**Address by Honourable Zet Luzipo MP (ANC) during the Debate on Mineral Resources and Energy Budget Vote No.34**

Hon. House Chairperson
Hon. Minister of Mineral Resources and Energy
Colleagues in the PCMRE
Hon. Ministers & Deputy Ministers
Honourable Members
Ladies and Gentlemen

**“**The land on wish the cattle grazed was communal property. It was owned by no one. It was no body’s private farm. It was common property of the people shared by the people. So the practice of sharing was central to the concept of the ownership of property.” Oliver Thambo

Honourable house chairperson, like stated in the freedom charter, “The people shall share in the country wealth” this remains an idea that must be realised and the big question is which generation will make this possible. It is either we make this being realised during our lifetime or allow its postponement to future generations.

**Introduction**

The political economy of colonial and modern South Africa was built on the minerals–energy complex and agriculture. While mining is not the leading contributor to the GDP as was the case in the past it still makes a very significant contribution to GDP.  The energy sector in terms of electricity and liquid fuels are a critical input to ensure the efficient functioning of the economy. The energy sector like mining makes a major contribution to GDP. Both industries are major job creators in terms of direct employment and through the service industry it creates indirect employment.

**Context**

This Budget Vote is occurring under difficult economic and social conditions both globally and locally due to the COVID 19 pandemic. This has had a negative impact on the functioning of the economy and has contributed to high employment. The ANC Government rose to the challenge to ensure that mining related to energy security of supply was allowed to occur in terms of coal mining which supplies the coal fired power stations. At the same time the Department of Mineral Resources ensured that workers on the mines were adequately protected in terms of working conditions and PPE equipment. The balance between ensuring the safety of humans from the pandemic and economic activity was not an easy process. The Department needs to be congratulated on the role it played in ensuring the operation of the industry and the health and safety of mineworkers at the same time.

So Speaker  while there are many social and economic challenges which we face as a country there are equally many new opportunities which arise from which economic reconstruction and renewal will arise.

**Mining Industry**

From facing reduced global demand for commodities such as minerals due to the pandemic the mining industry is starting to recover and there is an international recovery of minerals prices. This is occurring amidst a third wave resurgence of the deadly Covid 19 virus. However, the sector is sub-optimally contributing to GDP and policy certainty and ease of doing business within the regulatory framework and legislation is a critical part of the recovery of the mining sector.

It is the contention of this contribution that the mining industry is not a sunset industry in a country which is rich in mineral resources.  On the contrary, the programme of the Department through the Council of Geoscience to survey the mineral resources of the country is encouraging.  The results of this survey will give the country certainty over the mineral resources that are available to the country in future. This process is very encouraging as it will enable Government to redevelop the mining sector for the benefit of the country.  At the same time small scale mining requires attention as this will enable the development of economic activity and transformation in communities.

The Department needs to ensure that our country remains an attractive place for investment in the mining sector. The Department’s proposed exploration strategy to attract new mining investment must become a critical part of the approach of reviving the mining sector and its contribution to GDP and the development of the economy. Proposals for the ease of doing business in the mining sector in terms of regulations and licencing must be effected as part of increasing investment in the mining sector.

**Upstream**

The considerable gas finds on the east coast of the country reflects a resource base and it is imperative that the legislation in terms of exploration of oil and gas need to be finalised and processed to create investor certainty for further exploration of oil and gas. This resource base must be part of our future energy resource planning and can assist the country’s energy demand. This must be viewed as part of the energy security of the country as the country requires different energy carriers as the country cannot satisfy its energy demand from a single source.

**Energy**

The electricity sector has over a number of years faced many challenges in terms of plant reliability and state capture and corruption.  Load shedding has had a negative impact on economic growth and development. This sector is also undergoing a process of renewal and much progress has been made. There is an improvement in the corporate governance of Eskom and the legal processes are underway to ensure financial recoveries. There has been substantive success in terms of financial recoveries for Medupi. It is encouraging that technical progress is being made with regard to Medupi and Kusile power plants to ensure that these plants are able to generate electricity to its optimal capacity. At the same time Government recognised the necessity for the expansion of the generation sector to ensure that while Eskom’s challenges are being addressed that adequate electricity is generated to ensure that economic development and growth can occur. The implementation of the Economic Reconstruction and Recovery Plan requires an expansion of electricity generation capacity in the country as economic growth and inclusive development is unable to occur without efficient electricity supply. To this end the state President announced in the SONA Address of 2020 the expansion of electricity generation capacity through IPP’s operating in the renewable energy sector.  This included the conclusion of Bid Window 5 and the Department has announced the companies which were the preferred bidders for the IPP generation programme. Bid Window 6 will also shortly commence.

It is imperative that the Department in conjunction with Eskom assess execute the refit of power stations which are reaching the end of its life cycle in order for electricity generation capacity is increased. The Department must also ensure the refurbishing of Koeberg for its further functioning is concluded as this will improve its safety and optimal functioning to reduce load shedding. Progress is being made also with regard the replacement of the SAFARI 1 reactor. It is encouraging that the Department has already initiated a section 34 determination for 2500 MW of nuclear energy and an RFP for the new build for nuclear energy.

The next two years are important to ensure that new electricity generation capacity is brought on stream at the cheapest possible price to industrial, commercial and domestic customers to eliminate load shedding and ensure inclusive economic growth and development. Job preservation and creation is an important part of ensuring the efficient functioning of the economy. Electricity prices different levels are a concern as the price of electricity have increased, but the service of electricity supply is still to improve. Competitive pricing of electricity as an input cost to the economy is crucial to investment in mining and manufacturing as well as other sectors of the economy.

**The Department Programmes**

The country faces fiscal constraints and it is imperative that the departmental budget for its different programmes is efficiently utilised to ensure quality of spend for maximum financial value. This means that supply chain management need to ensure cost competitiveness for the best quality as well as that the focus of budgets require an orientation towards delivery of the objectives of programmes. The departmental programme is part of the oversight of the Committee and there are many important tasks contained in the different programmes which has important consequences for the functioning and growth of the minerals and energy sector and it is important that what has been reflected in the different programmes is implemented as this department plays a critical role with other department for the implementation of the economic reconstruction and recovery plan.

**Departmental Entities**

The departments second largest funding is for the funding of the entities operating under the department. Some of these entities perform a regulatory function, but others operate in strategic sectors of the economy. Departmental entities have an important role to play in economic reconstruction and recovery in the minerals and energy sector as the implementation arms of the Department. Programmes need to be executed efficiently and on a cost effective basis. Enhancing the role of these entities are also critical to economic growth and development. Transformation cannot take forever, but must be an integral part of the current functioning of these entities. The proper skills and capacity needs to be enlisted to all entities which are implementing entities of the Department. The Committee is expecting higher level of performance from these entities given the enormous tasks which face the country for economic reconstruction and recovery.

**Recommendations**

**Hon. Chair: It is important to note that the committee has made a number of recommendation and analyst those are:-**

1. Explore funding options for incentivising the prospecting, exploration, mining and beneficiation of Rare Earths Elements.
2. Consider and explore an overarching investment strategy for the Department and entities.
3. Ensure the finalisation of the transfer license from NECSA to NRWDI, as a matter of urgency.
4. Expedite the raising of the licensing threshold for electricity generation to 50MW
5. Expedite the finalisation of the various legislation, which hinder the NERSA in executing its mandate effectively.
6. Address legislative and other impediments that impacts on the sustainable operations of the State Diamond Trader.
7. Review the Electricity Pricing Methodology
8. Provide an update to the Committee on the Council for Geoscience Kgotsong Project, by the 3rd quarter of 2021/22
9. Provide an update to the Committee on the development relating to artisanal and small scale mining policy, once the processes undertaken have been finalised.
10. Provide an update to the Committee on the Nuclear New Build Programme, including the development of the Small Modular Reactor policy, by the 3rd Quarter of 2021/22, with specific reference to the affordability, scale and pace of the programme
11. Provide an update to the Committee on the Solar Water Heater Programme, by the 3rd quarter of 2021/22.
12. The DMRE should ensure that budget of the Solar Water Heater (SWH) programme be reflected as a standalone, as this is more a conditional grant from the National Treasury. It should not be included in the Goods and Services budget allocation.
13. Present an update on the detailed finances of the SA Diamonds and Precious Metals Regulator during the 3 quarter of 2021/22
14. Present and update the Committee on the Mining Charter, including the status of BEE at the exploration stage.
15. Update the Committee on progress made on the merger of PetroSA, IGAS and Strategic Fuel Fund, by the 3rd quarter of 2021/22.
16. Update the Committee on the various cases and the forensic investigations, relating to the strategic fuel stock, including consequence management.
17. Update the Committee on the Karoo shale gas drilling programme, by the 3rd quarter of 2021/22 financial year.

**Conclusion**

The year ahead is critical for implementation and it is important that the department and its entities remain focused and on course in terms of the encouraging start which has already been made. It is important that where there are opportunities for public/private partnership these should be efficiently pursued to ensure inclusive economic development.

The role and functioning of the department is encouraging and should continue on the path of ensuring national economic growth and development. Economic reconstruction and renewal is on the horizon and let clasp the nettle and realise our programmes and goals.

The ANC supports the Budget Vote of Mineral Resources and Energy.