



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

**REMARKS BY THE HONOURABLE
DEPUTY MINISTER OF MINERAL RESOURCES AND
ENERGY**

DR NOBUHLE NKABANE

**ON THE OCCASION OF THE MCCLOSKEY SOUTHERN
AFRICAN COAL CONFERENCE (*MCCLOSKEY BY OPIS A
DOW JONES COMPANY – FORMERLY HIS MCCLOSKEY*),
1 – 3 FEBRUARY 2023
WESTIN HOTEL, CAPE TOWN**

Let me take this opportunity to thank you once more for inviting me to this very important conference whose aim as I have been informed, is geared towards taking opportunity of the developing international coal market as well as to navigate the Just Energy Transition.

South Africa has been occupying the front pages with regards coal for a number of reasons. According to an Eskom Fact Sheet, South Africa alongside China, USA, India and Japan - account for 82% of total global coal use. Over 90% of electricity generated and supplied by Eskom is from coal.

Coal remains the greatest bulk export mineral and in terms of earnings competing with the Platinum Group Metals having overtaken gold. According to Statistics South Africa, over the twenty-year period beginning with 1993 leading to 2013 the following observation could be made:

*“It might come as a surprise to many that coal is now more important to the South African economy than gold. The coal mining industry contributed approximately R37 billion to the economy in 1993, with gold contributing R115 billion (value added at constant **2010 prices**). In 2013, coal contributed **R51 billion to South Africa’s economy, compared with gold’s R31 billion.**”*

Statistics South Africa further observed way back in 2013 that:

*“**Measured at current prices, coal is now king. The mineral’s contribution to overall mining value added rose to 22,5% in 2013 from 17,4% in 1993. Platinum group metals (PGMs) came a close***

second in 2013, at 21,0%. Gold's contribution fell to 18,5% in 2013 from 51,1% in 1993”

And recently in 2019, the Minerals Council further gave the developing coal mining picture as follows:

- *The coal industry employed 92,230 people in 2019 (86,647 in 2018), representing about 19% of total employment in the mining sector*
- *258.9 million tonnes produced in 2019 (253Mt in 2018) with total coal sales of R139.3 billion (R146 billion in 2018)*
- *Net investment in the coal industry was R4.5 billion in 2010, decreasing to R2.5 billion in 2018 - an average decline of 15% per year. This is despite the fact that coal is a major source of electricity in the country.*
- *The coal industry spent R61 billion procuring goods and services, most of it locally, thus contributing to the creation and maintaining of jobs in other industries*
- *70% of coal volume is consumed domestically and more than 70% of electricity demand is generated from coal power*
- *Richards Bay Coal Terminal (RBCT) serves as the primary export port*
- *RBCT has a dedicated rail line*

Then the onset of COVID 19 saw mining in general taking a dive as economic activities across the world took a dive. However, the emerging global energy

crisis compounded by the geopolitical conflicts between Russia and NATO due to the Russian invasion of Ukraine saw coal receiving a boost in higher demand. This was partly because the Nord Stream 1 gas pipeline supplying Germany and Europe was damaged.

So far India, China, the US and increasingly Germany and the UK have seen a higher uptake of coal for thermal power generation. The question that beckons is if as South Africa we are in a position to take advantage of such developing market dynamics, to respond to your thematic question?

The challenges on taking advantage of such developing market opportunities is with regards to capacity in South Africa to export coal. When the Richards Bay Coal Terminal (RBCT) was constructed in 1976 following the oil crisis in **the 1970's**, its capacity was set at 12mt. The current capacity is in excess of 90mt. However coal transportation to the RBCT is constrained by the well-known challenges of Transnet rail. The consequences are not only the expensive road freight but also result on costly damages to road infrastructure and recently extremely fatal accidents.

What have been the sum consequences of failure to generate electricity optimally leading to loadshedding as well as failure to take full advantage of the developing **coal markets internationally? The “Trading Group” in its reports** last month in January 2023 made the following observations:

“Mining production in South Africa slumped by 9% year-on-year in November of 2022, after an upwardly revised 11% drop in the previous month and worse than market forecasts of a 6.85% decline. This was the tenth consecutive month of falling mining

*activity, as prolonged load shedding by electricity supplier Eskom continued to hurt the sector. The largest negative contributors were PGMs (-22%); iron ore (-19.4%) and diamonds (-21.5%). On a seasonally adjusted monthly basis, mining production fell by 0.4%, **following an upwardly revised 3% drop in the prior month.***

We already know that Eskom uses the lower grade coal in its specially designed power stations accounting for 75 % of coal produced and the 25% consisting of higher grade is exported. Perhaps it is high time that the public is appropriately informed that the coal exported is merely 25% and that there is no need to protest at Richards Bay against coal exports. It is important that the public is informed correctly that loadshedding is not a problem of coal supply but of plant infrastructure that amongst others requires refurbishment and continued maintenance. I am on record saying that in about 12 months or so the challenges of loadshedding can be averted and believe Eskom must give us detailed account on what it can take to bring inoperative units back into generation in terms of replacement parts, technical expertise and funding. Increasing the Energy Availability Factor (EAF) is our immediate solution whilst we look into how we can solve in the long run the problems of an aging power fleet as limited transmission grid.

It is important that we speak about loadshedding because it impacts on all the goals we seek to achieve be it in mining or exports or manufacturing and so forth. The discourse on loadshedding is compounded by the Just Energy Transition as a polarised debate. Our argument as informed by the IRP2019 is that we must move from higher carbon to lower carbon emissions as all of us

as the global community seek to achieve net-zero Green House Gas emission targets by 2050 as by the Paris Agreement.

I therefore re-iterate my call for the coal industry to invest in technologies that mitigate against pollution such as the project already being implemented in Leandra on Carbon Capture Usage and Storage (CCUS). There are other technologies such as mixing fossils with green sources such as ammonia. Give us concrete scientific solution in defence of the future of coal so that our political stances are not seen as void of facts.

On your part as the coal industry you should also help by reporting Eskom suppliers who cheat on supplies by including on the delivered tonnage objects that do not only lower thermal power but also damage the generation units leading to costly breakdowns and repairs. Like we say with regards those who illegally mine minerals, those who break the law in this manner distorting actual tonnage will become clients of the police and not the DMRE!

Let me take this opportunity to re-affirm the decision of the ruling party that aligning Eskom with the DMRE as a department responsible for energy was long overdue and that I as the Minister I am fully capable to politically oversee the affairs of Eskom as per relevant stator mandate like it has been with all **other SOE's**. Once this process is completed, the DMRE will from henceforth be duly made to account for energy from policy to actual infrastructure generation capacity.

Renewable energy will continue to be procured both through the IPP Office as well as privately but is not as yet a replacement for coal baseload. Some people do not appreciate that part of the confusion on new baseload infrastructure as

per the IRP of 2010 was the political contestations over nuclear which was consequently stalled. Our stance as reflected in the IRP2019 is that all sources of energy are part of our energy mix. Coal stands in pole position currently as reliable baseload source and it is up to the coal industry working closely with **Eskom and other IPP's on clean coal to ensure that status** as lead energy source does not change. In terms of the IRP2019 we provided for about 1500MW clean coal. This is an avenue for the coal industry to prove that coal can be used with lower carbon emission as per our national policy of moving from higher to lower carbon emissions.

As I conclude, the DMRE, we will leave no stone unturned to ensure loadshedding challenges are successfully attended to as soon as possible. Whilst diesel generation is an option, it is a costly one, hence the need to improve the EAF by Eskom on the basis of its installed capacity of about 48 000MW.

I thank you!