



**Remarks by the Minister of Mineral Resources and Energy,**

**Mr Gwede Mantashe (MP)**

**Debate of the State of the Nation Address (SONA) 2020,**

**19<sup>th</sup> February 2020**

Madam Speaker of the National Assembly,  
Chairperson of the National Council of Provinces,  
His Excellencies, the President and Deputy President  
Honourable Members

*“The fundamental transformation of South African society and the economy requires the efforts, ingenuity and energy of all South Africans working together in pursuit of a shared vision.”* (ANC NEC January 8<sup>th</sup> Statement, 2020)

Such ingenuity and energy should be brought to bear in response to the President’s State of the Nation Address, instead of preoccupation with parochial differences.

That today parties to the right and the extreme left of the ANC claim our policy, is recognition of us being the leader of society and a sign of progress towards building a nation together. *We are one people.*

The President highlighted critical interventions by Government, that is, to build a capable state and to place our economy on the path to recovery; the need to fix the fundamentals, to pursue critical areas of growth, and to ensure excellence in Government’s planning and execution.

The integration of former departments of mineral resources and energy into one, Mineral Resources and Energy, is purposely aimed at increasing the capacity and capability of the State to drive economic recovery.

Mining and energy are catalysts for economic growth and development. Energy infrastructure underpins economic activity and growth, therefore should be robust and extensive to meet industrial, commercial and

household needs. An unreliable electricity supply is the biggest threat to economic growth, job creation and development.

Eighteen thousand megawatts (18 000 MW) of new generation capacity - from coal, diesel, renewables and pumped storage, has been committed to and used on the grid since IRP 2010. However, intermittent supply deficiency problems persist. Due to unavailability of the bulk of the generation plant, because of breakdowns, Eskom is unable to reliably meet any peak electricity demand above thirty-one thousand megawatts (31 000 MW). According to Eskom, we face at least two years minimum of potential load shedding.

The President mentioned the following measures we will implement to address energy shortages:

- the procurement of emergency power,
- the easing of requirements and processes for generation for own use,
- the issuing of Section 34 Determinations in line with the IRP 2019; and
- enabling municipalities in good financial standing to buy their own power.

### **Implementation of the IRP 2019 through Section 34 Ministerial Determinations**

IRP 2019 provides for additional capacity of two thousand megawatts (2000MW) of emergency power, one thousand five hundred megawatts (1 500MW) from Coal, two thousand five hundred megawatts (2 500MW) from Hydro, six thousand megawatts (6 000MW) from Photovoltaic, fourteen thousand four hundred megawatts (14 400MW) from Wind, two

thousand and eighty eight megawatts (2 088MW) from Storage and three thousand megawatts (3 000MW) from Gas.

Section 34 Determinations to implement the IRP 2019 are finalised and await concurrence by NERSA. This will also enable opening of Bid Windows for the renewable energy power procurement and support further investment in the sector.

### **Procurement of Emergency Power from projects that can deliver electricity into the grid within three to 12 months from approval**

In December 2019, the Department released a Request for Information (RFI) on power projects that can deliver power to the grid in the shortest possible time on a least-cost and a least-regret approach. RFI helps us assess availability of immediate implementable generation options and the commercial terms expected by these projects.

We received four hundred and eighty-one (481) responses, which include energy supply options and Demand Side Management options for Gas, Liquid Fuels, Coal, Renewables, Storage and Nuclear. Preliminary analysis is that some proposals can bring power to the grid in less than twenty-four months. It also suggests that longer-term contracting is required to ensure prices do not negatively affect the current tariffs.

Section 34 Determination for emergency power procurement, which awaits concurrence by NERSA, is finalised.

## **Generation for Own Use**

Licensing requirements for generation for own use in a certain category of generation facilities under one megawatt (1MW) are removed.

NERSA has received one hundred and thirty-two (132) applications in this category, with a total capacity of fifty-nine megawatts (59 MW). Of these, seventy-five (75) applications with total capacity of forty-two megawatts (42 MW) are approved. The remaining fifty-seven (57) applications with total capacity of sixteen megawatts (16MW) are being processed. On average, NERSA takes thirty-eight working days to process applications for registration.

Licensing of generation for own use of above one megawatt (1MW), which is mainly to supplement power supply to commercial and industrial customers including the mines, has been eased.

IRP 2019 provides for distributed generation for own use above one megawatt (1MW); removing the requirement for a Ministerial approval for deviation from the IRP, before NERSA processes a generation license application.

Installed capacity above one megawatt (1MW) is unlimited. Since May 2019, NERSA has received eighteen (18) applications, totalling one hundred and sixteen megawatts (116 MW), in this category. Most of them are incomplete because they lack power purchase agreements, which is a requirement to show who the consumer of the power is and to indicate connection agreements for consumers still dependent on the national grid.

As per the Electricity Regulation Act, the prescribed licensing process timeline for duly completed applications is one hundred and twenty days.

NERSA has committed to urgently process the licensing of duly admitted applications.

We met and agreed with Business Unity South Africa (BUSA) and Black Business Council representatives to establish a working group, led by a Deputy Director General, to remove the hurdles in some of the energy projects.

### **Enabling municipalities to procure their own power from IPPs**

Mister President,

To speed the process of addressing the power generation deficiency, municipalities are enabled to buy power from sources other than Eskom or develop their own power projects for generation of own power.

Historically metropolitan areas like Johannesburg, Pretoria, Cape Town, Mangaung and others had their own power generation capacity, largely coal driven. Advances in distributed generation technology make it viable for municipalities to create own power generation or buy power from projects developed within their jurisdiction.

Cognisant of capacity challenges in most municipalities, also in the interest of security of supply, we are developing regulations to ensure regulatory certainty and in line with the Electricity Regulation Act, for municipalities to procure or develop their own power generation. The regulations will require that a municipality should meet criteria that, amongst others, include the following:

- Alignment to the IRP 2019 and all other applicable laws.
- Good financial standing.

- For the long-term sustainability, a municipality must demonstrate diversity in its customer base and that electricity revenue collection meets its electricity operations and energy buying costs. This is especially critical to ensure that paying customers - especially commercial - are not burdened with high electricity tariffs as compensation for non-paying users.
- Compliance with the Municipal Finance Management Act - particularly Section 33, which outlines the procedure for a municipality that procures a service like power generation; provided the cost is below a prescribed value.
- Approval from National Treasury under the Public Finance Management Act and Treasury Regulation 16.
- The municipality must demonstrate either the existence of the necessary technical capacity and competence; or that they have in place convincing measures to create the capacity.

Keeping with the President's commitment of a paradigm shift in energy, these concrete measures are underway to complement other efforts for improving capabilities of Eskom for reliable supply of electricity, and to ensure security of energy supply for economic growth and development. The results will become evident in the coming months.

### **Sovereign Wealth Fund and Specialised Units on Crime**

The President also spoke of the **sovereign wealth fund** and the **specialised unit to deal with crime**; matters close to our Department.

We included in the Draft Upstream Petroleum Resource Development Bill, released for public comments in 2019, a proposal on a sovereign wealth fund to be created through royalties from our mineral resources.

Regarding specialised units for organised crime, we will engage the Minister of Police and role players in the mining industry about tackling illegal mining, which contributes to gender-based violence and social instability in mining communities and is negative to the economy.

Mister President,

Honourable Members,

There are those among us who falsely accuse our Movement, thus our nation, for having embarked on a path of reconciliation and nation-building. Our conviction, then and now, was that no human being was born to hate another.

With Madiba as our beacon, we chose to look forward, resist to hold our gaze in the rear-view mirror, thus look backwards, and shunned frolicking in dung with pigs.

Indeed, then and now,

*“Our march to freedom is irreversible. **(and)** We must not allow fear to stand in our way.”*

Thank you.