



REMARKS BY THE MINISTER OF ENERGY, MS. DIPUO PETERS, MP
The New Age Business/SABC Breakfast Briefing
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Programme Host, Mr. Peter Ndoro

The New Age Chief Executive, Mr. Gupta and Editor in Chief, Mr. Ryland Fischer

DG Magubane, Senior Officials of Government and State Owned Companies

Esteemed guests and stakeholders,

SABC Viewers, Ladies and Gentleman

It is my pleasure and privilege to address you at this New Age/SABC Business broadcast.

The South African Government has embarked on an energy infrastructure capacity path to ensure security of energy supply, and is pursuing an energy plan that seek to meet the needs of our growing economy, without compromising our commitment to sustainable development by utilizing our fossil resources responsibly.

Our response to increasing energy security in the electricity space has been manifold and the department has placed the Integrated Resource Plan, or IRP2010, at the centre of addressing this mandate.

This energy mix plan ensures the optimization of costs, promotion of job creation and mitigation against adverse climate change. It is the impact of the IRP on job creation that we would like to focus on.

You would be aware that the IRP sets a target for more than 42 GW of new generation capacity up to 2020, with:

- Wind and Solar allocated **8,4 GW** and **9,4 GW** respectively,
- Gas, through both open and closed cycle gas turbines a total of **6,3 GW**
- Import Hydro at **2,6 GW**, and,
- Nuclear and coal at **9,6GW** and **6,3GW** each.

Notably, renewable sources will ultimately constitute 42% of all new generation capacity.

In line with this policy imperative, we have selected a total of 47 preferred bidders under Windows One and Two of the Renewable Energy IPP Procurement Programme, for a total of **2614 MW** to be added to the grid by 2016. The investment in the programme is projected at R100 billion over a period of 12 months. The investment will cover the supply, construction, maintenance and operation of the power plants in the Western Cape, Northern Cape, Eastern Cape and the Free State. These provinces have the highest wind and solar resources in the country and that is why project developers have preferred to make investments there, but also as guided by our own studies, including for instance the Wind Map and Atlas.

In a similar way, it is expected that KwaZulu Natal, Mpumalanga, and indeed our neighbours in Mozambique and Swaziland will dominate the biomass investment, because of the sugar and paper industries being located there.

Limpopo and North West have solar potential that is also substantial, and we expect that more projects will come from these provinces in future. Gauteng has land availability constraints, with land mainly used for housing development.

It is our intention to facilitate the introduction of renewable technologies that do not require lots of land for their implementation such as solar water heating, rooftop photovoltaic power generation and landfill site gas development.

We will introduce the small power, or less than 5MW capacity bidding round in the next few weeks, followed by the renewable co-generation bidding round, to harness the sugar and paper potential that promises to create new job opportunities.

We continue to be seized with work around the Northern Cape Solar Corridor, and remain keen to explore the potential of up to 5000MW solar generation in the identified areas.

With regard to the objectives set for the green economy under the New Growth Path, the implementation of the IRP will make a significant contribution to stimulating the domestic green economy. Over 12 000 construction related and just above 1000 permanent jobs are expected to be created under the programme. There is still room for further optimization, particularly in ensuring that the foreign investment that we have attracted goes a long way in facilitating the transformation of the South African economy.

The space that we have created through IPP's is meant to reduce the concentration of economic opportunity from established business to new enterprises led by previously disadvantaged individuals, including our women.

One of the issues that we are confronted with is to maximize the participation of enterprises owned by HDI's in the programme, on the back of the foreign investment opportunities that arise from the green economy.

Ladies and gentlemen,

As you might be aware, we have installed over 250 000 solar water heater systems to date, with a target of 1 million by 2014. Whilst happy that we are on track, the majority of these systems, particularly the low pressure type, have been imported. This is clearly unsustainable and the time has arrived for us to intervene decisively if we are to make a difference in creating local job opportunities.

We must re-iterate – only those suppliers who commit to localize their product will be able to participate in the government funded subsidy programme. Over the next three years, we will spend R4, 7 billion on this programme, and my view is that we cannot export the job creation potential that this allocation has.

Cabinet has established the NNEECC to provide oversight and monitor the nuclear expansion programme, comprised of the Departments of Energy, Water Affairs, Public Enterprises, National Treasury, Science and Technology, Trade and Industry, and Economic Development, and led by His Excellency, Deputy President Kgalema Motlanthe.

We are evaluating our processes against the IAEA milestones for countries engaged in the construction of nuclear power plants. At the right time, the Deputy President will convene this Committee to provide guidance and direction on this important aspect of our electricity expansion programme, especially with regard to the procurement and financing frameworks.

The delivery model is intended to maximize the extent of localization of the programme and bidders will be expected not only to provide technical, but financing and local economic development solutions. Industry players, and especially NIASA, must ensure that they benchmark and evaluate themselves against the necessary guidelines for the nuclear build programme, and must also take lessons from other countries that have maximized the build in their own interest.

We will not be mixers of concrete or dugga boys and girls, but must be central to technology, science, engineering and the entire EPC value chain!

Ladies and Gentlemen,

South Africa, like many countries globally has to respond to climate change and the challenges it presents. However for us as a country, while trying to address this pertinent issue, we also need to reach our developmental needs and work towards becoming a more equitable society. We need to address the triple challenges that President Zuma refers to, those of ***inequality, poverty and unemployment***.

Programme Director, more than 65% of South Africa's total energy needs are met through coal as the primary energy source, followed by crude oil at 22%, while the remaining 13% of our energy needs are met by gas, nuclear, hydro and renewable energy sources combined. Coal therefore plays the dominant role in our supply of energy, especially in the electricity sector.

We cannot, however ignore the fact that we are a coal-rich economy, nor can we ignore the significant contribution of the coal mining industry towards the economy.

In 2010, South Africa had an estimated 32 billion tonnes of coal reserves, which at current local consumptions rates can last us more than 100 years.

Government however remains committed to an increased focus on the advancement of clean coal technologies, through projects such as underground coal gasification, as well as carbon capture and storage.

If we are serious about diversification towards a low carbon economy, then we cannot ignore the role that natural gas and nuclear power can play as a bridging gap in this transition. Natural gas emits significantly lower greenhouse gases than other fossil fuels such as coal and crude oil, in comparison nuclear power generation has close to zero contribution to greenhouse gases.

South Africa is highly-fuel dependent, with 34% of overall energy consumption being that of liquid fuels. Approximately 70% of this is from crude oil as a primary energy source, while the remaining 30% is from coal. The green economy accord commits government to facilitate the development of a local bio-fuels industry and setting targets for the mandatory blending of bio-ethanol and bio-diesel into petrol and diesel. However, blending of bio-fuels alone is not sufficient in addressing the carbon footprint of the sector, and there is a need to move to cleaner fuels standards such as those already adopted in most parts of Europe.

This will require substantial investments as current refining technologies will have to be overhauled to adapt to new specifications. In addition, the current refinery capacity of the petroleum industry in SA is not sufficient and decisions about the expansion of the refining capacity must be made urgently.

It is also increasingly important that we collaborate with our neighbors in the region such as Mozambique, with whom we already have long term cooperation, as well as Namibia, Angola, Botswana, Zimbabwe and DRC. Regional cooperation is essential if we are to tackle future energy supply successfully, while also assisting each other with our developmental needs with respect to gas and hydro power.

Our National Oil Company, PetroSA, has an important role to play towards ensuring that we meet our important goals as a Ministry and as a country. It is a strategic player charged with the important responsibility of ensuring security of fuels supply for our country – and it has to do so while it makes a profit, without relying on the National Treasury. This is not easy to do, and yet PetroSA has done it year after year.

PetroSA has ambitious plans for the future, which when fulfilled, will have a positive effect on the development of our country. It is important that we support it and create an environment in which it can thrive. It is in our direct interest to do so because, as we know, major NOC's of more developed nations follow a commercially-oriented strategy and compete with International Oil Companies, while delivering on their developmental mandates at home.

On the African continent, Sonangol of Angola and Ghana's National Petroleum Company are also examples worthy of emulation.

Like their international counterparts, these NOCs have more operational and strategic autonomy compared to our own PetroSA.

Programme Director, Viewers,

We made an important start last year when we announced that iGas was going to be incorporated into PetroSA.

Considerable progress has been made in this regard and the process of migrating iGas to PetroSA, as our NOC's Gas Division, is nearing completion.

In order to ensure sustainability of the GTL Refinery, PetroSA is making steady progress in delivering on Project Ikhwezi. The first well is expected to produce gas from mid-2013 and the rest of the wells will continue to be drilled until 2015. We expect that production from Project Ikhwezi and other fields will sustain commercial operations at the GTL Refinery until 2020.

I must make the point that strengthening the NOC in no way reduces the role and space of the private sector. There is ample space for economic co-existence of an NOC and IOC's, but the difference is that the NOC further carries the mandate of being a developmental instrument in the hands of the state.

Ladies and Gentlemen, I want to re-state the Government's on-going commitment to Project Mthombo, which will establish a world-class fuels hub in Coega in the Eastern Cape.

There is no doubt at all in my mind that a mega-infrastructure project of this magnitude will have a major impact on the economy of the country in general and on the South-Eastern

Cape corridor as identified by the Presidential Infrastructure Coordination Commission, as well as to ensure security of supply.

I can confidently identify areas of concern with regard to the impact of the Liquid Fuels Charter, and will more comprehensively elaborate on these in the coming weeks.

Ladies and gentlemen, our efforts at fast tracking the Licence Applications process must promote an efficient manufacturing, wholesaling and retail petroleum industry, whilst facilitating an environment conducive to efficient and commercially justifiable investments. It must also create the environment for the creation of employment opportunities and the development of small businesses in the petroleum sector, whilst ensuring countrywide availability of petroleum products at competitive prices.

Last year, we processed 70 applications for new to industry Retail Businesses, 42 of these were deemed economically viable, effectively contributing an estimated 5040 direct jobs during the construction of these service stations and a further 1260 permanent jobs.

Initiatives such as the Integrated Energy Centers, implemented in collaboration with Petroleum Industry players is aimed at promoting empowerment of societies and addressing energy poverty and access. On average 60 temporary jobs are created during the construction phase of each IeC, and 10 permanent jobs once the centre is operational. Four new IEC's are under development this year, and will contribute a further 240 construction related jobs and 40 permanent jobs.

The President, His Excellency Jacob Zuma in his State of the Nation Address, earlier this year stated that, *"We have also been looking at the necessity of reducing port charges as part of reducing the costs of doing business."*

He also said *"We need an electricity price path which will ensure that Eskom and the industry remain financially viable and sustainable, but which remains affordable especially for the poor."*

The same also applies to the liquid fuels industry in order to stimulate investment and therefore economic growth. In view of the continuous increases in the prices of petroleum products, the Department is working on the review of the Basic Fuel Price. In spite of the other global forces that affect the prices of petroleum products, we need to do whatever is

possible within our reach to try and reduce the cost of Petroleum Products to the end consumers.

This will help to ensure that workers do not lose their jobs due to businesses trying to cut their costs.

Programme Director,

Distribution lines take the power on the last leg of the value chain to the customer, yet we cannot confidently speak about them in the same way we speak about generation and transmission. It does not make sense to invest trillions of rand upstream without addressing the distribution infrastructure issues.

On this matter, we will continue with an approach that is premised on the prioritisation of regulatory matters and attention to infrastructure rehabilitation and skills development, re-enforced with the implementation of the Approach to Distribution Asset Management or ADAM Programme.

Ladies and Gentlemen, to date, 82% of formal housing, which equates to 75% of all households, have been electrified. This is a significant achievement considering the population and household growth over the years. In less than two decades, in excess of 5,4 million new household connections have been achieved via grid and more than 50,000 connections via non-grid solar panel technologies.

As part of our efforts in this, the United Nations Year of Sustainable Energy Access for all, the Integrated National Electrification is allocated a further R 3,2 billion for this financial year, targeting an additional 150 000 grid and a further 10 000 non-grid household connections. .

It is important to note the fact that investments in Africa's energy projects are currently the prime focus area of investors from all over the world. For South Africa to receive the advantage of this new wave of energy investments into Africa, the country needs to align itself to be the preferred investor in Africa, by implementing the correct measures to ensure that the value chain of energy management are correctly implemented timeously.

We need our partners in the private sector to do this in collaboration with government. We need your expertise, investments and experience.

I want to request the financial institutions to position themselves to be part of this huge investment boom that is coming in the South African energy sector, but please don't put the risk bar so high that the financing risk requirements makes projects not viable for the implementers.

In conclusion, I will be amiss if I do not use this platform to urge all consumers in the country to use energy efficiently. We cannot invest billions of rand in energy generation and processing plants and we are not more energy efficient. Switch off all appliances that do not need to be on, use public transport, *think before you drive*, when you have to drive with your car, don't just get into the car without thinking about the efficiency of your driving.

Programme Director, Ladies and Gentlemen, thank you once more for this opportunity for engagement.