



VIRTUAL ADDRESS TO THE JOHANNESBURG MINING INDABA
BY THE DIRECTOR GENERAL OF THE
DEPARTMENT OF MINERAL RESOURCES AND ENERGY
ADVOCATE THABO MOKOENA
WEDNESDAY, 8 OCTOBER 2020

Programme Director

Captains of the industry

Representatives from mining and resource companies

Current and potential investors

Organized labour

Representatives from communities

Ladies and gentlemen

This year's Joburg Indaba takes place under the shadow of a global pandemic that has forced us to develop new ways of working and achieving our mandates under the "new normal." Covid-19 has taken many lives, disrupted families, communities and businesses and further exacerbated South Africa's triple socio-economic challenges of unemployment, poverty and inequality.

The mining sector, like many other sectors of our economy, now must look at ways of protecting lives while also exploring solutions that can stimulate economic recovery.

Mining production contracted by 33% in the second quarter of 2020, with jobs reducing by 14%.

Mining and energy are the bedrock of the South African economy, as these sectors are catalysts for ensuring economic growth, and if properly supported will contribute positively to the development aspirations of the sixth (6th) administration. The proposed economic recovery and reconstruction plan of the country that we have developed and consulted with social partners, places the minerals energy complex at the center, rather than the periphery as has been the tendency in the past. A renewed, sustainable mining and energy complex is pivotal in the re-industrialisation of the country and its capacity to innovate, compete and create sustainable livelihoods.

Programme Director

We have witnessed the adverse impact of high costs and unreliable supply of energy on the mining sector because, as you all know resource extraction requires vast amounts of energy. Consequently, when the supply of electricity is unreliable and the costs are high, investment in resource extraction becomes a challenge. It is for this reason that the reliable and secure supply of energy for the growth of the mining sector and other sectors of our economy remains an imperative.

We have enabled electricity generation for own use by removing the licensing requirements for certain categories of generation facilities under one megawatt (1 MW). This means that no Ministerial approval is

required, projects can apply directly to NERSA for registration or licensing, including mining companies.

Programme Director, sector representatives, ladies and gentlemen

In line with the IRP2019, to date the department is procuring a total additional electricity capacity of thirteen thousand eight hundred and thirteen (13 813) megawatts. This is made up of eleven thousand eight hundred and thirteen (11 813) megawatts as per the second Section 34 Ministerial Determination issued in February 2020. The 11 813 MW capacity will consist of 6 800 MW from renewable energy sources (Photovoltaic and Wind), 513 MW from storage, 3 000 MW from gas, and 1 500 MW from coal. In addition to the 11 813 MW, we are procuring two thousand (2 000) MW under the Risk Mitigation Independent Power Producer Programme (RMIPPP) for which a Request for Proposals (RFP) was issued to the market during August 2020, and the closing date for the RFP is 24 November 2020.

In addition to the procurement of additional capacity, we are also attending to the commitments made in the Paris agreement for a just transition towards low-carbon economy with the Council for Geoscience (CGS) looking at frontier coalfields and the establishment of additional generation capacity in support of carbon capture storage and utilisation. The CGS is further investigating the potential of carbon utilisation in contributing to enhanced geothermal energy generation and improved extraction of coal-bed methane. We know that there is no completely clean coal technology but, through investment in these technologies and approaches, we can have significantly ***cleaner*** coal in which we do not sterilise our resource but we exploit it responsibly and sustainably.

Programme Director

We are also committed to ensuring we have a sustainable and future-fit Eskom. The restructuring of Eskom is not an end, we will work to deliberately improve our capacity to monitor the build programme, and make load shedding something of the past.

In this virtual room we have some of the key stakeholders and role players that are required to drive the implementation of the Framework Agreement for a Social Compact on Supporting Eskom for Inclusive Economic Growth as agreed to by the social partners at NEDLAC. I call on all of us to be activists in ensuring we turn this ship around. Activist bureaucrats, activist investors, and activist entrepreneurs.

Mining is not only about the minerals exploited for commercial gain, equally important are the mineworkers and the communities within which mines operate. Following recent notifications by companies of the intention to retrench workers, we continue to engage companies and all relevant role players to work to develop and implement measures to save jobs, and where jobs cannot be saved to ensure that the impact on those who are retrenched is ameliorated. We call on stakeholders to realise the NDP goal of creating an environment for sustainable employment and economic growth.

COVID-19 has exposed the accelerating rate of change in the global economy, with significant implications on the mining sector. I will speak to three of these trends. First is the tendency of countries to look inwards during times of crisis, to retreat into isolationism and reduce their dependency on other countries. Reversing the global trends of recent decades towards integrated and interdependent economies, we saw export restrictions increase and import substitution plans emerging.

Secondly, there was a massive drop in demand for primary and secondary goods, from which we have not fully recovered. This is why even as we have lifted restrictions production and revenue of enterprises have not rebounded back to the pre-COVID levels.

Thirdly, the transition to a more capital intensive, labour substitution mode of production has accelerated. The fourth and fifth industrial revolutions are not just about telecommunications but the fundamental transformation of societies and sectors.

These trends should reinforce our commitment to manage this transition in such a way that we embrace the disruptive nature of new forms of working and new products that will be developed **but** we will have to do this while finding a way to limit the cost in terms of jobs. We need to deliberately ensure that people are re-skilled and accommodated upstream in terms of mining goods and equipment of the future, and downstream in terms of new applications for our mineral resources.

The platinum industry is a perfect example, with almost all the resources resident in just three countries: South Africa, Zimbabwe and the Russian Federation. Thus, it is to the benefit of the rest of the world including those who are end-users of platinum to reduce their reliance on the mineral, whether through recycling or substitution. This was already observed prior to the pandemic in the autocatalytic converters industry.

The moral of the story is that it is our responsibility as a producer country, and as investors in the industry to drive the sustainable future of the industry. We must drive demand, investment in new applications and efficiencies in extraction.

Programme Director, sector representatives, ladies and gentlemen

We also continue to implement initiatives aimed at protecting the health and safety of mineworkers. The Department and mining companies have had to adapt their operations to the new normal of the pandemic. Zero harm remains a priority, even more so during this time. However, we recognise the reality imposed by Covid-19 and continue to work with the sector in line with the gazetted Mining Guidelines, issued to manage the spread of the virus in the sector. Prior to the pandemic, the sector had been seeing a sustainable downward trend in occupational diseases, injuries and fatalities over the years. We appreciate the cooperation by all stakeholders since the outbreak of Covid-19 and the nationwide lockdown, we further value the commitment of the sector not to wilfully defy directives and regulations issued to ramp up production and protect lives. Inspectors from the Department continue to monitor compliance through regular scheduled and unannounced visits. These intensified mine inspections and other measures aim to safeguard the lives of employees and all those they will encounter during and beyond this period. Reports from the inspections conducted indicate that the sector must continuously ensure that there is compliance with the legal provisions.

Ladies and gentlemen

As of 28 September 2020, the South African Mining Industry has reported a total of sixteen thousand six hundred and fifty one (16 651) positive COVID-19 cases, with fifteen thousand nine hundred and fifty eight (15 958) recoveries, and one hundred eighty two (182) deaths across the sector. We wish speedy recoveries to those who have tested positive and extend our condolences to the families who lost their loved ones.

All the mines are urged to ensure sustained vigilance regarding the health and safety of the mineworkers as historically a high number of fatalities and injuries are reported during the last quarter of the year.

Programme Director, sector representatives, ladies and gentlemen

Policy certainty in the mining sector is key for investment, we continue to monitor compliance to the Mining Charter as well as the MPRDA. We are at an advanced stage in finalising the Upstream Resources Petroleum Bill and have held consultations with a broad range of stakeholders. We are confident that upon finalisation and implementation of this Bill, South Africa will be in a better place to strike a balance between the need to attract investment into this sector, and ensure that oil and gas activities do not happen at the expense of the environment and water resources. We look forward to more investment because of investor confidence in our policies as affirmed by the arrival of the Total commissioned oil and gas drill rig now on site off the coast of Mossel Bay in the Western Cape.

Programme Director

South Africa's mining and mineral industry is open to investment throughout the value chain, from exploration to mineral beneficiation. We have had over 100 years of a formal mining industry, and our reserve estimates show that the industry in South Africa is far from being a sunset industry. In fact, we have over a century more of mining reserves in this country. In order to tap this potential, we are committed to investing in this industry. I say **investing** because it is not about expenditure but, about investing, putting money in initiatives that will build our capacity to increase our output, national revenue, and the capacity of the economy to create and sustain decent jobs. Money is an enabler for wealth generation when it is used productively.

Our task in the mining industry is to identify those investments required to unleash the full potential of our industry. Besides our intervention to address the access to and affordability of critical infrastructure, energy, rail and port facilities, we must improve on our geoscientific knowledge. We need to improve on the quality of information available for investors and meaningfully increase our share of global exploration expenditure to at least 3%. We will do this by developing in the next three months a comprehensive exploration strategy and strengthening our administrative capacity in order to ensure transparency, and reducing the turnaround times for the processing of mining, prospecting and environmental licences by 50%. Beyond this, we will finalise work with the development finance institutions and the private sector in the development of a comprehensive programme to support junior miners and ensure that prospecting rights are actively converted into mining operations and shared value.

I look forward to engaging you all – be it through virtual platforms or physically - as we develop our country, transform and grow the mining sector.

I thank you.