



**2013 BUDGET VOTE SPEECH**  
**Minister of Energy, Ms Dipuo Peters, MP**  
**NCOP Chambers, Parliament, Cape Town**  
**14:00, 21 May 2013**

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***Chairperson, Honourable Members,***

Please do allow me to also share my condolences with the Mbuli family, friends, the SABC and South Africa at large for the loss of our beloved son, Vuyo Mbuli.

Chairperson, in addressing the Solidarity Conference in 1993, the former President of the ANC, Isithwalandwe, Comrade Oliver Tambo had this to say:

***“The challenge confronting all of us is to turn South Africa around - to make of her the opposite of what she has been.”***

He further said – ***“Our tasks will not end with the election of a democratic government”*** and that ***“what we believe is that we must stand together in creating the new South Africa.”***

Following the wisdom of President Tambo, we have a collective responsibility of changing South Africa by:

- building an economy that can respond to the challenges facing our communities,
- creating jobs for the jobless, and;
- provide affordable energy to our citizens.

***Chairperson,***

We believe that the task of changing the lives of all South Africans is attainable. Allow me to highlight the progress we made in 2012/12 and share with this house some aspects of our programme for 2013/14.

We have rolled out the Renewable Energy IPP Programme, resulting in 47 Bid Companies that are contracted to produce 2450 MW of Mini Hydro, Wind, PV and CSP.

Honourable Members, former President Nelson Mandela said that ***“Too many people in our country are still suffering the deprivations and hardship of poverty. One of the root causes of that poverty is the absence of jobs; nothing can be more of an assault on a person’s dignity than the inability to find work and gainful employment.”***

It is therefore encouraging that through the determination of this ANC government, it is envisaged that 13 069 jobs during construction and 10 814 during operations will be created through the RE IPP programme. The provinces of the Free State, Northern Cape, Limpopo, Western Cape, Eastern Cape and North-West are the biggest beneficiaries of the RE IPP Programme.

Over 5.6 million households were connected to the grid between 1994 and 2012/13. This figure represents over 84% of electrified households. INEP contributed a total of 5 225 jobs.

We have installed over 350 000 solar water heaters, mainly in poor and economically depressed households, contributing a further 8 039 jobs. The house must note our resolve to use this programme as one of the instruments to address the challenge of youth unemployment. The SWH programme will have a quota of 60% youth participation.

Through improved turnaround time, we approved 52 petroleum retail licences for new entrants, resulting in 1040 permanent jobs.

The ISMO Bill was approved by the Portfolio Committee on Energy and has been reclassified as section 76 legislation. This will create the framework for the restructuring of the electricity supply industry and create the necessary space for the participation of the private sector in power generation.

Last year, I reported that we have audited about 15 000 households that were left as islands in Kwa-Zulu Natal. To date 10 200 of these have been electrified;

In March 2012, we hosted the Electricity Indaba where shortcomings were identified in the current Electrification Programme. As a result, we have introduced the Household Electrification Strategy. The key focus areas of this Strategy include the Electrification

Master Plan, based on the least cost approach that combines grid and high-quality non-grid solutions to support the high backlog, low-delivery municipalities.

One of the COP17 legacy projects was the development of the energy resources from the mighty Congo River, popularly known as Grand Inga in the DRC. I am pleased to announce that we have finalised the treaty that will guide the development of this project, and this has paved the way of bringing clean energy to South Africa and contribute towards the diversification of our energy mix.

We have concluded the NEDLAC process and the following pieces of legislation will be tabled this year, being the Electricity Regulation Second Amendment Bill, and the National Energy Regulator Amendment Bill;

We are consulting with stakeholders on the Gas Amendment Bill.

**Honourable Members**, when we were made aware of allegations of improper conduct at PetroSA, we acted through the CEF Board to institute an investigation. Having received the report, we are in the process of taking the investigation forward, whilst implementing some of the recommendations made.

Areas of concern relate to both governance and procurement matters – we are dealing with the lapses in governance, and we expect that the law must take its course on the alleged procurement breaches and violations. ***A credible and reputable National Oil Company is a non-negotiable; I will not compromise on this.***

***Chairperson,***

Corruption practices at local government level remain a serious concern as it reverses the strides we make in electrification. We cannot be silent when municipal officials collude with business people to defraud and corrupt our municipalities and by doing so, denying our poor people access to services.

Allow me to point out to a recent case of the arrest of an official at Mbizana Municipality. The official allegedly facilitated the unlawful awarding of a tender for the installation of electricity to surrounding villages.

Within the INEP Business Unit of the DoE, 3 officials were implicated in corruption and procurement irregularities. They were charged, found guilty and dismissed.

While the arrest at Mbizana and the action taken against implicated officials should be hailed, energies should also be directed at ensuring the arrest of the implicated contractors. It should not end there.

Contractors who are found guilty of such corrupt practices should be blacklisted from doing business with government.

***Honourable Members,***

R6.7 billion was appropriated to the DOE for the 2012/13 financial year and 98.9% was spent.

This year, the DoE is allocated a budget of R6.5 billion, which is 2% less than last year's allocation. 93% of the department's budget is earmarked for transfers to Municipalities and State Owned Entities, leaving the Department with only 7% to be utilised for operational and capital expenses.

Our focus for this year will be on finalising the ANC's 5 year commitments.

The Integrated National Electrification Programme receives an allocation of R3.8 billion, with Eskom and municipalities receiving R 2.1billion and R1.6 billion respectively.

***Honourable Members,***

The electrification programme is guided by a number of principles, including that the municipality must have a high backlog of houses that are not electrified, must be rural and at least have a high number of households in informal settlements.

The identified projects must be able to integrate with other plans, for example, it must be in the municipalities Integrated Development Plan. New settlements should be prioritised, and these municipalities must be in one of the SIP 6 Priority Districts.

Based on these considerations, the Department allocated the INEP funds as follows:

- Eastern Cape - R1.123 billion
- Free State - R198 million
- Gauteng - R270 million
- KwaZulu Natal - R793 million
- Limpopo - R480 million
- Mpumalanga - R283 million
- Northern Cape - R94 million
- North West - R413 million, and
- Western Cape - R212 million

***Honourable Members,***

The above allocations must be looked at in context.

Kwa-Zulu Natal and Eastern Cape continues to have highest backlogs at 24% and 20% respectively. These two provinces have the highest challenges with regards to bulk infrastructure, which is why KwaZulu Natal was allocated more than R750 million in the previous financial year.

Gauteng province has a 21% backlog that can be attributed to informal settlements. As members are aware, some of these settlements are allocated in areas that have been identified as not fit for human habitation, which present an additional challenge.

We need to further highlight that we have seen progress in the reduction of the electrification backlog, with:

- Limpopo reducing its backlog quite significantly to 10.5%,
- Mpumalanga province to 6.5%
- Free State to 6%
- North West to 5.5%,
- Western Cape has a backlog of 5%,
- and the Northern Cape is almost at universal access at 1.5%.

**Chairperson**, while these statistics may paint a rosy picture, let us not forget, when you do not have electricity, these statistics means nothing!

When you do not have electricity, for you as an individual, the backlog is 100%. As a department, it is the plight of these people that give us sleepless nights.

With regard to the challenging area of electricity distribution infrastructure, the Approach to Distribution Asset Management or ADAM Project has been launched following its approval by Cabinet in November 2012, with R 320 million being allocated for 2013/14 to pilot ADAM projects.

The roll-out of these pilots will be managed such that it must assist the respective local government entities in the planning and implementation of these projects.

The following municipalities and metros have been identified for the ADAM project:

- King Sabata Dalindyebo and Nelson Mandela Bay in the Eastern Cape;
- Ngwathe, Moqhaka, Nala and Mangaung in Free State;
- Msunduzi in KwaZulu-Natal;
- Sol Plaatje in the Northern Cape; and
- Tlokwe in the North West.

We have observed the practices of some municipalities to levy additional mysterious surcharges, a case in point being the Nama Khoi Municipality in the Namakwa District, where households are charged R 106.00 for street light infrastructure that could be covered through other instruments such as the Municipal Infrastructure Grant.

We will not allow these practices to further burden our communities, and we will definitely not allow a situation where electricity is used as a discretionary cash flow injection to support the folly of some Councils.

***Honourable Members,***

Various determinations to implement the technology programmes under the IRP have been made and these include amongst others:

- 2 600MW gas to power,
- 2 200MW coal, and;
- 800MW cogeneration.

We intend to conclude negotiations with the sugar and timber industries to harness about 800MW of power by capturing the value that is currently lost due to dumping biomass from these industries as waste. Mpumalanga, Eastern Cape and KwaZulu-Natal with their sugar cane and timber plantations have been identified as the hub for this initiative.

In the context of SIP17 of the PICC, we also need to investigate how regional economic integration can be fostered in this area, through cooperation with Mozambique and Swaziland.

***Chairperson,***

As we enter the winter period, we have to be more vigilant about the risk posed by increasing electricity demand to the extent beyond our supply capability. The options available to us in this regard are non-Eskom generation, fuel switching through LP Gas and other appropriate customer behavioural changes.

We have initiated a campaign urging communities to ensure that their cylinders are filled up. The LPG suppliers have assured the Department that they will produce adequate LPG and import the short fall where needed.

We have kept the lights on for the past 7 years without any major disruptions and we remain committed to keeping the lights on. We need to remember to switch off the geysers, lights, heaters and all other electrical appliances not in use, particularly during the evening peak from 5pm to 9pm.

We have affirmed our collaboration with the business sector, particularly the Chief Executives Officers through the National Business Initiative and Business Unity South Africa on the Energy Efficiency Leadership Network.

We have embarked on a robust engagement on this Leadership Network with the Mayors, Councillors and Municipal Managers to make sure that we address the bottle necks for service delivery on these programmes.

***Honourable Members,***

As part of ensuring access to different sources of energy, we have in the past 4 years, constructed 3 Integrated Energy Centres in Qunu, Mbizana and Ulundi. In this financial year, we intend completing three more IEC's.

We intend bringing energy safety to the centre stage this financial year. In this regard, we intend to enter into collaborative agreements with the Household Energy Safety Association, local government, Department of Social Development and Safety Associations. CEF will also play a leading role in this regard.

***Honourable Chairperson, in conclusion,***

As the Department of Energy we have managed to maintain exceptional financial standing, achieved unqualified audits since our establishment and plans are well underway to improve and achieve a clean audit.

Let me take this opportunity to thank my family for the support and understanding, the Deputy Minister, Ms Barbara Thompson, Director General, Ms Nelisiwe Magubane, senior management and entire Team Energy, the Chairpersons and Members of both the NCOP Select Committees, our State-Owned Entities as well as all other stakeholders who continue to take active interest in the work we do.

Honourable Members, I commend to the NCOP the 2013/14 Budget of the Department of Energy.

I thank you.