



ADDRESS BY THE HONOURABLE

MINISTER OF MINERAL RESOURCES AND ENERGY

MR SAMSON GWEDE MANTASHE, MP

ON THE BUDGET VOTE 34,

18 May 2021

Honourable Speaker of the House, Ms Thandi Modise; in absentia

His excellency, President Matamela Cyril Ramaphosa;

Honourable Deputy President David Mabuza;

Honourable Members of the House;

Director General of the Department of Mineral Resources and Energy - Advocate Thabo Mokoena and all senior managers present;

Chairpersons and Chief Executive Officers of State Owned Entities reporting to the Department;

Leadership of minerals and energy industry;

Distinguished guests invited to this auspicious occasion;

Ladies and gentlemen

It is with profound honour that we once again appear before this august house to present the Budget Vote as allocated to the Department of Mineral Resources and Energy for the 2021/22 fiscal year. We warmly recognise that this important task takes place in the year in which we celebrate the life and times of one of the leading icons of our struggle for freedom and democracy, Mama **Charlotte Maxeke**. We owe the liberties we enjoy today to her and those who marched alongside her in the struggle, lest we forget!

We deliver this budget vote when the country and our economy is slowly recovering from the ravages of covid19, which is still very much with us. We have realised that this pandemic is more than just a health war but very much a demand and supply interruption in the markets and economies across the globe, South Africa being part of the global village is definitely not immune to this.

Our mandate in summary is to meaningfully contribute to economic growth through mineral intelligence and development, support growth through ensuring security of energy supply and strengthening global relations through political and economic diplomacy.

Let me share with the house how we have been faring in our quest to deliver on this mandate in this prevailing difficult economic climate.

ON ECONOMIC PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

The South African economy experienced its worst economic recession in 2020 recording a third consecutive quarter of negative growth of 2% seasonally adjusted. Mining was the biggest contributor to this negative growth at 21,5% with the overall GDP contribution at negative 1,7%. This was the biggest slump in the past six years in the sector and was attributed to supply and demand disruptions as a result of hard lockdown which began towards the end of the first quarter. The second quarter saw a sharp economic decline at 51% with mining contracting by 73,1% while electricity water and gas contracted by 36,4%.

During the lockdown, a number of interventions to revive the economy were developed through the economic reconstruction and recovery plan. Accordingly, we began implementing these in earnest to revive mining and energy. Our interventions ranged from allowing all coal mines and refineries to continue operating at 100% during level 5 to avoid a shortage of coal supply to Eskom and to allow continued supply of energy into the economy, as this would have plunged the country into darkness. We also allowed all open cast mines to operate at full capacity at level 4. The rest of the mines were allowed to operate in a phased in approach while beneficiation plants operated at full capacity with stringent health and safety measures in place to ensure that we protect livelihoods while saving lives at level 3.

Accordingly, outcomes of these interventions manifested in the Q3 GDP readings when the economy registered a recovery of 66,1% indicating a softer contraction of 6%. Mining and quarrying registered a growth rate of 288% contributing 11.8 percentage point to the overall GDP. This made mining and quarrying the third largest contributor to the GDP during Q3. In quarter 4, the economy grew by 1,5% with an annualized growth of 6,3%. The gas and electricity cluster contributed negative by 0,1% while mining contributed negatively by 0,8% which was due to the cyclical nature of commodity prices coupled with a slow opening of key global trade partners.

We are pleased with stabilization of oil prices and positive signs that mining is showing into our economy as it registered a 21.3 % year on year growth in March 2021 following a 0.8% year on year growth in February 2021 performance. In addition, mineral's sales increased by 46.9% in March 2021 following a 25.4% in February 2021. This performance is a confirmation that mining remains the bedrock of our economy and that our interventions are yielding great results in the economic reconstruction and recovery journey.

INITIATIVES TO GROW THE ECONOMY

With these signs of recovery, plans are afoot to ensure that not only do we help the economy to bounce back, but help it to bounce forward and place it on a growth path as further envisaged in the April 2021 revised global economic outlook.

UPSTREAM PETROLEUM RESOURCES DEVELOPMENT

In October 2020, Total announced a significant gas condensate discovery on the Luiperd prospect, located in the Outeniqua Basin, 175 kilometers off the southern coast of South Africa. This Luiperd well was drilled to a total depth of 3 400 meters and intercepted 73 meters of net gas condensate pay in well matured lower Cretaceous reservoirs. Following coring and logging more work is being done to test the dynamics and characteristics of the reservoir. This significant find places our off-shore petroleum play a notch higher.

In September last year, we set out to drill a 3 500m stratigraphic hole in the Karoo to establish and test the occurrence of shale gas. This work also seeks to understand the geology and environmental characteristics of the area. I am pleased to share with this house that as of yesterday, we had drilled to a depth of 2 750 meters. The first pocket of gas was intercepted at 1 734 meters with a further substantial amount intercepted at 2 467 meters spanning a depth of 55 meters. To date, a total of 34 gas samples have been bottled in canisters and taken to one of our laboratories for analysis.

These two gas finds, the onshore gas operation in the Free State, coupled with more prospects that is under way along South Africa's western and eastern territorial waters are delivering positive signals that we will succeed in developing these resources in line with our ocean's economy agenda.

GROWTH SUPPORTED BY SECURE AND AFFORDABLE ENERGY SUPPLY

South Africa continues to pursue an energy mix as espoused in the country's energy blueprint, the **Integrated Resource Plan**. Even though South Africa and the rest of the world are increasingly under pressure to mitigate against climate change, South Africa's energy capacity is largely dependent on fossil fuels. In an alternative universe, one would immediately eliminate fossil fuel-generated energy such as coal and petroleum. However, this is not our reality, our reality is that we have vast reserves of coal and petroleum resources which we continue to exploit.

Though this is the case, we are committed to a just transition and have begun investing in clean technologies to ensure that we transition from a high to low carbon economy, while ensuring security of energy supply.

In 2020, we committed to interventions to deal with electricity supply shortages. We undertook to rapidly increase energy generation capacity outside of Eskom. It gives me great pleasure to share with this house that we have managed to advance the following:

- The connection of 1 200 megawatts to the grid from projects signed under bid window 4 of the IPP Programme, with the remaining 1 000 megawatts planned to connect by not later than December 2021.
- We have approved 8 preferred bidders with 3 recommended for appointment subject to them meeting specific value for money conditions. This initiative will deliver a total of 1 995 megawatts of power into the grid within the next 12 to 18 months.
- Eskom has procured 200 megawatts from Independent Power Producers under the Short-Term Power Purchase Programme.

- As part of Bid Window 5, we have issued a Request for Proposals (RFP) for 2 600 megawatts from wind and solar energy technologies.
- We have amended the Electricity Regulations on New Generation Capacity and clarified the requirements for municipalities when undertaking the process to develop or buy power from IPPs.
- We have also amended and gazetted Schedule 2 of the Electricity Regulation Act as pronounced by His Excellency, President Cyril Ramaphosa in his 2021 State of the national address. In this amendment we have increased the threshold for registering embedded generation from 1 to 10 megawatts.
- NERSA has to date registered 200 projects under one megawatt totalling 94 megawatts and licensed 5 projects above one (1) megawatt. We have also noted with delight that the mining industry is also taking steps towards self-generation which is in support of our initiatives, to this extent Goldfields will soon commence with construction of its licenced 40 megawatts.

In the coming months we will issue additional Requests for Proposals as follows:

- 2 600 megawatts from renewable energy around August 2021.
- 513 megawatts from Storage around August 2021.
- 1 500 megawatts from Coal around December 2021.
- 3 000 megawatts from Gas around December 2021.
- 1 600 megawatts from renewable energy around January 2022.

In line with the Sustainable Development Goal Seven of achieving universal access to affordable, reliable, sustainable, and modern energy by 2030, we are forging ahead through our INEP programme and as such we plan to connect 180 000 additional households in the 2021/22 fiscal year, following **166 886 households connected in 2020/21 financial year.**

LNG INITIATIVES

Honorable speaker, we continue our commitment of developing the gas industry into our economy. Accordingly, we have made some advancement to that effect and as such;

An Environmental Impact Assessment study has been undertaken for three Gas to Power Plants of 1000 megawatts each to enable Gas to power projects in Special Economic Zones. The Request For Proposals will be issued in the third quarter of the 2021/22 financial year.

An estimated total capital investment for 15 projects currently under construction, as licensed by NERSA, is R8.9 billion. From these projects, at least four of them with a value of approximately R6.3 billion are expected to be completed by the end of 2021.

EXPLORATION

Honorable members, mining without exploration is not sustainable. To this end, we are developing an "exploration strategy" to increase our share of the global expenditure in the next 3 to 5 years. The CGS has rapidly increased mapping coverage from below 5% to almost 9% to date, with particular focus on areas with the greatest potential for recovery of world class minerals needed to drive the contemporary economy.

INTERVENTIONS TO DRIVE IMPORT SUBSTITUTION THROUGH INDUSTRIALIZATION

In October last year, Cabinet approved a Chrome beneficiation paper which recommended several interventions, ranging from providing a framework for negotiated pricing agreements for intensive energy users, an export tax on chrome ore exports, technology improvements, self and co-generation among others.

MINERAL AND PETROLEUM INTELLIGENCE AND DEVELOPMENT

We have cleared the backlog on petroleum licensing and successfully processed the following licenses;

- One (1) Manufacturing license in Limpopo,
- 307 Wholesale licenses,
- 59 New Retail licenses, which will provide employment opportunities that cut across the construction value chain and growth of the petroleum sector, and lastly,
- 141 Retail Change of Hands licenses.

As of March 2021, we have set 6 months to ensure that a new modern system is put in place. The system seeks to ensure provision of reliable and precise information on location of exploration and mining rights. In addition, the system will be transparent and easily accessible to investors and the public.

CREATING AN ENABLING ENVIRONMENT THROUGH INVESTOR-FRIENDLY LEGISLATION

Our developmental state is centered around a legislative framework that captures among others our transformative agenda, our environmental commitment to the society, as well as setting both the minerals and energy sectors on a growth path. Precisely for that reason all hands have been on deck in advancing the course. To this extent we have:

- Finalised the amendment the **Gas Amendment Bill** which was introduced to parliament on 30 April 2021. This Bill aims to unlock investment into the gas sector and facilitate the development of gas infrastructure.
- Amended the blending requirements on biofuels and to expand the definition to include second and third generation biofuels.

- As part of our contribution to just transition and ensuring that we reduce the greenhouse gas emissions, we have also finalized amendment of the Clean Fuels Regulations (CF2) which aims to ensure a reduction of the sulphur content in standard grade diesel from 50 to 10 parts per million (ppm.)
- As we seek to move towards cleaner fuels, we have also gazetted the **LPG Strategy** which seeks to address a suite of challenges prohibiting access and affordability of this energy source.
- The **Upstream Petroleum Bill** has been approved by Cabinet and the process for its introduction to Parliament is underway. We will be tabling this Bill in the next coming weeks.
- My team is hard at work with the Amendment of the **Mine Health and Safety Act** which seeks to address challenges relating to health and safety of mine workers.
- **The National Nuclear Regulator Amendment Bill** has been approved by Cabinet and will be published for public comments. This Bill will be tabled in Parliament in the current financial year.
- Work is at an advanced stage with the drafting of the **Radioactive Waste Management Fund Bill** which aims to enforce the polluter pays principle for all nuclear waste generators.

ON MINE HEALTH AND SAFTY

Occupational Health and Safety Statistics show that 2019 remains the safest year, with the lowest fatalities ever recorded in mining at fifty-one (51) and with no record of a mine disaster since 2016. The number of occupational diseases nationally has also shown a decline from 1 052 cases in the first six months of 2 019 to 498 cases during the same period in 2020. This mainly include Noise Induced Hearing Loss, Silicosis and TB cases.

In 2020, we saw an improvement on mine injuries, with a total of 1 747 injuries compared to 2 452 in 2019. Regrettably, the sector had 60 fatalities in 2020. Fall of ground accidents, including seismic-related rock bursts remain a significant challenge

in the platinum and gold sectors, especially in deep mines, while transport-related accidents continue to mostly affect the coal and platinum sectors. We will continue to work harder towards the attainment of zero harm in our mines.

FINANCIALS

The main appropriation for the Department of Mineral Resources and Energy in the 2021/22 financial year is a total of R9.2 billion. Earmarked transfer payments to public entities, municipalities, and other implementing institutions account for R7.5 billion or 81.6% while the allocation for operational activities, inclusive of procurement of capital assets accounts for R1.7 billion or 18.4%. A substantial portion of the transfer payments budget is allocated to implementing agencies as follows:

- R4.8 billion to Eskom and Municipalities for the implementation of the Integrated National Electrification Programme (INEP). Eskom will receive R2.8 billion while R2 billion is allocated to various Municipalities.
- R232.3 million to various service providers for the implementation of the Non-Grid electrification programme.
- R220.9 million to Municipalities for the Energy Efficiency Demand Side Management programme (EEDSM.)

Our public entities are budgeted to receive a combined allocation of R2.1 billion, with

- NECSA allocated R952.5 million inclusive of R203.6 million for the decommissioning and decontamination of past strategic nuclear facilities and nuclear waste and R20 million for preparatory work for the new multipurpose reactor project.
- Mintek – R439.2 million of which R120.2 million will be utilized for the rehabilitation of derelict and ownerless mines.
- Council for Geoscience – R377.1 million mainly for operational activities.
- Petroleum Agency of South Africa - R136.3 million for operations.
- SANEDI – R75.2 million for operational activities.
- South African Diamond and Precious Metals Regulator – R62.03 million.
- NRWDI and NNR – R49.2 million and R46.1 million respectively for operations.

Comparative to the indicative allocation of R9.6 billion confirmed during the 2020 Budget, the 2021/22 main appropriation of R9.2 billion is 4.1% lower due to the implementation of budget reductions across government, particularly on compensation of employees. Budget reductions were also implemented on the conditional indirect grant to Eskom for the INEP.

An allocation of R70 million in 2021/22 is earmarked for the development of the National Electrification Master Plan to assist with the implementation of the electrification programme.

IN CONCLUSION

Today's presentations represent highlights of the work of my department, and not the totality thereof. More details of our work are available in both the Strategic Plan and Annual Performance Plan of the DMRE.

As I conclude, allow me to thank President Ramaphosa, the Deputy President, my Cabinet colleagues, Honourable members of this house, the Portfolio Committee on Mineral Resources and Energy, the Director-General of the DMRE and the entire DMRE team, leaders of our entities, organized labour and captains of industry for their continued support on the work of the Department. Most importantly, I wish to thank my wife and children for their continued love and support they give me as I navigate this complex task.

My heartfelt condolences to all those who lost their loved ones due to the pandemic. We urge all South Africans to continue adhering to the COVID-19 regulations and keep safe.

I thank you