economies, thereby creating an unhealthy dependence.

A sustainable coal industry would require public-private partnerships (PPPs). The South African Government would like to acknowledge and appreciate cooperation from its private sector. The Department of Mineral Resources has, in conjunction with the South African Coal Industry and Eskom, embarked on the evaluation of the country's coal resources and reserves under the technical management of the Council for Geoscience.

This process will also characterize coal in accordance with location across the provinces and thus establish a base for more informed primary energy planning. The "Coal Resources and Reserves of South Africa and Neighbouring States (CRRSA)" Report is due for release at the end of January 2011.

The South African Coal Industry has also collaborated with the Departments of Energy and of Mineral Resources, together with their respective state owned entities, to conclude the first phase of the South African Coal Roadmap.

The launching of the Phase 1 Report of the South African Coal Roadmap has been postponed to a date that is still to be announced.

A sustainable global coal industry requires collaboration at all levels and by all countries, including those countries that do not have coal resources. Environmental pollution knows no geographic boundaries and it does not spare the ones that do not pollute.

Carbon dioxide, as a greenhouse gas, once emitted to the atmosphere cannot necessarily be discriminated according to its original source – irrespective of whether it emanated from burning coal or from the processing of crude oil it still remains carbon dioxide with the same impact to the environment. I therefore implore us all to work together in finding lasting solutions.

Ladies and Gentlemen; I must, as I end my speech, stress that the coal industry must embrace the shifts in the energy industry landscape and seek to be part of the solution in our transition to a low carbon economy.

The dual challenge of energy security and the protection of the environment will always be with us. However, in a milieu of options at our disposal, energy security and environmental protection may to some extent be considered equal and complementary priorities.

I thank you.