



**MINERAL RESOURCES AND ENERGY  
REPUBLIC OF SOUTH AFRICA**

## **LAUNCH OF THE ENERGY COUNCIL**

**2<sup>ND</sup> NOVEMBER 2021**

**Programme Director**

**Deputy Minister Dr Nobuhle Nkabane**

**Director General Advocate Thabo Mokoena and Team DMRE**

**All members of the Energy Council**

**All participants**

**Programme Director**

**I greet you all!**

## **Key challenges and opportunities in the energy sector and the role of the Energy Council**

### **Introduction**

The establishment of the Energy Council as an overarching body within the energy sector is long overdue. Noting that the mineral resources sector is complemented by the long-established Minerals Council South Africa, it was only proper that we engage the energy sector to work towards establishing a corresponding body that will assist to bring harmony to the manner in which the sector addressed the energy challenges in South Africa.

Since the amalgamation of the Mineral Resources and Energy sectors to constitute one government department, we have begun to realise even more so the importance of synergy between the two sectors. A simple example in this regard is the fact that all fossil fuels start as resources that must be mined

or extracted from beneath the soil before they become fuel ready to power energy generation.

I therefore hope that both the Minerals Council and the Energy Council, the latter which we are launching here today, will naturally forge areas of mutual interest premised on the common denominator on the interlink between mineral resources and energy.

Yet another exciting example, which speaks to the future potential of South Africa playing a pre-eminent role in the global energy resources space is how the PGM group of metals are poised to play a central role in fuel cells to produce hydrogen as a clean source of energy. Allow me to take this opportunity to dispel once and for all the myth that I am *pro* any specific source of energy, in this instance coal, to the detriment of our commitment to combating climate change as advanced amongst others through the Paris Agreement. A propaganda has been peddled to suggest that we speak in forked tongues on the issue of carbon emissions and global efforts at combating climate change.

The truth of the matter is the fact that we in South Africa, while committing ourselves to global agendas such as those advanced by the Paris Agreement, like all other countries, we do so at a pace that is considerate of where we are technologically, financially and with regards to all other available resources. It is no secret that South Africa is highly endowed with coal and that over seventy five percent (75%) of our electricity generation comes from coal. Our support for coal is not an anti-climate change stance but a pragmatic approach informed by what we can afford that will provide us with a consistent supply of

baseload for our electricity needs. When the propaganda is peddled around coal, the fact that we have committed ourselves to a just transition that will see coal-based generation reduced to less than sixty percent (60%) by 2030 means nothing to some. To us this is a significant commitment considering where we are now. For now and into the foreseeable future, coal will remain part of our energy mix, not by choice but by the force of reality.

As I have indicated, South Africa is highly endowed with the Platinum Group Metals, that promises a new era of energy generation. As an economy, we must begin planning for how to tap into hydrogen. We need to look into how trucks and other transportation vehicles for instance can be converted to utilise hydrogen power.

### **Resolving Current challenges and creating opportunities**

- 1) Eskom has been the sole provider of baseload electricity for decades in South Africa. Its aging infrastructure has failed to live up to the increasing demand for electricity, resulting in intermittent load shedding. Government decided that Eskom should have its three main businesses of generation, transmission and distribution constituted into separate corporate entities as part of resolving the challenges of a single electricity utility. Financially Eskom has been draining the fiscus with constant bailouts and dismantling the utility into three (3) manageable entities will bring stability.
- 2) Noting the need for increased baseload capacity, government spearheaded the construction of Medupi and Kusile power stations. Also plans are afoot to ensure that the nuclear plant at Koeberg whose

lifespan due to end in 2024, is given new a lease of life for another twenty years (20 years.)

- 3) As government we have amended Schedule 2 of the Electricity Regulation Act to increase embedded generation to one hundred megawatts (100MW) without the need for a license. Mining companies can now generate energy for their own use. The take up of this opportunity can go a long way towards alleviating the energy supply and infrastructure challenges that currently hamper the industry, business, households and eventually impact on the performance of our economy.
- 4) We are working on finalizing the addition of about two thousand megawatts (2 000MW) of energy through the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) by the end of January 2022. This energy is expected to be connected to the grid within eighteen months (18 months) post the finalization of the procurement processes.
- 5) Last week we announced twenty-five (25) successful bidders for Bid Window 5 of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). Based on the 25 successful evaluated bids this programme will add just under two thousand six hundred megawatts (2 600MW) of new generation capacity from wind and solar PV projects.
- 6) Through the Integrated National Electrification Programme (INEP), we continue to connect households to the grid across the country. Yet another example of collaboration across the minerals and energy sectors is the support to electrification that we get from mining companies

through the Social and Labour Plans as per the stipulations of the Minerals and Petroleum Development Act of 2002 and as echoed in the Mining Charter. We are currently at eighty eight percent (88%) of national connectivity, and we strive for one hundred percent (100%) connectivity by 2030. As we connect more households to the grid, we contribute to saving our forests and thus contribute to mitigating against climate change.

- 7) The IRP 2019 envisages that by 2030, South Africa would have moved from about seventy five percent (75%) of coal fired energy generation to less than sixty percent (60%). Renewable energy would have increased to about eighteen percent (18%). It means over the next nine years (9 years), there will be a gradual shift from coal fired energy generation to clean energy as part of our just transition from high carbon emissions to low carbon emissions whilst ensuring that we don't plunge our country into darkness. The Carbon Capture Storage and Use (CCUS) technology is under development and we have a pilot in progress under the Council for Geo-Sciences (CGS). The project is co-funded by the World Bank to the tune of US\$23m.
- 8) Gas remains an affordable cheap alternative for both industrial and household use. Shale gas exploration in the Karoo promises to yield high tonnage that can be an invaluable addition to our energy mix. South Africa must continue with oil and gas exploration and as government we will continue to give policy support in that regard. Liquefied Petroleum Gas (LPG) for household use remains an important energy source. The goal of the Hydrogen Society Roadmap is to move South Africa towards

an inclusive, sustainable and competitive hydrogen economy by 2050.

The following outcomes are expected:

- Creation of an export market for green hydrogen and green ammonia;
- Creation of a domestic manufacturing sector for fuel cell components;
- Enhanced power sector and building sector;
- Decarbonisation of transport; and
- Decarbonisation of energy intensive industry (iron & steel, mining, cement, refineries.)

As we announced the preferred bidders for Bid Windows 5, it was apparent that part of the problem constraining the scale of the IPP programme is the capacity of the Eskom grid. For instance we cannot afford to add more power from new IPP's in certain areas such as the Northern Cape where the grid has reached saturation point, while the Western Cape's grid is also becoming constrained. These are challenges government has to look into resolving in order to improve grid capacity.

## **Conclusion**

My presentation to you is but a summary of the scenario into which the Energy Council is being launched today. As we work towards a Just Transition, we place our emphasis on the need for sustainable development. It is our considered view that a transition from fossil fuels must take into account all economic factors including labour issues. Over ninety thousand (90 000) workers are employed in the coal mining and coal transport sectors, and these jobs must be secured as we transition into clean and renewable energy.

On our part as government we will continue to spearhead whatever legislative and policy interventions that will ensure a thriving energy sector serving both our economy and households.

Amongst various concerns, the Energy Council must be seized with ensuring equal opportunities across race, gender and class. Our national development will not be sustainable if sections of our society are marginalised through the existing structural defaults of our economy. We have various platforms in the energy and minerals sectors that must be engaged on the need for sustainable empowerment programmes for the previously marginalised including women, the youth and workers. As the DMRE we make no secret of the fact that we are fully committed to black economic empowerment as part of the measure of our development index.

I wish the leadership of the Energy Council all the success as you consolidate this new institution to play an important role in the energy sector and the South African economy. As we go about implementing the IRP 2019, I am confident that we now have an ally in the Energy Council to fulfil our shared development objectives.

**I thank you!**