



**MINISTER  
ENERGY  
REPUBLIC OF SOUTH AFRICA**

## **2012 NCOP BUDGET VOTE SPEECH**

**Ms DIPUO PETERS, MP, MINISTER OF ENERGY,  
NCOP CHAMBERS, PARLIAMENT, CAPE TOWN  
14:00, 24 MAY 2012**

**Chairperson of the National Council of Provinces,  
Deputy Chairperson of the National Council of Provinces,  
Deputy Minister of Energy, Ms Barbara Thomson,  
Honourable Chairperson of the Select Committee on Economic  
Development, Mr Freddy Adams and Members of the Committee,  
Honourable Members, Ladies and Gentlemen,**

The NCOP is a critical platform for direct engagement with provinces, and for allowing members of the Executive and departments meaningful interaction with public representatives at this level for joint reflection and guidance.

Chairperson, allow me to briefly reflect on our performance in some key areas of work in the energy space:

- The Integrated National Electrification Programmes target for the 2011/12 financial year grid connections was 196 000 as a result of the grid allocation of R2.83 billion. Eskom has completed just over 106 000 connections to date, with Municipalities connecting about 35 400, with 54 600 connections planned before the end of their financial year.
- I need to indicate that due to the financial year end of Municipalities being at the end of June, more connections will still be completed as part of the 2011/12 allocation, and that the targeted figure will be reached. On the non-grid side, just over 10 000 connections have been made in 2011/12, which is in line with the target that was set for non-grid.
- We have improved the turnaround time for petroleum licensing down from 90 days to 60 days for new entrants in retail.
- We commenced with an audit into the state of our refineries.
- We launched the energy efficiency campaign during COP17, together with our social partners in NEDLAC.

- Significant progress was achieved in the development of the Solar Park Initiative, however there was an unexpected delay in accessing the indentified land and we intend to overcome this challenge during this financial year.
- Despite the initial teething problems, we have installed over 250 000 solar water heater systems. The 1 million target by 2014 is still in sight.
- Significant progress has been achieved with the development of the following pieces of legislation:
  - the Independent System Market Operator Bill,
  - the Electricity Regulation Amendment Bill,
  - the National Energy Regulator Amendment Bill ,
  - the Petroleum Products Amendment Bill, and the Gas Amendment Bill.

Honourable members,

The Department of Energy has spent 99.9% of our 2011/12 allocated budget. The total allocation for the 2012/13 financial year is R6.8 billion, with 95% or R 6.5 billion of this allocation being earmarked for transfer payments.

- R3.1 billion has been earmarked for the Integrated National Electrification Programme (INEP) to connect 150 000 and 10 000 households to the grid and none grid systems respectively;
- R1 billion for the Energy Efficiency and Demand Side Management (EEDSM) programme to accelerate the solar water heating programme;
- R1.5 billion for the final instalment of the New Multiproduct Pipeline (NMPP);
- R554 million to NECSA to continue with its central role as the anchor for nuclear energy, research, development and innovation.
- The balance will be utilised for smaller projects and transfers to state owned entities reporting to the Minister of Energy as follows:
  - SANEDI receives R50.1 million
  - The National Nuclear Regulator receives R30.9 million
  - The Renewable Energy Fund Subsidy Scheme has been allocated R40.4 million

Only R307.27 million remains for the Department's operational budget, a 0.06% increase from the previous year.

Honourable Members,

We will continue with the implementation of the ***Integrated National Electrification Programme*** which is the backbone of our electricity delivery programme for communities.

The biggest backlogs are currently in KwaZulu-Natal, Eastern Cape, and Gauteng followed closely by the islands in and around the eight metropolitan municipalities.

This financial year, the INEP has been allocated R 3, 119 billion, of which R 1, 15 billion is earmarked for municipalities and R 1, 88 billion for Eskom respectively. A further R86 million has been allocated for non-grid connections.

Provincial allocations are as follows:

- Eastern Cape, R 768 million,
- Free State, R 118 million,
- Gauteng, R 293 million
- Kwa Zulu Natal, R 1,035 billion,
- Limpopo, R 360, 3 million,
- Mpumalanga, R 184 million,
- Northern Cape, R 96 million,
- North West, R 296 million, and
- Western Cape, R 171, 3 million.

These allocations are meant to ensure implementation of approximately 71 000 municipal, and 111 000 new grid connections by Eskom, resulting a total of 182 000 grid connections nationally. In addition, with the expected 10 000 non-grid connections, the total new connections for this financial year is expected to reach 192 000.

The first audit of the phenomena of ***“island formations”*** revealed that there were about 16 000 cases where households were skipped and not electrified as originally planned in the whole of KZN.

These “island formations” have developed mostly due to political reasons. To address this, we made 5 670 connections in 2010/11, followed by 3 000 connections in 2011/12. The outstanding connections will be done during this financial year and completed next year. Members should help us to eradicate this phenomenon of electrification by political affiliation. Electricity does not have a party membership!

At the Electricity Indaba held in Durban during March 2012, we identified some shortcomings in the current national electrification programme.

The Department has since commenced with the process of addressing these shortcomings with the assistance of the International Finance Corporation and consultants in order to improve the connection rate. I would like to take this opportunity to thank all participants for their support and robust participation during the Indaba.

One of the challenges facing the electrification programme is the deteriorating state of the **electricity distribution infrastructure** which is beginning to affect the pace of the rollout of the electrification programme. To address these challenges, the Approach to Distribution Asset Management (ADAM) Project is to be launched this year with pilot projects in selected municipalities.

We recognize that there might be limitations in the current legislative and regulatory framework, and we require some commitment from municipalities where funding will be made available to rehabilitate the infrastructure, particularly where energy security is threatened.

The movement of crude oil from \$100 to \$120 per barrel has happened in a short space of time. I must re-iterate that I feel and share the pain of the motorists, but in particular the pain of the paraffin users and the farmers who produce the food we need. A positive development is that we are currently witnessing a swing of the crude oil price downwards, and I am pleased to announce that next month, motorists will benefit from a substantial decrease in the fuel price.

As a response to the global oil situation, we will review the Strategic Stocks Policy and re-position the Strategic Fuel Fund to play an enhanced role as the custodian of hydrocarbons in the country.

I will soon be releasing the outcomes of the **Liquid Fuels Charter** audit, which was conducted to determine the compliance of the industry with the Charter. I must indicate that the results are a mixed bag of successes and failures. At least one of the BEE companies has managed to pay for its 25% stake in one of the international oil majors' South African operations. As we speak that company is 49% owned by South Africans and 25% by a BEE company.

Some of the other ownership schemes appear to have been ill-considered and these are some of the issues that we will be addressing with the industry in a meeting to be held before the end of this month.

The evolution of the LPG sector is providing both challenges and opportunities, and we will intensify efforts to ensure that LPG becomes a carrier of choice, especially to ensure access for rural communities for space heating and cooking.

We intend to place a greater focus on ***fuel specification compliance*** and spot checks will be done to ensure value for money for the motorist.

We have also set ourselves an ambitious target of obtaining ISO accreditation for the petroleum licensing process, and will spent considerable effort in training staff on an improved quality management framework and system.

Ladies and Gentlemen, the implementation of the ***Integrated Resource Plan*** is underway and policies and strategies to realise its objectives have been developed, including the work done on Underground Coal Gassification and Carbon Capture and Storage.

The **Renewable Energy Independent Power Producers Bidding Programme** has concluded two bidding windows, allocating a total of 2416MW to 47 preferred bidders. The process has lived up to expectations, and is expected to attract foreign direct investment of about **R 100 billion** over a period of 12 months into the country.

In a few weeks, we will call for bids for the small power or less than 5MW capacity bidding round, with a total of 100MW available.

***Nuclear*** is an essential component of the energy intense economy of the Republic of South Africa. The National Nuclear Energy Executive Coordination Committee (NNEECC) was established last year for oversight over the planned nuclear energy expansion programme.

The success and deployment of nuclear power requires public acceptance, and public education and radioactive waste management issues are the most important topic surrounding nuclear energy. We will be investing resources and greater effort in this regard.

***Energy Efficiency*** is central to ensure a sustained and uninterrupted electricity supply. The Department of Energy and National Treasury, under section 12L of the Income Tax Act, have developed energy efficiency tax incentive regulations that is intended to incentivise investment measures that save electricity.

According to Eskom statistics, we have achieved savings of 1.4 TWh through combined programmes that include EEDSM interventions and Solar Water Heater installations, This excludes the municipal lighting retrofit programme.

I am sure that all members are aware of the Eskom 49m campaign launched by His Excellency, Deputy President Kgalema Motlanthe. We are, in partnership with social partners through NEDLAC, involved in initiatives such as the Electricity Conservation Scheme and the NBI led programmes. The United Nations Industrial Development Organisation continue to support the Industrial Energy Efficiency Programme, jointly coordinated by the Departments of Energy and Trade and Industry.

SANEDI is now officially launched and will continue to be the key driver of our efforts with regard to Carbon Capture and Storage, including the selection of the first test injection site in 2016. They will also focus on further work around the Working for Energy programme, amongst projects such as biogas in Phillipi in the Western Cape, a bio-energy cluster which comprise of projects in Fort Cox, Melani Village and the University of Fort Hare, largely for research purposes.

Honourable Chairperson and Members,

The Department has been extensively involved in the deliberations on the global energy agenda with the aim of maintaining energy markets stability, encouraging sustainable investments in the energy sector globally and the promotion of cooperation between private and public sector in developing the energy sector.

Seven agreements or declarations of intent for capacity building, funding, technology and exchange of information and the development of the energy infrastructure on the continent has been concluded.

Our efforts remain geared to addressing the need for the continent to secure clean, affordable, accessible and sustainable energy carriers and reduce energy poverty, and ultimately, changing forever the picture of Africa as a dark continent.

Energy is a catalyst for **job creation**, and through the implementation of DoE-led initiatives, we have facilitated about 5 000 direct jobs during the construction of service stations and a further 1 260 permanent jobs. Service stations sustain about 60,000 workers and this number is expected to increase. The INEP programme created approximately 5000 jobs last year, and the REIPP Procurement Programme will further contribute to an increase in jobs in the sector, as part of the much coveted green jobs drive.

Our efforts towards alleviating energy poverty will see the operationalising of an additional three Integrated Energy Centres in rural areas this financial year.

Honourable members, I have previously committed to intensify our efforts to appropriately engage with women, youth and people living with disabilities by implementing responsive programmes and projects in partnership with our stakeholders.

Together with energy sector stakeholders and institutions, we launched the **Clean Energy Education and Empowerment Initiative for Women (C3E)**, an initiative of the Clean Energy Ministerial to empower women and to ensure a concerted drive to increase the participation of women entering the energy space.

We will continue to host the Annual Learners Focus Week, for Grade 9 and 10 learners, focusing specifically on the energy sector and encouraging them to focus on Science, Technology, Engineering and Mathematics.

We will continue to strengthen our partnerships and collaboration with progressive women empowerment entities such as WINSA and WOESA, to, amongst others, create awareness about empowerment opportunities for women in the sector.

The Department has also undertaken a study on the **India Women Solar Panel Engineering Model, the so-called Barefoot Engineer programme**, with the aim of using the lessons and experiences gained for the development of a South African model of the programme, targeting rural women.

We will continue with the **public participation programme** through which we will educate, engage and debate energy related issues to enhance the Department's service delivery and sharpen our contact with the citizenry of our country.

In conclusion, I would like to thank Deputy Minister Thomson, the Director General, Nelisiwe Magubane and Team Energy for their hard work. Our gratitude must also go to the Select Committee on Economic Development, the leadership of Chairperson Freddy Adams, for keeping Team Energy and indeed myself on our toes!

The progress and positive advances made by this department is largely due to our conviction that ***"together, we can do more."***

We commit to continue putting shoulder to the wheel, and to accelerate and intensify our efforts towards creating a better life for all our people.

I Thank You.

**End.**