



## EASTERN CAPE PROVINCIAL ENERGY SUMMIT

The Eastern Cape Province suffers the most severe backlogs in terms of electrification. The province ranks second in terms of the highest number of households without electricity, second in terms of schools without electricity and in terms of clinics with electricity. In light of the above one should argue that there is a strong need to respond to these issues aggressively, which is why the province brought together a number of stakeholders to discuss the energy issues in the Eastern Cape.

In building up to the Energy Summit a pre-energy summit workshop was held on 01-02 September 2008 in Port Elizabeth. The theme of the workshop was “Towards an Integrated Energy Strategy for Sustainable Economic Growth and Development in the Eastern Cape”.

The objectives of the workshop were summarised as the following:

- an understanding from all stakeholders of challenges and proposed solutions
- an understanding of which stakeholders are currently engaged in energy activities and projects, what these activities entail, and how the province can enhance this work, add value, and coordinates efforts,
- an understanding of what are the main elements that stakeholders would want to see in an Eastern Cape Energy Strategy
- to use this as a platform to shape the main event based on the issues that appear to matter the most to stakeholders.

The first day of the workshop focused on presentations and discussions, whereas the second day focused on discussions in the way of commissions. The following key thematic areas were lifted out of the discussions:

- Provincial coordination and stakeholder mobilization on energy
- Energy Efficiency and Demand Side Management
- Alternative Energy – options for the Eastern Cape
- Restructuring of the electricity industry
- Economic growth, development, and energy
- Research coordination
- Funding and resource coordination and mobilization

The following institutions or organizations made presentations:

- EDI Holdings
- Eskom
- National African Federated Chamber of Commerce and Industry – Eastern Cape
- EC Department of Agriculture
- Coega Development Corporation
- Buffalo City municipality
- Department of Minerals and Energy (DME)

- Department of Local Government and Housing
- Nelson Mandela Bay Municipality
- Denmark Research Institute
- Department of Economic Development and Environmental Affairs (DEDEA- EC)

The outcomes of the pre-summit workshop were as follows:

- The need for a strategic framework and guide for coordinating provincial interventions on energy matters
- An integrated approach -- energy concerns are cross-sectoral
- A strategy specific to the Eastern Cape province
- Identify immediate, short-term, medium term & long term interventions

Following the above pre-energy summit workshop, the **Eastern Cape Energy Summit** was held in Port Elizabeth on the 29-30<sup>th</sup> of September 2008. As with the pre-energy summit workshop the theme of the summit was “Towards an Integrated Energy Strategy for Sustainable Economic Growth and Development in the Eastern Cape Province”.

The summit was attended by various stakeholders, which include government departments in all three spheres, NGO’s, Private sector, and academic institutions. The approach was similar to that of the pre-energy summit- the first day focused on presentations and discussions whereas the second day focused on thematic areas of discussion. The other invited stakeholders such as the DME, NERSA, DBSA et cetera did not manage to attend the event.

**Honourable MEC Masualle** outlined the objectives and expected outcomes of the energy summit. The expected outcomes of the summit were summarised as follows:

- ❖ A holistic provincial response to the energy crises
- ❖ A common approach in finding solutions to the challenge of sustainable energy provision in the immediate, short, medium and the long term.
- ❖ An approach to energy security, energy efficiency, exploring alternative energy sources including renewable energy.
- ❖ Social mobilization and mainstreaming of energy security across the province
- ❖ Inform the process towards a provincial energy strategy

**Honourable Premier Mbulelo Sogoni** gave a presentation on provincial perspectives on energy. According to honourable Sogoni over the short to medium term until 2012, the province has prioritized demand side management to decrease energy demand by 10%, so as to ensure minimum supply and to increase the reserve margin to the required 15%. The Provincial Government has started undertaking measures to save energy – the province is rolling out initiatives to all government departments. The plan is to reduce energy usage by 10% in all provincial departments as a short term measure/solution.

The government and Eskom are also committed to bringing new generation capacity in the province. In the longer term until 2025 the province/ESKOM is embarking on a massive expansion of coal and nuclear power including three new coal- fired power stations, a number of nuclear power aimed at generating in excess of 20 000MW of nuclear power, and the proposed coal- to- fuel Maphuta Project aimed at producing 80 000 barrels of liquid fuel per day.

The Eastern Cape Government is also exploring alternative energy supply such as wind, solar and hydro- electricity. The province is committed to a minimum of 2% of energy supply from Renewables by 2025. The

provincial government has prioritized the Umzimvubu Project, which is believed to have the potential to generate in excess of 1000MW of Renewable Energy. Mr Sogoni also emphasized that renewable energy is becoming price competitive and he encouraged the private sector to initiate joint ventures with government and its public utilities to drive innovation and development in this sector. The Eastern Cape Provincial Government in its Provincial Growth and Development Plan has prioritized energy supply.

**Mr S. Maclean** on behalf of **Hon. MEC Thoko Xasa** gave a presentation on Local Government Perspective on Energy. Mr Maclean explained that the role of the MEC was to share the Local Government's Response to the National Electricity Emergency. He also emphasized that local government remains a critical player as a sphere of government that is closest to the people. Nelson Mandela Bay Municipality and Buffalo City Municipality are the highest users in the Eastern Cape. These municipalities have developed Supply, Demand and Consumer Awareness programmes.

### ***Nelson Mandela Municipality***

(a) Supply Management programmes entail exploring the following options

- Gas – some work in terms of scoping and analysis is already underway including discussions with PETRO-SA
- Generation landfill gas (5 MW)
- Generation reclamation works (3 MW)
- Wind farm project – currently an Environmental Impact Assessment is being undertaken ( for a 20 MW to 100 MW)

(b) In terms of Demand management, they are looking at

- fast tracking all energy efficiency possibilities including:
  - Top 100 industrial consumers
  - All municipal infrastructure
  - Domestic opportunities
- Solar water heater roll out to 60 000 dwellings – August 2008
- Solar heater project to low cost dwellings 1000 units

(c) On Consumer awareness, is looking at the

- Establishment of a joint energy Centre supported by NMBM, Eskom, Coega and other role players
- There is an extensive media campaign that commenced in July 2008
- Flighting of local power alert on TV for NMBM customers.

### ***Buffalo City Municipality,***

(a) they are dealing with Demand Management by

- Installing load control on all BCM hot water heaters
- Installing load control on all BCM lighting
- Implementing demand side management measures for all municipal buildings
- Possible load control on air conditioning
- The Development Planning division in the BCM will be requested to include energy savings measures in all new developments. Future building plans are to incorporate best practice energy saving methods as per the new requirements in the Amended Electricity Regulation Act, 2006 which covers energy efficiency in public buildings.

(b) In terms of Consumer Awareness, BCM plans to:

- Meet with all consumers to discuss and implement energy saving interventions
- Meet with major consumers to provide information and assistance on implementation of energy savings initiatives
- Conduct awareness campaign via media and road-shows to encourage consumers to adopt energy saving habits and thinking.
- Offer incentives to consumers to reduce electrical consumption

### **Provincial Co-ordination**

Mr Maclean on behalf of the MEC acknowledged that there is much happening around the energy issues amongst all spheres of government and that the post-summit outcomes need to be monitored from a central point and that a coherent provincial response to the aspects relating to supply and demand side opportunities need to be provided.

Linking to the above the Provincial Energy Committee – chaired by Mr Martin from the Office of the Premier- has been initiated to act as a provincial energy coordinating body. The TOR for the PEC has been drafted. Links with other provinces are also underway to look at best practices.

**Mr Nigel Waters from EDI Holdings** presented on the EDI Restructuring for security of Supply. The presentation focused on the Regional Electricity Distribution Industries (RED's). The speaker gave a brief history of the RED's and explained that RED three is the Eastern Cape Province.

EDI Holdings is faced with the following multiply challenges with regards to its primal mandate within the Eastern Cape Province

- ❖ The Current industry structure is highly inefficient owing to fragmentation due to an  
Absence of economies of scale in respect of investing in assets, sharing of facilities, services, people development
- ❖ Inadequate maintenance of networks and an estimated maintenance and refurbishing backlog of ~R25 bn has been accumulated over the past 10 years and supply interruptions cost to the Economy of ~R3 – R8 bn per annum
- ❖ Inequitable treatment of consumers across the country with  
Significant variance in average tariffs by Distributors in the range of 19c/kWh – 71c/kWh (medium sized business), 16c/kWh – 60c/kWh (domestic customers)
- ❖ Inconsistent Electrification Performance  
Access to electricity: ~73 % (National)
- ❖ Slow and Inconsistent Roll-Out of Free Basic Electricity  
Reliability of supply and the ability of the distributors to offer a basic and secure supply to low income households differs markedly across the country and current rollout is less than 40% of targeted community

EDI holdings urged the Province to support the municipalities to participate in the implementation of the Cabinet decision by signing Accession Agreement, Commencing the preparatory work by applying for funding to complete - (a) MSA section 78 - (b) Ring fencing – (c) Due Diligence, and participation in the Regional Engagement Forum. The EDI will also continue to work with all stakeholders to ensure fast-tracking of the restructuring process in order to ensure the realization of the restructuring objectives.

**Kwezi Tiya, Coega Development Co-operation.** Mr. Tiya gave a brief overview of the Coega Development cc. Coega development is situated in the Nqura port near the city of Port Elizabeth it is a world class infrastructure that promises great business development and economic growth within the Eastern Cape Province. There is a growing risk of losing investors due to insufficient and/or lack of energy supply.

There are also opportunities of development as well, and these have been identified as follows:

- Testing a 300 kW wind turbine
- Research into Solar Energy
- Geothermal Energy
- 350 MW Peaking Power Plant
- 2400 MW CCGT Plant
- Crude Oil Refinery

These are all the projects that have either started or are in the planning stage.

## **Commissions**

As can be seen from the above, the first day of the summit focused on presentations. The second day focused on discussions in the form commissions. Four thematic areas of discussion were identified and these were as follows:

- Economic Growth, Development and Energy
- Alternative Energy: Options for the Eastern Cape
- Energy efficiency
- Coordination on energy in the province

### **Economic Growth, Development and Energy**

- The outcomes or the recommendations of this commission were as follows:
- A need for a provincial think-tank on energy and development issues
- Promote non-grid technology
- National government funding should take account of the unique characteristics of the Eastern Cape
- Invest in new electricity generation capacity
- Eastern Cape should position itself for opportunities on carbon credits trading (CDM)
- Explore use of incentives to promote the use of renewables
- A need for a provincial policy on biofuels

### **Alternative Energy: Options for the Eastern Cape**

This commission looked at sectoral analysis of challenges, expected role of government and proposed broad action plans. The commission proposed that there is a need for research and baseline information- and that the co-ordinating committee be established to collate data already researched, identify appropriate technologies from elsewhere and create a central database. A need for political and technical champions to take the process forward was emphasized. A need for a communication and marketing strategy was also recommended.

### **Coordination on energy in the province**

This committee highly recommended that the Provincial Energy Committee should be formalized. This committee will respond to energy issues on a short term basis and the Provincial Department of Economic

Development and Environmental Affairs will deal with long term issues. Mr Martin from the Office of the Premier is/will be chairing in this committee.

For more info contact:

Ms Phumla Ndaba, General Manager: Economic Development

Tel. 040 609 3004, 082 575 4013 e-mail: [Phumla.ndaba@deaet.ecape.gov.za](mailto:Phumla.ndaba@deaet.ecape.gov.za)

Mr Kanyiso Walaza, manager: Research & Development

Tel. 040 609 3004, 079 503 1332 e-mail: [kanyiso.walaza@deaet.ecape.gov.za](mailto:kanyiso.walaza@deaet.ecape.gov.za)