



**2011 NCOP BUDGET VOTE SPEECH**  
**by the Minister of Energy, Ms. Dipuo Peters, MP**  
**Old Assembly Chamber, Parliament, Cape Town.**  
**07 June 2011**

Chairperson of the National Council of Provinces  
Deputy Chairperson of the National Council of Provinces  
Ministers and Deputy Ministers,  
Chairperson of Select Committee on Economic Development, Honourable  
Freddy Adams  
Honourable Members,  
Ladies and Gentlemen,

This budget vote speech, I dedicate to Mama Albertina Sisulu, a veteran and a stalwart of the liberation movement, a mother and grandmother to her family and the Nation.

The passing on of this icon of the women's liberation struggle is significant in that she left us on the 1<sup>st</sup> day of the youth month and Ascension-day in the Christian calendar.

It is however, heart warming when one realises that at her age, Mama Sisulu was able to once again make her mark when she voted during the recent local elections. The significance of these elections was that they were held on the birthday of her late Husband and a true revolutionary in his own right Our Father Ntate Walter Sisulu.

She was ensuring that capable and credible leaders were elected for an effective service delivery in our communities. She had a lot of passion and love, not only for her family, but for the Nation as a whole. May her soul rest in peace.

We owe it to her and many other stalwarts of our struggle against Apartheid colonialism that we should do anything within our means to continuously strive towards improving our people's lives for the better.

Honourable Chairperson,

This year's **budget** allocation for the Department is R6.09 billion. From this budget,

- R 3, 2 billion will be transferred to Municipalities and Eskom for the national electrification programme, a 2,3% increase from last year's allocation;
- NECSA, a state owned entity responsible for the country's nuclear energy innovations, research and development will receive R586 million;

- An amount of R398 million will be allocated to the Energy Efficiency and Demand Side Management Programme, which aims to implement energy efficiency interventions in 21 Municipalities and Eskom; and lastly;
- R1, 5 billion will be transferred to Transnet for the New Multi Product Pipeline between Durban and Johannesburg. All indications point to the New Multi Product Pipeline being operational by 1<sup>st</sup> January 2012. The levy on petrol that the motorist has been paying will yield a return. The implication is that there will be fewer trucks on our roads transporting fuel from the coast to Gauteng and other inland provinces and thus, fewer accidents.

Chairperson, only 5% or R305 million funds the operational and administrative work of the Department.

This, I am sure we will appreciate, has a major effect on the department and also its main mandate that we operating at only 52% capacity in terms of human resources.

### **Electrification**

The Secretary General of the United Nations has declared 2012 – “The year of access to energy services”, and accordingly, the quest for universal access to electricity continues. In the 2010/11 financial year we managed to create 5811 jobs, and connected 194 453 homes to the electricity grid by year end.

To date South Africa's energy penetration stands at over 75%, and this year, with the R 2,9 billion allocated to the electrification programme, we will connect more than 150 000 households, build 10 sub stations, of which 5 will be in KwaZulu Natal, 4 in the Eastern Cape and 1 in Northern Cape.

We will further roll-out a further 10 000 Home Solar Systems in un-electrified areas.

We will, through this programme, contribute about 5000 jobs across the country.

Allow me, Honourable Members, to give some indication of the electrification focus per province for this fiscal year:

<b>Province</b>	<b>Total</b>	<b>Total</b>
		<b>R'm</b>
Eastern Cape	<b>41042</b>	R 766,175
Free State	<b>6284</b>	R 94,900
Gauteng	<b>44614</b>	R 330,255
KwaZulu Natal	<b>39306</b>	R 709,105
Limpopo	<b>29246</b>	R 298,969
Mpumalanga	<b>16550</b>	R 198,484
Northern Cape	<b>8591</b>	R 104,706
North West	<b>15058</b>	R 179,521
Western Cape	<b>11007</b>	R 152,357
<b>Total</b>	<b>206 262</b>	<b>R 2,834,454</b>

Honourable members, the challenge of illegal connections is persisting, despite our endeavours to curb this criminal behaviour. These illegal connections do not only impact negatively on the revenues of the licensed providers, but also pose as a health and safety risk to our people.

Initiatives are being finalised to combat this unwanted behaviour and this will be elevated to a more serious crime and will have to be dealt with harshly with the strongest might of the law. We have approached the Director of Public Prosecutions to make electricity theft a more serious economic offense that attracts the appropriate penalty.

### **Integrated Energy Centres (IECs)**

The Department of Energy would like to re-affirm its commitment to establishing more IECs throughout the country in order to minimise energy poverty. The IECs' programme is one of the vehicles that the Department has embarked upon to contribute to rural development and job creation in the fight against energy poverty.

Sasol supported the drive to commemorate the 20<sup>th</sup> anniversary of the release of our leader, the first president of a democratic South Africa, President Nelson Mandela by establishing an Integrated Energy Centre at Qunu.

Last year, we reported about the challenges facing the Kuruman (NC) and Eshane (KZN) IEC's, the first two were pilot projects and were closed down

due to poor management and lack of proper governance structures. The Department, together with Total (Pty) Ltd and the Municipalities in these areas, are busy resuscitating the two projects and they should be re-opened during this financial year. The lessons learnt from the two sites were considered when developing the other five sites, hence they are still operational to date.

The Department is further partnering with the Department of Rural Development and Land Reform to develop future leCs, in line with the Comprehensive Rural Development Programme (CRDP). The two Departments have already worked together in Muyexe Village in Giyani, to conduct the energy needs assessment of the area.

This year we intend to launch two more leCs, funded by PetroSA, the National Oil Company of South Africa.

### **Petroleum licensing**

With regard to petroleum licensing, backlogs identified last year have all been cleared.

All fully completed applications are now processed within the prescribed 90 days and our plans going forward are to improve on this timeframe.

Honourable members as much as licensed retail service stations are there for motorists to purchase fuel, they also serve as convenient stores to the communities in which they are located. I believe that we would need to engage with retail operators to ensure that where they have health

amenities, these must be kept clean and in conditions that support good hygiene.

## **Energy efficiency and Demand side management**

Improved efficiency is the most cost-effective, least-polluting and readily-available energy resource.

Energy Efficiency can enhance the competitiveness of our economy, while helping to alleviate energy poverty as energy becomes more available. Accelerated energy efficiency can also create attractive green jobs and businesses.

We will continue our discussions with other government structures to ensure that all government buildings are energy efficient. We will also continue work on further rolling out off-grid technologies, and work towards energy efficient towns and cities. With the Department of Public Works, we will intensify efforts to make government buildings energy efficient.

Working together with the Department of Tourism, we will lobby the hospitality industry grading council to consider energy efficiency as criteria for the star rating of establishments.

Last year we committed to establishing the South African National Energy Development Institution (**SANEDI**), and this was duly done. SANEDI will, amongst others, be the champion for Energy Efficiency in the country, which will not only save energy but reduce the burden on households. In

addition SANEDI will house South Africa's carbon Capture and Storage research and development as well as other energy research programmes.

### **State Owned Entities**

In line with the Cabinet decision of December 2010, **EDI Holdings** ceased operations on 31 March 2011. An administrator has been appointed to execute the winding up and the process is expected to be completed by the end of June 2011.

As directed by Cabinet, we are continuing with some of the programmes that EDIH was involved in, including the rehabilitation of electricity distribution infrastructure. In this regard, the Department will establish internal capacity that ensures service delivery of uninterrupted power to end users. Proposals in this regard will soon be submitted to Cabinet for consideration. The required funding model is currently subject to detailed discussions between the relevant government departments and other potential funders.

We need the support of this House to fast track the eradication of electricity infrastructure backlogs.

**Necsa** continues to produce, through its subsidiary NTP, radioisotopes that are critical to diagnose and treat cancer. In this regard they have become the number 1 commercial supplier of medical radioisotopes that are produced from low enriched uranium as opposed to production from nuclear weapons-grade uranium. These radioisotopes are saving lives worldwide and we are proud to have Necsa making this big impact.

Working in conjunction with the DTI, Necsa is training young people in artisan skills that are critical to the economy.

This will make them more attractive to prospective employers and help alleviate the problem of joblessness.

Honourable members, contrary to popular belief, the role of national oil companies globally is increasing.

The fact that we are not endowed with oil, should not be seen as a reason not to have an oil company. **PetroSA** converts Gas to Liquid Fuel, which saves us significant foreign exchange as we have less petroleum to import. Going forward, we will strengthen PetroSA and make sure that it plays its role both on the local and international arenas. We re-iterate our commitment to ensuring that South Africa has additional refining capacity by 2020!

### **Security of energy supply**

The Department has already embarked on the development of the Integrated Energy Plan in consultation with other government departments.

The IEP process will seek to address some of the issues which were not addressed during the IRP process and which might have an impact on the longer-term options. This includes using a framework or methodology that incorporates key risks and uncertainties associated with long-term planning in the energy industry; alignment with government's long-term vision for emissions reduction; as well as deliver on the New Growth Path and IPAP.



## **Nuclear Energy**

We have stated that nuclear power is still a necessary part of our strategy in seeking to supply electricity to the economy and households and also to reduce our greenhouse gas emissions through a diversified portfolio, comprising some coal, oil and gas, renewable and energy efficiency technologies.

The recent events at Fukushima-Daichi Nuclear Power Station have made it necessary for South Africa to carefully take stock of the implications of these developments on our nuclear power programme, as outlined in the Integrated Resource Plan.

We are as part of our contribution to the global dialogue on the future of Nuclear, attending the IAEA Ministerial Conference at the end of June to also make inputs into the possible improvements of nuclear safety, emergency preparedness and response following Fukushima.

I wish to assure members of this house that government will never compromise the safety of our nation in its implementation of our Nuclear programme as part of the IRP mandate.

## **Coal**

Furthermore, South Africa is the sixth largest producer of coal in the world, and it will be inappropriate for us to produce coal for the world and deny ourselves the benefit thereof.

We have included 15% of coal generated power in the new plan, whilst simultaneously working on efforts, in partnership with sister departments such as Science and Technology, to find means to “clean” our coal.

Research and development work in the areas of underground coal gasification and carbon capture and storage is continuing.

## **Renewable Energy**

As we stated during the National Assembly budget vote debate, we have finally arrived at a point where we are ready to procure the first clean energy projects, indicated under the Integrated Resource Plan.

We hope to conclude at least 1000MW of renewable energy transactions by December this year, in time for showcasing as we host COP 17 in Durban. Apart from the showcasing, this programme is aligned to the New Growth Path and will substantially contribute to President Zuma’s vision on job creation.

## **Solar Park**

Following the successful Solar Park International Investors Conference held in October last year, we have committed R18.6 million towards the completion of a comprehensive feasibility study by the end of July this year.

We are very excited that South Africa can begin to seriously explore the possibility of solar technologies, being deployed as part of our broader energy mix, in a way that will also de-carbonize our energy.

I need to state it categorically that localization is non-negotiable, and meaningful participation across the value chain for the benefit of our people will be pursued vigorously.

Working together with the Department of Economic Development and the Department of Trade and Industry, this objective will be realised.

### **Solar Water Heating (SWH)**

The SWH programme has to date delivered over *115 000* systems across the various provinces under the fiscal and rebate funding schemes. This is a significant increase from the zero base that we started from. We are still lagging behind our annual targets, mainly due to funding constraints, and we are working on various interventions in order to address the funding problem. The Standard Offer Programme will become operational this year, as an alternative funding scheme for solar water heaters.

### **Liquid Petroleum Gas (LPG)**

LPG is cleaner burning and is a more efficient use of energy, and we will soon be proposing the use of LPG as an energy poverty intervention, where LPG would be offered to the indigent as part of free basic alternative energy and over time, replacing paraffin for cooking and heating.

In keeping with this policy objective of diversification of our energy sources and fuel switching, we will be publishing a Liquefied Petroleum Gas (LPG) Strategy, to divert households from the use of electricity for cooking and space heating to LPG. We believe that by doing this as a Demand Side Intervention, there is a potential to delay the construction of at least one Power Station.

### **Working for Energy Programme**

During the year, we shall be spending R25 million on the Working for Energy programme.

Through this programme we intend to diversify our energy mix and increase access to energy. We will ensure that all projects under this programme are labour intensive, and educational and empowering communities. We will soon launch a waste to energy project at Phillipi in the Western Cape, where members of the community have been trained and will produce energy from alternative sources.

### **CUSHIONING THE POOR**

On 24 February 2010, the Energy Regulator approved the implementation of Inclining Block Tariffs (IBTs) for domestic/ residential customers, in line with our pricing policy. The concept of IBTs means that the more you use electricity, the more you pay. This decision was taken in order to provide for cross-subsidies for low income domestic customers and is applicable to both Eskom and Municipalities.

With regard to IBT, we flagged the problem relating to prepaid metering systems and their inability to be configured to dispense IBT.

I am happy to announce that the reconfiguration process has been completed on Eskom prepaid meters. Prepaid meters in municipalities will be done next, as we extend coverage of IBT to all qualifying households. Due to IBTs being a new concept and due to municipalities facing system and other challenges, roughly 19% of the licensed municipalities (30) have implemented IBT on their residential customers.

The collaboration of municipalities and SALGA is crucial. Same as for Free Basic Energy, we will endeavour to make IBT an effective instrument for protecting the poor against increasing electricity tariffs.

### **Free Basic Energy**

More than 70% of identified indigent households are receiving free basic electricity while less than 5% receive free basic alternative energy, including bio-fuels, paraffin, LP gas and other alternative sources. There are still challenges relating to the coverage and leakage of FBE to non-qualifying households. We urge municipalities to fully implement FBE, and this has become even more critical as tariffs increase.

### **NEW LEGISLATION FOR 2011**

Insofar as our planned legislation this financial year is concerned, we intend to introduce the following bills for consideration by Parliament:

- Petroleum Products Second Amendment Bill;

- Gas Amendment Bill;
- Electricity Regulation Second Amendment Bill;
- Independent System and Market Operator Bill; and the
- National Energy Regulator Amendment Bill.

## **INTERNAL ENVIRONMENT**

This house must note that due to the limited budget to fund the approved establishment, the department resorted to implementing an interim structure that is currently operational with only 52% of its required overall capacity.

We have undertaken further work in refining the approved organisational structure to enhance the Department's ability to deliver on stated government-wide priorities. We have established a Project Management Unit to ensure delivery on all identified projects and will implement a project management framework that complies with international standards that have been tried and tested in the energy environment.

This is especially critical in view of the 10 infrastructure projects and 3 major access to energy projects that will be focused on during the coming period. To further enhance our implementation capacity, we will, amongst others, re-train 72 staff members with a view to enhancing their project management skills.

In responding to the policy positions of the ruling party, we have also established a new Branch for Clean and Renewable Energy, to focus on

areas such as the use of alternative technologies, cleaner carriers and increase the use of renewable energy sources. This will include the work underway in the area of demand side management and energy efficiency. We have also partnered with the Energy and Water Seta and NYDA to train 45 youths, (5 from each Province) in the renewable energy sector.

This development will also enable the department to significantly better coordinate and enhance its contribution to South Africa, with a view to successfully host COP17 in December this year.

## **ENGAGING THE PUBLIC**

The participation of the department of energy in the NCOP public participation programme is still a bit weak, and a cause of concern. We make the commitment to intervene in these matters and enhance our responsiveness to the NCOP.

During the last year we were successful in heeding the call for government departments to hold at least 10 public participations per year. We will continue with such engagements, and this year, going forward, special attention will be given to our interactions with organisations for women, youth, children and people living with disabilities, focusing on the role they can play in the energy space. Our focus for the coming period will further be on the areas of energy consumption and distribution, nuclear energy generation and safety.

## **Conclusion**

Honourable Speaker, on this note I hereby present the budget vote of the Department of Energy.

Finally I would like to thank:

- President and my Cabinet colleagues
- Select Committee on Economic Development led by the Hon Freddy Adams

Thank you.