



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

**OPENING REMARKS BY THE HONOURABLE
MINISTER OF MINERAL RESOURCES AND ENERGY
MR GWEDE MANTASHE**

**INVESTING IN AFRICA MINING INDABA
6 FEBRUARY 2023
CAPE TOWN ICC**

Programme Director,

Organisers of the 2023 Investing in Africa Mining Indaba

Your Excellencies,

Ministers present here today

Deputy Minister of Mineral Resources and Energy, Dr Nobuhle Nkabane and other Deputy Ministers present

Captains of industry, and members of the investment community

Leadership of organised labour, civil society and communities

Members of the diplomatic corps

Distinguished guests

Members of the media

Allow me to take this opportunity to welcome you to South Africa, a mining destination of choice with a history of mining spanning over 150 years. This is an industry which has over the years been the backbone of South Africa's economy and continues to be the flywheel of our economy.

Mining and Economic Performance

The year 2022 has been a difficult year for the World and Africa in particular. It is a year in which international and domestic factors negatively affected mining production and mineral sales. International factors included soaring energy prices due to the ongoing geopolitical dynamics, whereas domestic factors included the ongoing power supply disruptions (loadshedding) and the logistical bottlenecks on our railways and ports.

The soaring of global energy prices negatively impacted the industry's operational costs. For instance, the price of crude oil averaged \$100 per barrel in 2022 and as a result mining companies had to pay exorbitant prices for fuel and electricity.

South Africa experienced more power supply disruptions in 2022. This led to a decline in mineral production across all commodities. It is estimated that loadshedding costed the economy about R1 billion a day. In November 2022, mining production contracted by 09% marking a 10th consecutive month of contraction in volumes produced.

However, in the same period, Gold Fields - a mining company operating in South Africa - increased production by 10%. It is our considered view that Gold Field's performance was in part because of the reforms on embedded generation which they took advantage of following the amendments to Schedule 2 of the

Electricity Regulation Act (ERA) wherein the licensing requirement for generation projects for own use was increased from 1 megawatt to 100 megawatts, and ultimately removed altogether. This cushioned them from the impact of loadshedding as they were able to generate their own energy, and thus increased and maintained production.

The mining industry relies heavily on efficient railways and ports for their export logistics. Therefore, the logistical bottlenecks on railways and ports continue to contribute to the decline in export volumes of bulk commodities such as coal, iron ore, manganese, and chrome. As a result, the country is not fully benefitting from the commodity boom of these minerals.

It is, therefore, urgent for the country to normalise freight operations. Hence, Transnet is seized with efforts to accelerate improvement of its rail network to support the return to service of locomotives to enable the export of bulk commodities. We further welcome the establishment of joint structures by Transnet and the Minerals Council South Africa (MCSA) to ensure that all possible actions are taken speedily to stabilise and improve South Africa's operation efficiencies at the ports. We believe this kind of cooperation between Transnet and the industry will bear fruits like we saw at the height of the Covid-19 pandemic.

Resolving Energy Challenges

At the center of our current energy challenges is the decline in the Energy Availability Factor (EAF) from an estimated 75% to 49%. Therefore, the most feasible and logical option to exercise to resolve loadshedding is by arresting the decline in the EAF. Failure to attend to and address the declining Eskom plant performance and subsequent higher stages of loadshedding is an irritation to society and has the potential of pitting society against government.

Our considered view is that the immediate focus to resolving loadshedding must be on the following initiatives and actions:

- *Improving EAF through a focused, funded and planned maintenance of existing power stations.*
- *Procurement of emergency or short-term power from existing facilities and other private power plants*
- *Purchase of additional electricity from neighbouring countries which can be unblocked in the short to medium term*
- *Improving skills capacity at Eskom*

Exploration

South Africa has renewed its frontier status as an exploration destination. Our country's exploration landscape is increasingly

becoming more fertile for the discovery of world class deposits of minerals of the future such as lithium, Rare Earth Minerals, copper, nickel as well as expansion of mineral systems of the manganese fields of high-grade quality.

These minerals provide a solid base for industries of the future as well as the balanced energy security sought by the country, the region, and the world. This is a direct result of our deliberate investments in geo-mapping through the Council for Geoscience (CGS), whose coverage of the onshore mapping has systematically expanded to 11.4% from below 5% when the programme started a handful of years ago. This information is available in the geoscience portal launched at the 2022 Mining Indaba.

In our pursuit to unleash junior mining and the emergence of new mines in South Africa, we have partnered with the Industrial Development Corporation (IDC) to create a R500 million exploration fund. The fund will be supported with geological information to de-risk the exploration activities and increase the chances of success. The initial phase of the implementation of this fund is deliberately kept small to prove the value of geological information to accelerate advancement along the exploration value chain trajectory to pre-feasibility stage.

As part of our regional and international economic policy predisposition, we recognise partnerships in geosciences as one

of our key and efficient instruments to this effect. In this regard, we have not only assigned the CGS as the permanent Secretariat of the Organisation of African Geological Surveys (OAGS) but have enabled the cooperation of this institution with its counterparts in Africa, the Middle East, and the World.

To date, the CGS has active and emerging partnerships in South Sudan, Senegal, the Ivory Coast, Niger, Central African Republic, Nigeria, and Saudi Arabia.

The value of geoscience as a pathfinder for development broadly and exploration cannot be overstated. I implore the investment community to invest in initiatives led by the CGS and the OAGS to secure development programmes that can also secure their long-term returns.

Health and safety

The South African mining industry recorded 49 fatalities in 2022 which is the lowest ever number of fatalities recorded in history, representing a 34% improvement year-on-year compared to 74 fatalities recorded in 2021. This is a milestone, not a target, that must be acknowledged and communicated by the industry as part of its achievements to change the reputation and image of the industry in the public eye.

It is also important to note that there has been no mine disaster recorded in the past three years. This is a result of concerted efforts by all social partners who actively participated in the health and safety campaigns throughout the years. However, we must redouble our efforts to achieve zero harm in the mining industry, as one life lost is one too many.

Conclusion

I trust that this Investing in Africa Mining Indaba will continue to inspire investors to continue investing in African mining, and South African mining in particular.

Cooperation among African countries is important in building a sunrise mining industry and the Africa we want. The Africa Continental Free Trade Area remains an important platform to achieve our continental development goals.

Let me conclude by congratulating the organisers of the Mining Indaba for successfully organising this important 2023 Investing in Africa Mining Indaba - an important event in the history of mining in Africa. We look forward to fruitful discussions which must ultimately lead to tangible investments in both historic and minerals of the future.

I thank you.