

Minister of Energy, Dikobe Ben Martins, MP:

Remarks at the stakeholders' engagement on economic opportunities in the energy sector

Thulamela Municipality, Limpopo Province

29 April 2014

Programme Director

Honourable Member of the Provincial Executive Council Mr Ishmael Kgetjepe

Your Worship the Mayor of the Thulamela Municipality Councillor Mahosi

Your Worship the Mayor of the Vhembe District Municipality Councillor Tshitereke Mathibe

District and Local Councillors

Members of the institution of traditional leadership

Officials of the three spheres of government

Representatives of state owned companies, agencies and regulators

Industry stakeholders

Comrades

Distinguished ladies and gentlemen

Good evening.

Since 1994, the ANC led government has made significant strides to transform and diversify the South African economy. Today, twenty years later, we can confidently say that a lot has changed since millions of South Africans cast their first votes, ushering the dawn of a just and a democratic society.

Economic opportunities have been created by both government and the private sector. In addition to creating jobs through the restructuring of the public sector, financial and other support to SMMEs and big companies, the ANC led government has also created an enabling environment for the private sector to create jobs. As we move forward to the second phase of the transition, the ANC has a plan to further grow the South African economy.

Radical economic change is needed in our endeavour to address the triple challenges of poverty, inequality and unemployment. It is for this reason, that the National Development Plan has set a growth target of 5.4% of a long period of time.

This means that it cannot be business as usual. All South Africans have to contribute to this effort; government can only create an enabling environment for growth and development across various sectors of the economy.

Since 2009, government has prioritised the infrastructure development programme as the basis of diversifying the economy, accelerating industrialisation and job creation. A significant amount of financial resources are being invested to bring new infrastructure in under-serviced rural and urban areas.

In the energy sector, the Department of Energy has prioritised universal access to affordable quality infrastructure and services, which is central to government's programme to increase economic growth and accelerate social development. Access to energy is one of the cornerstones of the ANC led government's social and economic policy.

As a result, today 86% of South African households have access to electricity, compared to 34% households in 1994. This means that the ANC led government has managed to connect more people in a period of twenty years than what the apartheid and colonial governments could not achieve in more than 100 years.

The rollout of electrification and other energy programmes has also brought new economic opportunities for local and international investors. Our collective challenge is to ensure that available opportunities in the energy and other sectors of the economy are availed to all South Africans, especially previously disadvantaged black people. More emphasis should also be placed on economic opportunities that benefit women, youth and people with disabilities.

Today, we are here in the Thulamela Local Municipality, Limpopo Province, to engage with stakeholders, to raise awareness and share information on available economic opportunities in the energy sector.

This is an opportunity for the provincial and local spheres of government, SMMEs and black economic empowered companies to engage with the Department of Energy. In particular, the engagement between the Department of Energy and the provincial and local spheres of government will help ensure the localisation of the energy infrastructure programmes.

The focus of this engagement is to share information on available opportunities in the programmes of the Department of Energy, such as:

1. THE RENEWABLE ENERGY INDEPENDENT POWER PRODUCERS PROGRAMME (REIPP)

Since 2012, the Department of Energy has licensed 47 independent power producers (IPPs) which use different technologies such as solar, wind, hydro, and biomass to produce electricity

Besides generating electricity, which is sold to the Eskom, IPPs also provide investment opportunities for local and international businesses.

In order to stimulate local economic development, there is a requirement for investors to involve local communities so that they benefit from the projects of IPPs. Proceeds generated by community entities are for the benefit of communities and should be reinvested into community projects as determined by the entities in consultation with communities.

Working with the Department of Trade and Industry, the Department of Energy has also introduced a localisation requirement to ensure that components that are used in the IPP programme are manufactured in South Africa. Local content of the IPP programme has increased from below 40% in the first phase to about 55% in the third window. This will increase as we licence more IPPs.

In the next few months, we will receive submissions for the fourth window of the IPP programme. The Department is also licensing smaller IPPs to generate electricity. The licensing of renewable energy will continue until renewables constitute 42% of South Africa's energy mix, which also includes coal and nuclear programmes.

All provinces in the country have a role to play in the IPP programme. The Western Cape and the Eastern Cape have taken a lead in wind power generation. Most of the licensed solar energy projects are in the Northern Cape.

The Thulamela Municipality is endowed with agricultural resources that can be harnessed for the development of the biomass industry. Biomass energy generation has a huge job creation potential compared to other forms of renewable energy. The Vhembe District, as a whole, is also blessed with solar energy and therefore can play a significant role in the solar energy generation programme.

2. THE BIOFUEL BLENDING PROGRAMME

The Biofuels Mandatory Blending Regulations which make it mandatory for oil companies to blend biofuels into petrol and diesel were finalised and promulgated at the end of last year. In terms of these regulations, which come into effect in October 2015, liquid fuel suppliers will be obliged to include an aggregate of up to 2% in terms of volume in the biofuel component of the liquid fuels they supply.

The implications are that more cultivation of the requisite feedstock, be it sorghum, soya or sugar cane, will be necessary. This bodes well for job opportunities, enterprise development and agrarian reform in those areas that will supply the feedstock.

All stakeholders need to ensure that these opportunities are targeted at emerging and new black owned enterprises, as we drive the transformation agenda. The reason that we have limited the approved energy crops to exclude maize is in order to protect food security, as maize is a staple food in South Africa.

Through partnership with the DoE, the provincial and local governments, local farmers can benefit from the biofuel industry programme. In this regard, our interaction today, should lead to practical programmes to consolidate the co-operation between the Department of Energy and local stakeholders to broaden participation in the biofuel industry.

3. THE SOLAR WATER HEATING PROGRAMME

Since the inception of the National Solar Water Heater Programme in 2009, more than 400 000 systems have been installed, providing hot water to many South Africans.

Most of the Solar Water Heaters were imported from other countries, and this gave rise to a number of challenges related to water quality, among other challenges. This resulted in the failure of some of the installed systems.

Informed by these challenges and the need to maximise the socio-economic benefits of the programme, government has decided to procure Solar Water Heaters that are locally manufactured.

Consistent with the localisation policy, 70% of the components used per unit should also be sourced in South Africa. This requirement will create new opportunities for those who supply various components that are used in the manufacturing of the Solar Water Heaters.

The DoE will be making an announcement, in May 2014, regarding the revised model that seeks to promote localization of the products that will be subsidized, training and skills development. The Department has a programme to train local plumbers who will install and maintain the Solar Water Heaters.

4. THE PETROLEUM SECTOR

Notwithstanding the progress made since 1994 to transform the petroleum sector, a great deal still needs to be done to ensure this sector is transformed to reflect the national demographics in respect of race, gender amongst others.

The Department of Energy is concerned that notwithstanding commitments made by this industry under the auspices of the Liquid Fuels Charter, very little progress has been made. It is disappointing that over ten (10) years after committing to accelerate transformation in the petroleum sector, the extent of ownership by historically disadvantaged persons remains below 3%.

In this regard, the Department will continue to use the licensing regime to ensure transformation of the sector. Those who are interested in this sector should apply for licences to provide retail and wholesale services.

5. OTHER OPPORTUNITIES

There are also opportunities for companies with expertise in the development of electricity infrastructure, both grid and non-grid infrastructure.

In the near future, the Department of Energy will engage stakeholders in all provinces on opportunities that will arise from the nuclear build programme. The Department is currently working with other government departments to finalise the implementation plan of the nuclear build.

Consistent with government policy, the nuclear build programme will include the localisation requirement to create more opportunities for the local suppliers of components and technologies that are used in the nuclear industry.

The ANC led government will continue to create opportunities that will add impetus to growth and development. Only those who do not want to work hard will dream of owning and running mines and farms without perspiring.

Programme Director,

The Department of Energy has a responsibility to work with stakeholders within and outside government to ensure that available opportunities in the energy sector are localised. This engagement therefore is part of the Department's programme to ensure the localisation of its programmes in the Limpopo Province.

Officials of the Department of Energy will present, in detail, some of the available opportunities in the energy sector, after which we will engage in a question and answer session.

I THANK YOU

