



ADDRESS BY THE MINISTER OF ENERGY, MS. DIPUO PETERS, MP
SECOND IPP BIDDERS CONFERENCE FOR THE RENEWABLE ENERGY
PROGRAMME

09:30, 16 August 2012, Helderfontein Estates, Kyalami, Midrand

Programme Director,

Your Excellencies, Ambassadors and High Commissioners,

Director-General, Ms. Nelisiwe Magubane

CEO's and Leadership of State Owned Companies,

CEO of our National Energy Regulator, NERSA

Senior Management of the DoE and Partner Departments,

Representatives of Partner Institutions,

Investors, Stakeholders and Guests

Thank you very much for joining us for this very important gathering and for allowing me to share some thoughts on this pioneering programme and our energy landscape generally.

This conference presents a further opportunity for bidders and other relevant stakeholders and interested parties to meet with the Department of Energy and to engage on various issues pertaining to the IPP Procurement Programme. All of us

would agree that this programme has attracted a lot of interest locally and internationally, and has propelled South Africa and its nascent renewable energy industry to the centre of this green revolution globally.

The Energy White Paper of 1998 still serves as the pre-eminent policy guide for the energy sector. You would also recall that subsequent to the Energy White Paper, a Renewable Energy White Paper was published in 2003, and went further to outline the introduction of renewable energy in South Africa. Through the policy objectives in the Renewable Energy White Paper, we made a firm commitment for at least 10 Gwh of energy to come from renewable energy technologies by 2013.

The Department remains committed to this target, and the Renewable Energy IPP Procurement programme is a key response to the objectives of the Energy White Paper.

Ladies and gentleman,

We have made a number of advances since the publication of the Renewable Energy White Paper. The Feed-In Tariff was established and later reviewed, driven in the main by the challenges associated with the regulatory framework. When the decision to discard the Renewable Feed-In Tariff in favour of a bid process was made, the country received sustained criticism from the sector.

Since then, and I think all of us here must agree, the situation has made a significant turn, predominantly in favour of the bid process. I don't think that it would be wrong for me to suggest that the careful consideration of challenges and the assessment of the prevailing environment and global trends have paid off, and has ensured that we develop a programme that equal to any other of its nature in the world.

We recognised that it was imperative to review the regulatory framework before introducing the IPP programme. Electricity Regulations on new generation capacity were promulgated in 2010 and they provide a procurement framework for new

generation capacity in the country. According to the Electricity Regulation Act of 2006, the procurement of new generation capacity must be transparent and competitive.

I am sure you will agree with me that this programme is one of the most transparent in the world.

Programme Director,

In 2010, the Department of Energy published the Integrated Resource Plan, our electricity mix and diversification plan, outlining the required generation capacity for the country over the next 20 years.

In this key policy instrument, we made a firm and very ambitious commitment to renewable energy, to the tune of 17 800MW. I would like to re-affirm our commitment to the policy direction and thorough implementation of the IRP.

As government, we must also re-affirm our position that there is space for both public and private sector participation in the energy sector in this country, and that we foresee a situation that most of the renewable energy projects, as per technologies listed in the IRP will be undertaken by Independent Power Producers, through a transparent and competitive programme, whilst allowing for a process of learning and innovation.

Ladies and Gentlemen,

In consultation with the National Energy Regulator of South Africa, and in terms of the Electricity Regulation Act, I have determined that 3 725MW of new generation capacity must be procured by from IPP's through renewable energy technologies.

Through two successful bidding windows, we have allocated a total of 2 460MW to 48 preferred bidders. As you are aware, there remain 1 165MW available from this determination for the third window. Given the interest in the programme, and the overtly positive response from the industry, I am convinced that these megawatts will be

insufficient, but I also believe that this reality will heighten the competitiveness and quality of the bids during the forthcoming round.

Programme Director,

Let me also share with you that I am currently considering a second determination which will provide additional MW's to the programme, through the required internal processes.

My decision in this regard will be guided by the need to create a rolling programme which will provide for sustainable employment through local manufacturing, especially in the key components for solar and wind power generation.

There is no reason why this cannot happen here – in the USA, President Obama states it as a fact that the wind energy turbine sector contributed a total of 75 000 jobs to the American economy.

We have endeavoured to provide an enabling framework and environment in this regard through the Green Economy Accord, the various governmental implementation agreements and the sector or line function specific policies and incentives, as for instance located at the DTI. There is no impediment in this country to you establishing a manufacturing business here.

I also believe that a decision around a second determination, together with the IRP, will give the necessary comfort for the private sector to invest in manufacturing plants in South Africa.

We must re-iterate that this programme must contribute to the growth of local content, and it must promote local manufacturing. This remains a critical non-negotiable, and one that we will track and monitor diligently.

Programme Director, Distinguished Participants,

The Department of Energy recognises that it is of the utmost importance for the IRP to be reviewed periodically to ensure that it is consistent with the latest developments and trends, domestically, regionally and indeed globally.

I am however of the view that the underlying assumptions for the current IRP remain the same.

We however need to take the necessary decisions pertaining to the building of the required base load plants as provided for in this plan. In view of this, I am currently considering a determination to give effect to the building of the base load power plant as per the MW allocation provided for in the IRP.

Furthermore, and in response to the current electricity constraints, I am also considering another determination for the Medium Term Risk Mitigation Plan as provided for in the IRP. This will include co-generation and other related generation plants. These determinations will present further opportunity for IPP participation in electricity generation, and I will make an announcement in this regard soon.

We all agree that electricity is critical to the sustainable economic growth of the country, and to the future prosperity of our people.

It is therefore important that we ensure that our electricity remains affordable, but sustainable over the long term.

We hope that this programme will continue to drive down the price of renewable energy technologies to an affordable level. I am pleased with the progress of the current programme and I am convinced that it will be sustainable over the long term.

Ladies and Gentlemen,

We are aware of the challenges associated with the process towards financial close for Window 1 projects. All the relevant departments are working very closely to finalise the required approvals for Window 1 projects, and I remain confident that we will announce the date for the financial close before the end of the month.

I would like to thank every institution that showed interest in contributing to the renewable energy fund. This fund will assist in bringing the cost of renewable energy down, and I hope more developmental institutions will participate in this fund and help us minimise carbon emissions, whilst contributing to a sustainable energy future.

As we prepare for the 3rd Window, I would like to call again on all financial institutions to support bidders with funding - especially for our emerging businesses.

I must go further and also make a special plea during this month of August when we honour Women's contribution to our society. We must all work hard to ensure the inclusion and consideration of women in the renewable energy space.

We appreciate that some bidders or enterprises may not have the necessary experience in developing projects of this nature and size, but we have to start somewhere, and they require our enhanced support.

Recently, the Department published procurement documents for small projects of less than 5MW for comments and this programme will be launched before the end of the year. I am of the firm view that this programme must contribute to achieving targets with regard to the participation of historically disadvantaged groups and women and youth in particular, in a much more direct and meaningful way.

Distinguished Stakeholders,

It is my pleasure to welcome all of you to this 2nd bidders conference where I trust you will be assisted in your efforts to fine tune your bids for the upcoming windows, but also

to share with us some of the experiences and lessons that you regard as important to strengthen not only your hand, but also our own capacity, as we set the country on an irreversible path to a greener and sustainable energy future!

I also take this opportunity to thank all the sponsors of the conference, may you continue your excellent collaboration with the Department of Energy and assist to propel this important national programme to greater heights.

Together, we have proven to the nay—sayers that we can be trailblazers and pioneers.

We have demonstrated that this revolution will not pass us by, that we are firmly in the driving seat!

Let us continue to drive this programme, building on the experiences and lessons and collectively re-double our efforts towards a greener economy and the much coveted green jobs.

Thank you for your attention, and I wish this Conference well in its deliberations.

Thank you!