

MEDIA STATEMENT

115/2021

MINERALS COUNCIL SOUTH AFRICA SUPPORTS THE ESKOM LEADERSHIP TEAM, AND CALLS ON THE GOVERNMENT TO URGENTLY INTERVENE IN THE POWER CRISIS

Johannesburg, 10 November 2021. The Minerals Council South Africa backs the Eskom leadership team in their efforts to stabilise and restore the country's electricity supply after the significant stage four load shedding experienced in the past two weeks.

The Minerals Council urges government to focus on shortening the bureaucratic processes that are currently hindering Eskom's ability to procure urgently required spares for power stations and infrastructure. At the same time the Council urges government to consider emergency tax incentives and other smart-tape measures to encourage private-sector investment in energy generation to build on the recent DMRE announcement of the raising of the license free cap to 100MW.

The Minerals Council is gravely concerned about the deepening crisis around electricity supply, which not only negatively affects the mining industry but the entire economy at a time when energy security is critical to attract investment, for economic growth and job creation to stabilise government debt and reduce the fiscal deficit.

The mining industry has been a standout performer despite the disruptions from the Covid-19 pandemic since the start of 2020, Eskom's expensive and unreliable power supply have capped this benefit, while constraints within Transnet on the rail and harbour logistics are curtailing exports of bulk commodities and have resulted in an opportunity cost of about R30bn so far this year.

The sector sustained and grew employment in the 2020/21 financial year, trebled corporate taxes and doubled royal payments, underpinning government revenues in a tough economic and social time for South Africa.

State-owned companies have repeatedly stressed their difficulties in securing spares, infrastructural items, and contracts under the Public Finance Management Act (PFMA), which makes the process unwieldy, time consuming and too difficult if not impossible.

The Minerals Council joins these entities in calling for the government to streamline the procurement processes for critically required spares and other inputs to help restore electricity supply to required levels for the economy and society.

Calls for Eskom CEO Andre de Ruyter to step down are unhelpful and their departure will only serve to exacerbate the crisis within Eskom at a time when the highest level of leadership is needed to manage the aging fleet of power plants, bring the new Medupi and Kusile stations to steady state, and to improve sustainable electricity generation.

“It would be a complete disaster for Eskom. They cannot have changes in the leadership team now. Their CEO Mr de Ruyter and their leadership team are doing the right things. They need time to fix the assets and they need shortened, efficient and sensible procurement processes,” says Minerals Council CEO Roger Baxter.

In addition to the accelerated processes for procuring critical spares for Eskom, the Minerals Council urges government to implement urgent measures to add additional electricity generation capacity to the network as soon as possible, including facilitating much greater private sector investment in generation, he says.

These measures should be designed to encourage significant private sector investment in supplemental generation, such as embedded generation. The measures that could be employed to achieve this includes the provision of emergency tax incentives (such as a s37E income tax write off equivalent), shortening environmental authorisation and Eskom related grid-tie connection processes, providing a clearer framework of wheeling on the national grid, and ensuring a shortened smart tape process. The DMRE’s raising of the license free cap to 100 MW for new projects has been a great help and will add to shorter regulatory processes and ensure faster investment.

“This would encourage investments in these projects and get an immediate response from the private sector to invest and provide supplemental supply in the short to long-term. This would significantly supplement the existing bid window processes managed by the DMRE,” Baxter says.

Minerals Council members currently have 1.6GW of renewable energy projects that they want to progress valued at about R30 billion. This would escalate in a smart-tape regulatory environment and with additional incentives.

The urgency of securing private electricity generation is self-evident because Eskom alone cannot supply the energy the economy needs.

ENDS

For further queries:

Allan Seccombe

Tel: 064 650 4636

Email: aseccombe@mineralscouncil.org.za

Web: www.mineralscouncil.org.za