INTEGRATED ENERGY PLANNING PUBLIC WORKSHOPS

25 SEPTEMBER

KEY NOTE ADDRESS

BY

DEPUTY MINISTER BARBARA THOMPSON

Thank you Programme Director

Chairperson of the Parliamentary Portfolio Committee of Energy and other members parliament here present

Representatives from our social partners

Director-General of the Department of Energy

Directors General from all Departments present

Chairpersons of State Owned Companies and Government Agencies

CEOs of State Owned Companies and Government Agencies

Representatives from the Energy Sector

Officials from Government Departments

Members of the Media present

Ladies and gentlemen

We are gathered here today, after an important day in our country. Yesterday we celebrated our national heritage day, a day on which all of us as South Africans remember our origins and ancestries, and revel in the diversity of the various cultures, traditions and beliefs of the people of our country.

The Draft Integrated Energy Planning Report was approved for public release and consultation by Cabinet in July this year. As the Director-General mentioned in her opening remarks, this Johannesburg workshop is the first of a series of workshops that will be held over the next three months to engage on the Integrated Energy Plan and various other energy policies currently under development or review within the Department.

The Draft Integrated Energy Planning Report has been developed in an environment faced with many uncertainties. The global environment, through the economic crises facing some European countries, the turmoil in Syria and recent event in Kenya to name only a few ultimately have an impact on many economies, however as individual countries we have little or no control over these events.

Such events do however remind us that as a nation South Africa needs to look at its own needs and from an energy perspective we need to ensure our own security of supply more especially within this environment faced with many uncertainties. One of the key objectives of the Integrated Energy Plan is therefore to look at multiple and alternative energy sources so as to diversify our energy mix. For those energy resources where we are not blessed with our own natural endowments, we need to consider alternatives options as well as reduce reliance on single or few sources of that supply. South Africa cannot afford to find itself at the mercy of geo-political issues and decisions on which it has no say or control.

Ladies and gentlemen, the climate change debate is on-going and cannot go without mention. As a country we have made commitments to reduce our total emissions

such that by 2050, emission levels are below those that we saw in 2010 in absolute terms. I also do not need to tell you that achieving these reduction targets is no easy fate especially for the energy sector. The energy sector alone, contributes close to 80% towards total emissions of which 50% are from electricity generation and liquid fuel production alone. While a paradigm shift is required in the energy sector for these reduction targets to be realised, as government we cannot do this alone and we need cooperation and input from the private sector.

As South Africa we also cannot do this alone, and the attainment of these goals depends largely on the extent to which more developed countries meet their commitment to provide financial, capacity-building, technology development and technology transfer support to developing and emerging economies such as ours.

Over the years we have also seen pockets of policies aimed at contributing towards emission reductions such as our own Renewable Energy White Paper, which promulgated in 2003, sought to promote the role of Renewable Energy technology in the energy mix. More recently the Draft Carbon Tax Policy, which seeks to internalise the cost of emissions, has been published by the National Treasury. However no single policy alone is adequate and a coherent suite of policy instruments need to be developed in a coordinated manner. The full costs and benefits of the various policy options need to be thoroughly explored and evaluated with all the necessary government departments and other stakeholders.

Through the Integrated Energy Planning process we have attempted to start bringing some of these elements together and have also quantified the possible effects of

current and proposed policies and the extent to which such policies achieve each of these objectives.

We therefore must keep in mind the possible unintended consequences that some policy instruments can have on the economy such as increasing the overall cost of energy. As a developing economy, plagued with high-poverty and unemployment levels, the issue of affordable energy to all people needs to be considered. The impact of high energy prices on value-creating industries which contribute significantly to economic development also needs to be considered.

As such sustainable energy planning takes a holistic approach to the problem of planning for future energy needs as it requires us to ensure that environmental and climate change issues, together with social development and economic growth are all considered in a balanced manner.

We acknowledge that achieving these three objectives simultaneously is no easy task as it entails juggling competing and oftentimes conflicting objectives.

During the energy planning process, we have therefore not discriminated against or favoured any particular energy carriers and all have been considered.

- We cannot ignore the fact that we have abundant coal reserves and the price of local coal remains relatively low. However this has been balanced with the high carbon content that coal has and this cost has been internalised when we analysed policy options where emissions reduction targets and carbon taxes are introduced.

- Nuclear, has also been considered, and despite its high capital costs, we have not lost sight of the fact that this is a clean energy source that can contribute optimally as base load for electricity generation.
- The Department has sent out strong signals with regard to the role that Renewable Energy technology should play in our energy mix in the future. Through the Renewable Energy Independent Power Producer (REIPP) programme, we have successfully implemented three bidding windows to which response was very positive.
- South Africa is highly dependent on imported crude oil and with diminishing refining capacity, more increasingly on imported petroleum product. This places the country at a significant risk and exposes us unduly to global instability. We therefore need to look at alternative sources and resources to meet our liquid fuel needs.

Natural gas, both conventional and unconventional forms, has also been considered as it is characterised by lower emissions than both coal and crude oil. However (given the current estimated costs of importing and extracting natural gas resources) our analysis shows that gas still remains relatively more costly as compared to other energy sources, both for electricity generation and liquid fuel production.

Ladies and gentlemen, this however, does not mean that we must not continue exploring and where relevant responsibly exploit regional natural gas supply options into the country.

The shale gas potential in South Africa can therefore also not be ignored as it has the potential to contribute significantly to our future energy needs energy within the constraints of proposed emissions caps and thereby helping us in effectively moving towards a low carbon economy. There are also significant socio-economic development benefits to be realised through the creation of primary and secondary industries and new job opportunities.

We are cognisant of the controversies associated with shale gas extraction processes such as ground water and soil contamination, however the Department of Mineral Resources supported by the Departments of Energy, Environment and Water, amongst others are currently reviewing the regulatory framework to ensure that exploitation of shale gas is undertaken in a responsible and environmentally friendly manner to ensure overall socio-economic benefit for our country. I am therefore confident that the challenges identified will in the not so far future come to pass. Further work still needs to be done to fully and independently assess the economic implications as well as associated infrastructure requirements that would unlock a natural gas market based on shale gas in South Africa. In this regard, over the next few months, the Department will commence the process of developing the Natural Gas Masterplan which will look into all these elements.

Programme Director,

In order to start moving towards the UN objectives of reducing the global energy intensity by 40 percent by 2030, we must use innovation and technology to establish mechanisms of performing the same tasks and producing the same output using less energy, put differently this means that we should use innovation to do more with

less. I believe that through concerted efforts to make improvements in processes and technologies, this is achievable in all economic sectors, more especially in the industrial sector.

In measuring whether we have become a more efficient economy, we must bear in mind the structural factors that may disguise real efficiency improvements in our processes. Truly moving towards a low energy intensity economy will require us to invest in new technologies and adopt more efficient processes. The desired structure of our economy as set out in the National Development Plan together with our Industrial Policies should dictate our future energy requirements and not the other way round where energy supply deficits or our desire to reduce energy intensity dictate our future economic structure.

Programme Director I must therefore emphasize that it will not help us as a nation, to reduce the energy intensity of our economy, while jobs are being lost and less employment being created through initiatives to improve energy efficiency. We should therefore also not discourage future investments in value-creating industries that still depend on energy intensive technologies if such industries contribute to the other competing objectives of job creation and localisation.

Over the next few months, together with the Economic Development Department and National Treasury, we will also conduct macro-economic and socio-economic impact analyses on the various policy options that have been presented and perhaps additional ones emanating from these workshops.

For this reason, public stakeholder workshops such as this one are a critical element of the energy planning process and provide a platform for us to obtain input from you as our stakeholders on the work which has been done.

I am sure that there are many outstanding policy questions or policy issues that some of you believe should have been addressed in the Draft Integrated Energy Planning Report. While all such policy questions are important, it has not been possible for all of them to be addressed specifically through the formal energy planning process alone and various sector-focused policy documents including the Integrated Resource Plan, the 20-Year Liquid Fuel Roadmap, the Renewable Energy Roadmap, the Electrification Roadmap and the National Energy Efficiency Strategy address some of the more specific policy aspects.

Over the next two days the Department will present to you the key assumptions and model output from the energy planning process; they will also present work done on the review of the Integrated Resource Plan; provide a progress update on the development of the 20-Year Liquid Fuel Roadmap; share with you the key elements that will be considered in the National Energy Efficiency Strategy and the Renewable Energy Roadmap. The inter-linkages between the envisaged Integrated Energy Plan and these various policies will be described in the presentations that follow.

We would like to hear your say and have therefore also provided a platform for you as our stakeholders to give us input and comments into in the form of presentations. However the presentations which will be made are not the only opportunity for input and formal submissions can still be made to the Department.

The input which we will obtain over the next few days and the formal submissions which we will receive thereafter are most critical as these will enable us to review and enhance our assumptions before we finalise the Integrated Energy Plan.

I thank you.