

ENERGY PLANNING COLLOQUIUM

29 MARCH 2012

KEYNOTE ADDRESS

BY

MINISTER DIPUO PETERS

Thank you Programme Director

Minister in the Presidency responsible for National Planning, Minister Manuel

Deputy Minister Thompson

Chairperson of the Parliamentary Portfolio Committee of Energy and other members' parliament here present

Representatives from our social partners

Director-General of the Department of Energy

Directors General from all Departments present

Our international speakers and guests

Chairpersons of State Owned Companies and Government Agencies

CEOs of State Owned Companies and Government Agencies

Representatives from the Energy Sector

Officials from Government Departments

Members of the Media present

Ladies and gentlemen

We are gathered here today, during an important month in our country's history. This is the month during which we honour all those who fought for human rights. South Africa's Human Rights Day, 21st March – has also been declared International Day for the Elimination of Racial Discrimination by the United Nations

For many South Africans, the day is a commemoration of the Sharpeville massacre of 1960, where the police of the apartheid regime brutally exterminated 69 unarmed people and injured 180 others who refused to carry the hated 'dompas' identity document that was meant only for indigenous Africans. During this month, we do not only celebrate but we remind ourselves of the continued struggle to ensure that every citizen's human rights are respected and protected regardless of their race, gender or creed. This is It is an ideal that this government is committed to.

The Colloquium takes place at a time when global oil prices are once again causing havoc in the economies of developing countries and to some extent developed countries.

Some call it the "fear factor" of an impending global disruption of crude oil flows and the speculators are cashing in. Spare a thought for a makhulu in Nongoma whose paraffin price is impacted by a trader pressing a button somewhere across the Atlantic. This is clearly has got to be dealt with.

This colloquium is the last event of the energy month and is aimed at engaging in constructive discussions which will inform an important plan for the South African energy sector – the Integrated Energy Plan (or simply “the IEP”). Although this is the last event of energy month, it does not imply the end of energy issues and it certainly does not mean the end of our energy sector agenda.

Ladies and gentlemen, the reason why we declared this month as energy month, was in recognition of the importance of energy to sustainable development and the General Assembly of the United Nation’s declaration of 2012 as “***The international year of sustainable energy for all***”. The UN made this declaration in recognition of the fact that access to affordable modern energy services is essential for overall sustainable global development, and for the achievement of the Millennium Development Goals.

Ladies and gentlemen, let me remind you that in 2009, President Zuma in recognition of the importance of national planning established the National Planning Commission headed by Minister Manuel. (Ladies and Gentlemen, you heard Comrade Manuel talk about the importance of national planning and the role that National Development Plan plays in paving our country’s future landscape).

Alan Lakein the author of "***How to get control of your time and your life***" once said that "*Planning is bringing the future into the present so that you can do something about it now*". This quote captures the essence of what the National Development Plan and the Integrated Energy Plan seek to achieve. The purpose of the National Development Plan is to set the vision for the national and economy-wide roadmap of the country and to present options that should be considered by the various sectors.

The purpose of the IEP, on the other hand, is to evaluate all the options for the energy sector that have been defined in the National Development Plan and from those options propose the roadmap for future energy policy and technologies.

There has been a barrage of criticism about the fact that the IEP is coming as a consolidation of the different supply-side plans for electricity, liquid fuels, renewables and gas. The reality is that a plan to cater for the electricity challenges of 2008 had to be developed. Hence the IRP and by the way the success of the IRP process is there for all to see

We are not starting from scratch and the plans that have already been developed are also not cast in stone. What we cannot accept however, is a situation where government's other policy decisions are frustrated through the use of these consultative processes.

Let me once again reiterate that you cannot pick and choose energy carriers that are in the IRP 2010 and say we are happy with renewables but not with coal or nuclear.

Cabinet has made pronouncements in the form of the IRP and the IEP process may moderate here and there but the fundamental trajectory of the IRP will remain.

The global energy sector is still facing significant uncertainties that are being fostered by the threat of default in certain countries as well as the impending sanctions on Iran. These exogenous global factors and other geo-political issues which are beyond our control impose the constraints within which we must plan. Therefore in developing our energy plan, we must take into consideration our national aspirations as well as global macroeconomic factors for which we have no control.

For example the South African Energy Plan cannot assume that we are an Island. We are an integral part of the SADC region and the continent of Africa. There are exciting developments in terms of energy sources in East, west and Southern Africa.

The massive gas resources across our borders will have to be taken into account as we develop scenarios for South Africa's energy trajectory.

The interconnectedness of the electricity grid in the region needs to be strengthened.

An area that still requires a lot of attention is the linkages of liquid fuels and gas infrastructure. The gas pipeline from Mozambique to South Africa is a living example of how this could be done.

As governments in the sub region we should carefully consider investments on infrastructure which are only inward looking. A lot can be achieved by integrating the plans of the region for each and every energy carrier.

Programme Director, today we stand at a critical juncture. As global demand for energy recovers, South Africa must take bold and decisive actions to create a more secure energy future, accelerate access to energy, reduce greenhouse gas emissions and build a competitive 21st century clean energy economy while contributing towards employment creation

The realism of a developmental state like ours which has a bulk of the population emerging from underdevelopment is that the number of cars per capita will increase for a while as people's economic situations improve. This is true here as well as in China and India, just to mention a few. Overtime a plateau will be reached after which a decline is possible.

These are things we cannot run away from. The demand therefore, for liquid fuels in South and Southern Africa will increase.

The other reality is that as we pursue cleaner energy options, use of coal to generate electricity in the country and indeed the region will remain for the foreseeable future. The overall contribution of coal will decline but will still be there going forward. On the Nuclear energy front contestation can be about the extent and not about whether or not nuclear will be part of our energy mix.

No one can accuse this government of the lack of signals in as far as the strategic direction for the energy sector. To a large extent we have pronounced on these through the IRP and other policy instruments.

The legislative framework for energy carriers is in place. I will be the first to recognise that there is a need to improve on the gas legislation particularly to enable gas to power and unlock infrastructure for importation of gas. Draft amendments to the Gas Act are to be deliberated on by Cabinet in the next few weeks.

As stated in the National Climate Change Response Policy, the energy sector currently contributes approximately 80% towards total emissions and therefore has a significant role to play in addressing these issues.

Sustainable energy planning takes a holistic approach to the problem of planning for future energy needs as it requires us to ensure that environmental and climate change issues, together with social development and economic growth are all considered in a balanced manner.

We acknowledge that achieving these three objectives simultaneously is no easy task as it entails juggling competing and oftentimes conflicting objectives. However we must remember that first and foremost, the recommendations that the IEP must put forward should ensure attainment of the underpinning objective of ensuring energy security.

In order to ensure security of supply while at the same time addressing the triple elements of sustainability, the IEP must propose combinations of electricity generating and oil refining technologies as well as primary energy sources that produce energy carriers and fuels that emit low levels of greenhouse gases and thereby minimising environmental and adverse health impacts.

Natural gas, both conventional and unconventional forms, needs to be seriously considered as they are characterised by lower emissions than both coal and crude oil.

The shale gas potential in South Africa cannot be ignored as it has the potential to contribute significantly to economic development through primary and secondary job creation. It can also play an important role in contributing towards the production of energy within the constraints of proposed emissions caps and thereby helping us in effectively moving towards a low carbon economy.

We are cognisant of the controversies associated with shale gas extraction processes such as ground water and soil contamination, however with on-going developments I am confident that these challenges will in the not so far future come to pass.

Programme Director,

Others have touted that although the exploitation of shale gas displaces fossil fuels, it also has the potential to slow the penetration of renewable energy sources due to its low carbon content and low costs. We should shy away from these narrow interests in particular technologies as we have said many a time and continue to reaffirm that renewable energy and by inference renewable energy technologies will play a very prominent role in the future South African energy mix.

In order to start moving towards the UN objectives of reducing the global energy intensity by 40 percent by 2030, we must use innovation and technology to establish mechanisms of performing the same tasks and producing the same output using less energy, put differently this means that we should use innovation to do more with less. I believe that through concerted efforts to make improvements in processes and technologies, this is achievable in all economic sectors, more especially in the industrial sector.

In measuring whether we have become a more efficient economy, we must bear in mind the structural factors that may disguise real efficiency improvements in our processes. We therefore should not only monitor energy efficiency improvements at an economy-wide level by comparing energy consumption against GDP, but should also zoom in to specific sectors and industries.

Ladies and gentlemen, I must also emphasise that as a developing economy and in support of our objectives of job creating and labour absorption, our energy intensity measures should be accompanied with labour intensity measures so that we do not undermine efforts to increase employment.

It will not help us as a nation, to reduce the energy intensity of our economy, while jobs are being lost and less employment being created through initiatives to improve energy efficiency. We should also not discourage future investments in value-creating industries that still depend on energy intensive technologies if such industries contribute to the other competing objectives of job creation and localisation.

Through Integrated Energy Planning we are able to bring all these elements together and quantify the effects of current and proposed policies and the extent to which such policies achieve each of these objectives.

Programme Director, the 2003 IEP highlighted the importance of good quality energy data to provide a sound fact base for energy planning, particularly when conducting technical analysis using the model. We hope to have the cooperation of all stakeholders and role players to provide us with the relevant data as requested to inform the IEP 2012.

I am pleased to also announce that on the 1st of March we promulgated the Regulations on the Provisions of Energy Data which make it mandatory for certain categories of data providers across the energy value chain to submit energy data to the Department when requested.

The objective of this is to enable the Department to collect essential data about the energy sector, which will enable us to conduct evidence-based analysis for better policy formulation and planning. It will also enable us to provide more reliable information and statistics to you, our citizens, as well as investors and other key decision-makers locally and internationally alike.

While the energy planning process relies extensively on numbers and quantitative indicators, qualitative judgement by policy makers, subject matter experts, industry experts and people affected by energy is really what adds value to the output and final recommendations of the IEP. For this reason, a transparent and simplified energy planning process is essential and constructive engagement with relevant stakeholders is also a critical element of the energy planning process. This colloquium is therefore a platform for us to obtain input from you as our stakeholders on some of the preliminary work, which has been done.

I am sure each and every one of you has a burning policy question or policy issue that you believe the IEP should address. While all policy questions are important, it may not be possible for all of them to be addressed through only the IEP. The Integrated Energy Plan seeks to address those energy issues and needs to answer those policy questions which are pertinent within the energy sector.

Let us use the next two days as a platform for constructive dialogue wherein we discuss the most critical issues. We have invited subject matter experts and speakers from industry, academia, government, local and international organisations and agencies to enrich the discussions. This will, however, not be our last engagement as once we have developed the draft report we will embark on broader nationwide road shows wherein we will consult all the members of the public.

As Government, the output of our work is enriched by stakeholder input as it forces us to consider a multitude of factors and weigh out different options before coming up with the final recommendations.

I hope that the next two days will see fruitful discussions that will culminate into clear outcomes for the IEP.

I thank you.