



**Keynote Address by the Minister of Energy, Ms. Dipuo Peters, MP**

**Investors Dinner hosted by MEC for Economic Development, Environmental Affairs and Tourism, at the Regent Hotel on 28 November 2012 at 18h00**

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Programme Director

The Premier of Eastern Cape Province, Ms Noxolo Kiviet

MEC for Economic Development, Environmental Affairs and Tourism, Mr Mcebisi Jonas

Members of the Eastern Cape Legislature,

Executive Mayors, Mayors and Councillors,

Ambassador Roeland van de Geer, Head of the EU IN South Africa

EU Ambassadors and High Commissioners

Directors-General, Heads of Department and Senior Managers,

Distinguished Guests, Members of the media

Ladies and Gentlemen

It gives me great pleasure to address you at this Investor's Dinner this evening. I could not join you in the morning today due to Cabinet commitments, but I have been informed that the proceedings went very well.

The renewable energy sources offer South Africa and the world at large an opportunity to improve the energy mix by diversifying energy sources, which ultimately improves energy security. Most importantly, because renewable energy sources are spread across the country and the entire world, it is safe to say renewable energy sources also contribute towards reducing dependency on imports, be it coal or oil and gas from other regions locally, or even other countries.

Deploying renewable energy sources is therefore a win-win for all because no region or country has a monopoly over these resources.

Ladies and gentlemen,

I am very pleased that most of the renewable energy developers as demonstrated in the number of preferred bidders through the first two rounds of the bidding process have targeted this province to develop their projects. As you all know, these make up about 876MW out of the 2 460MW allocated during the first two bidding windows. Ten of these are wind farms and one is a solar PV plant.

I must say that as the Department, we were deeply saddened by the news of the passing away of Mr Mcebisi “Bra Mike” Msizi recently in October who was the head of the Tsitsikamma Community Wind farm project just before we reached the last key milestone of financially closing round one bids. We are however grateful that his legacy will live on through the Tsitsikamma Community Wind Project.

The 5000 member community who hold a 10% equity stake through a community trust in this project will always remember him for his efforts in driving this wind project and other energy initiatives in this area.

Programme Director,

The latest 2011 Census Results indicate that this province is now the third largest province in the country with a population of 6.56 million people. A majority of this population resides in rural areas and considering the costs of electrifying these areas, we are convinced that distributed generated using renewable energy options may be a cheaper alternative.

In the new electrification roadmap a large portion of rural houses could be supplied with electricity by means of solar home PV systems, and we will make sure that these systems must have the capacity that will address the needs a modern and growing household.

It is also interesting to note that with the electrification backlog that exist in the Province, coupled with need for basic services, an opportunity exist for the establishment of the renewable energy industry of unparalleled proportions to provide energy, food and also to support tourism.

The Eastern Cape is one of the Provinces that is well endowed with these renewable energy sources particularly wind, solar, various forms of biomass including agricultural waste, small scale hydro and tidal energy when one looks further into the future. Further, this Province has abundant rainfall to support biomass cultivation.

Programme Director,

I am equally pleased that in addition to the Eastern Cape, all the successful projects from the 1<sup>st</sup> two bidding rounds are spread across some of South Africa's most rural and least developed provinces being the Northern Cape, Limpopo, North West and the Free State.

The job opportunities and skills upgrading commitments by the IPPs must be commended. In addition, some of the IPP bidders have undertaken to set up community development initiatives that will uplift at least one community within a 50km radius of each project.

Considering the opportunities that will emanate from these partnerships, government is confident that local communities in the vicinity of the IPP projects will gain in terms of growth in the local skills base that can be used to enhance other local development

plans. Combined, the projects from the first window will add about 1 400MW to the grid and bring investments to the tune of R47 billion.

Ladies and gentlemen,

Further, from an international perspective, renewables will assist South Africa immensely in terms of our Copenhagen undertaking of reducing carbon emissions by 34% in 2020 and 42% by 2025 depending on financial support from the international community.

As you know, advancing renewable energy at a scale of 17 800 MW as envisaged in our Integrated Resource Plan comes at a significant cost to the economy as a result it is not possible for South Africa to carry this commitment alone.

I am pleased that the European Community, represented by such countries as Denmark, Germany, the UK and Norway as well as the European Investment Bank have committed funds to enable us to implement the South African Renewables Initiative, also known as SARi.

Ladies and gentlemen,

The South African government established SARi as a mechanism designed to leverage international funding and to consolidate different funding sources to reduce the costs of renewables. We are confident that with the support we have received thus far, that we shall be able to achieve the objective of deploying renewable energy on a large scale without major negative impact on the economy or electricity prices.

This cooperation to us demonstrates that investors have not only accepted the competitive bidding approach to renewable energy procurement, but have also embraced the fundamental principles underlying our Government's approach to renewable energy deployment.

Programme Director,

As we invest in energy infrastructure to ensure security of supply and on the demand side to improve access to affordable modern and clean energy for the masses of our population, we also need to be mindful of the economic benefits that can be derived through local manufacture of energy technologies. As some of you would know, the unemployment levels in our country especially among the youth and qualified graduates represent a major challenge for our thriving democracy.

We need to resolve this by partnering with investors like you to create direct job opportunities so as to absorb the unemployed.

This will assist us to meet the target of creating 5 million new jobs by 2020 as outlined in the Government's New Growth Path Framework.

From the successful bids we are convinced about the investors' commitments to helping our Government achieve this objective. We are optimistic that indirect job opportunities resulting from these investments will improve the economic conditions of the majority of our people. It is primarily for these reasons that we have built local manufacturing into the criteria for selection of successful bidders.

Many investors and civil society groups demand that we put in even more ambitious targets into our renewable energy plans. I must remind all of us here tonight that the current Integrated Resource Plan that we are implementing, anticipates more than 40 000MW of new electricity generation, and this is estimated to cost over 1 trillion rand.

The Renewable Energy Programme is also incorporated in the PICC processes, especially under SIP 8, which covers the Green Economy. The introduction of renewable has therefore been elevated to the highest level of oversight, in this case by the President of the Republic himself.

The Solar Water Heating target of 1 million installed geysers by 2014 is one of the ways in which we seek to use renewable energy sources to reduce our electricity consumption. Our government has committed R4.7 billion towards the realisation of this target.

Ladies and gentlemen,

We are working towards finalising the biofuels support mechanism together with key departments, including the Departments of Trade and Industry, Economic Development and the National Treasury, as well as the Industrial Development Corporation. Following the completion of studies regarding determination methodologies for the Biofuels Break-even Price and the Bio-ethanol Blending Value, we are now focusing on the best means to provide financial support to biofuels manufacturers.

Some of you would know that we promulgated Mandatory Blending Regulations in August this year. I know that many of you have been asking about the effective date of these Regulations - I wish to highlight that the effective date, is subject to amongst others, the conclusion of the financial support mechanism.

The Eastern Cape is one of the provinces that hold a lot of promise regarding biofuels production, from crop cultivation to the actual production of biofuels. The team that is leading government on biofuels has recommended the Cradock project to be used as a case study for this sector.

This means that we are going to keep a close eye on this project in order to use the lessons learned to inform policy development and refine regulations going forward. We are looking forward to working with the European Union in this field in order to share lessons that can enable us to fast track progress in this sector as much as we have done with the electricity sector.

Programme Director,

Before I conclude I would like to thank both the Premier of the Eastern Cape, Ms Noxolo Kiviet and the host, MEC Mcebisi Jonas for indulging my interest in being part of this very important conference. I have always regarded the Eastern Cape Province as progressive when it comes to new things – in this case, these new renewable technologies.

I do believe that all your efforts in bringing trade and investment to this province will bear positive results for our government, our needy constituencies and especially our youth.

From the Department's side, I wish to confirm that you have our support. To this end, I must highlight that we are going to extend the Wind Atlas project which we have been doing for the past two and half years to the Eastern Cape.

Our partners, the Danish Government led by the Royal Danish Embassy in South Africa, has committed an additional 12 million Krone to the expansion of this project to the Eastern Cape, KwaZulu Natal and possibly some parts of the Free State. The Wind Atlas results are available to the public at no cost and through this we trust that we shall be able to reduce pre-investment costs for project developers by providing better indications of where wind hot spots are in the country.

MEC Jonas, I need to indicate to you that so far, with the only wind mast that has been installed in Butterworth, we have had serious challenges relating to vandalism and theft. We need to work together to reduce the costs that are due to this unnecessary challenge. One of the ways we can do this is to educate our communities about wind energy hence the department has embarked on a national wind energy awareness campaign that we wish to rollout to schools, communities etc. within this province.

The South African National Energy Development Institute will be assisting the Department at school level in this province by introducing an Art competition so that wind energy does not remain an abstract scientific concept, but something that even small children can easily identify with. We request your cooperation and support as we embark on these localized initiatives.

To our investors, let me underline that the Department of Trade and Industry in South Africa offers financial incentives for local manufacturing. In particular those that are most suitable to the renewable energy sector are; Foreign Investor Grant – which covers the cost of relocating manufacturing equipment; Manufacturing Investment Programme – which reimburses 15-30% of the total investment amount and covers investments between R30 million to R200 million.

The Manufacturing Competitiveness Enhancement Programme covers the cost of upgrading the manufacturing facility to assist local industries to be more competitive; Section 12i tax incentive – which is a tax rebate programme for investments over R200million; Over and above this the dti has set up Industrial Development Zones which have additional incentives for industries located in them. I trust that through your deliberations tomorrow these incentives will be elaborated on.

I wish to emphasize that the Department of Energy will continue to work with all relevant and affected stakeholders to create conditions required to stimulate local investments in renewable energy technologies.

We are certainly anticipating that with the progress made thus far, renewable energy technologies will play a crucial role in our economy and change the future of our energy supply, distribution and consumption for the best.

Thank you again for this opportunity to engage with you.