



**ADDRESS BY THE MINISTER OF MINERAL RESOURCES AND ENERGY OF
THE REPUBLIC OF SOUTH AFRICA**

**MINISTER GWEDE MANTASHE, ON THE 89TH OCCASION OF THE
PROSPECTORS AND DEVELOPERS ASSOCIATION CONFERENCE, 2021.**

Consul General of the Republic of South Africa in Toronto, Canada, Her
Excellency, Ms Thandi Fadane

Members of the diplomatic corps,

Esteemed members of our panel,

Captains of industry

Distinguished guests,

Ladies and gentlemen

It is a great honour for me to address you at this seminar this evening. We meet at a time when the global economy is struggling due to the global pandemic caused by the COVID-19. As the world economies continue to struggle, the mining industry is not immune to the resultant negative effects as both the supply and demand shocks heavily affected the sector.

When COVID-19 hit the world and the first lockdown was announced in March 2020, the country was already in a recession following a GDP contraction in three consecutive quarters. The GDP contracted by 0.8%, 1.4% and 2% in Quarter 3 and 4 of 2019 as well as the 1st Quarter of 2020, respectively. Accordingly, this was exacerbated by hard lockdown and the double whammy where the country's credit rating was downgraded by both Moody's and Fitch respectively deepening the recession making it the worst and longest economic decline since World War II.

Necessarily, working with our social partners, we responded swiftly to this by developing a framework for the industry response to the COVID-19 lockdown. To this extent, under alert level 5 a risk-based approach was followed to maintain the integrity of the plants and underground workings, protect jobs and livelihoods, as well as keeping the economy going. To ensure security of energy supply, all collieries were allowed to continue operating at full capacity while other sectors operated at scaled down levels so as to protect smelters and shafts which cannot be switched on and off abruptly.

To further ensure security of fuel supply, we also allowed oil and gas refineries to continue operating at full capacity. Evidently, these refineries closed down a month into the lockdown due to a collapsed demand as there was minimal economic activity in the country. Undoubtedly, this was a demonstration that this is not just a health matter, but it is very much an economic matter.

GLOBAL ECONOMIC OVERVIEW

In 2020, the global economy contracted by an estimated 3.5 percent. However, the International Monetary Fund (IMF) has forecasted the global economy to grow by 5.5 and 4.2 percent in 2021 and 2022 respectively. This is as a result of renewed hopes brought about by vaccine approvals and roll out around the globe as well as the modest growing commodity demand driven by China (the largest importer of minerals globally).

SOUTH AFRICA'S ECONOMIC RECOVERY

The South African economic growth rebounded significantly in the third quarter of 2020 with the easing of the lock down restrictions which had resulted in sluggish economic growth in the preceding quarters. South Africa's real gross domestic product (GDP) increased at an annualized rate of 66.1% in the third quarter of 2020 after a recorded contraction of 51.7% in the second quarter.

The mining industry contributed over 288% in the third quarter of 2020 registering as much as 11.8 percentage points to real GDP growth. This was the strongest contribution amongst all sectors and the rise in GDP contribution was due to a ramping up of production of platinum group metals (PGMs), Iron Ore, Gold, Manganese Ore and Diamonds and strong commodity prices. This confirms the resilient nature of our mining sector and the opportunities it presents for us to turnaround our economy.

SOUTH AFRICAN MINING PERFORMANCE

In January 2021, Statistics South Africa (Stats SA) released a preliminary report on mining production and sales in South Africa. Seasonally adjusted mining production increased by 6.3 percent in the three months ended in November 2020.

A subsequent report published by Stats SA in February 2021 indicates that mining production increased by 0.1% year on year in December 2020, however seasonally adjusted mining production decreased by 0.5% in the 4th quarter compared to the third quarter of 2020. We are confident that the industry will improve its performance as we open up the economy and implement the economic recovery plan moving forward.

ECONOMIC RECOVERY AND RECONSTRUCTION PLAN

Ladies and gentlemen, in October 2020, we introduced the country's economic recovery and reconstruction plan which not only details the interventions in response to the COVID-19-induced economic disruptions but also seeks to drive the overall economic trajectory of an inclusive and transformed economic growth. In addition, the plan also addresses the resultant impacts of the downgrades double whammy on our economy and it addresses ways that seek to position South Africa as a better investment destination for both local and global investors.

This plan situates mining and energy sectors at the center of the recovery, revival, and growth of the country's economy, the former being one of the key primary activities in the country and the latter as a catalyst for economic growth.

The plan proposes the following interventions for the two sectors: -

Energy Interventions

Government is working on a number of interventions to close the current electricity supply and demand deficit. These include:

- ensuring speedy implementation of renewable energy projects under bid window 4, of which over a 1000 MW has already come online.
- the procurement of 2000 megawatts (MW) of power under the Risk Mitigation Independent Power Producer Programme, of which preferred bidders will be announced before the end of March 2021.
- procurement of additional power in line with the IRP 2019 of which request for proposal for 2600 MW of renewable energy (bid window 5) will be issued to the market during March 2021. This will be followed by additional bid windows between August 2021 and March 2022 from renewable energy, storage, gas and coal.

On the policy and regulatory front, we have clarified the regime applicable to municipalities for participation in the creation of new generation capacity. We continue to work with industry and consumers of electricity to refine regulations and frameworks applicable to distributed generation, specifically generation for own use.

Our move to increase generation capacity through the energy mix is vital. Notwithstanding the role played by coal in our energy mix, the renewable energy and other cleaner forms of energy has the potential to stimulate economic growth as we emerge from the shadow of the COVID-19 pandemic. It also provides a unique opportunity for new industries to arise and will assist in a recovery that has the potential to build an inclusive, job-rich and resilient economy.

The securing of our nation's energy supply requires the restructuring of the electricity sector as an urgent priority. Government is implementing key reforms identified in the Eskom Roadmap that was adopted by Cabinet.

The work to unbundle Eskom into separate entities for generation, transmission and distribution is critical for security of supply in the future. I. This will ensure we continue to attract the necessary investment in power generation while keeping the cost of electricity low.

Mining Interventions

- On mining, we committed to jointly develop a new competitive exploration strategy to target no less than three percent of global mining exploration expenditure. Mining exploration spending in South Africa has been declining in the past two decades. S&P Global Market Intelligence data shows that South Africa's share of global budgeted exploration spend dropped by 20% from around \$97.4 million (R1.4 billion) in 2019 to \$77.4 million (R1.1 billion) in 2020.
- This has been drafted and will be finalised and taken through approval processes by June this year. This strategy will be the country's exploration blueprint to attract investments and drive an increase in the contribution of mining to GDP.
- We have also committed to reduce the licensing timeframes by 50%. Our team is working towards achieving this goal.

Industrialization through Localization

In October last year, the Department tabled a chrome interventions paper to cabinet for approval. This paper proposed a set of interventions to support the revival of smelters in the country. These interventions include updating of both the

short and long term negotiated electricity pricing frameworks, a short-term export tax on raw chrome ore, improvements on smelting technology and investment into research and development.

The negotiated short and long-term electricity pricing frameworks have been updated and finalised while the work on other intervention is ongoing in consultation with the National Treasury and other stakeholders.

FRASER INSTITUTE SURVEY 2020

Last week we noted with concern the outcome of the Fraser Institute Survey of mining companies indicating that South Africa has moved 20 spots down from 40 out of 76 to 60 out of 77 in 2020 compared to 2019. Despite this, over the past three weeks we have welcomed the R6.8 Billion expansion announcement by Sibanye-Stillwater into their K4 PGM mine and Burnstone gold mine which will create about 7000 new jobs.

Anglo American Kumba Iron Ore also announced a R3,6 Billion life extension project of their Sishen operation to extend the life of mine to 2039. Impala Platinum also announced an investment of R5.7 Billion into the expansion of Two Rivers mine in Limpopo

A junior mining company Orion Minerals also announced its \$25 million investment into its Priska Copper Zinc project and the Okiep Project, both located in the Northern Cape. These announcements are an indication that South Africa is still considered by investors as a safe jurisdiction for mining investments. Without any doubt, these announcements further lament our strong working relationship with the mining industry in trying to drive an inclusive economic recovery. We will continue to seek a better working relationship with all stakeholders to address all eminent challenges facing the sector.

CONCLUSION

In conclusion, I would like to thank you and invite the investor community to come and partner with us as we work to place South Africa's mining and energy sectors on an upward trend. South Africa remains open for business and government will continue to work with stakeholders to create an enabling environment for investments and growth.

I thank you.