



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

**AEG Solar Factory Launch, Cape Town**

**20 September 2012**

**Time: 16h50**

Programme Director;

Premier of Western Cape Province, Honourable Helen Zille,

Leadership of the Western Cape Provincial government;

Members of the Western Cape Legislature;

Managing Director, CEO, COO and staff of AEG Power Solutions;

Distinguished Guests,

Members of the media;

Ladies and Gentlemen,

It is my pleasure to address you on the launch of the AEG Solar Factory in South Africa. Thank you for the kind invitation to share this special day with you.

The establishment of a manufacturing facility in this area and South Africa in particular will help us to reduce our dependency on imports and create jobs as envisaged in our policy documents.

Let me at the onset commend AEG Power Solutions on this bold step that you have taken.

Your initiative augurs very well with government's policy commitment on localization, and in fact, for us to create the number of jobs as anticipated, we need to localize most of these technologies.

In June 2012, the Department of Energy (DoE) together with the Department of Science and Technology (DST) with the help of the International Energy Agency (IEA) convened a national workshop with all relevant stakeholders in government, academia, state owned entities, research institutions to deliberate and formalise the plans on Solar Technology Road map.

We have also recently formally launched the South African National Energy Development Institute (SANEDI) which in essence, is responsible for enabling and implementing the energy technology roadmap which supports the long-term policies developed by the DoE.

The inauguration of this facility today is therefore most welcome, as it sends a clear message that the private sector is starting to respond to our policy imperatives!

Programme Director,

It is public knowledge that South Africa is among the fourteen highest emitters of "carbon dioxide equivalent" in the world.

Based on this realization, government has long acknowledged that there is an urgent need to move towards a low carbon economy to reduce the greenhouse gas emissions (GHG). Nowhere is this more aptly demonstrated through the COP15 commitment as made by His Excellency, the President of the Republic of South Africa, Mr Jacob Zuma that ***"South Africa will reduce its emissions by 34% and 42% by 2020 and 2025 respectively under business as usual and subject to the availability of both technical and financial resources."***

Some researchers are saying almost 90% of South Africa's electricity is generated from coal-fired power plants, although South Africa receives more than 2,500 hours of sunlight, which is twice more than most parts of Europe. This resource remains largely untapped and you are aware that we took a firm decision to exploit this resource and convert it into productive energy to generate electricity safely, and to also progressively make it more affordable.

The Green Economy Accord that was signed by government and its social partners in November 2011 identifies a huge opportunity for creating economic activity in the manufacturing and assembly area.

Additional opportunities also exist in the construction and installation of renewable energy plants and equipment, that is, solar panels, trackers, mirrors, metal frames, glass, electricity inverters and co-generation of electricity through the use of by-product industrial heat, not withstanding all the solar water heating components for the SWH programme that we have embarked on.

It is also important to note that the Green Economy Accord is implemented together with the Local Procurement Accord and the National Skills Accord which are central to this collective objective.

During my budget vote speech in 2009, I pronounced on a million solar water heater target by 2014, a target that was subsequently adopted as central to the Green Economy Accord.

In it, the parties committed to the drive of increased localisation of the components of the solar-water heating systems. It is important to note and participate in the various incentives provided by the Department of Trade and Industry within the manufacturing leg of value chain based on the nature and size of business.

The South African government has a target of creating 5 million new jobs by the year 2020 as outlined in the Government's New Growth Path Framework.

Government believes that a large number of green jobs could be created in this sector as well. Following this target, the Minister of Economic Development, Mr Ebrahim Patel announced that Industrial Development Corporation (IDC) will invest R102-billion over the next five years to boost the industrial sector.

Green energy industries and the mining and manufacturing sectors will receive the lion's share of the funds, with each receiving approximately R20-billion over the next five years. The R102-billion investment by IDC represents a 160% increase of actual approvals in the last five years. This allocation addresses some of the challenges or barriers in accessing financing in this sector.

Further to this, the Minister of Water and Environmental Affairs, Ms Edna Molewa announced a green fund to the tune of R800 million to support the green economy commitment.

Government is hard at work in integrating policy imperatives prior to the actual flow on funds in the country from international partners to translate the South African Renewable Initiative (SARi) into tangible outputs in ensuring proper financing of renewables so as to reduce the burden of high electricity price from the citizens. We remain committed to putting together the right policies and regulatory frameworks to create a conducive environment for investment in green industries. All of the above are in line with our contribution towards the Sustainable Energy for All.

**Ladies and gentlemen,**

You will recall that in 2005/6, South Africa had for the first time experienced blackouts in Cape Town and in 2007/8 this problem intensified nationally.

This experience warranted for South Africa to develop a long term Electricity plan or the Integrated Resource Plan which was promulgated in 2010. Within this plan, solar energy has a target of 8 400 MW for PV and 1 000 MW for CSP respectively by 2030.

The launch of this solar equipment manufacturing factory is timely as our Renewable Energy Independent Power Producers Procurement Programme is at its inception phase, with two bidding windows of opportunities having been pronounced on to date.

This innovative bidding programme has been hailed internationally as a success and we are proud that throughout the value chain of the renewable energy development, we are witnessing an unwavering local and international interest.

You will all recall that as government, we have made it clear that we will not compromise when it comes to local content, and that is embedded in the current IPP procurement programme. Lack of local manufacturers was a major barrier to many bidders and therefore your initiative will contribute significantly in addressing this gap, as it creates an excellent example and a case study for those who may want to follow suit.

Programme Director,

As we speak, the percentage of local content in the bidding windows to follow is increasing to promote job creation. In order to achieve our objectives to alleviate poverty and create decent and sustainable jobs, South Africa needs to stop being a consumer of imported products and start innovating and locally manufacture homemade products especially in areas where it is possible and cost effective to do so.

While local content in the solar PV space is currently at 45 % in terms of the target, the ultimate aim is to have 100% local content in future windows, and working together with the Department of Trade and Industry we are going to ensure that we put all the enabling legislation and incentives in place.

It is reported that there is a lot of uncertainty within the programme which is making more bidders reluctant to invest.

We have seen that some of the banks are also not yet convinced that this initiative is viable, as some of the selected bidders were struggling to reach financial-close. I am also aware that those who are interested in solar CSP seems to be unsure of the future

application of this technology in our country, since all the capacity allocated to CSP for the initial windows has been exhausted.

I wish to indicate that all those challenges are being attended to and we have issued a statement informing the public about our new schedule. The new date for financial-close for preferred bidders from the second window is between May 18 and 28 2013. The new date for submission of window three bids has been extended to 7 May 2013.

I know that most of you are also eager to get progress on the Solar Park Corridor development in the Northern Cape Province. The Department is addressing some of the challenges identified during the feasibility study process, however a significant progress been made towards concluding other important planning processes such as defining Eskom's role, and on such areas such as the EIA for transmission lines and sub-stations.

I would like to conclude by applauding AEG Power Solutions for taking a leap of faith and believe in South Africa's vision to ensure that we grow the solar energy content in the energy mix plan.

I wish AEG Power Solutions all the best in South Africa and I believe that the market will grow and help us meet the 9400 MW we are anticipating from the solar technology. It is our vision to see many more manufacturing companies in South Africa spreading to different provinces to improve the lives of fellow South Africans.

I have no doubt that if we work together to solve any potential glitches, either on the policy front or from the investment side, we should be able to realize our ambitions of creating a better life for all South Africans through better energy security, coupled with decent and sustainable jobs.

Thank you for your attention.