

**KEYNOTE ADDRESS BY THE MINISTER OF ENERGY, Hon. JEFF RADEBE,  
AT THE DLO AFRICA POWER ROUNDTABLE,  
26 MARCH 2019**

Programme Director

Honorable Ministers and Excellencies

Distinguished Guests

Ladies and Gentlemen

**Introduction**

I am delighted to be with you today at the DLO Africa Power Roundtable 2019. It is useful to reflect, from time to time, on the critical questions confronting Africa's energy future, and to use such platforms to test some of our assertions regarding the challenges we face and their solutions. This year the conference will be focusing on investment opportunities in energy sectors across the Southern African region. We are honoured to also have participation from other African countries, including Mozambique, Botswana, Zambia, Uganda, Namibia, and Angola to name a few.

Let me therefore start by extending a very special welcome to the Ministers of Energy from these countries of the Southern African Development Community; we are honoured to have the benefit of your wisdom and leadership at this conference today.

As you are aware, this session takes place against the backdrop of the Cyclone Idai in Mozambique, Zimbabwe and Malawi. This has been devastating and taxing, and perhaps this represents our new reality. The visuals on our television screens of helpless women and children, the old and infirm, being carried to safety from the flood plains and with no

place to sleep, no water to drink and with a serious prospect of mass starvation, were too much to bear. Let me express my condolences to the peoples of Mozambique, Zimbabwe and Malawi, and I am sure that I speak on behalf of most of you in the audience today, as we collaborate on the rescue effort. I am very proud of the support rendered by our National Defence Force to the destitute people of these countries.

The new reality is that adverse climatic conditions will become a recurring feature of our existence, and as Africans we must prepare our systems to be resilient in the face of the risks posed by this reality.

When we had extended load shedding over the past 9 days, one of the exacerbating circumstances related to damaged power lines from Cahora Bassa hydropower plant in Mozambique, as a consequence of Cyclone Idai. For us as Africans, this is a reminder that our destiny is intertwined, and we cannot overemphasize the common need to accelerate the amelioration of the suffering of rural women and youth from the clutches of unemployment, energy poverty and now even worse, adverse weather conditions. Climate change and its threat to humanity must be seen in the context of the growing threat to our developmental aspirations.

### **Celebrating 25 years of democracy**

This year, South Africa is celebrating the 25th Anniversary of the achievement of our democracy. As we celebrate 25 years of freedom, our commitment to the development, transformation and prosperity of our people as well as the improvement of their quality of life, is resolute.

We celebrate being part of this great country that believes in freedom for all and the rule of law. General elections will also be held in South Africa on the 8th of May 2019, to elect new National Assembly and provincial legislatures.

Permit me, Programme Director, lest it be regarded as dereliction of my duties, to remind and encourage all South Africans in this audience to vote in 43 days' time, especially the

youth that has registered for the first time. As I have already said before: your destiny is in your hands and as an ANC office bearer I am confident that you will all make the right choice on May 8th.

### **Investment Drive and Regional Collaboration**

President Cyril Ramaphosa has set a target of \$100bn by 2023, in investments for stimulating economic growth. Our aspirational economic growth level under the National Development Plan is a minimum of 5.4% annually. We can easily exceed this target within the energy sector, if we take regional collaboration on energy infrastructure into account.

We must rally behind the President Ramaphosa's call by identifying those projects and initiatives that would help us achieve the target that has been set, in the respective energy sectors we come from.

Regional collaboration is one of our policy objectives, so that we can exploit the development of synergistic energy projects before we each attempt to develop projects on a narrow nationalistic basis. It is vital that we identify regional projects to increase the integration and interconnection of the sub-region, through power initiatives initially and ultimately through other trade initiatives.

Failure to collaborate will continue to put enormous responsibilities on our meagre resources and hamper the ideals of uplifting the rural poor, especially women and youth.

### **Integrated Resource Plan Update**

For us as South Africa, the finalization of the Integrated Resource Plan will reflect our policy blueprint for the power sector, and this is imminent. We have drawn experts from industry and academia to assist in our IRP development process. Our planning methodology is very robust, and whilst it is undeniable that most stakeholders have specific interests that they will take the slightest opportunity to push, this was balanced

out because everyone got a fair chance to make their input. Roadshows were held in Gauteng, Eastern Cape, Kwazulu Natal, Limpopo, North West, Western Cape and Northern Cape, as we disseminated information about the IRP and consulted stakeholders.

I trust that you are now aware that the output document has been revised after due consideration of public comments, particularly in regard to the tables that indicate the different technology options for balancing electricity supply-demand.

We are now engaging the social partners at NEDLAC. Cabinet approval of the IRP for South Africa will define a tangible plan for energy security that also secures the participation of Independent Power Producers (IPP) side by side with Eskom and municipalities. It is clear that Eskom alone cannot meet our power capacity requirements, because we estimate that the capacity extension under the IRP will cost in excess of R1 trillion in the period up to 2030, including the new power plants, plus the requisite transmission and distribution infrastructure.

## **Financing Challenges**

We continue to face serious capacity challenges with regard to electricity supply. Besides the operational issues afflicting Eskom power plants, the financial challenges are paramount and one has to recognize the bold leadership required with regard to the sectoral reform imperative. President Cyril Ramaphosa has pronounced on the need to unbundle Eskom into the generation, transmission and distribution functions, and work is unfolding in that regard. This matter has been in the making for years, yet it didn't get anywhere and created a lot of uncertainty regarding the future electricity supply industry structure.

It is a fact that the financing of new power infrastructure has become very challenging given Eskom's current structure. Notwithstanding that the current credit situation remains tight, financial institutions have become increasingly averse to pumping funds into an

Eskom that is based on the vertically integrated utility model. The difficulty of financing power infrastructure projects in Africa generally, and in South Africa specifically, has some of its reasons anchored in policy uncertainty and poor regulatory environment. I have to be very clear as well, and indicate that we are not talking about the privatization of Eskom, but rather it's unbundling into the functional areas of generation, transmission and distribution.

It is my view that the DLO Africa Power Roundtable should reflect on how governments, in partnership with the private sector, should confront some of these pressing and difficult matters. The common goal is coherent policy and regulatory frameworks that support the development of adequate power infrastructure for the SADC regional markets of over 200 million.

### **Energy Efficiency**

Energy efficiency is our best hope in the short term, of balancing electricity supply and demand. It is a fact that a successful energy efficiency programme results in the reduction of municipal revenues and we would be doing municipalities a disservice if we did not confront this problem. The contradiction between a successful energy efficiency campaign and reduced municipal revenues needs to be addressed through a revenue decoupling approach – in terms of which municipalities need to be rewarded to the extent of the revenue loss that emanates from energy efficiency. Without this instrument being offered to municipalities, they will be inclined to resist energy efficiency and not implement the initiatives because they result in revenue loss.

From our perspective, energy efficiency technologies have a substantial job creation potential. Consequently financial losses to municipalities must be counterbalanced by not only decoupling the revenue drop due to energy efficiency, but also by demonstrating positive employment outcomes due to energy efficiency programmes.

## **Municipal generation, tariffs and sustainability**

Some municipalities, particularly Metros, have old power stations that are currently in various levels of capability to generate electricity. Municipalities that have old power stations need to be encouraged to get them functional again, because they represent an opportunity for municipalities to increase revenues at the same time as improving the country's electricity system reserve margin.

The amendment of Schedule 2 of the Electricity Regulation Act is intended to enable municipal and distributed generation. Whereas some municipalities are already in a position to take advantage of the Schedule 2 amendment, I have to caution less capacitated municipalities to seek the guidance necessary for engaging in projects for own generation. My department is available for advice.

Distribution utilities have to focus on revenue management in order to ensure their financial sustainability as they provide improved services. This is especially relevant for municipal electricity distributors in South Africa, who are mandated with ensuring that the masses of our people continue to receive services at tariffs that they can afford. The implementation of credit control measures and proper metering systems in order to maximize revenue collection, the maintenance of proper balance between dispensing free basic electricity to qualifying customers whilst charging high users cost reflective tariffs for electricity, are critical elements of a sustainable electricity utility. We cannot sustain a situation of growing non-payment for electricity services.

As you are probably aware the regulator, NERSA, has made determinations regarding Eskom's tariff application. We support a stance based on tariffs that rise steadily as we build more generation and wires infrastructure. We are doing everything in our power to

ensure that the poor are cushioned against these higher than normal electricity tariffs and that industrial customers continue to cross-subsidize residential customers.

### **Fossil-fired generation and a just transition**

The increased demand for electricity cannot be met without a negative impact on the environment as coal is still the primary fuel needed to drive our power stations. South Africa is no exception to this overall picture.

On the one hand, as a developing nation, electricity could be an instrument to drive social and economic justice. Government has, for example, pledged itself to ensuring that all South Africans have access to electricity. Our implementation partners, Eskom and municipalities have over the years extended their networks and through electrification projects brought quality of life and economic opportunities to many in underdeveloped areas.

On the other hand, about ninety-two percent (92%) of our electricity is generated using the country's plentiful coal resources. The result is that we generate greenhouse gases that are pumped into the atmosphere. Reaching a happy medium between the need for electricity and the reduction of environmentally damaging emissions places South Africa at an environmental and climate cross-roads.

South Africa has also been very clear regarding our intention to make the transition to a low carbon economy, and we emphasize that this must be achieved in a manner that is just. Around the globe, countries have initiated processes to de-carbonize their energy systems by increasing the share of renewables in generation capacity. If one considers the future power system, it is plausible that it will consist of a combination of energy efficiency, renewables, nuclear, storage and smart grids, I dare to suggest. The transition to this energy system poses new challenges for governments, system operators, employees and market stakeholders, and we need to confront these challenges head-on.

We can work with other nations towards finding ways of reducing emissions and so relieve the burden on our environment. At home we can concentrate on educating our people, reassuring them of our intentions and gaining their support to create a climate which begets trust within our communities.

#### **4<sup>th</sup> Industrial Revolution**

Over and above the just transition to a low carbon economy, we have to anticipate the dynamics posed by the 4<sup>th</sup> Industrial Revolution. As you might be aware, it is characterized by a fusion of technologies that is blurring the lines between the physical, digital and biological spheres, collectively referred to as cyber-physical systems.

In responding to the fourth industrial revolution, the following questions become pertinent?

- how do we plan for it?
- what are the challenges and opportunities?
- what are the impacts on government, business and people?
- how does it shape the future?

We need to shape a future that works for all of us by putting people first and empowering them. In its most pessimistic, dehumanized form, the 4<sup>th</sup> Industrial Revolution may indeed have the potential to “robotize” humanity and thus to deprive us of our heart and soul. But as a complement to the best parts of human nature—creativity, empathy, stewardship—it can also lift humanity into a new collective and moral consciousness based on a shared sense of destiny. It is incumbent on us all to make sure the latter prevails by starting with the preparatory work that anticipates this change.

I wish you well in your deliberations and thank you.