



energy

Department:  
Energy  
REPUBLIC OF SOUTH AFRICA

**KEY NOTE ADDRESS BY THE HONOURABLE MINISTER OF ENERGY, MR JEFF RADEBE, MP  
AT THE LAUNCH OF BLACK ENERGY PROFESSIONALS ASSOCIATION (BEPA)**

**THE FORUM AT THE CAMPUS, BRYANSTON; SOUTH AFRICA**

**12<sup>TH</sup> OF APRIL, 2018**

Programme Director

Ms Meta Mhlarhi, Chairperson of the Black Energy Professionals Association,

Ms Maite Nkoana-Mashabane, Minister of Rural Development and land Reform,

Captains of Industry,

Key stakeholders,

Distinguished guests,

Ladies and Gentlemen,

**Good evening;**

It is a pleasure for me to be with you this evening and to be part of this prestigious event, which is a first of its kind.

Let me start first by thanking the host, BEPA organisers for all the efforts behind this initiative of making this dream a reality and also for inviting me to be part of the event.

The initiative to launch the **Association** could not have come at the right time, when we are celebrating the life well lived of the Mother of the Nation, our stalwart Mama Winnie Madikizela-Mandela who devoted all her life for the betterment of our people.

As quoted from Mama Winnie Memorial Obituary “*The life of Madikizela Mandela encompasses commitment to community upliftment, opposition of apartheid and determination to build a non-racist, non-sexist and democratic South Africa*”. It is up to all of us to take a baton from where she has stopped and continue with the struggle for Radical Economic Transformation.

**Ladies and Gentlemen,** The NDP amongst other things states that the energy sector will promote:

- Economic growth and development through adequate investment in energy infrastructure and the provision of quality energy services that is competitively priced, reliable and efficient;
- Social equity through expanded access to energy services, with affordable tariffs and well-targeted and sustainable subsidies for needy households; and
- Environmental sustainability through efforts to reduce pollution and to mitigate the effects of climate change.

Furthermore, the NDP envisages a South Africa which, by 2030, will have amongst other things, adequate supply of electricity and liquid fuels to avoid disruptions to economic activity, transport and welfare. The NDP therefore proposes diversity by way of alternative energy resources and energy supply options, both in terms of power generation and the supply of liquid fuels.

Given South Africa’s current socio-economic realities, our development focus and available resources, we have to take a pragmatic approach. The economic structure of our country still does not reflect our demographics. The energy sector is no different. There is therefore a need for increased and greater participation in the economy by the previously marginalized.

Some progress has been since 1994, but a lot more must still be done. The energy sector is a unique sector as it is an economic enabler. Its transformation goes beyond issues of ownership but also to issues of access and affordability.

**Ladies and Gentlemen**, the Black Energy Professionals Association formation will provide a solid platform for Black professionals to share ideas, forge closer working relationship with government, to influence government energy policy, and collaborate.

We therefore have to work together (Government, Public and Private sector) towards a radically transformed and inclusive economy. This is a non-negotiable for our country.

The energy sector covers electricity, gas and liquid petroleum.

South Africa recognizes the role of all forms of energy in ensuring security of energy supply and meeting the challenge of climate change. We promote an energy mix of coal, gas, renewables and nuclear.

**My recent approval and sign off of the Renewable Energy Independent Power Producers Projects** supports an increase in black participation through increase not only at ownership level, but at operational and manufacturing level towards the creation of black industrialists.

South Africa's IPP Programme remains the only vehicle that progressively enables participation by black investors and industrialists in electricity generation. Through its unique programme design, the Renewable Energy IPP Programme requires a mandatory 40% of South African Entity Participation and black enterprise and broad-based black participation in the form of ownership, economic and socio-economic benefits.

With these latest projects, black shareholding of 64.2% of local ownership has been achieved, and shareholding by black South Africans has also been secured across the value chain. Black ownership and participation in Engineering, Procurement and Construction (EPC) and Operating and Maintenance (O&M) Project Companies have improved under this new round of projects. Around 86%, or 1 748, of the top management jobs of the new IPP Project Companies will be filled by black professionals.

Furthermore, the IPPs have committed to an average of about 40% or R8.90 billion of the local goods and services spend to be procured from black-owned enterprises during the construction period.

Another important focus of the IPP Programme is to ensure sustainable benefits for these mostly rural local communities. The Renewable Energy IPP Programme is embracing local community socio-economic and enterprise development and through an inclusive geographic approach it has created opportunities across the country – in all 9 provinces – in mostly lagging rural areas.

Local community shareholding (total equity) in the newly signed projects amount to 7.1% (or R1 627 million). The local community shareholders for these projects will receive R5.9 billion net income over the 20 year life of the projects. In addition, the IPPs will enable local communities to further benefit directly from the investments attracted to the area and IPP commitments in the areas of education and skills development social welfare, healthcare, general administration and enterprise development.

The newly signed projects will contribute a total R9.8 billion to socio-economic development initiatives and R3.39 billion to enterprise development over the 20 year life time of the projects.

Although these statistics are encouraging, we believe that there is so much more we can do to optimise black ownership and ensure active participation in the energy sector. Some of the economic transformation building blocks that we are already working on are in areas such as improving access to finance for local black shareholding companies and the structuring of re-financing arrangements. Finding innovative and affordable funding mechanisms for the participation of black entrepreneurs in this space, will allow the development of black industrialists as well as ensuring participation of black entrepreneurs in main stream economy.

We are also reviewing community ownership structures to ensure that communities have an active voice in decision-making. Ownership without getting the necessary opportunity to develop skills and participate in the projects is of no value. We would like to see South African black Independent Power Producers very soon bidding in other countries, leading the teams developing these projects.

I have also recently proposed the development of an Energy Transformation Charter, and here, the Black Energy Professionals Association can play a positive role to develop and mutually agree on commitments to ensure that South Africa builds on its already well-known brand as a pioneer in the energy sector.

The Department's Electrification programme also provide opportunities in the electricity sector. The government has in this current MTEF been spending on average around R5 billion per annum to electrify households. This electrification is delivered through Eskom and municipalities. Many small engineering and construction firms benefit from this programme but a lot more can be done to facilitate participation by new entrants. BEPA members are therefore encouraged to take their space in this sector.

**In as far as liquid fuels and gas**, transformation in the oil and gas sector has made some progress since the dawn of democracy, however not at the pace that we expected. We celebrate the fact that Spring Lights Gas is a black owned company operating in the natural gas sector with major clients in KZN. We also are mindful of Total's unencumbered BEE status that was achieved a few years ago.

The Department is working to unlock more opportunities in the Fuel retailing Sector, which has gross under representation of African women and men. The Audit currently being conducted will be used as a baseline from which a commitment on targets must be made by the oil majors.

The Department is also in the process of aligning the Liquid Fuels Charter (LFC) to the B-BBEE Act, 2003 as amended and to ultimately develop a sector-specific Code of Good Practice in order to ensure compliance with the B-BBEE Act, 2003. This is to ensure that there are no conflicting prescripts with respect to transformation requirements in the petroleum Sector.

Shale gas exploration and development is a nascent industry in South Africa. We therefore together with social partners need to ensure that representation of the majority of the population in this sector is prioritized from the beginning.

**Ladies and gentlemen,** I believe that black owned companies have enough experience to begin to import a certain quantity of crude oil working together with their counterparts in countries of crude origin. I believe that the immediate focus should be to enable BEE companies to import the sizeable of West African crude oil. Nigeria and Angola account for 50% of South Africa's crude oil imports. The Financial Institutions in the country will need to back up such transactions. This approach should extend to the transportation of crude oil through joint chartering of vessels. This will require discipline and competence on the part of all those companies that participate.

Access to import and export infrastructure by emerging black owned companies also remains a challenge. We are supportive of Transnet's initiative to open up this area of the value chain to black owned companies. This newly formed organisation should keep a keen interest the deliberation on the port infrastructure strategy and exert the appropriate influence in its implementation.

The area of supply of diesel to the mining sector, defense and State Owned Companies is an area that should have set asides for black owned petroleum companies. These are major consuming industries that can contribute to radical socio economic transformation.

The department adjudicates and where appropriate issues licenses for retail service station, wholesaling and very rarely for manufacturing. The participation of BEE Companies in the retail sector is way below expectations and in this regard oil companies continue to renew leases with White owned retailers. This has got to change rapidly. A commitment is required from the CEOs of oil majors in this regard. BEE Companies end up applying for wholesaling licensing and after getting the wholesale licenses still have to negotiate with oil majors for products.

**With regard to Gas to Power:** South Africa has recognized this global shift and has set itself the vision to enter the global gas market and promote the development of a gas market, not only locally here in SA but also in the Southern Africa Region. For emerging economies, switching to gas as a competitive, cleaner and more flexible source for power production is a game changer.

South Africa's introduction of gas into the energy mix, could also play a major role in regional development. Sourcing of gas from neighbouring countries such as Mozambique can result in a win-win situation, where piped gas will stimulate economic activity along the routing areas in both Mozambique and South Africa. Through regional transport networks, gas could be introduced into adjacent, landlocked SADC countries.

The LNG-to-Power Programme will be the main vehicle through which to stimulate this envisioned gas market in South Africa. It requires an all-inclusive effort by the general government and other stakeholders in South Africa. Over the last number of years, we have been putting in place the enabling framework for private sector participation in our energy sector to enable gas industry development and growth.

There are therefore opportunities in this area to transform the energy sector and the economy.

**Ladies and gentlemen,** I cannot overemphasize the significance of sustainable energy and its solutions to the economic well-being of South Africa and the rest of the continent. I am here today because my Department supports the efforts of black professionals like yourselves engaging in such discussions to create more opportunities.

As I said earlier BEPA provides a solid platform to take radical socio-economic transformation of the energy sector forward. Remember this: ***"If you want to run fast run alone, if you want to run far run together"***

Ladies and Gentlemen, my department is ready to walk this journey together with the BEPA towards a transformed energy sector. I appeal to all professionals in the energy sector to use this platform to build on the Department's transformation initiatives and support the nurturing of women, people with disabilities and youth.

With these few words of support, I wish the BEPA all the best in achieving its objectives.

**I thank you.**