



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

**STATEMENT ISSUED BY THE DEPARTMENT OF ENERGY:
ANNOUNCEMENT OF NEW ENERGY INFRASTRUCTURE PROJECTS
Monday, 14 April 2014**

The Minister of Energy, Dikobe Ben Martins, announces various infrastructure programmes in the electricity, gas, petroleum and nuclear sector. These announcements relate to measures to be introduced by the Department of Energy to strengthen the energy sector by amongst others, increasing the uptake of new generation technologies including cogeneration and the implementation of a revised model for the Solar Water Heaters programme. The Department also seeks to facilitate the development of the biofuels industry and increase the uptake and usage of gas to reduce overdependence on the electricity grid. Key announcements made by the Minister are:-

1. Additional generation capacity under window 3 of the Renewable Energy Independent Power Producers (REIPP) programme

At the end of 2013, the Department of Energy announced preferred bidders under Window 3 of the REIPP programme. During the announcement, the Department indicated that it would consider allocating additional megawatts due to the fact that the prices offered by the bidders are competitive, and reflect a downward trend compared to the prices in windows 1 and 2. The inclusion of additional bidders will therefore increase the number of IPPs, contributing towards the Department of Energy's effort to ensure that renewable energy forms a significant part of the energy mix. The Department will, in this regard, follow due procurement process to include additional bidders under Window 3.

The Minister also announces that a submission for Window 4 of the REIPP programme, which entails the procurement of 1000 megawatts, is on track to close in August 2014.

2. Procurement of generation capacity through cogeneration and coal technologies

In line with the Department of Energy's programme, and as set out in section 34 of the Electricity Regulation Act, the Minister has determined that the economy requires additional generation capacity in the form of cogeneration and coal generation. In this regard, in April 2014, the Department of Energy intends to start a process to procure:

- 800 megawatts of cogeneration to be followed in May 2014 by a 2 500 megawatts of coal generation.

This determination is made under the IPP programme and will complement the capacity that is generated by the IPPs licensed in Windows 1, 2, 3.

3. Solar Waters Heaters (SWH) Programme

Government's effort to introduce a new procurement model for the SWH programme is at an advanced stage. Government took a decision to stop the subsidization of imported SWH systems in favour of local manufacturing to increase job creation, industrialisation and the socio-economic impact of the programme. Working with other government departments such as the Departments of Trade and Industry, National Treasury, Higher Education and Training, Public Enterprises and Economic Development, and Eskom, the Industrial Development Corporation and the South African Bureau of Standards (SABS), the Department of Energy announces this revised contracting model as the only basis for accessing government subsidies under the SWH rebate programme.

The Department of Energy has concluded the evaluation of the potential manufacturers of the SWH systems. The list of compliant manufacturers will be announced as soon as the SABS has completed due diligence and independent verification of the manufacturers, which will be in April 2014. Once this is done, the Department, working with Eskom and municipalities will implement the revised

contracting model which will include localisation and skills development. The rollout of the new model will start in the current financial year 2014/15.

A stakeholder engagement process will be embarked upon to further elaborate on the revised contracting model for SWH.

4. Mandatory blending of biofuels

In March 2014, the Department of Energy concluded stakeholder consultation on the position paper dealing with the mandatory blending of biofuels into petrol and diesel. Emanating from this consultation, the Department has considered the inclusion of sugar cane positively as one of the reference feed-stocks in the first phase of the programme. The inclusion of sugar cane is expected to contribute towards the growth and development of the sugar cane industry, thus increasing its contribution to job creation and poverty eradication, particularly in Mpumalanga and Kwazulu Natal. The final position paper will be published in May 2014 and the effective date for mandatory blending remains October 2015.

5. Draft Gas Utilisation Master Plan

The Department of Energy is exploring measures to increase the uptake and usage of gas in the economy, given the potential relating to shale gas exploitation to make us energy independent. Gas will also help reduce the current demand on the electricity grid. The master plan includes infrastructure development options, including pipelines and liquefied natural gas terminals, the creation of an enabling environment for the interconnection with neighbouring countries and the institutional arrangements for managing our gas resources in an environmentally responsible manner. The Gas Utilisation Master Plan will become available in May 2014 for public consultation. The finalisation of this process will go a long way to increase the uptake and usage of gas in South Africa.

6. National Radioactive Waste Disposal Institution

On 31 March 2014, the board of the National Radioactive Waste Disposal Institute was inaugurated and we congratulate the new members. The Institute will be responsible for the management and disposal of radioactive waste on a national basis, ensuring that South Africa has a long term, holistic approach to the

management of radioactive waste including the capacity to handle high level radioactive waste, as South Africa prepares to implement the nuclear energy programme.

In issuing these announcements, Minister Martins emphasised that, “these interventions are necessary as government has a responsibility to create a transparent, predictable and stable policy and regulatory environment. The Department will continue to strengthen its engagement with stakeholders to increase the uptake of the available economic and business opportunities, especially by SMMEs and black companies in all provinces in South Africa”.

7. Integrated Resource Plan Update

With regard to the review of the Integrated Resource Plan 2010, Minister Martins indicated that the review process is on-going. Having concluded the public consultation process, the Department of Energy will now consult with other departments before a final decision on the review of the IRP 2010 is made. The revised IRP will be issued in the second semester of 2014.

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