



**DEPUTY MINISTER
ENERGY
REPUBLIC OF SOUTH AFRICA**

04th Floor 2A, Trevenna Campus, 75 Mentles Street, Pretoria, 0007, Private Bag X19, Pretoria, 0007, Tel:012-444 4267, Fax: 012-444 4505
07th Floor, 120 Plain Street, Parliament, Cape Town, Private Bag X9111, Cape Town, 8000, Tel: 021-469 6412, Fax: 021-465 5980

**KEYNOTE ADDRESS BY THE DEPUTY MINISTER OF
ENERGY, HONOURABLE MS BARBARA THOMSON, MP
WINDABA 2011 CONFERENCE AND EXHIBITION.**

27 September 2011

Programme Director,

Representatives of international organisations,

Members of the business community,

Leaders of various community formations

Senior Government Officials and other Executives,

Distinguished Guests, and

Ladies and gentlemen,

The energy sector currently accounts for a large percentage of CO₂ emissions, which directly contribute to climate change. It is clear that without delay we need to implement practices that will reduce demand, choose cleaner sources and deploy the best available energy technologies that will also create much needed jobs. Such practices not only reduce energy consumption and CO₂ emissions but are often low cost, quickly deployable and can stimulate job opportunities.

The Energy White Paper of 1998 envisages an electricity industry that would:

- Be able to increase the opportunity to exploit cheaper and environmentally benign generation options;
- Has the potential for downward pressure on electricity prices
- Has the potential to increase the level of security of supply, at lower cost;

In line with this vision, the Department of Energy presides over a sector with arguably one of the highest potentials to improve the lives of the people of South Africa. Only when a sustainable, affordable

energy supply is universally accessible does development occur. This has been proved the world over.

Cabinet approval of the Integrated Resource Plan was groundbreaking for South Africa as 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. Wind generation constitutes about 8 000 megawatts of the portfolio up to 2030.

The regulatory regime continues to be revamped in a parallel process, for the introduction of renewable energy technologies. It is well appreciated that South Africa is, unlike many Western European and North American situations, essentially a power island with neighbouring countries lying to its North. As such, we do not have the luxury of an interconnected grid network which allows reliance on our neighbours for support.

There are a number of realities that we have to face in our desire to introduce renewable energy technologies like wind, into the energy mix:

First, 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.

Second, we do not have the financial support of the international community as envisaged under the climate change discourse that will be hosted in Durban in 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.

Third, 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, 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.

What are we trying to achieve with renewable energy?

The question that needs to be asked then is, in the context of relatively more expensive renewable energy capital costs, why are we so keen to pursue these technologies?

The introduction of solar, biomass, hydro, landfill gas and indeed wind technologies, offers an exciting prospect for distributed generation in all the corners of our country, rather than the traditional concentration of power stations in coal producing regions. 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 biggest driver for our renewable energy programme is the opportunity to meet our industrial policy objectives as espoused under the Industrial Policy Action Plan and the New Growth Path. We believe that the climate change rationale apart, technologies related to wind and solar power generation hold the key to creating the green economy jobs that we so badly need.

I have been made to understand that significant parts of the wind generator technology value chain, amongst others, can be captured if we put the appropriate strategies in place. It would be a real shame if we did not collaborate as business, government, labour and civil society in ensuring that the biggest chunk of the wind allocation in the IRP is localised.

It is my hope that in your deliberations at this conference, the matter of localisation is kept high on your agenda. My government is open to suggestions regarding how partnerships can be forged to find common solutions to the broader challenges of economic growth and job creation.

Conclusion

We must remember that the IRP presents a balanced portfolio of supply and demand side options. Whilst this is not the focus of this gathering, saving energy 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 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. I want to take this opportunity to wish you well in your deliberations.

I thank you