KEYNOTE ADDRESS BY THE MINISTER OF ENERGY, HONOURABLE DIKOBE BEN MARTINS, MP, AT THE ENERGY LEADERS ROUNDTABLE HOSTED BY THE CENTRAL ENERGY FUND

THEME: POWERING SOUTH AFRICA TO 2030 AND BEYOND - SECURING THE NATION'S ENERGY FUTURE

TUESDAY, 11 FEBRUARY 2014

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Programme Director;

Chief Executive Officer of the Central Energy Fund;

Director-General of the Department of Energy;

Panellists;

Representatives of government, State Owned Companies and Regulators;

Senior officials of the World Energy Council;

Stakeholders of the energy industry;

Distinguished ladies and gentlemen

Good Morning.

I wish to commend the Central Energy Fund for championing and sponsoring the Energy Leaders Roundtable.

Speakers will share their ideas on this year's theme which is "Powering South Africa to 2030 and Beyond – Securing the Nation's Energy Future".

The nub of the contributions and discussions will thus be on how all stakeholders can make a contribution to realise the ideals of the National Development Plan.

It will thus be necessary to discuss the challenges and opportunities in the energy sector as government firms up its medium to long-term scenario planning.

Cabinet, in 2010, approved the Integrated Resource Plan (IRP 2010). Since the Integrated Resource Plan (IRP) was initiated in March 2010, the Department of Energy has:

- under Bid Window 1: entered into 28 agreements on the 5th November 2012;
- under Bid Window 2: it entered into 19 agreements on the 9th May 2013;
- In regard to the current Bid, Bid Window 3:
    - 93 bids were received on 19 August 2013.
    - the bids amounted to 6023 megawatts (MW), whilst the available capacity for allocation was 1473 MW;
    - the Department of Energy was obviously pleased to note the competitive pricing offered in the bids received.

The Renewable Energy Independent Power Producer Programme (REIPPP): is aimed at bringing additional megawatts into the electricity system through private sector investment in wind, solar, photo-voltaic, solar concentrated power, biomass, biogas and small hydro technologies.

These renewable energy technologies form part of a broader energy mix that include coal, gas, nuclear and imported hydro technologies that we intend to utilise to meet South Africa's energy demand.

To date, the Department has committed to purchase over 2400 MW from Independent Power Producers under Windows 1 and 2 of the Renewable Energy Independent Procurement Programme (REIPPP). Most of the projects under Windows 1 and 2 are presently under construction. It was anticipated that by December 2013, some of these projects will deliver energy.

South Africa is presently rated as the 12th most attractive investment destination for renewable energy. The programme has to date, attracted over R150 billion, in

foreign direct investment. This obviously bodes well for South Africa, as the programme has received international acclaim for fairness, transparency and the certainty of its processes.

A progressive increase in local content and job creation numbers has also been witnessed. Window 3 will contribute approximately R4.4 billion to socio-economic development, aggregating to a cumulative investment of R9 billion.

The IRP 2010 is currently being revised, with the aim of diversifying South Africa's energy mix and seeking ways to significantly reduce the energy sector's carbon footprint.

A forty two percent (42%) target of new build capacity has been allocated to renewable energy, whilst it is also envisaged that energy efficiency interventions will also play a major role.

The development of a National Integrated Energy Plan, as you will recall, was first mooted in the White Paper on Energy Policy of the Republic of South Africa in 1998. Furthermore, in terms of the National Energy Act, 2008, (Act No. 34 of 2008), the Minister of Energy is mandated to develop and, on annual basis, to review and publish the Integrated Energy Plan in the Government Gazette.

The purpose and objectives of the Integrated Energy Plan (IEP) are stated in the National Energy Act, which requires the IEP to have planning foresight of no less than twenty (20) years.

As a long-term plan, the IEP is intended to provide a roadmap for the future energy landscape which will guide energy infrastructure investments and policy development and elaboration.

In pursuit of the objectives of the IEP, the Department of Energy, in consultation with the Department of Economic Development, the Department of Trade and Industry, the Department of Public Enterprises, the Department of Environmental Affairs, the Department of Human Settlements, the Department of Transport, the Department of Land and Rural Affairs, the National Planning Commission and the Department of Finance has developed a Draft Integrated Energy Planning Report.

The said report presents model outputs from various energy policy options that have been evaluated. It further gives insight on the possible implications of pursuing alternative policy options in the light of changes in the macro-economic environment, technological developments, and national priority imperatives amongst other factors.

Furthermore, in July last year, Cabinet approved the Draft Integrated Energy Planning Report for public release and comment. The Department of Energy held a series of workshops over three months, to consult on the Integrated Energy Planning Report and other energy policies being developed or reviewed within the Department.

The Draft Integrated Planning Report has been developed in a dynamic international environment which has given rise to many uncertainties.

We live in a global environment – what happens in one part of the world has repercussions in other parts of the world. The accident at Fukushima and the so named Arab Spring that spread from Tunisia to Egypt and then Libya, where the protests turned into civil war, which drew in the North Atlantic Treaty Organisation (NATO) and brought to an end the Gaddafi regime, are some of the examples of geo-political events with broader global impact.

As a result of the aforegoing, the global oil price increased remarkably, in response not only to the petroleum exports from Libya, but also to the disruption of the geostrategic balance that underpinned the Middle East for decades.

Anxiety mounted as to what the unrest might mean for the Persian Gulf, which supplies thirty five per cent (35%) of oil sold into world markets, and for its customers around the globe.

These two very different but concurrent sets of events, oceans away from each other, in the words of Daniel Yergin, delivered major shocks to global markets.

The uncertainty and insecurity about energy, underscored a fundamental reality, how important energy is to the world. It also underlined the rewards that accrue from energy and the security it affords.

In theorising and problematizing the energy question in the South African context, there are three fundamental questions that will have to shape our narrative, namely:

1. how do we ensure that enough energy is available to meet the needs of growing a South Africa and at what cost and with what technologies?
2. how can the security of the energy system on which we depend be adequately protected?
3. what will the impact of environmental concerns be, especially climate change, on the future of energy?

Given the fact that we still live in the Fossil Fuel Age, where today oil, coal and natural gas still provide eighty percent (80%) of the world's energy we have a responsibility to think of our immediate realities as we plan for the future.

The "globalisation of energy demand" is another factor that cannot be ignored. Billions of people are becoming part of the global economy; and as they do so, their incomes and their use of energy increase.

For example, currently, oil use in the developed world averages fourteen (14) barrels per person per year. In the developing world, it is only three (3) barrels per person. How will the world cope when billions of people go from three (3) barrels to six (6) barrels per person?

There are other kinds of risks and dangers. It is imperative to anticipate them, prepare for them and ensure the requisite resilience to respond.

In South Africa, it is of cardinal importance to take cognisance of the political and economic realities and the development stage of South Africa. The nexus between economic ideals and political realities are thus important.

In this regard, a major challenge in South Africa remains inequality. Less growth that results in less job creation is likely to be and remain a fertile ground for more and more instability. So the aspect of inclusive growth that includes all citizens becomes more important.

Institutionalised long-term planning and co-ordination capacity within the state to drive consolidated industrialisation and infrastructure development programmes for inclusive growth and job creation are thus of cardinal importance.

Government, business, labour, social organisations and all energy stakeholders must thus contribute to economic transformation.

The Department of Energy will play a pivotal role in mobilising and leveraging the participation of all stakeholders.

The private sector which accounts for seventy percent (70%) of the South African economy, must actively contribute to inclusive growth, investment, social development and economic transformation.

The Department in turn, will focus more on catalytic projects in energy, as well as ensuring a sound regulatory environment to stimulate investment in energy infrastructure.

In Conclusion:

The Department of Energy remains committed to continue engaging all stakeholders to promote energy efficiency and security of supply to 2030 and beyond.

I thank you for the courtesy of listening to me.

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