**2243. Mr G R Davis (DA) to ask the Minister of Energy:**1) What are the reasons for his department's determination to proceed with the procurement of electricity from two coal independent power producer (IPP) projects when renewable IPP projects provide more affordable and cleaner alternatives;

2) Whether his department's determination to proceed with the procurement of electricity from two coal IPP projects is based on the 2010-2030 Integrated Resource Plan for Electricity; if not, on which strategic plan is his department's determination based; if so, why is his department relying on an old and outdated plan for future energy needs;

3) In light of the numerous court cases pending against both projects, by what date does his department expect each of the two coal IPP projects to reach (a) commercial and (b) financial close; and

4) whether his department conducted any cost-benefit studies prior to making its decision to procure electricity from the two coal IPP projects, particularly relating to the impact on poor communities that cannot afford to pay for the expensive electricity procured from the two projects; if not, why not; if so, what are the relevant details of the outcome of the study?

**Reply**1)Government's energy policy, among others, is premised on a balanced energy mix recognizing our country's natural endowment of energy carriers, including coal. Our policy decisions are not informed exclusively by a single consideration, but rather by a variety of key considerations such as affordability, energy efficiency and security of supply, job creation. localisation and commitment to reduce carbon emissions and water usage.

South Africa faces significant rigidity in its economy and therefore any policy-driven transition to a low carbon and climate resilient society must take into account its overriding priority to address poverty and inequality. Government's position therefore should be understood in the context of these and other national circumstances. Thus, in giving effect to a just transition we will pay special attention to workers' jobs and their livelihood.

2) Although the two Coal Independent Power Producers (IPPs) have been procured in terms of a determination based on the 2010 IRP, generation of electricity from a mix of renewable and non-renewable sources, including from coal-fired power stations remains unchanged and thus coalfired power generation and the two Coal IPPs will continue to be relevant. It should be noted that the process of procuring the two coal IPPs was formally initiated in 2014 in accordance with the Integrated Resource Plan promulgated in 2011. The procurement process has been initiated by government at that time and government needs to honor commitments in respect of this procurement process.

3) Environmental approvals secured by the two Coal IPP projects pending the outcome of litigation and a decision on (a) commercial close and {b) financial close will be informed by the state of readiness of the projects.

4) See reply to (1) above. All IPP projects are procured and contracted pursuant to Ministerial Determinations issued by the Minister of Energy, in consultation with the National Energy Regulator of South Africa (NERSA) in terms of Section 34 of the Electricity Regulation Act, No 4 of 2006. Ministerial Determinations are guided by the Integrated Resource Plan (IRP). The development of the Integrated Resource Plan (IRP) is widely consulted and includes, among others, considerations such as carbon emission reduction commitments, cost of new technology uncertainties, water usage, localisation and job creation as well as regional development and integration and security of supply. The multiplicity of considerations and a balanced energy mix of both base load coal fired generation and intermittent renewable power generation allows for blended pricing to address the impact of prices, environmental sustainability and security of supply. It is not a requirement to undertake any additional feasibility studies prior to each Ministerial Determination or each bid window. The Coal IPP Programme was pursued on the grounds of Ministerial Determinations pursuant to section 34 of the Electricity Regulation Act, No. 4 of 2006, that new generation capacity was required and in accordance with the planning framework of the widely consul ted Integrated Resource Plan (IRP).

Furthermore, each IPP participating in the tender process is responsible for undertaking a feasibility study of its own project prior to bid submission to ensure the bankability of the project. At bid submission the IPPs have to comply with various elements within the qualification criteria which can only be complied with if they did undertake feasibility studies