



energy

Department:  
Energy  
REPUBLIC OF SOUTH AFRICA

**MEDIA STATEMENT**  
**BUDGET VOTE SPEECH 2012 MEDIA BRIEFING**  
**Cape Town, 14:30, Thursday, 17 May 2012**

Good afternoon to you all.

Today we will reflect on the Budget Vote Speech which is due to be held this afternoon at 16:45. During this briefing we will share with you the department's achievements, progress, and challenges during 2011/12, as well as the planned programmes of the department going forward.

The energy sector has experienced robust activity in all its aspects during 2011/12 and continues to do so in the current year.

We are all aware of the impact of local and international dynamics on our ability to maintain certainty with regards to energy security. Some of the causes of our challenges are dependent on our need to change behaviour as in the case of the efficient utilisation of all current energy sources which are finite.

Some of the causes are not necessarily within our control and depend on shifts in geopolitics and global economic issues.

Yet in spite of these challenges, I am happy to be able to inform you that the past financial year has been a highly positive one for the Department of Energy.

On the financial front, the DoE achieved a 99.9% spend of the allocated budget of R6,2 billion. Of this total, 95% was disbursed in transfers for the implementation of the energy programme, while the remaining 5% served as the departmental operational budget.

With the funds spent, the DoE has been able to achieve a number of milestones for this relatively new department. Among these are:

- Completion of the New Multiproduct Pipeline (NMPP) which is now operational.
- Improvements in the turnaround times on petroleum licensing from 90 to 60 days for new retail entrants.
- Completed and adjusted the margins of the Regulatory Accounting System accordingly.
- Completed the Liquid Fuels Charter Audit – the details of which will be published soon.
- Announced the 28 preferred bidders (out of 53 applications) for Window 1 of the Renewable Energy Independent Power Producers bid process. Through this process we have so far secured commitment for the provision of 1 416 megawatts of renewable energy – out of the 3 625 total required, surpassing our commitment to achieve at least 1 000 MW by the end of the year. Ladies and gentlemen of the media, we will announce the Window 2 outcomes on Monday, 21 May 2012.
- We have, launched the Energy Efficiency campaign at COP17 together with our social partners.
- Received Cabinet approval for the establishment of the National Nuclear Energy Executive Coordination Committee (NNEECC), to oversee the roll-out of the 9,6 megawatts nuclear build programme by 2030.
- Achieved significant progress in the development of the Solar Park initiative.
- Installed over 250 000 Solar Water Heater systems - and foresee ourselves able to achieve the committed target of 1 million connections by 2014.
- Launched the wind atlas which accurately quantifies the wind energy resources in the country.
- Since the dawn of democracy a laudable 5,4 million electricity connections have been achieved.
- With regards Energy State Owned Entities, we have implemented restructuring of the CEF Group of companies, and made strides towards the launching of the

South African National Energy Development Institute (SANEDI) which is due to be launched this evening.

- On the legislative front, significant progress has been achieved with the development of the : the Independent System Market Operator (ISMO), amendments to the Electricity Regulation Act (ERA), National Energy Regulator Act (NERA), Petroleum Product Act (PPA), and Gas Amendment Act.
- In the international arena we hosted the:
  - African Energy Ministers' conference (whereby the Johannesburg Declaration which served at COP17 was signed by more than 40 Ministers).
  - 26 energy side events at COP 17 where the South African Renewables (SARi) Declaration of Intent was also signed.
  - Signed the Grand Inga MoU with the DRC.  
At a bilateral level, the Department signed seven (7) agreements/declarations of intent. These agreements/declarations cover areas of co-operation in capacity building, funding, technology and infrastructure development.

In his 2012 State of the Nation Address, President Jacob Zuma called for the nation to focus on infrastructure renewal and development. Noting that as an enabler and critical role player in economic development, Energy is at the centre of this massive undertaking, the DoE's 2012/13 Annual Plan Programme sets out to prioritise the achievement of energy security in order to service existing needs and provide for the envisaged demand.

Thus, the DoE's intent and focus is clearly reflected in the budget allocations which again prioritise disbursements of funds for the delivery of the mandate. Of the R6,8 billion allocation, 95% is again earmarked for disbursements in the form of transfers and subsidies, while the operational budget receives a small 0.06% increase to R307 million.

Among the significant plans for implementation in the current financial year are the following:

- 150 000 household connections to the national grid and 10 000 non-grid through the Integrated National Electricity Programme (INEP) which receives R3.1 billion.
- A R1 billion allocation for the Energy Efficiency Demandside Management programme with a focus on accelerating the solar water heating programme towards the 2014 1million connections target.
- Payment of the R1,5 billion final instalment for the construction of the New Multiproduct Pipeline.
- Disbursement of R554 million for NECSA to continue with its central role as the anchor for nuclear energy, research, development and innovation.
- The balance will be utilised for smaller projects and transfers to state owned entities reporting to the Ministry of Energy.

Other programmes and projects that are receiving priority status during 2012/13 include:

- Those that recognise the need to find ways to create enhanced Liquid Fuels security given the prevailing market vagaries in supply and affordability.
- Among them are finalisation and implementation of a number of Hydrocarbons strategies towards enhanced Liquid Fuels security. They include 20 year Liquid Fuels Infrastructure Roadmap; the Refinery Audit ; Strategic Stocks Policy and; the building of Integrated Energy Centre's in partnership with the oil companies. Most of these projects are already being implemented and the results of the work that has gone into them will soon be publicly available.
- Completion of the R100 billion Renewable Energy IPP bidding programme, which has so far been hailed as highly successful and attracted interest from local and international developers and funders. The quest for a significant growth in the energy mix is of paramount importance so that we may productively use our plentiful natural resources which are not harmful to the environment while we

simultaneously strive to make energy access a reality for all sectors of the population.

- Bidding for the smaller less than 5 megawatts renewable energy programme will roll out in the next few weeks.

The target for local content in the bidding programmes is increasing progressively as seen in Window 2 of the IPP's. In some of the technologies the current target is as high as 60%, while the minimum 40% South African Equity Participation remains unchanged.

This certainty in requirements should surely encourage project developers to relocate their manufacturing capacities to South Africa so that we can also realise the additional target of growing local employment opportunities and upscaling skills.

While taking cognisance of the concerns raised by international developments including the Fukushima incident, the Nuclear Build Programme as provided for in the Integrated Resource Plan 2010-30 is another important programme due to commence. The appointment of the National Nuclear Energy Executive Committee headed by Deputy President Kgalema Motlanthe is a milestone in the decision making around the implementation of the programme.

In order to ensure the integrity of the programme, the department is working closely with the National Nuclear Regulator to review existing regimes for the design and safety of nuclear reactors. Thus, an assessment of Koeberg and Safari 1 has been done. The overall conclusions are that the installation designs are adequate to withstand extreme circumstances as originally identified.

Potential improvements aimed at reducing risks beyond the design requirements were identified, and NECSA and Eskom will be required to implement them.

In addition Regulatory Standards and Regulatory Practices were identified and will be addressed in the review of the Regulatory Framework Project.

- Improvements in the supporting capacities available for the DoE to carry out its complex mandate and deliverables continue to be made. Thus, the department will pay particular attention to the need to strengthen the capacities at the NNR and other State Owned Entities. Such actions take time, and today sees the culmination of the process of creating the South African National Energy Development Institute which will be launched this evening.
- Working towards maintaining a balance between affordable electricity tariffs and adequate infrastructure through the Multi Year Price Determination programme is important as we approach the applications period for MYPD3.
- In recognition of the inter-dependency that exist amongst peoples and nations, the department continues to develop energy security strategies that take into cognisance the need for enhanced regional development and integration. Thus, the Grand INGA MoU which I referred to earlier, is an important milestone in working towards sustainable African partnerships.
- Located on the Congo River, the Grand INGA project is expected to generate approximately 40 000MW of hydroelectric power for regional distribution. The CESUL project in Mozambique will improve the ability to evacuate power from projects in the Northern Mozambique complex – with particular focus on the hydropower power potential of the Mpanda Nkuwa and, Cahora Bassa for instance.

While acknowledging the importance of all the programmes and projects already mentioned, one that is of even greater priority is the Integrated Energy Plan. The IEP will serve to provide a platform for holistic planning for future energy needs, and it's completion will be instrumental in ensuring synergy and alignment across the energy spectrum.

We are confident that the IEP stakeholder consultation programme that was one of the March 2012 IEP Colloquium recommendations, will be completed during the year. The department will then table a draft document for Cabinet approval by the end of the financial year.

In declaring 2012 the year of Sustainable Energy Access for All, the United Nations General Council recognised the current high levels of energy poverty that exist in the developing world.

Thus, the DoE's programmes aim to provide relief from this scourge in the short, medium and long term. We will do this not only through strategies to accelerate provision and access but, through the upscaling of public understanding and appreciation of energy issues in terms of availability, optimising usage, and conserving resources. In this latter instance we look forward to a value adding partnership with ALL media role players.

Ladies and gentlemen of the media, these highlights of the contents of the Budget Vote Speech serve to give you an idea of how far we have come since the creation of the Department of Energy through the Presidential announcement of October 2009.

In our estimation, the achievements made to date are significant and show the DoE's determination to meet its mandate imperatives despite existing challenges.

I Thank you.