



**Address by the Minister of Energy, Ms. Dipuo Peters
Black Business Dinner, Nelson Mandela Bay Metro
6 July 2012**

Programme Director,
Leadership of the Eastern Cape Provincial government;
Members of the Eastern Cape Legislature;
Mayor and Councilors of Nelson Mandela Metro and senior officials;
Business leaders from the various business sectors in Nelson Mandela Bay and
surrounding area,
Guests, Ladies and Gentleman

It is my pleasure and privilege to address you at the Annual Black Business
Dinner.

I want to share with you a few aspects about energy in the country, but also the
effect this will have on this part of South Africa.

I want to start off by making the statement that development is not possible
without energy. Energy as a stimulator of development is however also directly
linked to the manner in how energy is managed.

Management, I want to define loosely as the whole value chain of energy, from:

Policy development,

- planning,
- the regulatory environment,
- revenue collection process,
- maintenance of infrastructure,
- the availability (access) and affordability of energy;
- as well as partnership between Public and Private sectors.

If these aspects of the energy value chain are not in place and well managed, infrastructure development and job creation will not be possible in this country.

It is interesting to note that the International Energy Agency has done various studies comparing country GDP's to the level of access to energy, and has found that there is a direct correlation between the two. Hence, the level of access to energy is an indication of the economic development of a country, therefore my statement that development, is not possible without energy!!

Programme Director, Energy has different faces;

- It is on the one hand electricity with all its components from generation, transmission and the distribution of the electricity to factories and houses;
- It is hydrocarbons which includes petrol, diesel and gas;
- It is the renewable component of energy, and very importantly
- It is also about how we consume this energy.

I cannot deal with all of these aspects this evening, but I will touch on some aspects of them briefly, with specific reference on how Government's current Energy programmes and overall infrastructure development initiatives will have a benefit to the Eastern Cape and for the Nelson Mandela Bay area.

The Eastern Cape urbanized area is traditionally known for its manufacturing and processing capabilities, especially in the automotive industries. More than 50% of all cars that South Africa exports, are manufactured in the Eastern Cape. This has stimulated various supporting industries to grow and also to ensure new employment. However, a region cannot be reliable or dependent on a single industry and this is why government has initiated and still supports the diversification of industries and infrastructure development in the Eastern Cape.

One example is the Coega Development Corporation and the Coega IDZ that has been established. Although it has not taken off the way it was foreseen; however in hindsight, it might have been a blessing in disguise, considering the current world economic climate and low appetite for some of these products that would have been manufactured if these plans have been fully implemented. However, this opened up new opportunities to invest in more modern industries and to develop and manufacturing products that is relevant in the current economic situation.

Programme Director, Cabinet adopted an Infrastructure Plan that is intended to transform the economic landscape of South Africa for ever.

This Plan will focus on large infrastructure projects to ensure:

- economic growth;
- the creation of significant numbers of new job;
- stimulate localization of the manufacturing of green products (green economy);
- strengthen the delivery of basic services to our communities and
- to support the integration with the growing African economy.

This initiative is a continuation of the implementation of the National Development Plan, which in its turn was the basis for the New Growth Plan, and the result of this plan is the identification and development of a large number of catalytic projects grouped together under so-called “Strategic Infrastructure Projects or SIPs”.

You would be aware that Seventeen (17) such Strategic Integrated Projects (SIPs) have been identified at a high level to support economic development and address service delivery in the poorest areas and provinces by the implementation at this stage of 156 such catalytic projects.

There are a number of these SIPs that are of interest for the Eastern Cape and in particular for Nelson Mandela Metro area. The first one is SIP 3, which is called “**South Eastern node & corridor development**”.

Some of the catalytic projects this SIP is focusing on are as follows:

- Strengthen economic development in Nelson Mandela metro through a manganese rail capacity from Northern Cape,
- A manganese sinter in Northern Cape and smelter in Coega IDZ;
- Trans-shipment hub at Ngqura port;
- Rail upgrades to improve industrial capacity and performance of the automotive sector;
- Possible Mthombo refinery (Coega IDZ);
- The N2-Wildcoast Highway which improves access into KZN and national supply chains;
- The promotion of rural development through a new dam at Umzimvubu with irrigation systems;
- Electricity transmission grid expansion along east coast to link up with KZN networks, as well as the strengthening of the current transmission network systems to ensure transmission of electricity to other parts of the country that will be generated in the Eastern Cape region; and
- Possible gas and petroleum pipelines to link with KZN-Gauteng pipeline system.

The Eastern Cape, will benefit from the boost in economic activity and poverty alleviation as a result of the planned refinery in Coega. As part of addressing some of the national strategic priorities, the project will deliver benefits for the surrounding communities, the business community and contribute to the development of the small businesses for a better South Africa.

These benefits, although not limited to, include about 12 451 to 21 167 direct and indirect jobs that the project will create during its construction, and an estimated 2 400 to 4 900 jobs once it is completed. This will directly and indirectly benefit more communities and improve the lives of the families that are to be supported by the jobs that will be created as a result of the project.

Communities will also benefit from housing development in the Coega region which will ensure the people are located closer to their area of work, thus reducing the need to travel long distances to work. Through competitive supplier development and BBBEE programs, opportunities will exist for development of small, medium and micro enterprises into sustainable businesses that can create more jobs and contribute towards the improvement of the region.

Training through the Centre of Excellence, a pool of the required skills from artisans to supervisory level will be developed from the early stages to ensure readiness of skills before the project construction begins. This is expected to result in increased skills capacity for the country as various industries continue to compete for skills.

The positive impact to the region will also be observed from the growth potential likely to be brought by having a project of this magnitude, thus strengthening the prospects of the region to draw investors and development of supporting industries. This will position the Coega as a central location to regional markets and therefore unlock import and export opportunities presented by the strategic location of the Coega IDZ.

The project is undeniably critical for infrastructure development and economic growth of the country. Not only will it boost foreign direct investment, but it is likely to generate additional revenues through taxes, which can be used to support other government priorities. By reducing the country's imports the project will result in savings for the country, will bring much needed cleaner fuels and it will address some of the challenges faced by the petroleum sector.

It is important to note that the catalytic projects listed under SIP 3 are not the only SIPs that will have a bearing on this part of the country.

There are also so-called Energy SIPs which included the following:

- SIP 8: **“Green Energy in support of the South African economy”**. This is to support sustainable green energy initiatives on a national scale through a diverse range of clean energy options as envisaged in the IPR2010 and to support biofuel production facilities.
- SIP 9: **“Electricity Generation to support socio-economic development”** This is to accelerate the construction of new electricity generation capacity in accordance with the IRP2010 to meet the electricity generation needs of the country to ensure economy growth and to address historical imbalances.

Programme Director,

I wish to also focus on some of the energy infrastructure developments that will form part of SIPs 8 and 9 which are currently been implemented, or under consideration.

Government has embarked on an energy infrastructure capacity path to ensure security of energy supply, and pursuing an energy to meet the needs of our fast growing economy without compromising our commitment to sustainable development by utilizing our fossil resources responsibly.

The IRP2010, as promulgated in May 2011, proposed various technology options that addresses the additional capacity of 42 000 mega-watts requirement by 2030.

▪ Wind	8400 mega-watts (MW)
▪ Solar PV	8400 MW
▪ Concentrating Solar Power	1000 MW
▪ Open Cycle Gas Turbine	3900 MW
▪ Gas Closed Cycle Gas Turbine	2400 MW
▪ Import Hydro	2600 MW
▪ Nuclear	9600 MW
▪ Coal	6300 MW

In converting the IRP as a plan, into action, one of the first actions taken by my Department was to initiate a process to allocate 3 725 MW Renewable Energy resources by 2016 to Independent Power Producers. The first and second “window” of successful bidders resulted in over 2600 MW been allocated to various Renewable Energy resources in December 2011 and May 2012 respectively. The overall foreign direct investment into the Renewable Energy generation will be over R100 billion.

Programme Director, Nelson Mandela Metro is regarded as a leader in making the country aware of renewable energy, even before the rest of the country was thinking of this technology.

I want to congratulate the Metro for taking the lead in this regard, even when the 'tide for renewable energy' was against you. You pushed through to allow an independent renewable energy developer to implement a wind generator, Coega/Electrowinds generator, to supply green electricity to the Metro. I am not sure if this initiative was due to your progressive vision or due to the excess wind you have in this part of the country. I am made to believe it is the former, since the locals always claim that to refer to this city as the 'Windy city', is a mistake, only people from outside make reference to the wind, it is the 'Friendly City'"

It is therefore not a surprise that one of the first Renewable Energy Independent Power Producers been announced in the first Window was allocated to a company that is situated in the Metro boundaries, .i.e. the Metrowind Wind Farm to produce 26 MW of wind energy. From what I understand this project will be the first to be up and running of all the successful bidders announced in the first round. This is all been achieved in Nelson Mandela Metro, and I think you can give yourself a round of applause.

In addition, Programme Director, three more wind farms have been identified as successful bidders in the first two windows of allocations. Although these wind farms are situated in the neighboring municipality of Kouga, the technology implementation will have a significant injection into the economies of the Metro and the region as a whole.

These three wind farms are, Red Cap, Mainstream Renewable Energy and in the second window Tsitsikamma Community wind farm was also been successful. I understand that the Tsitsikamma Community wind farm developers are in our midst tonight.

Ladies and gentlemen, South Africa, like many countries globally has to respond to climate change and the challenges it presents. However for us as a country, while trying to address this pertinent issue we also need to reach our developmental needs and work towards becoming a more equitable society.

The current reality is that more than 65% of South Africa's total energy needs are met through coal as the primary energy source. This is followed by crude oil at around 22%, while the remaining 13% of our energy needs are met by gas, nuclear, hydro and renewable energy sources combined. Irrespective of the fact that we are a coal-rich economy, government is committed to have an increased focus on the advancement of clean coal technologies through projects such as underground coal gasification, as well as carbon capture and storage (CCS).

CCS is a key potential greenhouse mitigation option for the country and as the energy sector we are committed to its implementation. We want to invest in CCS technologies, and efforts have been made to scale these technologies up to a commercial scale. In this regard, the South African Centre for Carbon Capture and Storage (SACCS) under SANEDI was established to support development and deployment of geological sequestration in the country.

The South African “Carbon-Dioxide Geological Storage Atlas” launched in 2010 identified significant (150 Gigatons) potential CO2 storage capacity in the country. One of the potential areas identified is the south-eastern part of the Indian Ocean. The Nelson Mandela area can potentially become an important export hub for the implementation of CCS technologies.

Ladies and Gentlemen,

If we are serious about diversification towards a low carbon economy, then we cannot ignore the role that natural gas and nuclear power can play as a bridging gap in this transition.

Natural gas emits significantly lower greenhouse gases than other fossil fuels such as coal and crude oil, in comparison nuclear power generation has close to zero contributor to greenhouse gases. The possibility of a Closed Cycle Gas power station are still under discussion for Coega IDZ, due to the proximity of the harbor and the potential increase energy needs due to the industrial developments been planned for the Coega IDZ.

With respect to nuclear electricity generation, it is important that this emotional debate on nuclear power shift to the contribution nuclear energy can have on developing this country’s economy and job creation. I am getting more and more convinced that the whole nuclear debate is coming from communities that don’t want to see this country growing. We find that the same people that is fighting nuclear is also fighting any other form of development, even when new Renewable energy projects are developed. We cannot allow this emotional debate to stop growth and people that is struggling to survive economically.

More importantly, industries and general public needs more electricity generation to keep our lights on and to keep this economy growing, no other energy carrier can do this effectively in the current circumstances.

I also want to make an appeal to you to partake in this debate, since one of the first nuclear sites under consideration is that at Thyspunt, in the Kouga area. At this stage only the anti-nuclear groups have been lobbying the news media and business in this part of the country, and that with wrong information and unfounded claims.

From the different energy projects already implemented and developed in this part of the country and the future projects been under investigation, there is within me no doubt that this part of the Eastern Cape will become in the next 10 – 15 years the energy hub of the country, similar than what the Highveld is with respect to power generation by means of coal. In this case it will be replaced by modern energy generation like renewable energies, gas, nuclear and small hydro. In addition, other energy technologies like oil refinery and gas will compliment this energy mix. As it is known, investment attracts investment.

It is also important to take note of the fact that investments in Africa's energy projects are currently the prime focus area of investors from all over the world. For South Africa to receive the advantage of this new wave of energy investments into Africa, the country needs to align itself to be the preferred investor in Africa. This is also true for the Nelson Mandela metro area. It will only be possible if we as a country are positing ourselves correctly, have the back bone infrastructure to support such investments, created effective and streamline regulatory environments on all levels.

These are been addressed by Government, but there are also a side you as business have to fulfill. As a country we cannot implement these mega projects if there is not a trained and stable workforce, technology driven companies, effective service been supplied by all spheres of government, Local Authorities, Provincial and National.

As the black business community, you will have to utilize the local opportunities that are been created by government and its partners such as IDC and DBSA, as well as to partner with local and overseas entities. The “giant leap towards a stronger and transformed economy cannot take place if you are not taking up your rightful place by moving away from only be contributing as a partner or in a supporting roll, but to us the opportunities do a quantum leap to become a developer in the energy space. We have already some very good examples with us here tonight. We have to move into the space of technology and innovation. The biggest benefits in the current economy are found in this space and energy is one of these fastest growing innovative technologies.in the world and also in South Afirca.

As an example, in Pinetown, a Black company is busy building a high tech Photo Voltaic plant to supply the local solar farms in the country that have been successful under the Renewable energy initiative of government and my department. Previously this space has been regarded as that of manufacturers from Asia and Europa.

No, the time is here for us as Black entrepreneurs to utilize the opportunities that have been created in forcing the localization policy in the unfolding of our Green economy in South Africa. We need however, to qualify ourselves in the fields of engineering and technology development.

In addition, we need our partners in the private sector to assist in collaborating with us as Government. We need your knowhow, investments and experience.

I also want to request the financial institutions to position themselves to be part of this huge investment boom that is coming in the South African energy sector, but please don't put the risk bar so high that the financing risk requirements makes projects not viable for our local implementers.

In conclusion, Programme Director, it will be unfair of me not to urge you to use energy efficiently, we cannot invest billions of rands in energy generation and processing plants and we are not more energy efficient conscious. Switch off all appliances that are not needed to be on, use public transport, *think before you drive*, when you have to drive with your car, don't just get into the car without thinking about efficiency of your driving.

I Thank you.