



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT
BUDGET VOTE SPEECH 2013 MEDIA BRIEFING
by the Minister of Energy, Ms Dipuo Peters, MP
Imbizo Centre, National Parliament, Cape Town
10:30, Tuesday, 14 May 2013

Allow me to wish a very good morning to:

- members of the various media houses who have made the time to join us at this briefing session;
- the Deputy Minister of Energy, Ms Barbara Thomson;
- the Director General, Ms Nelisiwe Magubane and the DDGs and Chief Directors present;
- Chairpersons and CEOs of the energy State Owned Enterprises;
- all other distinguished guests, partners and officials.

Programme Director, since the delegation of our mandate by the honourable President of the Republic of South Africa, Comrade Jacob Zuma, four (4) years ago in 2009, the Department of Energy has lived through an invigorating period. During this time, together with the wider energy sector, we have developed legislation, policies, strategies, and implemented a number of exciting programmes and projects. And, in particular the past financial year has been one of great firsts when we achieved what some may say was impossible.

Ladies and gentlemen of the media, before I can reflect on the work of the Department since its creation in 2009, allow me acknowledge that the environment that the sector operates in is highly volatile. The energy sector is dependent on

developments here at home as well as international geopolitical events. And, in order to continue to deliver on the mandate of the department, myself, the Deputy Minister, and team energy have had to work very hard to come to grips with the changes in our sector at home and abroad. We have had to quickly develop and implement mitigating strategies to overcome whatever hurdles we have encountered.

REFLECTING ON THE PAST FOUR YEARS

Overall, the mandate that was given to the new department was to take responsibility for all national energy issues including ensuring energy security while promoting alternative energy sources for the country. To this end the Department of Energy has worked hard to deliver on the responsibilities bestowed upon us. Most importantly, we have developed policies, strategies and programmes that promote national economic development and job creation.

Among these are:

- the **IRP 2010-2030** which was approved by Cabinet in May 2011. Through this plan the department has provided the nation with a 20 year electricity development plan, which recognises the need for the nation to pursue clean energy strategies.
- We have promoted the growth of an **independent regulatory environment** across all energy matters through the strengthening of the National Energy Regulator and the National Nuclear Regulator.
- **Income certainty** has been achieved for sector workers such as those in the liquid fuels industry. Their wage increases are now provided for annually, through the fuel levy as administered by the National Treasury.
- **Access to electricity** has been made possible for more than 1 million households, which translates to over 84% connections nationally.
- More than 350 000 **Solar Water Heater geysers** have been installed in the effort to reach our goal of 1 million. And we have increased the local content requirements to a minimum of 70%.
- All outstanding **EDI** liabilities were wrapped up in February 2013.
- On the **legislative** front, the Independent Systems and Market Operator (ISMO), which sets out to radically restructure the electricity supply industry, was adopted by the Portfolio Committee, and is on its way to the National Assembly.

- The National Energy Regulatory Act and the Electricity Regulatory Act which were presented to the Portfolio Committee alongside the ISMO have now been adopted by NEDLAC.

2012/13 Performance

Members of the media, I am pleased to inform you that during the past financial year the department spent 98.9% of its R6.7billion budget. Of this total 95% was disbursed in transfers for the implementation of the energy programme, while the remaining 5% funded the departmental operations.

Among the key performance areas for the department during the outgoing year are:

- Following the March 2012 consultative conference on the development of the **Integrated Energy Plan**, work on the plan was completed in March 2013. As we all know, completion and implementation of the IEP will enable the department to go ahead with review of the IRP. We are now ready to engage the sector on our proposals for energy planning up to 2050.
- The **Integrated National Electrification Programme (INEP)** achieved 175 474 connections, an increase of 25 474 on the 2011/12 figures.
- NERSA successfully held public hearings that informed the **3rd Multi Year Price Determination** for an 8% Eskom tariff increase for the 5-year period commencing in April 2013.
- The **5 window Renewable Energy Independent Power Producer programme** achieved Financial Close for Window 1 in November 2012 and Window 2 last week. The lessons learnt from the process continue to be incorporated into future rounds of the bid programme. In recognition of this mammoth achievement the REIPP programme has won three awards in recent months. They are: the Global Leadership Infrastructure Programme awarded in New York in March 2013 for the best renewable energy infrastructure programme in the world for 2012. In addition, the REIPP programme won two awards at the Africa Investor(Ai) CEO Infrastructure Investment Summit held on Wednesday, 7 May 2013 in Cape Town. The two are the “**Infrastructure Regulator of the Year**”, and the “**Power Deal of the year.**”
- Among the challenges that we faced during the past year, is the implementation of the **Energy Efficiency Strategy**. Yet, the importance of the

implementation of the strategy is not lost on us, as we do understand and appreciate its primary role in changing behaviours across the board. This year will be a turning point in prioritising activation of the Energy Efficiency Strategy.

- The **audit of the refineries** has been completed and indicates the need for increased investment in the refineries. The facts gained from the audit will serve to inform the Liquid Fuels Infrastructure Roadmap which is due for completion in the current financial year.
- Work on **Clean Fuels 2** has commenced, and the relationship between the issues raised by the pending tightening of fuel specifications together with the capacity constraints in the refining sector are cause for concern. We need to make the decisions regarding the build of the new refinery, in line with the Liquid Fuels Infrastructure Roadmap, which indicates the need for additional refining capacity.

2013/14 AND WAY FORWARD

Ladies and gentlemen of the media, for the 2013/14 financial year, the DoE has been allocated a budget of R6.5 billion - 2% less than 2012/13. Approximately 93% of the budget is earmarked for transfers to Municipalities and State Owned Entities, leaving 7% for departmental operational and capital expenses.

Our focus for this year will be on finalising our 5 year commitments, and among these are promoting:

- **Energy Security** by managing demand from all sectors of the economy.
- The use of **LPGas** in the home for space heating, cooking, as well as for business and industry. *Allow me, to take this opportunity to request the media to promote the use of LPGas as a safe alternative to electricity in our homes. And to encourage all users to consult the LPGas Association for more information on how to use gas safely.* Since 2012, the Department together with SAPIA, the LPGas, and Retailers Association's run an annual campaign to create better awareness of gas as a safe and affordable alternative energy source.
- **Fuel-switching**, whereby users are encouraged to switch between the various energy sources that are available to optimise efficiency. For instance in the case cooking and space heating, households are encouraged to switch

from electricity to gas. While solar is a highly viable option for heating water. Also, don't forget to switch off all unnecessary appliances when not in use or between 5 and 9pm daily.

- Through **partnerships** with entities such as the National Business Initiative and Business Unity South Africa, we are working to translate commitments made with regards the Accords on renewable energy and energy efficiency. Beyond business and industry, we have also embarked on steps to take the Energy Efficiency Leadership Network to all three spheres of government. In this way government can lead by example. In pursuance of this goal, we recently embarked on a national engagement programme with Municipal Mayors, Councillors and Managers to ensure that we address known service delivery bottlenecks in the system.

Universal access to modern vehicles of energy remains a key deliverable of the department. To this end we will publish the universal access strategy incorporating grid and off-grid solutions during this year. In the interim we will roll out a comprehensive energy solution in both informal and new housing developments. This will incorporate grid electricity, solar water heating, and LPGas for formal dwellings. While informal settlements will be directed towards LPGas for thermal needs as well as a PV-technology solution for lighting and small power.

Gas pricing in terms of the review of the maximum refinery gate price has been discussed with stakeholders at a forum convened to gain their inputs. Informed by the need to promote domestic usage for LPGas thermal heating, the Department will finalise its position on the matter during the current year

Integrated Energy Centres (IECs) are a DoE strategy to promote access to varied forms of modern energy supply for communities living in previously under serviced areas. Since 2009 three (3) IECs were constructed in Qunu, Mbizana, and Ulundi. In the current financial year we expect to deliver three (3) more which are currently in the pipeline.

The **Integrated National Electrification Programme (INEP)** delivered a total of 175 344 household grid and non-grid connections during 2012/13. For the 2013/14

financial year, INEP has received an allocation of R3.8 billion. Of this amount Eskom and the municipalities that act as the implementing agents, will receive R2.1 billion and R1.6 billion respectively. We are confident that we will deliver 220 000 new connections in this budget cycle.

A programme to eliminate **un-electrified Islands** in municipal areas due to issues of political affiliation in KwaZulu-Natal is underway. In 2011 there were a total of approximately 15 000 households in this category. To date 10 200 have been electrified, and the elimination of these so called 'islands' has affirmed that working together we will be able to improve the lives of all South Africans, irrespective of their political affiliation.

As the bible of our future energy mix plan and energy requirements, since its adoption in 2011 the **IRP 2010-30** has informed all the energy decisions and developments of our country. In addition to the initial August 2011, 3 735 megawatts determination for the REIPP bid programme, I have since made **other determinations** to implement the various technology programmes. These include amongst others, 2 600MW for gas-to-power, 2 200MW for coal, and 800MW for cogeneration.

The procurement framework for these programmes will be completed this year to coincide with the 3rd window of the Renewable Energy IPP programme, with proposals under the latter due in August 2013.

In addition to the REIPP programme, the Department of Energy has a number of other **Green Economy** programmes in the pipeline. In 2013/14, we will prioritise the following interventions:

- **The Co-generation programme** – where we intend to conclude negotiations with the sugar and timber industries to harness about 800MW of power by capturing the value that is currently lost due to dumping biomass from these industries as waste.
- **The Revised Contracting Model for Solar Water Heaters** – where we have intervened to ensure that we create local jobs. By enforcing the directive that solar water heaters funded from the fiscus must have maximum local content.

Currently, the majority of the systems installed in South Africa are imported. The 2012 National Treasury Budget Vote commitment of R4,7 billion for the programme, has helped to alleviate the challenges previously experienced in financing the 1 million Solar Water Heaters programme.

In accordance with a designation to be promulgated by the Dti, amongst others the new contracting model will only allow for the installation of products that comply with local manufacture requirements. The transition to the new contracting model will happen during 2013, to allow for new factories to be put in place. The verification of local content of the manufactured systems will be in accordance with the standard promulgated by the South African Bureau of Standards (SABS) ISO 1286.

Through the implementation of a web-based monitoring tool, with effect from this year, the government will also have access to real time information on the installed systems. This information will assist in monitoring quality and, performance and allow government to make informed decisions on suitability of systems supplied.

Other 2013-14 priority projects include:

Infrastructure refurbishment for electricity distribution - in this instance, *members of the media*, the DoE will work with NERSA to provide a tight framework for using tariffs for infrastructure rehabilitation or the Approach to Distribution Asset Management (ADAM). As well as energy efficiency or standard offer initiatives. The deteriorating state of the electricity distribution infrastructure is adversely affecting service delivery. To address these challenges, the ADAM Project has been launched following its approval by Cabinet in November 2012.

Solar Park Concept - since the successful hosting of the 2010 Solar Park Investors Conference, the department committed to complete a feasibility study. The objective being to use the results to assist us to explore the possibility of deploying solar technologies, in a manner that would exploit the economies of scale associated with large and simultaneous developments.

Following setbacks that delayed the feasibility study, I am pleased to inform you that this programme is back on track. We will complete the feasibility study this year and then define the implementation scheme for the concept. In fact, it is exciting that the solar park concept is going to be implemented in Prieska, in the Northern Cape, which demonstrates the corridor approach.

Ladies and gentlemen of the media, in line with the IRP that recognises Nuclear as an integral part of the national energy mix, the **new nuclear build programme** will add 9 600 Megawatts to the national grid by 2023. To this end the National Nuclear Energy Executive Coordination Committee (NNEECC) is in place. Led by the honourable Deputy President Kgalema Motlanthe, the NNEECC is responsible to

lead, monitor and ensure oversight of the implementation of the strategy for the new build programme.

In November 2012, the decisions of the NNEECC were endorsed by Cabinet. These included approval of the Terms of Reference for the NNEECC; the Communication and Stakeholder Engagement Strategy; Phased Decision Making Approach for implementing the nuclear programme; and the designation of Eskom as the Owner and Operator of Nuclear Power Plants in South Africa in line with the Nuclear Policy. Going forward, the NNEECC will be responsible for making key decisions for the nuclear programme.

Nuclear power carries tremendous benefits for South Africa in terms of the lowest clean base load levelised cost; broader energy mix; alignment with our beneficiation strategy; industrialisation and localisation; mitigation of CO₂ emissions; and leapfrogging South Africa into the knowledge economy and massive industrial development. We also believe that the Youth Accord will be given expression through massive skills development in this programme.

As recently as February 2013, South Africa set an unmatched international example, by following up our own country assessment with an International Atomic Energy Agency led “International Nuclear Infrastructure Review” (INIR). So far we are the first country with an operating nuclear power plant and reactors to voluntarily conduct such a readiness assessment.

The department will continue working towards the rollout of the nuclear programme including reaching a final investment decision towards the procurement of nuclear power plants.

Members of the media, as you know, the **Presidential Infrastructure Coordinating Committee (PICC)** was established during 2012 as the integration and coordinating entity for the respective programmes, known as Strategic Integrated Projects (SIPs). Energy leads two of the SIPs, namely, SIP 6 - on Municipal Infrastructure, which includes ADAM, and SIP 8 – on Green Economy programmes that include our flagship Renewable Energy Independent Power Producer Programme. In addition, SIPs 9 and 10 are co-chaired by Energy. We also participate in 10 other SIPs. In all, energy infrastructure programmes are linked to one of the 14 out of the 18 SIPs.

With regards **State Owned Entities**, in 2012/13 I confirmed that there was an on-going process to re-organise the **Central Energy Fund (CEF)** and its subsidiaries. Once completed, the process will ensure that each individual entity within the group is strengthened and able to operate to its maximum. I am happy to announce that the re-organisation process has gone a long way towards integrating the mandate of energy security and we anticipate finalising it by the end of this financial year. Governance and management challenges within the group have also been addressed, as we have now appointed CEOs for both CEF and the Strategic Fuel Fund (SFF). We have sought to reposition the **SFF** as a dependable custodian of the strategic stocks policy to enhance and manage the petroleum reserves for the country. The SFF is also working towards enhancing its capacity to deal with oil spills and protect our marine environment.

Respected members of the media, all of us are aware of the negative developments within the national oil company, **PetroSA**. I wish to assure South Africa that I take these governance and procurement challenges seriously. And, that is why when I became aware of the allegations in late 2012, I instructed the Chairperson of CEF to initiate an investigation. We have received the report and are in the process of taking the investigation forward and implement some of the recommendations made to clean up PetroSA. All said and done, we need a **credible National Oil Company**.

It is vital that as citizens of this country, we must play our role in making sure that it succeeds our national oil company succeeds in its mandate. As the shareholder, we have big plans for this organisation. We assure you that we will optimise the opportunity afforded by the current investigations. PetroSA's projects are still on track this year. For example, the project to support and extend the Gas to Liquid Refinery will be on stream. The technical studies for the Liquefied Natural Gas (LNG) Import Projects are expected to reach completion. And, we expect to see advancements in the feasibility and front end engineering and design studies for the Mthombo Project.

Other State Owned Entities reporting to the Minister of Energy include the **National Nuclear Regulator (NNR)** and **NECSA**. The two nuclear sector SOEs will continue to work with the Department in preparatory work for the nuclear expansion

programme. The **National Radioactive Waste Disposal Institute** has been established and will be operationalised during 2013/14. A seed capital to this effect has been secured and the Board of Directors are being recruited.

On the side of research and energy efficiency, additional funding has been allocated to **SANEDI**, which will enable them to finalise the Solar Road Map, complete the Carbon Capture Storage project, and amongst others implement the outcome of the Shale Gas Investigation Work Plan.

Ladies and gentlemen, the department has been very active on the international front, and among the most important projects is the **Grand Inga** which was identified as a legacy project during COP17/MOP7. Since the signing of the Memorandum of Understanding in 2011, as witnessed by President Zuma, the department has finally been able to finalise the Treaty that will guide the development of the project.

In March the DoE participated at the **BRICS summit** hosted by the South African government. The BRICS Summit noted the importance of energy cooperation and mandated the South African government, through the Department of Energy, to explore the possibility of forming an energy cooperation forum of the BRICS member countries.

It is the intention of the Department to meet with the BRICS Energy Ministers during the financial year 2013/14 to establish the terms of reference for the Energy Cooperation Forum to be considered at the next BRICS Summit.

Our dialogue with partners will continue on the continent to help Africa to strategise on how best to raise, mobilise and administer funding to deliver energy access to those in need.

We will continue to engage with our counterparts in **SADC** to strengthen the Southern African Power Pool. During the course of this year, we will also play a leading role in organisations and platforms such as the Clean Energy Ministerial (CEM), the International Renewable Energy Agency Forum, International Energy Forum, and the International Energy Agency.

LEGISLATION PROGRAMME FOR 2013

Our planned legislation programme this financial year involves the introduction of the following bills for consideration by Parliament:

- Gas Amendment Bill
- Electricity Regulation Second Amendment Bill
- National Energy Regulator Amendment Bill

CONCLUSION

In conclusion, *ladies and gentlemen of the media*, allow me to acknowledge that there are many challenges in the energy portfolio. Yet the efforts made, and the accomplishments of the department in the four short years of its existence, show the commitment and dedication of Team Energy. We are determined to serve the economic, social, and community needs of the people of South Africa, whose development would be adversely impacted by an unreliable electricity supply.

Since our establishment in 2009, we are proud to note that the department has achieved a 100% rate of unqualified audits, and we plan to improve on this record as we go forward.

Members of the media, I trust that these highlights of the energy programme have served to give you an overview of the developments, challenges, achievements, and future of the energy portfolio.

I thank you for allowing me the opportunity to share this information with you.