

**SPEECH BY THE MINISTER OF ENERGY  
HONOURABLE MR JEFF REDEBE AT A PUBLIC  
LECTURE ON ENERGY EFFICIENCY AND FUEL  
PRICING**

**UNIVERSITY OF MPUMALANGA, NELSPRUIT,  
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Programme Director

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Mayekiso,

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Deputy Directors-General of the Department of Energy;

Chief Executive Officers of the SoE's and Oil Companies

South African Petroleum Industry Association

South African Petroleum Retailers Association

Our Esteemed guests, the Students of Mpumalanga  
University

Ladies and Gentleman

It is my pleasure to launch the Department's Energy Month with  
the public lecture on Energy Efficiency here at the University of  
Mpumalanga in Nelspruit under the theme: *"Promoting an*

*affordable and sustainable energy mix in support of radical socio-economic transformation.”*

This year, South Africa celebrates the centenary of the life of our nation's founding father Nelson Mandela under the theme “*Be the legacy*”. The celebration is a major milestone in the incredible story of Nelson Mandela and our nation's journey. The centenary celebration extend across the continent and the globe as the former President was one of the world's most revered statesmen. He was a central figure in the struggle for liberation from the unjust apartheid system to an inclusive democracy. Nelson Mandela left an indelible mark on our society having laid the foundation for a united, non-racial, non-sexist, democratic and prosperous society. His legacy lives on in our commitment to ensure a just and fair society for all, including the rights to dignity and freedom of expression.

This lecture forms part of the department's annual Energy Month activities held during the month of May each year. During this month the department criss-crosses the length and breadth of our country to create awareness on the need for energy efficiency and the risks associated with irresponsible use of energy. We also use this period to heighten awareness on the work of the

department by implementing initiatives aimed at radically transforming the energy sector.

Since the release of National Energy Efficiency Strategy in 2005, the country has developed concrete regulatory frameworks to ensure prioritization of Energy Efficiency measures across all sectors of the economy to ensure that all stakeholders involved in the use of energy including ordinary citizens endeavour to save energy as much as possible. Programme Director, I am sure that you will agree with my observation that the high poverty levels affect all aspects of development - including livelihoods, access to water, agricultural productivity, health, and education. All of this puts enormous responsibilities on our people and in particular on women, who are the main stabilizers of our communities. This situation then requires government to invest heavily in energy infrastructure to ensure improvements in energy efficiency, access to modern and clean energy, and overall security of energy supply for all South Africans. In their wisdom, the United Nations has revised the Millennium Development Goals (MDGs), which are now known as the **Sustainable** Development Goals (SDGs) which recognise women, youth and children as the societal groups most impacted by issues of energy poverty and access.

Ladies and gentlemen, it is for this reason that the department views measures to promote energy efficiency as critical to the wider objectives of our government's energy and environmental policies. **Being energy efficient means using the energy efficiently while still achieving the same output.** Enhanced energy efficiency has a major role to play in meeting our local and international commitments. The efficient use of energy represents an important low-hanging fruit in encouraging a more sustainable energy policy and security of energy supply, a subject which has given cause for concern in recent years.

Ladies and gentlemen, in spite of many efforts at different government levels and benefits of energy efficiency, several technical, financial and policy barriers are still persistent and have affected the realization of full the potential benefits of energy conservation and savings.

Some of the persisting barriers include:

- Insufficient awareness, education and training about energy management and efficiency at different levels - particularly at the community level;
- Economic and market distortions causing irrational responses to energy efficiency measures;

- Lack of standardisation and labeling of equipment and devices; and
- Inadequate financing for investments in energy efficiency improvements.

To this end, Programme Director, let me state that as the Department of Energy, our responsibility through implementation by ESKOM and Municipalities, is to ensure that our people not only have access to electricity and other forms of energy but, that the supply is reliable and sustainable. However, I am sure that we all know that there are a number of factors that may impact stability of. electricity supply These may include natural events such as extreme temperatures, lightning and floods. When they occur, these phenomena have the potential to negatively impact municipal or Eskom infrastructure, leading to unplanned electricity cuts.

Another factor relates to our behaviour as consumers of electricity. I am sure you will agree with me when I say that, if we dont take care of how we use electricity and energy in general, especially in the current economic conditions that are worsened by the environmental changes, our ability as government and as a people to address poverty, inequality and unemployment will never be realised. I am sure that you can confirm that the factors

that I referred to earlier have the power to cause a lot of inconvenience in terms of how we conduct our lives. Let me give a simple example about traffic lights that are not working which will cause traffic jams, which will lead to you arriving late at work, school, shopping and other daily activities. All of these could have a major impact on the economic opportunities of the community, the municipality, the province and by extension the country.

Programme Director, let me emphasise that government has prioritized the introduction of energy efficiency measures in industry, public and commercial buildings and residential sectors - these include the retrofitting of municipal and other government buildings with new energy efficient technologies. In addition, we are working hard to ensure that there is better dissemination of energy efficiency information, and better monitoring and evaluation methods through greater harmonisation of national monitoring programmes and definition of energy efficiency indicators. I am happy to share with you that we have put measures in place to ensure that we save energy. For example, we have introduced programmes that seek to improve the efficiency of street-lighting infrastructure, traffic lighting and water pump and waste treatment plants. In so doing it is expected that the savings coming from these interventions should enable government to use the budget savings to focus on improving

other services such as water supply, and road infrastructure – a re-focus which will have the effect of increasing the potential for creating more job opportunities for the community.

Programme Director, and ladies and Gentlemen, let me try and bring the issue of energy efficiency closer to home. I want to believe that all of us here has access to electrical appliances such as a kettle, television, fridge, washing machine and other households equipment. And I also want to believe that you will agree with me that these appliances consume significant amounts of energy which cost us dearly financially. However, we also know that if we were to use these appliances in a more efficient manner, this could save us money which we could use to address other household needs. It is for this reason that the Department of Energy working with various stakeholders, including appliance manufacturers, retailers, SABS and the National Regulator for compulsory specifications have introduced a programme to improve the efficiency of these appliances through the introduction of Minimum Energy Performance Standards (MEPS).

Programme Director, energy-efficient home appliances can save you significant amounts of money since they account for up to 30% (per cent) of your home energy use. I would like to take this opportunity to emphasise a few basic steps that all of us need to

practice at home in order to save energy and money, and these include:

- Use energy efficient lamps;
- Switch off lights, fans, and air-conditioners when you leave the room;
- Switch off electronic equipment like TV, Computers, DVD/VCD players, and music system when not in use – don't keep them on standby mode;
- Close the door of the fridge after you remove items and make sure it seals properly;
- Reduce the temperature of your geyser to around 55 degrees Celsius to avoid adding too much cold water when you use it;
- Close the windows and doors when the heater or air conditioner is on;
- Boil only enough water for your immediate need – not a full pot or kettle;
- Do all your ironing at the same time; and
- Check your electricity meter at regular intervals, and take note of your energy consumption patterns.

Noting the cross cutting nature of Energy Efficiency, the Department has consistently worked very close with other key government departments such as Environmental Affairs; Public

Works; DPME; Trade and Industry; and Science and Technology among others. This takes into account the international commitment for the country to reduce emissions reduction by 34% by 2020 and 42% by 2025 subject to the availability of resources.

Programme Director and Ladies and Gentlemen, I should also mention that as part of our responsibility to create lasting energy efficiency practices, SANEDI in collaboration with the University of Pretoria has established an Energy Efficiency Hub and a lot of students graduated in the field of Energy Efficiency. Other Academic institutions are also playing a major role in the sector in conducting Monitoring and Verification of EEDSM of energy savings, these are University of Johannesburg, Tshwane University of Technology, University of Cape Town, North Wets University and University of Stellenbosch.

### **Cost of fuels**

**Ladies and gentlemen,** the prices of fuel has been on the upwards trajectory as of April instant, due to both local and international factors that affects the value of our currency. The main factors that contribute to fuel price changes are the

movement in the Rand / US Dollar exchange and price of crude oil that impacts on the prices of finished products.

Unfortunately, we do not have crude oil in South Africa and therefore import both crude oil and finished products because our demand outstrips the supply from local refineries.

The South African fuel pricing formula, the Basic Fuel Price (BFP), is based on the import parity pricing principle i.e. what it would cost a South African importer of petrol to buy it from an international refinery, transport the product from that refinery, insure the product against losses at sea and land the product on our shores.

The Petroleum Industry in South Africa is governed by two main bodies; namely, the Department of Energy (DoE) and the National Energy Regulator of South Africa (NERSA). My Department deals with issues pertaining to licensing and the pricing structure whilst, NERSA sets tariffs for petroleum pipeline operations and approves tariffs for petroleum storage and loading facilities.

The Petroleum Pipelines Act also gives NERSA the authority to compel operators of pipeline, loading and storage facilities to

allow Third Party access to unused or “uncommitted” capacity although NERSA is unable to compel the owners or operators to expand their facilities.

The main Acts that regulate the Liquid Fuel sector are; (a) the Petroleum Products Act No 20 of 1977 as amended by Act No. 58 of 2003 and Act No. 2 of 2005, (b) the Petroleum Pipelines Act No. 60 of 2003, and (c) the International Trade Administration Act 71 of 2002.

The Department derives its mandate from the Petroleum Products Act with regard to licensing of manufacturers, wholesalers and retailers of petroleum products. It also works hand in hand with the liquid fuels charter which acts as an addendum to the Act to promote transformation in the industry. The mandate to regulate the prices of Petroleum Products is also derived from the same Act.

NERSA was established in 2005 by the National Energy Regulator Act No 40 of 2004. Section 4 of the Petroleum Pipelines Act prescribes its duties and functions. The International Trade Administration Act mainly governs the import and export of fuel in South Africa. Other important policy and regulations in this

sector include environmental regulations, municipal regulations and pricing regulations.

The Department of Energy has embarked on a process of developing the Petroleum and Liquid Fuels Sector Codes and the alignment of the Petroleum and Liquid Fuels Charter to Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) as amended (“B-BBEE Act, 2003”) and Codes of Good Practice (“CGP”). I am pleased to inform you that, together with stakeholders, we have drafted the Petroleum and Liquid Fuels Sector Codes, which are under discussions.

Together with industry and respective associations, we are extensively engaged on unlocking impediments to, and finding solutions to effect radical socio-economic transformation in the Petroleum and Liquid Fuels sector.

Furthermore, the Department will complete the Retail Audit which aims to verify and measure the extent of Broad-Based Black Economic Empowerment (B-BBEE) at petroleum retail level in the country as informed by the Petroleum Products Amendment Act, 1977, the Liquid Fuels Charter and Broad Based Economic

Empowerment Act, 2003 as amended and the revised Codes of Good Practice.

The establishment of baseline data on the extent of B-BBEE in the petroleum retail sector will inform the prescribed framework of allocation of site and retail licenses in terms of the provisions of the Petroleum Products Act.

When the final Retail Audit report is published it will show that women account for less than 10% in the retail sector by volume and number of service stations. This figure has to be double to at least a realistic 20% by 2020. The role of SAPIA in ensuring that the transformations objectives are achieved is very critical given the market share that it has.

The private sector is encouraged, which has a larger procurement muscle, to also embrace broad-based black economic empowerment by actively buying from black owned companies and supporting SMMEs.

To realize inclusive radical socio-economic transformation, the following constraints must be addressed in the short term:

- Under-representation of black women, youth and disabled across the Oil and Gas value chain;
- lack of meaningful operational involvement and active participation by black people;
- Lack of set-asides (on import of crude and finished product) for independent non refining wholesalers;
- Weak monitoring, evaluation and enforcement of compliance targets;
- Untransformed site and retail networks;
- In-adequate access to Market, Financing and Terms of Credit by black people; and In-adequate petroleum industry entrepreneurship for new entrants.

The transport sector in South Africa nationally accounted for at least 36% of total final energy consumption in 2015, 88% of which is attributable to road transport. So it is important that as a Department we emphasise on the efficient use of fuel.

Due to the dominance of road transport in terms of energy consumption, a comprehensive package of policy measures will also encourage the increase in supply of affordable and efficient vehicles, and to improve user behaviour, both of private drivers and commercial drivers.

The Department of Energy is committed to the goals set out in the National Development Plan (NDP). The NDP seeks to eradicate poverty in South Africa by 2030.

In order to achieve the energy vision as stated in the NDP, skills development in the liquid fuels sector is critical.

Our country and indeed the sub-region is ready for a new refinery investment. By the time any new refinery is completed, the country will be importing in excess of a third of its fuel requirements.

This high dependence on import of finished product by a major economy like ours located at the southern-most tip of the continent is not in the interest of energy security and does not advance local industrialization.

A Public Private Partnership (PPP) approach is preferred with a strong participation of a crude oil producing partner. We need to ensure that there is opportunity for black business to participate in this new refinery as part of our transformation drive. The refinery must be majority South African owned.

The National, Provincial and Local spheres of government must take economic transformation into account when they make fuel purchases. Transformation has to be a key factor in deciding where fire trucks, state owned ambulances and police vehicles fill up.

Despite all the challenges, my department will continue (a) to promote a climate that would be conducive to reasonable profits and sustained investments in the liquid fuel industry; (b) to set margins in a fair and transparent manner in order to encourage investments in the industry and (c) To ensure that the liquid fuels products are sold to the end-user at the cheapest possible price.

**I thank you**