

PRESENTATION TO THE JOINT BUDGET COMMITTEE
on the
2006/7 MEDIUM TERM BUDGET POLICY STATEMENT
31 OCTOBER 2007

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STRATEGIC OVERVIEW

OUR MANDATE

Provision of services for effectual transformation and governance of minerals and energy industries for economic growth and development , thereby improving the quality of life.

OUR VISION

World class minerals and energy sectors through sustainable development

OUR MISSION

To regulate and promote the minerals and energy sectors for the benefit of all

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STRATEGIC OVERVIEW

KEY STRATEGIC OBJECTIVES OF THE DEPARTMENT (REMAINED UNCHANGED)

- *Actively contribute to sustainable development*
- *Redress past imbalances and bridging the gap between the first and second economies*
- *Implement minerals and energy economic policies and legislation*
- *Govern the minerals and energy sectors to be healthier, cleaner and safer*
- *Review and develop appropriate structures, processes, systems and skills as well as the maintenance thereof:*

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KEY POLICY DEVELOPMENT - MINING

Mineral and Petroleum Resources Development Act (MPRDA):

- Reforms in the mining industry
- Fast-tracking the processing of applications while ensuring effective compliance
- Possibility of making amendments to the MPRDA

Diamond Amendment Act and the Precious Metals Act:

- Promote an enabling environment for beneficiation
- Establishment of the Diamond and Precious Metals Regulator – replaces the South African Diamond Board
- Establishment of the State Diamond Trader

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KEY POLICY DEVELOPMENTS - ENERGY

Petroleum Products Amendment Act aims to:

- Promote competition and transformation of the industry
- Provide for the licensing of refiners, wholesalers and retailers of petroleum products
- Empower the Minister to make specific regulations, thereby:
 - Ensuring that governance of the sector is in line with government objectives
 - Ensuring security of energy supply
 - Giving effect to policy issues identified in the White Paper
 - Facilitate the provision of information by industry players to Government
 - Promoting cleaner and safer fuels
- Liquid Fuels Charter made mandatory

Revised Import and Export Guidelines

- permit licensed HDSA wholesalers to import finished products too

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KEY POLICY DEVELOPMENT – ENERGY

Electricity Regulation Act

- Restructuring of the Electricity Distribution Industry
- *Radioactive Waste Management Policy*
- *Nuclear as a source of Energy (beneficiation of uranium)*
- *Investment in research and development capabilities of the nuclear sector – NECSA in particular*

Energy Bill currently under development aims to:

- promote the uptake of renewable energy
- promote energy efficiency
- promote and support environmentally-friendlier technologies
- facilitate energy planning

Strategy on Bio-fuels in the process of being finalised

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SECURITY OF ENERGY SUPPLY

- *New generation capacity (IPPs invited to participate)*
- *Upgrade of aging electricity infrastructure*
- *Bulk Infrastructure for rural areas*
- *Renewable Energy development (inclusive of Biofuels)*
- *Improving energy efficiency*
- *Short, Medium and Long-term petroleum supply options (Fuel Strategic Supply Task Team) [FSSTT]*
- *Strategic Stocks Policy Review – Dec 06*
- *Revised Import and Export Guidelines to, inter alia, permit licensed HDSA wholesalers to import finished products too*
- *Concept development for additional liquid fuels refinery*
- *Restructuring of the Electricity Distribution Industry*

2010 SWC Tournament needs incorporated

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SECURITY OF SUPPLY

INFRASTRUCTURE (electricity)

Access to Electricity increased from 30% in the 90's to about 70% currently

- *Capacity to generate more electricity not adequate*
- *The need to build a peaking power plant*

INFRASTRUCTURE (petroleum)

- *Demand for liquid fuels increased*
 - *New multi product pipeline and additional storage facilities*
 - *New refinery*
 - *LPG import terminal*
 - *Additional handling facilities at ports*

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ELECTRIFICATION

ACCELERATION OF HOUSEHOLD, SCHOOLS AND CLINICS CONNECTION/ BULK INFRASTRUCTURE (SUBSTATIONS AND LINES) AND REFURBISHMENT AND REHABILITATION

- Approximately 4.7 million households have been connected to the national grid since inception of the programme
- There are approximately 3.4 million households in South Africa without access to electricity
- Grant grows at 23.2% over the MTEF and amounts to 5.6 billion
- National target of reaching universal access by 2012
- infrastructure created long before the electrification programme commenced
- majority of the electrical infrastructure refurbishment is in municipal areas where no adequate investment was made for maintenance
- continuous blackouts and brownouts that have been experience countrywide

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INFRASTRUCTURE

ELECTRIFICATION (CONTINUED)

- *Increased household connections to 415 000 per annum*
- *Increased schools connections to 2500 per annum*
- *Increased clinics connections to 100 per annum*
- *5 new substations build per annum*
- *Reduction in the number of blackout*

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PUBLIC ENTITIES: NECSA

- *Government Policy of increasing investment in Nuclear as a source of energy*
- *Establishment of a Research and Development Capability for Uranium Conversion and Enrichment*
- *Establishment of a R & D Capability to address South Africa's Future Nuclear Fuel Development*
- *Security breaches experienced by NECSA*
- *The need to address the growing Post Retirement Medical Aid Liability*
- *VAT allocation*

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Key deliverables and outcomes for 2005/06

- 16% Reduction in the number of fatalities in the mines
- Approximately 40 % of applications accepted have HDSA of 25%+
- Minerals & Energy Bill - Promulgated Aug 2005
- Diamond Amendment Act and Diamond Second Amendment Act, Promulgated , February 2006
- Precious Metals Act, Promulgated , April 2006
- Database for derelict and ownerless mines and ranking system 90% complete.
- Introduction of cleaner vehicular fuels
- SA Supplier Development Agency launched
- 151 297 households, 498 schools and 28 clinics were electrified during 2005/6
- Nuclear disaster management plan completed and approved
- Radio waste Policy approved by Cabinet Nov 2005

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EXPENDITURE TRENDS

2005/06 PERFORMANCE REVIEW

	Adjusted Appropriation	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	R'000	%
Hydrocarbons and Energy Planning					
Current payment	34301	32267	31222	1045	96.76%
Transfers and subsidies	39	4643	140	4503	3.02%
Payment for capital assets	0	0	0	0	0.00%
Electricity and Nuclear					
Current payment	76741	76363	66178	10185	86.66%
Transfers and subsidies	5043	5131	5130	1	99.98%
Payment for capital assets	0	0	0	0	0.00%
Associated Services					
Current payment	0	0	0	0	0.00%
Transfers and subsidies	1728037	1728037	1690830	37207	97.85%
Payment for capital assets	0	0	0	0	0.00%
Total	2252371	2252371	2172407	79964	96.45%

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Reasons for Under-spending

- Challenges with some Municipalities
- Challenges with service providers on Non- grid
- Increased staff turnover
- Challenges with issuing of renewable energy subsidies

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Adjustments Estimates 2006

	Main Appropriation	Rollover s	Virement	Other adjustm ents	Total additi onal appro priati on	Expenditure as % of final appropriati on
	R'000	R'000	R'000		R'000	%
Administration	151 106	-	-	-	-	151 106
Promotion of Mine Safety and Health	117 210	-	-	-	-	117 210
Mineral regulation	160 044	-	(20 100)	-	(20 100)	139 944
Mineral policy and promotion	51 359	-	20 100	-	20 100	71 459
Hydrocarbons and Energy planning	37 475	5 814	-	-	5 814	43 289
Electricity and Nuclear	55 090	5 715	-	-	5 715	60 805
Associated services	1 975 988	-	-	75 299	75 299	2 051 287
Total	2 548 272	11 529	-	75 299	86 628	2 635 100

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Adjustments and preliminary expenditure

• **Rollovers**

- Projects not yet completed and invoices not yet paid at year end
- Subsidy to renewable energy generators
- Power purchase agreement

• **Virements**

- Arouse as a result of shifting of functions between programmes
- Mine environmental research and sustainable development

• **Preliminary expenditure 2006/7 (April-September)**

- Expenditure for the first six months was R1,1 billion, or 40.5% Of the adjusted appropriation of R2,6 billion
- Under spending arise from delays in transfers and subsidies

• **Other adjustments**

- R75 299million is an adjustment for VAT

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EXPENDITURE TRENDS

MEDIUM TERM EXPENDITURE ESTIMATES – 2006 ENE

	2006/07 Adjusted	2007/08	2008/09
Programme	R'000	R'000	R'000
Administration	151 106	161 776	170 568
Promotion of Mine Safety and Health	117 210	124 786	132 626
Mineral Regulation	139 944	169 924	180 610
Mineral Policy and Promotion	71 459	54 511	57 142
Hydrocarbons and Energy Planning	43 289	39 333	46 362
Electricity and Nuclear	60 805	57 824	60 716
Associated Services	2 051 287	2 108 759	2 306 288
Total	2 635 100	2 716 913	2 954 312

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PLANNED OUTPUT FOR THE MTEF PERIOD

- Further reduction in mine injuries and fatalities
- All application received processed within regulated time
- At least 25% of new rights granted to HDSA
- Creation of the state Diamond Trader and the Diamond and Precious Metals Regulator
- Increased focus on enforcement and compliance with legislation
- Strategy on beneficiation developed and implemented
- 10 leCs established
- 100% licensing of operators i.t.o PPAALS
- 415 000 households connected to electricity
- 1000 schools and clinics connected to electricity
- 5 bulk stations completed
- Finalise draft bill on National Radio Waste Management Agency
- Network projects completed

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PLANNED OUTPUT FOR THE MTEF PERIOD

- A need to address issues of security and quality of supply of oil and electricity,
- Accessibility, Reliability and Affordability through the restructuring of the Industry
- Universal access
- Diversity of Energy sources such as renewable energy, natural gas, Safer Energy, LP Gas; Bio fuels and cleaner fuels
- Oversight to our state owned entities
- Review systems and internal business processes
- Focus on research and development especially on mapping the country and introducing new technologies

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Conclusion

The success of our plans will be measured in terms of how far they have addressed the needs of the people. This involves making critical choices in the things that we can and cannot do. I believe these are indeed the priorities of government.

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