**DEPUTY PRESIDENT: REPUBLIC OF SOUTH AFRICA**

Private Bag X 1000, Pretoria, 0001

# NATIONAL ASSEMBLY ORAL REPLIES THURSDAY, 20 AUGUST 2020

**(Submitted as written) DEPUTY PRESIDENT**

## 12. Mr S Luzipo (ANC) to ask the Deputy President:

In light of the current challenges of energy supply and efficiency as well as the Government’s commitment to an integrated energy mix, what capacity demands can other alternative sources of energy, such as independent power producers, provide to mitigate Eskom’s shortfall on electricity demand? **NO2022E**

## REPLY:

South Africa is a country endowed with abundant energy resources. Coal, nuclear, solar power, and wind power all play a central role in the socio-economic development of our country, while simultaneously providing the necessary infrastructure and economic base for the country to become an attractive host for foreign investments in the energy sector. Successful and sustainable utilisation of all possible energy carriers in our country is vital for energy security, sustainable economic growth and development.

Cabinet approved the Integrated Resource Plan 2019 which is our blueprint, spelling out our energy mix objectives to meet electricity demand between now and the year 2030. Eskom generation capacity forms a significant part of our energy supply into the future and hence our attention to resolve its plant performance and financial challenges. As in all sectors of the economy, the state does not have sufficient resources to go it alone. The energy sector is therefore not an exception.

During the 2020 State of the Nation Address, President Cyril Ramaphosa committed to the following, amongst others:

* A Section 34 Ministerial Determination will be issued to give effect to the Integrated Resource Plan 2019, enabling the development of additional grid capacity from renewable energy, natural gas, hydro power, battery storage and coal.
* The procurement of emergency power from projects that can deliver electricity into the grid within 3 to 12 months from approval, will be initiated.
* Measures to be introduced to enable municipalities in good financial standing to procure their own power from Independent Power Producers will be put in place.

The Eskom Political Task Team was appointed and has been seized with ensuring that we accelerate processes to provide additional energy capacity through the implementation of the Emergency Energy Procurement Programme. Concurrence has been received from the National Energy Regulator of South Africa to the Section 34 determination by the Department of Mineral Resources and Energy to procure an additional 2 000 MW as pronounced by President Ramaphosa. This will in total enable the development of additional 11 813MW of power from 2022 which is in addition to the 2000MW under emergency procurement. It will further be in addition to the Bid Window 4 contribution to the grid.

We are concerned about the disruptive nature and negative impact power interruptions have on the economy. To mitigate against current load shedding and load reduction, Government has also initiated a number of initiatives that include:

* Eskom procurement of power from private companies through short term power contracts under the Short Term Power Purchase Programme. It is expected that the final contract will be awarded by no later than the end of September 2020. Further, measures to expedite this process are being explored.
* The Department of Mineral Resources and Energy procurement programme of 2000 MW with Eskom as the buyer.
* The Minister of Mineral Resources and Energy enabling generation for own use through inclusion of distributed capacity in the IRP 2019, as well as amendments to Schedule 2 of the Electricity Act.
* Financially sustainable municipalities being enabled to procure own power generation as off-takers from Independent Power Producers or through public, private partnerships.

Therefore, private power generation by consumers or Independent Power Producers will play a significant role in helping close the demand and supply role as a result of the lower than expected Eskom generation plant Energy Availability Factor.

In summary, a combination of generation for own use, municipal generation and Independent Power Producers can play a significant role in helping close the supply and demand gap due to Eskom plant challenges.

Partnership with Independent Power Producers is in alignment with the National Development Plan goals of job creation, skills development and improving the livelihoods of people. We are optimistic that this will provide the necessary capital investment in the sector and will further contribute to the diversification of both the supply and nature of energy production.

We remain optimistic that the Independent Power Producers, in partnership with Eskom will provide a sustainable and complementary solution to our electricity generation challenges.

As we continue to sharpen our resolve towards the realisation of the National Development Plan, we need to find innovative and affordable funding mechanisms for the participation of black entrepreneurs in the energy space, which will allow the development of black industrialists, as well as ensuring participation of black entrepreneurs in the main stream economy.

It is government’s position that South Africa cannot address inequality, poverty and unemployment without economic empowerment of historically disadvantaged groups such as black people, women, youth and people with disabilities without the support of the private sector. As we move forward, we need to accelerate the participation of youth and women in the energy sector in particular.

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