



Address by the Director General of Department of Mineral Resources & Energy, Advocate Thabo Mokoena, Republic of South Africa, during the Youth in Energy Webinar, held on 22 July 2020

Programme Director and Chairperson of SANEA, Kiren Maharaj
Chairperson of BRICS Youth Energy Agency, Alexander Kormishin
Representatives of Youth Organizations and Associations
BRICS youth from the different member countries who have joined us
SANEA Members
Panelists
Esteemed Guests
Members of Media
Ladies and Gentlemen

Good afternoon.

It is my pleasure and honour to address you to day on this special occasion we commemorate our young heroes, the future of this country and the energy sector in particular the youth of this country and the world at large. It is now 44 year since the 1976 student uprising. What was meant on that day to be a peaceful protest with the intentions to plea with government not to make Afrikaans a compulsory medium of instruction in

schools led to a loss of hundreds of students lives. Their struggle did not go in vain. We now honour youth in the energy sector by empowering them with information on how best they can participate in the energy sector as entrepreneurs, business owners, investors, experts and employees. The theme for this session is “the recent developments, including the COVID-19 pandemic and their impacts on people and the youth in the Energy Sector, South Africa”. I thank you all for joining us.

Energy, is a catalyst to economic growth and development of any country and more so for developing countries. Any disruptions to the energy sector will have significant impact on the economy especially energy intensive economies like South Africa. The worldwide economic shock caused by the Covid-19 pandemic is having widespread and often dramatic effects on investments in the energy sector and consumption of energy. For instance, at the start of 2020, global energy investment was on track for growth of around 2%, which would have been the largest annual rise in spending in six years. But after the Covid-19 crisis brought large swathes of the world economy to a standstill in a matter of months, global investment in the energy sector is now expected to plummet by 20%, or almost \$400 billion.

The effects on energy investment come from two directions. First, spending cuts due to lower aggregate demand and reduced earnings; these cuts have been particularly severe in the oil industry, where prices have at one point collapsed. Second, the practical disruption to investment activity caused by lockdowns and restrictions on the movement of people and goods. This has also affected our for instance some of our IPP projects under construction as well as upstream activities in the petroleum sector. In the medium term, we hope that all the investors who have

planned to participate in the next rounds of IPP procurement, will find South Africa as a favourable investment destination.

COVID -19 also caused significant demand disruptions in the energy sector. A key insight from the analysis of daily data is that countries in full lockdown experienced an average 25% decline in energy demand relative to typical levels and countries in partial lockdown an average 18% decline. In the case of liquid fuels under Level 5 lockdown in South Africa lead to demand decrease of approximately 70 percent.

In general, oil is bearing the brunt of this shock because of the curtailment in mobility and aviation, which represent nearly 60% of global oil demand. At the height of the lockdowns in April, when more than 4 billion people worldwide were subject to some form of confinement, year-on-year demand for oil was down by around 25 mb/d. During the same time, in South Africa in oil demand equally plummeted and led to temporary shutdown of almost all refineries except Sasol and PetroSA. Most fuel retail service stations have experienced significant revenue loss and are operating with less employees.

In the electricity sector, demand has been significantly reduced as a result of lockdown measures, with knock-on effects on the power mix. Electricity demand has been depressed by 20% or more during periods of full lockdown in several countries, as upticks for residential demand are far outweighed by reductions in commercial and industrial operations. At a global level, demand reductions have lifted the share of renewables in the electricity supply, as their output is largely unaffected by demand. Demand has fallen for all other sources of electricity, including coal, gas and nuclear power.

International Energy Agency anticipates that for the year as a whole, output from renewable sources is expected to increase because of low operating costs and preferential access to many power systems. Nuclear power is expected to decline somewhat in response to lower electricity demand. In aggregate, this would mean that low-carbon sources far outstrip coal-fired generation globally, extending the lead established in 2019. In the case of South Africa electricity consumption has significantly decreased.

One of the positive outcome to COVID 19 is the global carbon dioxide (CO₂) emissions reduction. CO₂ emissions are expected to decline by 8%, or almost 2.6 Giga tonnes (Gt), to the levels of ten years ago. Such a year-on-year reduction would be the largest ever, six times larger than the previous record reduction of 0.4 Gt in 2009 – caused by the global financial crisis – and twice as large as the combined total of all previous Global reductions since the end of World War II.

South Africa is a net importer of petroleum products and gained from lower international crude prices but also was significantly affected by a drop in demand. The decrease in demand ranged from about 90% for jet fuel to about 50% for diesel which was the least affected of the main fuels. The imbalance in demand resulted in refineries which were operating first scaling back production to balance stock and then shutting down fully as available ullage country wide filled rapidly. The only facilities that continued operations albeit at reduced rates.

The constrained supply of electricity in the country has led the Minister to make announcements regarding the small scale embedded generation. The Minister of Mineral Resources and Energy, - Honourable Minister Gwede Mantashe to allow companies to generate electricity for own use and has also encouraged the small scale embedded generation projects.

Currently a number of such small scale embedded generation projects have been licensed by the National Electricity Regulator of South Africa. As young people these developments in the electricity sector offers opportunities for you to explore. Do not be left behind.

The economic growth in the country is low. A major stimulant to the economy is access to affordable electricity. If we increase our generation capacity, it will enable the economy to grow. The demand for electricity in the country is rising and we present the small scale embedded generation as an immediate opportunity that the sector offers to. The IRP 2019 was promulgated and with it also are opportunities you can position yourself to participate in once the bidding rounds are one for participation. The time to prepare for such opportunities is now.

It is important for me to high light the plight of COVID -19 on our people, the health system and our communities. It is, therefore, imperative that we all take the pandemic seriously, observe the protocols both at work and home. Our President Cyril Ramaphosa has said that COVID-19 is going to be managed by all of us together. We should take collective responsibility at all times by maintaining social distancing, wearing our masks correctly, sanitising by especially washing our hands frequently with soap and clean water.

I wish my Minister Gwede Mantashe, colleagues and all South Africans who have been affected by COVID –19 a speedy recovery.

I take this opportunity now to thank our partners SANEA for co-hosting the event with the Department and all the participants on this webinar including young people from the BRICS countries participating.

I thank you.