

ENERGY SECTOR

ROUNDTABLE STAKEHOLDER ENGAGEMENT

BY THE HONOURABLE JEFF RADEBE, MP, MINISTER OF ENERGY

Gallagher Convention Centre, Midrand, Gauteng | 01 June 2018

Working together towards an Economically Transformed and Sustainable Energy Sector



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA



Programme Director

Excellencies

Captains of Industry

Distinguished Guests

Ladies and Gentlemen

Good morning

I am honoured by your presence today in this important engagement between the Department of Energy and its key stakeholders under the theme

**“Working together towards an Economically
Transformed and Sustainable Energy Sector”.**

*It is truly gratifying to
see such an impressive
turnout today.*

Stakeholder engagement
and public participation are
integral elements to the
Department's work



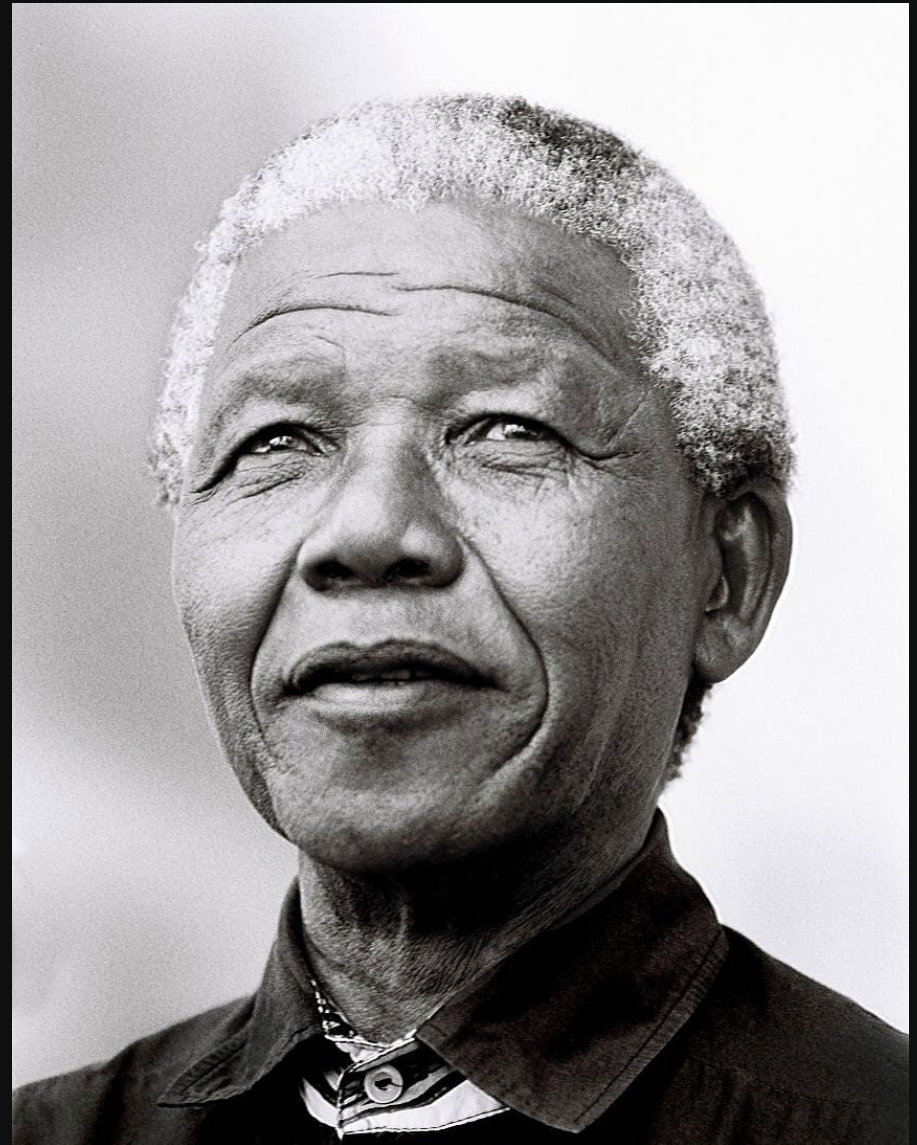
in developing, designing and implementing services and policies that benefit all South Africans. It is my wish that this engagement not only bolster stakeholder relations but also foster greater understanding of the Department's vision, mission, its core values, key programmes, and developments.

This year, South Africa will mark the centenary of the life of our nation's founding father Nelson Mandela under the theme: "Be the legacy". The celebration is a major milestone in the incredible story of Nelson Mandela and our nation's journey. I am certain that all of us agree that Nelson Mandela left an indelible mark on our society having laid the foundation for a united, non-racial, non-sexist, democratic and prosperous society. His legacy lives on in our commitment to ensure a just and fair society for all, including the rights to dignity and freedom of expression.



*To celebrate Madiba's life,
we need to stay true to
his ideals, including his
unwavering commitment to
justice, equality and a non-
racial South Africa.*

All South Africans have a responsibility to promote freedom and defend our democracy in honour of Madiba's life-long commitment to these ideals. The emphasis of this call is on the need for us to eradicate energy poverty, support and assist government so that we can find sustainable ways to overcome the triple threat of poverty, inequality and unemployment.



In this year, we also celebrate the centenary of Albertina Sisulu, a great daughter of the African soil who dedicated her life to the service of her people.

I would like to encourage all stakeholders here today to make meaningful contributions towards the celebration of the Centenary of Tata Nelson Mandela and uMama Albertina Sisulu. Together we must continue to build on their legacy and that of countless others who gave everything for our democracy and freedom.



Ladies and gentleman, this is a year of celebration,

but it must also be a year of action.

President Ramaphosa has set us all a target to attract \$100Billion of investment into our economy. I would like the energy sector to contribute as a minimum to a quarter of the target set by the President, His Excellency President Ramaphosa. This can be done through among others; 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 and finally, supporting the transition towards electrification of transport, through key strategic partnerships.

To some this target might seem an impossibility or an ambitious goal but, I am are convinced that this can be done, because we have successfully done it before in the renewables sector.

From 2014 to 2016, through the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), South Africa was able to secure investment of \$10.8 Billion 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. These 27 projects are making a significant contribution to government's commitments to meaningful black ownership participation and economic transformation.

New foreign and local direct investment provides a strong economic growth impetus in support of an economy wanting to lift its head at a time of severe fiscal constraint.

This investment will certainly have a positive effect and contribute to the much needed jobs in the rural areas where these projects are located.



Ladies and gentleman, I feel it is my duty to enlighten you on our future plans relating to the renewable energy.

A new bid round i.e. BW5 of the Renewable Energy IPP programme will be launched in this year and it is estimated to be 1800MW of similar technologies as in the Expedited Bid Window. This could bring another R40 to R50 billion of investment to the Country and ensure investment and economic growth as well as the opportunity to encourage opportunities for black industrialists and the development of black independent power producers.

There will be specific reference and requirements for women-owned business participation and special opportunities for the youth. It is also the intension to direct the socio-economic and enterprise development spend of the IPP programme in a much more coordinated way, which will take into account the different needs of the communities where the projects are and which will allow the impact to be measured.



Gas: It is important to note that the imported Liquefied Natural Gas as well as natural gas to power programmes are still a very high priority. As we have indicated before we are not only looking at gas to power but gas as part of the energy mix in South Africa. Southern Africa has huge natural gas reserves in Tanzania, Mozambique and within South Africa, Zimbabwe and Botswana having gas in the form of coalbed methane. Furthermore, South Africa has potential shale gas. Both the SADC Energy Minister and water and Sanitation Ministers will hold a one day workshop on regional gas development. This, we hope is the beginning of a decisive trajectory that provides sufficient focus on the utilization of gas in the region. I am also planning to visit Mozambique very soon to engage with our neighbour as to the possibilities of a regional approach for the development of the natural resources in our respective countries, as well as to ensure a close co-ordination and relationship with our neighbouring countries. It is important to note that a gas strategy will also be available with the release of the IRP and for consultation with the market during July/August of 2018.

Coal: Coal is still part of the energy-mix and we have procured two projects of 864MW of coal-fired power plants. It will bring another R40 billion of investment to the Country and at least 5 000 jobs during construction. The construction phase will be between 48 months to 60 months after signing before first electrons in the grid (not before 2022/23).

Ladies and gentlemen, we operate in a very fluid and dynamic environment. Both global and continental events impact on how we are able to discharge our mandate, and it is only an understanding and appreciation of these realities that allow us to respond to these in a meaningful and coordinated manner.

There is currently inadequate investment in both the electricity and liquid fuel industries. For instance, electricity generation is constrained due to insufficient capacity and inadequate availability of existing grid infrastructure. The South African grid infrastructure requires further strengthening, increased capacity and digitalisation to accommodate the changing nature of the energy sector. Investment in digital technologies to provide infrastructure for more flexible, intelligent, connected and responsive energy systems is now urgent. Smart metering is the bedrock of smart grids and these will effectively integrate renewable energy. Energy storage technologies are also a growing sector and our research institutions in South Africa need to focus in this area.

The liquid fuels sector is currently dependent on imports to meet local demand as the current production capacity does not meet national and export demand. No investments have been made in for example new refinery capacity since the start of the new democracy. On average refineries in South Africa are more than forty years old. Planning at individual organisation level is commercially driven and therefore investments which are required in order to ensure that the policy objectives of the country are met have been left under invested.

Investment in the refinery capacity is now more than ever urgent. In sub-Saharan Africa, refinery capacity is constrained with most refineries unable to produce fuels that meet clean fuels 2 specifications requirements. New Refinery infrastructure project will support other industries in the country and also create new jobs. It is important for a policy decision on a new refinery capacity in the country to be finalised. I am looking forward to the finalisation of the Integrated Energy Plan (IEP).

South Africa owns the Koeberg Nuclear Power Plant as the only commercial operating nuclear power station in Africa and it supplies about 5% power to the national grid. I'm pleased to announce that South Africa is a key global manufacturer and supplier of medical radioisotopes, generating valuable foreign exchange and contributing to economic growth while providing a strong foundation and support for local industrialisation, skills development and retention, and job creation.

Every year more than 40-million people globally receive life-saving medical diagnosis or treatment using nuclear medicine. Up to a quarter of the medical radioisotopes used in these procedures comes from just one nuclear reactor in South Africa: SAFARI-I, which is owned and operated by Necsa, the South African Nuclear Energy Corporation. South Africa through Necsa supply medical radioisotope to more than 60 countries in the world. Nuclear and radiation technology is used to create medical radioisotopes that offer improved healthcare outcomes and increase the potential for a longer, healthier life for all South Africans.

Our marginalised communities are continuing to benefit from our Integrated Electrification Programme (INEP), year by year we are getting closer and closer to realising our goal universal energy coverage through modern forms of energy sources. This effort relieves those communities from daily worries of fending for firewood and the likes, thus improving the socio economic conditions for a promised better life for all. Energy access has a positive impact on women and our girl children, who when living in electrified homes, have more time to do other pertinent errands.

INEP and its implementing agencies have made remarkable progress in increasing access to electricity in South Africa and connected over 7.3 million households between 1994 and April 2018. The remaining backlog is mainly in rural areas where topography is challenging and distance to the national grid is long. These areas mainly fall within the 27 priority district municipalities. The programme has in recent years seen an increase in spend on bulk infrastructure to support electrification.

The Department is also implementing non-grid solution through solar home systems. Grid constraints as well as falling solar panel and battery prices provide an opportunity to scale up on non-grid solutions for rural areas as well as informal settlements.

In light of these realities and many documented energy challenges, I am confident that we will be able to work together to find sustainable solutions to resolve energy challenges.



Esteemed guests, our people's mandate is very clear on the need to accelerate transformation of the economy. The call for radical economic transformation enjoins us to strive for a higher economic growth which should translate into increased employment, reduction of inequality and a decisive advance in rolling back the frontiers of poverty. In order to advance economic transformation we need to give effect to the National Development Plan (NDP), and the New Growth Path and the Industrial Policy Action Plan with the aim of stimulating growth, employment and the re-industrialisation of the South African economy.

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 dti 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. The process must be completed by September 2018 such that we are able to affect Section 10 of the B-BBEE Act that requires all organs of state apply the Petroleum sector code to determine qualification criteria for issuing Petroleum Licenses.

The draft reviewed scored cards adopt a value chain transformation opportunities with quick wins and High impact which lead to a framework of having 7 subsectors scorecards namely Retail, Wholesale; Manufacturing; Biofuels; Gas; Access to infrastructure; Public Sector. The draft sector code is currently being discussed robustly by all stakeholders.

I will release the long overdue Petroleum Retail Audit results before the end of the 3rd Quarter and that will provide the system of allocation of Licenses provided for by section 2E of the Petroleum Products Act as amended.



Energy is the engine for economic growth and development

in an economy but especially in the developing countries.

We are all aware that Africa is from an energy perspective defined dominated by energy poverty. Most of our countries in the African continent do not have access to electricity for lighting, cooking and space heating. Energy poverty especially affects women and children. Access to sustainable energy is the cornerstone to a better life, access to health, education and jobs. Without energy there is no economic growth, industrial development and job creation. Women are still not well represented in energy leadership positions, business, and are underutilized around the world for climate change and energy policy.

I would like to encourage women in the energy sector to unite in the fight of energy poverty which affects mainly women, especially those in poor communities in the township and rural areas. We need to increase our efforts to ensure that women and families have access to clean and sustainable energy and that women benefit from investments in the energy sector as consumers, investors, entrepreneurs, professionals, financiers and researchers and academic.

I appeal to all stakeholders to use this platform to build on practical, implementable plans and initiatives to support the nurturing of those women who are taking a giant step to participate in the energy sector.

We are all aware of the significance of 16 June 1976 as well as the Youth Month, which in South Africa is commemorated in recognition of the Soweto Uprising of 1976 and highlighted a pivotal role the youth played in the fight against oppression in the country.

South Africa's youth unemployment rates are now considered to be alarming. The latest figures show that about 48% of South Africans between 15 and 34 were unemployed in the third quarter of 2016. The situation has worsened over the past years, it is within this context that President Ramaphosa launched the Youth Employment Service (YES), which an initiative between business, government, labour, civil society and young people aimed at improving young people's prospects of finding employment.

In commemorating the youth month, let today's dialogue be the beginning of a long relationship, we must take a big step towards entrenching youth in the energy sector as professionals, investors, business owners and workers of the sector.



The NDP envisages that combined investment by the private and public sectors rise from current levels of around 19% of GDP to 30% of GDP. Policy certainty is key for long-term investment. Be rest assured that concerted efforts are underway in the Department to review some of our legislation to remove unwarranted regulatory hurdles and provide much needed certainty on the country's energy infrastructure build programme and also restore investor confidence that South Africa is well prepared to supply reliable energy to grow the economy.

On the 8th of May 2018, I committed to the Portfolio Committee that the 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. Today, is a fulfilment of this commitment and I hope that you will also make use this dialogue to provide your inputs and on the IRP.

Capacity building is an NDP imperative. Effective government performance is central to the overall economic performance, and delivery of quality services to our people. As indicated in my Budget Vote Speech, addressing the department's human capital challenge of developing and retaining a skilled workforce that is capable of designing, implementing and overseeing our strategic programmes as well as finalise all pending legislative and policy issues is my top priority. I'm currently busy filling critical vacant positions and I would also like to leverage on sharing of knowledge, skills and expertise with you as our partnership.

The Department of Energy (DoE) has intentions of resuscitating and reviewing the scope of the Ministerial Advisory Council to provide expert energy additional insight and perspectives on the department's plans and programmes.



As I conclude, I'm grateful to the many experts that have come to share their knowledge, ideas and contributions. I also welcome many representatives of governments, industry associations and NGOs who have joined us. It is with your support and collaborative efforts that we will be able to ensure the smooth running of the economy of the country and thereby guarantee emancipation of communities in a developmental state.

With me today, I am supported by the executives of the Department and the energy entities. They will introduce themselves to you and highlight their varying responsibilities in ensuring and securing sustainable provision of energy for socio-economic development.

I thank you