



2013 BUDGET VOTE SPEECH
Minister of Energy, Ms Dipuo Peters, MP
Old Assembly Chambers, Parliament, Cape Town,
14 May 2013

Honourable Chairperson

Deputy Minister of Energy, Ms Barbara Thompson

Honourable Chairperson and Members of the Energy Portfolio Committee

Honourable Members

Diplomats

Director-General and the Senior Management of the Department of Energy

Chairpersons and CEO's of Public Entities

Guests and Stakeholders

Ladies and gentlemen

Our first democratically elected President, Dr Nelson Mandela once said,

“For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others.”

It is an instructive remark, enjoining us all to work hard to not only to cast of the chains – but to respect and enhance the freedom of others.

It is therefore fitting that, four years since President Jacob Zuma, through a stand-alone department assigned us the task of translating the ANC's policies on energy into implementable government programmes, we must reflect on the progress made and the road traversed thus far.

The ANC Policy on Energy is approached from the perspective of how energy resources can be effectively used to meet national development goals. It should also be implemented within an integrated energy plan, balancing the goals of economic

efficiency, environmental sustainability and social equity. The Policy also aims at ensuring efficient use of energy and the substitution of more appropriate fuels.

Madiba further guided us when he said that “**freedom alone is not enough without lights to read books at night**”.

The ANC mandated the DOE to ensure the secure and sustainable provision of energy for socio-economic development. In essence, this enables us to enhance the freedom of others by making the light to read books are always available to all the people of the RSA.

Chairperson,

Tabling our Budget Vote in June 2009, we made various commitments on how we as Team Energy plan to transform the country’s energy landscape to be the ANC-led governments vehicle for economic development and job creation.

I am pleased that today I can report on the progress we made:

- Pursuant to the ANC’s Resolution of “**ensuring security of supply of energy resources and pursuing an energy mix that includes clean and renewable sources**”, we delivered the country’s first integrated energy mix plan for electricity, known as the Integrated Resource Plan. It has a deliberate bias towards cleaner energy and it is in line with the Long Term Mitigation Scenarios as espoused by President Jacob Zuma at COP15 in 2009.
- We created regulatory certainty in the energy sector which is bearing fruit through significant investments in energy infrastructure.
- We have made significant inroads into making electricity accessible to all South Africans. We have achieved over a million household connections over the past four years, increasing access to over 84% as per Census 2011.
- The Independent Systems and Market Operator Bill was approved by the Portfolio Committee on Energy and will soon be debated in the National

Assembly. 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 power generation.

- Through the RE IPP Programme, 47 Bid Companies were contracted to produce 2450 MW of Mini Hydro, Wind, PV and CSP.
- To date we have installed over 350 000 solar water geysers, and through the Green Economy Accord, we have ensured that the Solar Water Heating programme strictly enforces the inclusion of a minimum of 70% local content threshold, in an effort to optimise the benefits of localisation and create the much needed jobs. We have continued to improve on the challenges experienced with the roll out of Solar Water Heating programme. The biggest beneficiaries of the SWH program are the women who are relieved of the chores cooking water heating every morning.
- We have promulgated the bio-fuels blending specifications and regulations, and are working within the government system to finalise the outstanding matters to facilitate the emergence of this industry with its promising job creation potential.
- We set a course towards improving wages of retail and forecourt workers in the liquid fuels sector.
- Through our persistence on issues of transformation in the energy sector, we witnessed the achievement of an unencumbered 25% BEE stake in TOTAL, through a consortium led by Calulo Investments of Mr Mkhuseleli Faku. Calulo's stake in Total South Africa and its leadership within the consortium is an excellent example of the strides that are being made in ownership transformation in the local petroleum industry.
- The EDIH has been closed down as per Cabinet's directive. Capacity is created in DOE to deal with the Approach to Distribution Asset Management.

- The National Radioactive Waste Disposal Institute has been established and will be operationalised during 2013/14. Seed capital to this effect has been secured and the Board of Directors are being recruited.

Honourable Members,

You will recall that during COP17, the development of the energy resources from the mighty Congo River, popularly known as Grand Inga, was identified as one of the legacy projects. To fulfil this aspiration, you will also recall that the President of the Republic, President Jacob Zuma and the President of the Democratic Republic of Congo, President Kabila witnessed the signing of a Memorandum of Understanding, that sought to pave way for the development of the treaty.

I am pleased to announce that we have finalised the treaty that will guide the development of this project, and it has paved the way for bringing clean energy to South Africa.

It was Amilcar Cabral who once implored humankind to “Hide nothing from the masses of our people. **Tell no lies.** Expose lies whenever they are told. Mask no difficulties, mistakes, failures. **Claim no easy victories**”

It is therefore important that we admit that there are certain areas where progress has not been achieved as expected.

One of these is Energy Efficiency. As a country, we have not been able to get together and resolve our Energy Demand Side problems. Although we have initiatives such as 49m, Energy Conservation Scheme, Energy Efficiency Leadership Network, the distribution of CFL’s and others, this is not enough, and we need to redouble efforts in this regard.

The Integrated Energy Plan was deferred for completion to 2013/2014, mainly to facilitate alignment to the National Development Plan.

Honourable Members,

We are all aware of the negative developments within the national oil company, PetroSA. I wish to assure South Africa that I have taken these governance and procurement challenges seriously, which is why late in 2012, upon the alleged transgressions coming to my attention, I instructed the Chairperson of CEF to initiate an investigation immediately.

We have received the report and we are in the process of taking the investigation forward whilst implementing some of the recommendations made to clean up PetroSA. **We need a credible National Oil Company; there will no compromise on this.**

Honourable Members,

The report on the audit of refineries has revealed that our refineries are operating below nameplate capacity. This is an indication that investment by the private sector has not taken place to maintain maximum capacity, let alone improve capacity. This information has assisted us in improving management of the liquid supply situation.

The audit also indicates the need for investment in the refinery sector which is part of the response to the call by the NDP and the Liquid Fuels Infrastructure Roadmap. The Roadmap will be presented to this House in the second quarter of the 2013/14 financial year.

The capacity constraints in the refining sector as well as the pending tightening of fuel specifications under the Clean Fuels II program, point to the need for the decisions to be made on the build of the new refinery.

The Liquid Fuels Infrastructure Roadmap also indicates the need for additional refining capacity and the expansion of the Petroleum Products import, transportation and storage facilities.

For the 2012/13 financial year, the DoE was appropriated R 6,7 billion and has spent 98.9% of the allocated budget.

The Integrated Energy Plan, a planning instrument to determine the most appropriate approach to meeting our energy needs up to 2050, is ready to be taken through a robust public stakeholder consultation process. The process will precede the consultation on the constituent parts of the IEP, including the IRP and Liquid Fuels and Gas Infrastructure Plans.

We targeted to electrify 150 000 households, and achieved 175 474 connections, which is 25 474 above the target.

The MYPD3 was concluded in March this year, with NERSA allowing tariff increases of 8% per annum over the next 5-years. This provides certainty about electricity pricing and facilitates relatively longer term planning for much needed investment by municipalities, Eskom, and industry.

Projects that are indicated in the IRP are expected to be largely funded from tariff increases. The Eskom build programme and other IRP programmes can now proceed to improve our energy security.

In line with the commitments made by President Zuma at COP15, our focus for last year has been on taking forward the clean energy initiatives. The positive outcome of our efforts in this area has been witnessed by more than **R70 billion investments** in new generation capacity, with a total of 2 450 MW of renewable energy capacity to come on stream from 2014, which forms part of the SIP 8 initiative of the PICC.

I am proud to say that today, among the G20 countries, we are now recognised as the 9th most attractive investment destination for the green economy, and our renewable energy programme was voted by the Global Leadership Infrastructure Programme in New York as the best green energy infrastructure programme in the world for 2012.

In addition to this, we have also received two additional awards from the Africa Investor CEO Infrastructure Investment Summit held recently in Cape Town, namely, the “Infrastructure Regulator of the Year” and “Power Deal of the Year” Awards.

Clearly, Honourable Members, we are contributing to the collective effort to implement the national climate change response strategy, the Green Economy Accord and the NDP's move to less carbon intensive electricity production through procurement of renewable energy sources.

Honourable Chairperson, we pride ourselves with milestones scored. We acknowledged areas that need improvement.

Going forward, allow me point out to some of the key initiatives.

For 2013/14, the DoE has been allocated a budget of R 6.5 billion, which is 2% less than last year's allocation. 93% of the budget is earmarked for transfers to Municipalities and State Owned Entities. 7% is to be utilised for operational and capital expenses.

Honourable Members,

Despite the success of installing over 5.6 million new electricity connections since 1994, the Census 2011 shows us the glaring examples of areas with serious lack of access to Energy, such as, Mbizana, Matatiele, uMsinga, uMhlabuyalingana, uMkhanyakude and informal settlements in Tshwane, Johannesburg and Ekurhuleni Metros, amongst others.

We remain committed to increase access to modern energy in the fastest possible way. In support of the initiatives under SIPs 6 and 8 of the PICC, we intend to publish the National Household Electrification Strategy, incorporating grid and off-grid solutions.

In the medium term, we will roll out a comprehensive energy solution in both informal and new housing developments incorporating grid electricity, non-grid electricity, solar water heating and LP Gas for formal dwellings. For informal settlements, this will involve LP Gas for thermal needs, plus a PV-technology solution for lighting and small power.

This year we will finalise our position regarding the appropriate pricing approach for LP Gas. Our objectives in this regard are driven mainly by the need to increase the usage of LP Gas for domestic thermal needs. LP Gas can be a meaningful instrument for cushioning the poor from the impact of the rising electricity prices.

In the last 4 years, three Integrated Energy Centres were constructed in Qunu, Mbizana and Ulundi. We have three sites in the pipeline to be completed during the course of 2013/14.

The Integrated National Electrification Programme receives an allocation of R3.8 billion. Eskom and municipalities will receive R 2.1billion and R1.6 billion respectively. We are confident of delivering 220 000 new connections in this budget cycle.

Electrification by political affiliation created islands of darkness in KwaZulu-Natal and about 15 000 households were left un-electrified. To date 10 200 of these have since been electrified. The Premier of KwaZulu-Natal and Treasurer General of the ANC has confirmed that elimination of these so called islands has affirmed that working together, we will be able to improve lives of all South Africans, irrespective of their political affiliation.

The challenges of lack of access to safe forms of energy lead to our communities using unsafe forms of heating, cooking and lighting. We will bring energy safety to the centre stage and will enter into collaborative agreements with the Household Energy Safety Association, the LPGas Safety Association, local government and the Department of Social Development. The CEF will play a leading role in this regard.

Honourable Chairperson,

The IRP remains the blueprint of our future energy mix and electricity capacity requirements, and forms part of the SIP 8 and 9 PICC programmes. Various determinations to implement the technology programmes under the IRP has been made and these include amongst others, 2 600MW gas to power, 2 200MW coal and 800MW cogeneration.

The procurement framework for these programmes will be completed this year to coincide with the 3rd window of the Renewable Energy IPP programme.

We, as Team Energy, have decisively demonstrated that we are champions of the Green Economy and implementers of its Accord.

Apart from the Renewable Energy IPP Programme, we have more green economy programmes in the pipeline. This year, we will prioritise the following:

We will 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.

This is in line with the determination we made under the Electricity Regulation Act last year. Mpumalanga, Eastern Cape and KwaZulu-Natal with their sugar cane and timber plantations have been identified as the hub for this initiative. We urge these industries to recognise the importance of using this programme to facilitate agrarian reform. We expect them to empower communities that could form complementary supply chains through sugar cane farming, and ensure BEE partnerships, as an integral part of their project companies.

About 350 000, mostly low pressure systems, were installed to date with the overwhelming majority of the systems installed being imported. We have made the point that the continued importation of systems is untenable, particularly if the systems are procured using public funds.

In line with the undertaking made last year, we have intervened to ensure that we create local jobs by enforcing that solar water heaters funded under fiscal allocation have minimum local content.

We are aware of the quality problems afflicting some of the installed systems and we will soon be able to identify all the problematic installations from a central point, which will help blacklist those service providers who do shoddy work.

A new implementation model was developed and is in the process of being implemented. The transition to the new contracting model will happen during 2013, to allow for new factories to be put in place. The verification of local content of the manufactured systems will be in accordance with the standard promulgated by the South African Bureau of Standards ISO 1286.

Financing of Solar Water Heaters has until now been a challenge. In addressing the funding challenge, an additional R4.7 billion has been allocated to complete the installation of one (1) million solar water geysers.

There will also be a larger focus on high pressure systems, since higher energy efficiency gains can be achieved by replacing electric geysers in the high electricity consumption market. **Members of Parliament must also start leading by example and install SWH at their residences.**

Honourable Members,

The deteriorating state of the electricity distribution infrastructure is adversely affecting service delivery. High tariff increases drive inflation upwards, and our economy will slow down as input costs increase. Socio-political hardship will increase with the poor taking the biggest brunt. We therefore appeal to municipalities to collaborate with us as we define this retail tariff framework.

With regard to electricity distribution infrastructure, we will work with NERSA to provide a tight framework for using tariffs for infrastructure rehabilitation or the Approach to Distribution Asset Management, as well as the energy efficiency or standard offer initiatives.

The ADAM Project has been launched in line with SIPs 6 and 10 of the PICC National Infrastructure Plan. An initial amount of R 320 million has been allocated for 2013/14 to pilot the ADAM projects in 7 municipalities and two metros.

The roll-out of these pilots will be overseen by a steering committee that will assist the respective local government entities in the planning and implementation of these projects. We believe this will be a solution to infrastructure maintenance problems as

we have witnessed successes the Department achieved with the “front loading“ of severe backlog municipalities with infrastructure for electrification projects such as Mbizana, Matetiele, Thulamela to name a few.

In addition, the success of working in a holistic manner as part of the Presidential Revitalisation Intervention within the King Sabata Dalindyebo Local Municipality is also an example of how electricity network challenges will be addressed in the ADAM programme.

It is also envisaged that more local authorities will, in support of in support of SIP 6, 8 and 9, become involved in renewable energy generation initiatives through Waste to Energy and Roof Top PV systems. Such initiatives are already under consideration in various centres in Gauteng such as Johannesburg Metro and Mogale City.

In line with his commitment at COP15, President JG Zuma called on us to **“prove to ourselves and the world that Renewable Energy especially Solar can be a base-load power generator”**.

After experiencing setbacks that delayed the Solar Park feasibility study, I am pleased to indicate that this is back on track. We will complete the feasibility study this year and then define the implementation scheme for the concept. In fact, it is exciting that the solar park corridor concept is taking shape with different areas along the corridor getting ready for implementation, for example Prieska in the Northern Cape, and this truly proves its corridor approach.

Honourable Members,

The IRP2010 also takes into consideration the retiring of the old base load coal-fired power stations.

The retirement of this base load capacity is inevitable, and therefore, its substitution is extremely time sensitive. It is incorrect to assume that the replacement of this coal base load source will be triggered by the demand projection alone. Irrespective of the demand, it is anticipated that the supply of power through these old coal plants

will fall away around 2023, and replacements are critical if we are to ensure our energy security.

Nuclear power carries tremendous benefits for South Africa in terms of:

- Being the lowest clean base load levelised cost;
- Broadens the energy mix;
- Is in alignment with our beneficiation strategy.;
- Contributes to industrialisation and localisation;
- Central to mitigation of CO₂ emissions, and; ***importantly***,
- To leap-frog South Africa into the knowledge economy as well as massive industrial development.

We also believe that the Youth Accord will be given expression through massive skills development and career opportunities in this programme.

The National Nuclear Energy Executive Coordination Committee was established Cabinet in line with the Nuclear Energy Policy of 2008, as the Executive Structure to lead, monitor and ensure oversight of the implementation of the policy.

The NNEECC approved a Phased Decision Making Approach for implementing the nuclear programme and has designated Eskom as the Owner and Operator of Nuclear Power Plants, again, in South Africa in line with the Nuclear Policy.

We have set an international example after doing our own country assessment, by conducting the International Atomic Energy International Nuclear Infrastructure Review. We are the first country with operating nuclear power plant and reactors to conduct such a readiness assessment.

R710 million has been allocated to the department and its nuclear State Owned Companies for amongst others;

- research and development,
- safety regulation;
- the control of source and special material in terms of international obligations, and;

- the development of nuclear policies and legislation to ensure the peaceful use of nuclear energy.

Over and above this, there is a stakeholder engagement process which we have already started as per ANC directives on transparency and openness, and public's right to know. Our approach is informed by the need to demystify nuclear energy.

The department will continue working towards the rollout of the nuclear programme, including reaching a final investment decision towards the procurement of nuclear power plants.

The Department of Energy participated in the BRICS summit held in South Africa in March, 2013. The Summit noted the importance of energy cooperation and mandated that the South African government through the Department of Energy explore the possibility of forming an energy cooperation forum of the BRICS member countries.

The cooperation will benefit from the complementary nature of the BRICS member countries reflected in the characteristics of the energy sector and the resource potential from each country. It is our intention to meet with the BRICS Energy Ministers during this financial year to establish the terms of reference for the Energy Cooperation Forum to be considered at the next BRICS Summit in Brazil in 2014.

Our dialogue with partners will continue in the continent to help Africa to strategise on how best to raise, mobilise and administer funding to deliver energy access to those in need. The UN SG's SE4ALL initiative demands of us to address the serious challenges of energy poverty.

We will continue to engage with our counterparts in the SADC to strengthen the Southern African Power Pool.

We will also continue to play a leading role in the organisations and platforms such as the Clean Energy Ministerial, the International Renewable Energy Agency and the International Energy Forum, the IAEA and IEA, as well as CEMA.

Honourable Chairperson,

The legislative programme this year involves the introduction of the Gas Amendment Bill, the Electricity Regulation Amendment Bill and the National Energy Regulator Amendment Bill.

Honourable Chairperson, *in conclusion:*

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

I would like to point out that the path towards sustainable energy resources has been long and sometimes difficult, but we believe our journey is not complete until all South Africans have access to reliable, cleaner, safer and affordable energy.

We have committed ourselves to this task, and we will continue to work hard to ***“enhance the freedom of others” and “ensure all have lights to read a book in the dark”*** through our interventions.

Let me take this opportunity to thank my family for their 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 Portfolio and the Select Committees of Parliament, our State – Owned- Entities, as well as all other stakeholders who continue to take active interest in the development of the structure and mandate of the department.

Let me express gratitude to President Zuma for leading the charge at the frontline and the progressive forces that are championing the cause of energy. We continue to be encouraged by his leadership and support, and that of my colleagues in Cabinet.

Finally, no one must doubt our intention as a Department of Energy to work together and even better, to lead the charge in energy planning, modelling, forecasting and delivery in a bid to safeguard our country's security of supply.

We do so, as President Mandela has said – “***not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others.***”

Honourable Members, I commend to this august House the 2013/14 Budget of the Department of Energy.

Thank You.