

Speech by Whip ZC Faku on Energy Budget Vote 26

19 May 2015

Honourable Chairperson

Minister of Energy, Honourable Joemat Pettersson and Deputy Minister of Energy, Honourable Majola

Members of the Executive

Honourable Members

Distinguished guests,

Ladies and Gentlemen

Chairperson

The ANC's economic transformation vision rests on the Freedom Charter's clarion call that "The People Shall Share in the Country's Wealth." The intention therefore is to achieve the key strategic goal of placing the economy on a new job-creating and more equitable growth path, in the context of the ANC's 2007 52nd National Conference Polokwane Conference economic transformation resolution.

This resolution spoke to creating a democratic developmental state that:-

"... must ensure that our national resource endowments, including land, water, minerals and marine resources are exploited to effectively maximise the growth, development and employment potential embedded in such national assets, and not purely for profit maximisation".

The Petroleum industry has great influence on all aspects of our society: social, political and economic. Within the context of a democratic development state, the petroleum industry can also be the basis for the industrialisation of our country, job creation, poverty alleviation, and a significant improvement in the lives of all of our people.

The petroleum sector has had to face major challenges in the Past 12 months. While motorists were smiling all the way to the pumps, the same could not be said about producers of the petroleum products. We know that in part this was as a result of strategy pursued by one of the major producing countries to deal a blow to the producers of shale gas and shale oil. We would want to acknowledge the fact that despite this steep decrease in oil prices, the petroleum sector in South Africa kept the wheels of the economy turning. Even when there was increased demand for Diesel the petroleum sector was able to adjust and cater for the additional demand. This happened under stewardship of the Department. We are also aware that in this tough climate some investments were made in the country's distribution infrastructure by new players in the sector. These investments will amongst others enhance security of supply. We acknowledge that there are flashing lights ahead in the sector and would like to call upon the Department to be decisive in proactively preventing the emerging challenges from graduating into crises.

Equally the retail sector was able to keep the pumps flowing and was able to sustain all-important 70

000 jobs in the petroleum retail sector. We welcome the announcement of Fuel Quality Monitoring Programme, which will involve taking samples at service stations to ensure that we are paying for what is displayed. We trust that this programme will reach even most remote areas of our country.

As we have applauded the good record of performance by the petroleum sector in the past year, we remain unconvinced about their commitment to meaningful transformation in the retail level. We hear efforts by companies such as total South Africa to empower women in the retail space and wonder why others cannot embark upon similar transformative programmes. We will be keeping a close eye on this matter and the Department needs to be more robust in its approach on this matter.

Honourable Chairperson

It is indeed pleasing to see the commitment of the CEF Group to women empowerment. CEF is increasing the number of people with disabilities in the workforce; contributing towards the growth and sustainability of local enterprises and suppliers (current and potential suppliers and customers) through support development initiatives and preferential procurement for BEE companies. In the 2014/15 financial year about 35% of promotions were women. R 9, 1 billion was spent on procurement from BEE companies, and 2, 3 % of total staff complement is now made up of people with disabilities. Significant progress is being made in supplier development especially in the Mossel Bay area.

CEF Group's plan is that 50% of all vacancies at top and senior management to be filled by women, 30% of all vacancies at Professional level to be filled by youth; and 2% of vacant post to be filled by people with disabilities across the Group during the 2015/16 financial year. Expenditure to BEE companies will increase to about R10 billion and R20 million will be spent on local enterprise and supplier development.

The restructuring of the Central Energy Fund (CEF) Group and review of the subsidiaries is substantially complete and should be finalised in the current financial year.

CEF Group, through the Clean Energy Division has thus far provided extensive technical support to the Department of Energy in putting together the biofuels strategy and this will continue until this is concluded, we are aware that the outstanding matters relate to feedstock and financial structuring and its implications. These matters will be concluded shortly.

Our country currently has limited oil and gas reserves and the demand for liquid fuels exceeds domestic supply. The refineries alone are not able to meet demand and as such increasingly petrol and diesel are imported. This is not sustainable and the Department should accelerate the process aimed at arriving at decision to invest in new refining capacity, in terms of the NDP this could be an expansion of the existing refinery and construction of a new refinery. The export of petroleum products to countries in the region such as Botswana, Namibia, Swaziland and Lesotho talks to a need to integrate approaches in these countries.

Chairperson we applaud the increasing import of crude oil from the African continent. The

Department has informed us that 47% of South Africa' crude oil requirements were met by African countries, with Nigeria accounting for the bulk of this imported crude oil. We also look forward to a resumption of the crude oil imports from the Islamic Republic of Iran and we welcome the interactions recently led by the Minister of International Relations and Cooperation in that country.

We also welcome the announcements made by the Minister of the Environmental Affairs on the study that we believe will ultimately lead to exploitation of the shale gas resources of our country.

I support the Budget Vote of the Minister

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I support the Budget Vote of the Minister

Speech by Hon FZ Majola on the occasion of the Budget Vote 26 Debate

19 May 2015

Honourable Chairperson
Minister and Deputy Minister of Energy
Ministers and Deputy Ministers present
Honourable Members
Ladies and Gentlemen
Comrades and Friends

The ANC supports this budget of the Department of Energy 2015/2016.

Honourable Members

This Budget Vote takes place under the shadow of the passing on of Isithwalandwe/Seaparankoe ANC stalwart Comrade Ruth Segomotsi Mompati in the early hours of the 12th May, after her courageous long battle with illness. Mme Mompati leaves behind a proud legacy of steadfastness, resilience and selflessness in the face of daunting challenges. We of our generation commit to continue to walk in her footsteps.

During the 2015 State of the Nation Address, His Excellency President Jacob G. Zuma succinctly summed up the current context when he said: “We meet yet again during a difficult economic climate. This week the IMF revised down to 3.5%, the GDP growth forecasts for global economic growth in 2015. Our ambition of achieving a growth target of 5 per cent by 2019 is at risk, because of the slow global growth as well as domestic constraints in energy, skills, transport and logistics amongst others.” He then outlined government’s response in terms of the overarching Nine Point Plan, which amongst others sets out the critical tasks and measures to tackle the binding constraints of energy supply - to put the economy back on a faster growth trajectory and to ignite light at the end of the tunnel for millions of our people.

The spates of load-shedding have indeed stifled economic activity and caused disruptions in people’s lives. But it is also true that cynical political point-scoring and grandstanding from some quarters has saturated public discourse around this matter - casting not much light in terms of practical measures and solutions. Those of us in this house who are the primary agents and custodians of the democratic and socioeconomic transformation, know that we have come this far in the face of massive challenges simply because we have always understood and tackled the challenges in our world as they really are, not as we think or wish they are.

We are confident and we pride ourselves in the knowledge that we are first and foremost practical people with the ultimate historic responsibility and dedication to changing our country - assured by our experience, love of our people and clarity of our plan. And so for us the pressing challenges of the moment are not cause for alarm and despair or even indulgence in idle ideological debates around the future of Eskom. As the ANC we say that Eskom will continue to have a leading and strategic role in the provision of energy, including in future new build programmes.

What we know is that the people of our country are only interested in effective implementation of a realistic and sustainable package of measures to address the challenges. The solid ANC government’s track-record assures our people that our country is up to the challenge of meeting its electricity requirements, including ensuring a total of new grid connections of 1, 4 million households by March 2019, 75 % of which are in rural areas.

The ANC Lekgotla in January this year directed that urgent measures must be taken to address issues pertaining to the generation capacity that is increasingly becoming unreliable, a constrained network (transmission) capacity and a distribution infrastructure that is interrupted by the imperative of maintenance and refurbishment.

But against the sweeping current of cynicism and political opportunism, in the recent months we have seen a steady turnaround. These positive signals towards a turnaround include:

A state-owned German bank showing confidence in Eskom with a 4 billion rands shot in the arm;
The rising optimism within Eskom as Medupi is “slowly inching towards target” with the first unit reaching a new output level of 735 MW, having run for six days without tripping in the current test phase.

Progress made by Eskom and the 20 municipalities in finding a “win-win” solution on arrears as announced by Minister Pravin Gordhan last week.

These positive indicators come on the back of the procurement of over five thousand megawatts from IPPs using renewable sources, which represents a massive investment of R168 billion rands in the economy.

Honourable Members

The ANC is nothing if not a practical agent of change guided by a sound and concrete plan to meet the challenges of the moment. As our icon, Madiba, in his letter to Adelaide Tambo whilst in prison on the Robben Island, taught “significant progress is always possible if we ourselves try to plan every detail of our lives and action, and allow the intervention of fate only on our terms”.

In January, the ANC Lekgotla deliberated on and endorsed a concrete 5 point plan at the centre of which is a strategy of immediate and short term interventions to stabilise energy supply. In a nutshell, these interventions are as follows:

Eskom would improve its strategic focus regarding maintenance and operational efficiency. This amongst others means targeting key plants for maintenance and bringing them back on line the current level of availability from 72% to the target of 80%.

On co-generation, we set out to build on the current 1,390MW supplied to the grid facilitated through Power Purchase Agreements (PPAs) between the co-generators and Eskom. Thus, in addition to the extension of the PPAs by another 3 years, a procurement process would be opened for additional co-generation opportunities, including an additional 1,000MW that is available to be brought online in the next 18 months.

In the next 36 months, gas to generate electricity of between 500MW to 2,000MW will be sourced. On coal, opportunities for IPPs would be made available to deliver a generation capacity of about 2,400MW. Other interventions must include utilizing untapped Waterberg coal resource to contribute to future generation supply and upgrading the railway link between Waterberg and Mpumalanga.

A focus on demand side management is crucial, at the centre of which would be engagement between government, Eskom and intensive users to explore further efficiency improvement opportunities.

These are not pipedreams Honourable Members, they are practical interventions that are actually taking place as we speak. Thus, we welcome the fact that Minister Joemat-Pettersson has announced a further allocation of 6300 MW in the renewable energy power. And in the interest of economic empowerment and job creation, the Minister has requested that the Small Projects Request for Proposals process be simplified in future, to provide for a less costly bidding process. We welcome the fact that the Minister has also announced that the department has developed a Small Projects Programme which seeks to procure renewable energy from small-scale IPPs, with projects that are between 1 and 5MW in size.

Petroleum

Regarding petroleum, the challenges are clear. In the first instance, averaging 21 days, the current strategic stocks reserves have been below international acceptable norms for a growing economy. There is an urgent need to scale them up to at least 42 days. Our refining capacity has been

outpaced by the ever-growing demand, resulting in a greater reliance on imported finished products. Therefore, in response to these challenges, the ANC has directed government to implement the following interventions:

To reorganise the lead departments and SOEs responsible for the security of supply for petroleum products.

To increase government's participation from the current 5% market share to 25 to 30% in the short to medium term.

To build a National Oil Company that can make meaningful contribution in the market.

To take advantage of the current relatively low prices of crude oil and the abundance of storage capacity to increase strategic reserves.

To invest in petroleum infrastructure such as storage tanks, pipelines and terminal facilities. In this regard, the PCE welcomes the news that the Transnet petroleum pipeline between Durban and Gauteng is now complete.

Moving to Gas

Honourable Members

We can only be confident because South Africa is surrounded by gas rich countries, whilst on the other hand we have discovered shale gas deposits in our own Karoo region. The Operation Phakisa Ocean Economy initiative, launched last year, promises to unveil more oil and gas resources, which when it comes to pass, it shall decisively transform the development trajectory and outlook of our country and region.

In the current context of shortage of electricity supply and the high costs of diesel to run Eskom's Open Cycle Combine Gas Turbine Generators, gas presents an opportunity for an urgent intervention in the short to medium term. Therefore, as the ANC we say that there must be a switch from diesel to gas and in this regard government is directed to enter into short to medium-term strategic partnerships with gas rich countries such as Mozambique, Tanzania, Algeria and Nigeria. Similarly, there must be strategic plans to significantly change energy reliance for heating, cooking and transportation to gas.

The government must finalize its work on investigating safe and environmentally friendly ways of exploration and exploitation of shale gas resources. In this regard, we welcome the announcement by Minister Ngoako Ramatlhodi that the final regulations for shale gas exploration will be released by June.

It must be welcomed that in April this year Minister Joemat-Pettersson announced that the department is developing a Gas to Power procurement programme for a combined 3126MW allocation - this can only enhance the development of the industry and contribute towards energy security.

Department of Energy

Chairperson, in the overall the department has achieved all it has under difficult conditions. In this

regard, the Integrated National Electrification Programme and the Independent Power Producer Programme are its outstanding and exemplary achievements, for which we congratulate the department. As Parliament we shall redouble our efforts in oversight to ensure that the energy challenges of this country are addressed to meet our socioeconomic objectives.

Honourable Members

A lot of time has been devoted to the issues pertaining to the electricity challenges and rightly so. However, when all is said and done, it is whether there are some practical measures that are undertaken that can make the difference. One outstanding German philosopher said, “practice is the criterion of truth”. Those of us who come from this tradition, who regard themselves first and foremost as practical people dedicated to changing our immediate and broader world simply do not have the luxury of turning pressing national imperatives into political trivialities. Our people look up to this Parliament for discipline and leadership in these difficult times.

Lastly, the national electrification programme has been an outstanding example of what can be achieved in a state-led effort to expand access to electricity to the overwhelming majority of our people. Such exemplary achievements are possible in other areas of the mandate.

For those of us, especially the masses of our people, whose lives and circumstances have been intertwined with the history of this country, and therefore who in their living memory actually know what it means to live in the dark days of Apartheid, also know that our country has the practical capacity to secure an even brighter future. There can be no doubt that SA is a far better place today than it was 21 years ago.

Siyaqhuba, Siyasebenza.

Together we move South Africa forward!

The ANC supports the budget.

I thank you