

Parliamentary Budget Vote Debate: Vote 26 Energy
By
Hon. JA Esterhuizen, MP

19 May 2015

Honourable Speaker,

Before I begin I would like to recognize two of my guests seated in the Gallery, Mr Grant Renecke, CEO of Combustion Technology, and Mr Malcolm Gessler, Consul of the Seychelles Government in Cape Town; you are both most welcome.

Honourable Chairperson,

I don't think one could ever underestimate the severity of continued rolling power constraints to socio-economic growth in South Africa, the immensity of the impact is just impossible to sugar coat!

Earlier this year the Honourable Finance Minister advised this House of his plans to improve Eskom's balance sheet and a great deal was riding on Minister Nene's ability to reassure markets, investors and credit rating agencies that fiscal policy would be put on a sustainable path and that there is a solution on the table to address Eskom's massive funding gap.

Yet Honourable Chairperson, the facts are the facts and they are irrefutable!

Eskom's credit rating is now at junk status and the public and business sector have lost all faith in the management and ability of the power utility to supply the sustained electricity demand in South Africa.

To put it quite simply Chair, "Eskom never planned or spent for tomorrow", this crisis has been purely orchestrated through their own incompetence and ineptitude at management level, who by the way are still paying themselves millions of Rands in performance bonuses.

In the real world Eskom should be a major net contributor to the fiscus rather than a leech sucking away at the nation's life blood – based on the present levels of power-generation and a selling price of 74c per kilowatt-hour, revenue is underestimated by 30%. Unless Eskom is selling far more discounted power than is public knowledge . Are there more power contracts of the BHP Billiton style hiding in the woodwork?

Honourable Chairperson, Eskom does not overspend, it ruthlessly shatters its budget expenditure ceilings!

If Eskom's application is approved this would result in an unbelievable 22.27% increase in bulk electricity tariffs in just one financial year, which is over 25% to the consumer!

Labour is not assisting in this crisis either by making unrealistic demands in respect of salary increases by as much as 15% when they have already been warned by Minister Nene that a wages increase of more than one percentage point above inflation (6%) would lead to job losses as the energy sector in this country can simply not afford it.

The Ruling Party's recent 'out of hand' dismissal on talks around the privatisation of Eskom are just another bad idea on a very long list of bad 'energy' ideas by them, and we welcome Treasury's confirmation yesterday that consideration is being given to the possibility of private

investment in Eskom, as part of efforts to improve the electricity utility's financial sustainability, and Minister Nene's comments yesterday that ESKOMs return to full financial and operational sustainability is a top priority.

Although the IFP has no objection to the development of nuclear energy, we should approach this with extreme caution. We need to ask whether spending over R1trillion on a nuclear programme, which is more than 3 times the price of Medupi and Kusile combined yet will deliver the same amount of electricity, is wise.

We require an entire rethink on our energy mix, and in this regard we would like to see greater government support for both privatization and private / public partnerships in all energy programmes and particularly, in the renewable energy sector.

I thank you.