



Key Note Address by the Director General, Ms N Magubane
Dinner Engagement with the French SA Chamber of Commerce and
Industry

Date: 18 October 2012

Programme Director;

Executive Officers of Various Businesses, State Owned Enterprises and members of the Business Community;

Distinguished Guests;

Ladies and Gentlemen.

Good Evening,

Firstly, it is my pleasure and privilege to be given the opportunity to share with you some perspectives relating to our energy sector. I recognize that some of you are active players in our renewable, nuclear and gas sectors.

From a business standpoint, I am sure that there are certain topical issues relating to our infrastructure programme that you might be interested in, pursuant to the investment decision you have to make.

As you are aware, South Africa had energy challenges in 2008 and as a result strategies had to be developed to ensure that a similar situation does not repeat. First was the development of the country's integrated resource plan (IRP), which outlines how South Africa intends to meet its energy needs over the period up to 2030. In this plan we also outline our commitment to climate change initiatives by reducing our dependency on coal and embracing clean energy. Further to this a refinement on the regulatory environment facilitates participation of the private sector through Independent Power Producers in the electricity sector. We estimate that the implementation of the IRP will require over 1 trillion rand of investment over the next 18 years.

Emanating from these changes our government has successfully launched the Renewable Energy IPP Bidding Programme. The initial phase of the programme provides for 3625 MW of capacity to be procured from IPPs, and the response has been very satisfactory. This culminated in the announcement of 28 preferred bidders in November last year from the first window of the procurement and a further 19 preferred bidders in the second window of procurement in May. These two windows of procurement provide for over 2400 MW of capacity through solar, wind, hydro and CSP technologies. Another 1100MW is expected to be procured in May next year.

There have been teething problems regarding government's readiness to fulfill our obligations under the IPP programme. I am confident that we have now reached a stage that we can reach financial close in respect of the first bidding window and preparations are at an advanced stage to achieve this milestone.

A further procurement programme on conventional technologies featuring gas, hydro, co-generation and coal is on the cards. This programme will be done pursuant to fulfilling the requirements under the integrated resource plan. The total opportunity in new power generation is roughly 40 000 MW of various technologies up to 2030. The rough breakdown for this new generation capacity is as follows: renewable energy is 42%; nuclear is 23%; coal is 15%; Hydro is 6%; gas is 6% and a further 6% for peaking plants.

As much as we are worried and concerned about our energy security I must state that we are equally concerned about the Southern African Development Community's (or SADC) needs. The SADC region is well endowed with natural resources that are yet to be fully exploited. There are hydro and gas resources on the eastern seaboard, gas and coal from the interior to the western seaboard and lots of solar potential in the south. These can only be fully exploited upon developing and strengthening of the interconnected transmission grid and other supporting infrastructure.

Infrastructure development thus presents opportunities where public-private partnerships can thrive to deliver maximum value to all stakeholders.

The IRP provides for the up-scaling of nuclear capacity by 9.6 Gigawatts in the period up to 2030. Concerns regarding the safety of nuclear energy in light of the Fukushima incident will be factored into the South African approach, to ensure that proper safety measures are put in place and that they are overseen by the appropriate expert authorities.

In November 2011 Cabinet approved the establishment of the National Nuclear Energy Executive Coordination Committee (NNEECC) to oversee the roll-out of the nuclear build programme. The NNEECC is headed by the Deputy President and is the authority for decision making, monitoring, and ensuring general oversight of the nuclear energy expansion programme. In 2013 we will finalize the procurement and financing framework for nuclear power generation, for consideration by the NNEECC.

Our energy security can be greatly enhanced through regional development and integration. South Africa works closely with partner countries, both at the bilateral and multilateral levels, to ensure that the region develops secure, reliable and affordable energy carriers that would assist in unleashing the region's economic potential.

As you may be aware, the region is well endowed in natural resources that, if well harnessed could potentially eradicate energy poverty and thus uplifting the standard of living of every citizen. The development of the regional electricity grid will to ensure interconnectivity among African countries.

Several undertakings have been made in this regard, both at the regional, sub-regional and even at the national level. The Southern African Development Communities (SADC) region, for instance, presents a huge potential for bankable projects. These projects can only be realized provided there is adequate developmental support.

Projects include, amongst others, the eastern interconnecting transmission grid and central interconnecting grids, hydropower, gas, thermal, wind and solar power stations.

The Grand INGA MoU signed with the Democratic Republic of Congo is an important milestone in working towards sustainable African partnerships aimed at developing strategies for low carbon economies and interconnected energy systems. Located on the Congo River, the Grand INGA project is expected to generate approximately 40 000MW of hydroelectric power for regional distribution.

The CESUL project in Mozambique will improve the ability to evacuate power from the projects in the Northern Mozambique complex, particularly releasing the hydropower power potential relating to Mpanda Nkuwa, Cahora Bassa etc.

As we invest in energy infrastructure to ensure improvements in energy security, access to modern and clean energy, we also need to be mindful of the economic benefits that can be derived through local manufacture of energy technologies. In addition to this, regional trade provides significant opportunities for cost savings, economic benefit and less carbon intensive power generation. Increased regional trade will no doubt put Africa on a cleaner development path as compared to a scenario without trade.

The regional power pools that have gradually been established on the African Continent are playing a crucial role in laying the basis for cost-

effective regional electricity supply and successful grid extension programmes in the remotest of areas. We are pleased with the remarkable progress that has been made through various African power pools initiatives. However, the fact that our people still continue to live in darkness dictates that Governments, Regional Institutions and Financiers need to work together to harness the benefits of regional power trade in advancing key transformational, and cross-border projects.

In line with the designation of 2012 as the international year of *Sustainable Energy for All* campaign of the UN Secretary General, we support this initiative through the following three pillars:

1. Ensuring universal access to modern energy services,
2. Doubling the rate of improvement of energy efficiency, and
3. Doubling the share of renewable energy in the global energy mix.

On the demand side, the importance of energy efficiency has become ever more critical. Let me elaborate:

As the private sector, you are the largest users of energy, but also the most vulnerable from an economic point of view. You need, as much as the rest of the country, an uninterrupted long term reliable supply of energy, and an energy efficiency programme is of critical importance for business. However, on the other hand, you are also well placed to help lead such a campaign given your market access, extensive supply chains, employees, and access to the media.

In March 2012, we launched the Industrial Development Report based on a study commissioned by the United Nations Industrial Development Organization (UNIDO) which emphasizes Industrial energy efficiency for sustainable wealth creation, while capturing environmental, economic and social dividends. Industrial energy efficiency is a key foundation for greener industry worldwide and I believe it is time that we all *walk the talk*.

Programme Director;

Many of you have extensive experience in your companies in advertising campaigns to market your services, products and brand names. The same principles that you use to sell new products through research and marketing can be used to promote, market and implement the concept of Energy Efficiency to improve your brand and corporate reputation. This becomes necessary for you to remain competitive, not only in the local market, but also internationally, where there is an increasing drive towards a low carbon economy, which is also rapidly expanding into the emerging markets.

I challenge the France South Africa Chamber of Commerce to support us as we strive for a common goal, which is simple: **Save energy and use less as you manufacturing (producing) more.**

In order to make the principle of saving energy a way of living, Government and Eskom have launched the 49M campaign to make energy efficiency more relevant to the role we expected to play as individuals or citizens of

the country. Our experience of load shedding in 2008/9 confirms the fact that we cannot afford to be faced with a similar experience in the future and the damage it has caused our economy and reputation of our businesses to not deliver on promised deliveries.

Energy efficiency is not only about saving energy, but also to decrease our carbon emissions and carbon footprint as a country, but also as business.

Ladies and Gentlemen;

In the latest Global Competiveness report released by the World Economic Forum, South Africa is ranked at 52 out of 144 countries, remaining the highest-ranked country in sub-Saharan Africa and the third-placed among the BRICS economies. For a developing economy such as South Africa, we need to build on our economic ranking while striving to take into account the social and environmental impacts on the way we do business and enhance economic prosperity as pillars of sustainable development.

Following the launch of the Energy Efficiency Leadership Network at COP 17, I am pleased to hear that major corporations have taken the lead in making a public pledge to a continuous improvement towards energy efficiency. I strongly believe that this commitment from Chief Executives is crucial to be built into the vision, mission and strategic / business plans of your respective businesses. By attending today's gathering, I can see that you are further embracing the responsibility of ensuring that this vision is translated into tangible outputs that we will all be proud of in giving

testimonies in the future. Energy Efficiency is an important pillar to sustaining your business while enhancing economic competitiveness.

Our expectation as Government is that Business leaders implement energy management systems that will ensure appropriate leadership and championing of energy efficient processes, effecting behavioural change in your operations among your staff across all value chains of investing in energy efficient product development. We also anticipate that this will require resource allocation and action plans that are measurable in terms of what improvements need to be undertaken or structural adjustments to be made.

Government is in continuous engagement and discussions with industry through yourselves, BUSA, NEDLAC and other stakeholders on a number of policy issues and regulations to enhance and direct the implementation of energy efficiency measures which also resulted in the New Growth Path discussions that led to the signing of several accords such as, Green Economy Accord, Local Procurement Accord and National Skills Development Accord. I want to implore your members to be more active in the implementation of these accords.

The Department of Energy is in the process of obtaining Cabinet approval to make public the *Second Review of the National Energy Efficiency Strategy*. However, I must concede that some of these engagements have been very robust, lengthy and have resulted in delays in the promulgation of these policies. As at times we had to go back to the drawing table in order to remain relevant, realistic and practical. Let me also say, it is better to have a robust engagement during the stakeholder consultation process

and to reach consensus although on a longer timeframe than anticipated, but I believe it will ensure ease of enforcement and implementation.

Programme Director;

We are at a point where we can now gazette the Regulations on the Income Tax Allowance of the Energy Efficiency Savings, Section 12L, which addresses tax allowance aimed at large investments for upgrades, expansions or new facilities that exceed R30 million and R200 million respectively.

I wish to emphasize that as a leading developing economy, we have obligations to measure ourselves against other countries, hence allow to be measured through international benchmarking in terms of global agreements and commitments. At the same time, we have to keep the lights burning while promoting efficiency, focus our efforts on developing new and green sectors of our economy, provide stimulus that will support our socio-economic imperatives such as job creation, youth unemployment, poverty alleviation and skills development amongst others. Let us address these issues in an integrated way in order to measure and verify our progress at a national scale.

Ladies and Gentlemen;

Finally, I want to take this opportunity to thank you for the interest shown by the French South African Chamber of Commerce and Industry in investing in our energy sector. I wish you all the best in this initiative and I look

forward to a continuous future engagement to share both your success stories and challenges.

I thank you.