

Media Statement by the Minister of Energy: Jeff Radebe on the 2018/19 Budget Vote of the Department of Energy

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Programme Director

The Deputy Minister of Energy, Ambassador Thembisile Majola

The Director General, Thabane Zulu

Members of the media

Ladies and gentlemen

This afternoon, I will present the 2018/19 Budget Policy Statement of the Department of Energy to Parliament. The budget will focus on 5 key areas of our work as well as those of the entities which report to the department.

Our mandate as a Department of Energy (DoE) is premised on our commitment to ensure the sustainable provision of energy for the socio-economic development of our country.

In this Centenary Year, as we celebrate the life and achievements of Nelson Mandela under the theme “be the legacy” as well as Mama Albertina Sisulu who dedicated her life to the service of her people under the theme “a woman of fortitude”. We should take time to reflect on the status of energy in the country around 1994 and determine whether we have done justice to his vision for our people, which is also the vision of our Constitution, to “transform South Africa into a more equitable, integrated and just society”.

When we reflect on, we can confidently say that to date a lot has been achieved notwithstanding the fact that a lot more is yet to

be done. This is so because, the energy sector remains one that cuts across many if not all developmental areas and is also comprised of various technical expertise that are based on some fields that blacks could not participate in or enroll for at at Universities, and this affected the skills base for historically disadvantaged individuals. For transformation to happen, we first have to acknowledge that these gaps have attributed to the status quo. It is a fact that the energy sector continues to grow in South Africa and has remained central to the country's economy and its regional development commitments yet the participation in the sector is not representative of the country's population.

This vision is the foundation on which we are renewing and reviving our country and our democracy. Nelson Mandela said: "It always seems impossible until it's done." Now is the time to reinvigorate our efforts and focus on delivering his ideals for our people, until it is done. We, as a nation, deserve nothing less.

The budget speech will focus on the following highlights which I will cover in detail this afternoon:

Importance of Energy mix in economic growth:

There is no industrial power that can exist without developing its energy apparatus, in general, and expanding its electrification programme, in particular. Statistically, this has been reproved time and again since the 1950's under Janossy's famous electricity law – one of the best established in the National Accounts – according to which growth in a country's gross domestic product (GDP) is the quadratic average of the electricity it produces.

Using Energy To Ignite Economic Growth

President Ramaphosa has set us all a target to attract \$100billion of investment into our economy. This cannot be possible without appreciating the role of a plurality of generational choices being open to South Africa. We would like the energy sector to contribute as a minimum to a quarter of this target. This ambitious goal could be reached in the energy sector with several initiatives that could include.

- Securing strategic stock through investment in new fuels tanks and in infrastructure required for South Africa to become a major shale gas producer.
- Promoting Natural Gas (NG) by designing and building infrastructure required to transport natural gas and liquefied natural gas (LNG).
- Driving towards cleaner fuels by improving our refinery assets to meet world class emissions standards.
- Supporting the transition towards electrification of transport, through key strategic partnerships.

The Role of Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)

From 2014 to 2016, through the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), South Africa was able to secure investment of \$10.8Billion into the renewables sector. This was significantly more than any other African state in the same period, and more recently we have continued growing the renewables sector through the recent signing of the Independent Power Produce

(IPP) agreements, securing R56Billion of investment into 27 new projects.

Expedite Coal and Gas Contribution To The Energy Sector Thereby Attracting Possible Foreign Direct Investment

Globally, gas is the fastest growing fossil fuel and it is expected to catch up with coal over the next 20 years. It is emerging as the main hydrocarbon component of a more sustainable mix to power the world's economy. Being increasingly accessible due to technological advancements and enhanced market liquidity, gas will see its demand steadily growing across the world. In SA, natural gas, whether imported via regional pipelines or liquefied natural gas (LNG) terminals at strategic port locations should be prioritised as it could play an important role in transitioning to a low-carbon economy. This direction will establish a game-changing demand platform for the future exploration and utilisation of South Africa's latent shale-gas resources to the benefit of security of supply for future generations.

Gas to Power Programme: It should be noted that the price of electricity is a very important component of our economy. Therefore, the IPP Programme provides the much needed competition in power generation with a view of providing lower prices to the economy but most importantly to indigent households.

Promulgating the revised Integrated Energy Plan (IEP), Integrated Resource Plan (IRP), Liquid Fuels And Gas Master Plans

On the 8th of May 2018, I committed to the Portfolio Committee that Department will open the revised IEP and IRP for

consultation with all key stakeholders and the public with an aim of submitting the policy adjusted IEP, IRP, Liquid Fuels and Gas Master Plans to Cabinet by August 2018 for approval.

This will bring much needed certainty on the country's energy infrastructure build programme and will also restore confidence that South Africa is well prepared to supply reliable energy to grow the economy.

The Rationale for the New Refinery

Refinery is a significant contributor to the economy and the issue of the sustainability of the current refineries is of utmost concern. The refining sector is facing major challenges which include the provision of cleaner fuels, adhering to minimum emission standards and meeting the bunker fuel oil sulphur cap of 2020. Our refineries are not equipped to produce the latest fuels required by modern vehicle engines to reduce vehicle emissions and improve efficiency.

Petroleum Sector Transformation

To effect Radical Economic Transformation which is about decisive steps of placing the economy on a qualitatively different path that eliminates poverty, creates jobs and sustainable livelihoods and substantially reduce inequality and de-racialization of the economy, the Department together with relevant stakeholders in the liquid fuels industry is aligning the Petroleum and liquid fuels charter with the Department of Trade and Industry's (DTI) Broad-Based Black Economic Empowerment (B-BBEE) Act and policy frameworks.

The objective is to resolve the identified impediments stated in the Public Proclamation gazetted on the 13 September 2017.

Regional Integration

We will continue to engage with our counter-parts and play our role in the multilateral organisations such as BRICS and host the BRICS Energy Ministers Meeting and BRICS Working Group on Energy Saving and Improvement of Energy Efficiency.

In pursuit of the continental economic integration agenda and to ensure facilitation of energy sector participation in the SADC region, Africa and the rest of the world in the bilateral and multilateral forums, the Department will host the SADC Energy Ministers Meeting.

The South African Economy has benefited from gas from Mozambique for over a decade now. The capacity of the pipeline has been expanded significantly availing gas for RSA and Mozambique. Infrastructure ownership model of private sector and the two governments has served us well.

There is room for more participation by the two governments as well as other entrants in the marketing of molecules in the South African market. In this regard, I will be engaging my counterpart in Mozambique to seek further collaboration. Officials of the two countries will meet before the end of May to prepare a roadmap for a joint programme.

The gas finds in the ROVUMA Basin in Mozambique provide an opportunity for that country, South Africa and the SADC region to benefit from such resources. We are firmly of the view that together with our Mozambican counterpart, we need to develop an infrastructure programme, which will allow the gas to be beneficiated through projects such as a Gas to Liquids Plant and other petrochemical facilities in Mozambique as well as a

pipeline from ROVUMA to the south of Mozambique, which in our view would enable construction of Gas to Power projects in both countries.

State Owned Entities

Reform of State-owned Enterprises is one of the major themes that the President underlined in his State of the Nation Address. The President has stressed the need for Government to restore State-Owned Enterprises (SOEs) as drivers of economic growth and social development.

SoEs are a crucial part of achieving economic recovery, transformation and promoting sustained economic development.

With that I thank you, looking forward to seeing you at the Budget Vote Speech, 14h00 at the National Assembly Chambers.