MINERAL RESOURCES AND ENERGY
REPUBLIC OF SOUTH AFRICA

SPEECH BY THE HONOURABLE

MINISTER OF MINERAL AND PETROLEUM RESOURCES

MR GWEDE MANTASHE (MP)

BUDGET VOTE 34

DEPARTMENT OF MINERAL RESOURCES AND ENERGY

11 July 2024

Speaker of the National Assembly, Ms Thoko Didiza

Deputy Minister of Mineral and Petroleum Resources, Ms Judith Nemadzinga-Tshabalala

Honourable Members

Today, we table ***Budget Vote 34*** of the Department of Mineral Resources and Energy (DMRE) when the Department is being reconfigured into two Departments namely: Mineral and Petroleum Resources, and Electricity and Energy.

Our experience in the past five years has pointed us to the fact that the ***petroleum sector*** has been a second fiddle to other forms of energy, in particular the fascination with renewable resources. Thus, the formation of the ***Ministry of Mineral and Petroleum Resources*** ends the neglect of the petroleum sector and mandates us to meaningfully ***promote and advance the sector*** for South Africa to meaningfully benefit from its petroleum endowment. This is a mandate that we fully accept and commit to realising with the help of this august house.

We deliver this budget ***under difficult conditions*** where the economy has been ***confronted with several headwinds***, including, but not limited to, geopolitical factors, infrastructure inefficiencies and structural integrity, particularly in rail, ports and electricity supply. This was also compounded by depressed commodity prices for more than one quarter. Despite this fact, and due to the bullish market of some commodities such as gold, we have seen an improvement in the performance of mining with a 2,4% contribution of mining to the GDP in quarter four of 2023 compared to -3.2% in quarter four of 2022.

Effectively, in rand terms, 2023 saw the ***mining sector*** contributing 444.2 billion rands to the ***country's Gross Domestic Product (GDP),*** amounting to 6% of the total GDP. In the same period, the mining industry's export earnings totalled 654 billion rands. Whilst the mining sector employs 489 000 mineworkers, we have noted with concern the recent retrenchments specifically in the platinum sector. In response to these job losses, we have pulled our social partners together and are in discussions to craft an approach to minimise them. Over and above this, we are making significant progress at NECOM and NLCC where we have formed partnerships with industry players to improve the state of infrastructure to support mining.

Honourable Chairperson, the thirty year mark since the promulgation of the ***Mineral and Petroleum Resources Development Act (MPRDA)*** provided us a half time moment to reflect on its performance over its tenure thus far. In this reflection, it became evident that it has largely delivered on its intended goals but has not been without challenges and shortcomings. To this end, the Department is currently drafting amendments to the MPRDA aimed at ensuring that areas that have been identified as weak and those that have been challenged legally are strengthened against international best practice. The amendments will also review the licensing regime to reduce red tape and improve the business environment for investors while keeping in sync with South Africa's social and economic fabric.

These amendments are a continuation of the regulatory and policy adjustments we initiated during the sixth administration where we reviewed the following:

- Mine Health and Safety Act (MHSA) which we will submit to cabinet for approval in September this year and thereafter table in Parliament
- Drafted and submitted the first ever ***Upstream Petroleum Resources Development (UPRD)*** Bill to Parliament which has been adopted by both houses of Parliament and ready for Presidential assent.
- The ***Petroleum Products Amendment Bill (PPAB)*** which is ready for submission to Cabinet to obtain approval to publish for stakeholder comments.
- Drafted the ***South African National Petroleum Company (SANPC) Bill*** *which is aimed at creating a state-owned national champion for active participation in oil and gas projects*. This Bill is also ready to be submitted to cabinet for onward transmission to Parliament. In preparation for the implementation of this law, the SANPC has been registered in terms of the Companies Act with an interim CEO appointed to get governance arrangements going.
- The ***Electricity Regulation Amendment Bill***, intended to introduce electricity market reforms, and the ***National Nuclear Regulator Amendment Bill*** aimed

at strengthening the nuclear regulatory framework, were passed by Parliament and are being considered by the President for assent into law.

- ***Amended Schedule 2 of the Electricity Regulations Act (ERA)*** to enable the development of generation capacity by the private sector without a need for a license. Since the inception of the registration regime, the National Energy Regulator of SA (NERSA) has registered 1 406 generation facilities with a combined capacity of 6 977 MW.

- The ***Gas Amendment Bill*** for which we have just concluded stakeholder consultations and we will be taking it through NEDLAC consultations in August this year, after which it will be submitted to cabinet for onward transmission to Parliament.

- Understanding the gravity of the impact of illegal mining to the economy, in the previous financial year we drafted the ***General Laws Amendment Bill*** which seeks to synchronise the provisions contained in the MPRDA, Diamonds Act, and those in the Criminal Procedure Act. These amendments define illegal mining as a criminal act thus empowering police to enter and arrest illegal miners for their criminal deeds. This Bill is ready for submission to cabinet to allow the minister to table in Parliament.

Chairperson and honourable members, in our quest to strive for evidence-based policy making, we are currently drafting a report on ***"The State of Mining",*** this report will consider several factors such as the contribution of mining to the GDP, performance & trends (Production, Explorations, Exports, Sales and Prices) as well as Challenges and interventions. At the conclusion of this work, we will have pointed answers on how to address challenges facing the sector. We are undertaking this work in parallel with the development of the ***"Critical Minerals Strategy"*** which will be the country's blueprint policy for the exploitation and processing of these minerals, we will be launching this strategy in October this year.

Given South Africa's endowment with considerable mineral reserves of strategic significance to the global economies, we are convinced that increased ***exploration*** will enable the country to meaningfully benefit from its global advantage. To enable this, the department guided by the country's exploration strategy, has in partnership with the Industrial Development Corporation (IDC) established an **exploration fund** to support emerging and junior miners.

To activate the fund, the ***first funding call*** focusing on copper, nickel, lithium, rare earth elements, and graphite was issued on the 3rd of June this year. As of today, 11 July, we have received a total of 15 applications. We therefore call for more prospective applicants to apply as we approach the closure of this funding window tomorrow, the 12th of July 2024. We intend to intensify our engagements with several fund managers and the investor community to secure additional financing to sustain the fund into the future.

In addition, the department has ***allocated R72 million to fund artisanal and small-scale miners***, including women and youth-owned companies. Twenty One (21) of these companies that responded to the funding call, have successfully completed a rigorous due diligence process. Following the conclusion of contracting agreements between IDC and the beneficiaries, funds towards their projects will be disbursed no later than September this year.

Recognising the importance of an efficient and transparent ***mining licensing system*** for regulatory certainty and sustainability of the mining industry, we announced in February this year, the appointment of the PMG Consortium as the successful bidder for the design, implementation, and maintenance of a mining licensing system. To this end, a service level agreement with them has been concluded and the systematic implementation of the project has begun with an intention to complete the migration to the new system by June 2025.

Social and Labour Plans (SLPs) have proven to be an effective instrument through which host and labour sending communities have received tangible benefits through infrastructure projects such as schools, clinics, bridges, and water supply systems. To this end, during the sixth administration, the industry implemented and completed 534 SLP projects in various provinces totaling more than R2.5 billion, as part of the social license to operate. Some of these projects include the Majakaneng Primary and Leokeng Secondary Schools in North West, JS Skenjana Secondary School and Mpindweni Clinic in the Eastern Cape, Rockdale Clinic in Mpumalanga, and the

Modderfontein and Arnoldistad sub-stations in North West. We urge members of this committee to join us in future when we launch more of these projects.

Honourable members, ***health and safety*** of mine workers remain at the centre of the work we do. Owing to our strategic partnership with our social partners we have improved our performance towards the zero harm goal. This is demonstrable in the decline in mine fatalities, injuries, and occupational diseases, as evidenced by the 49 fatalities being the lowest on record in 2022. Although we had set sights on beating this record in 2023, the regrettable disaster at the Impala Rustenburg that killed 13 mineworkers and many other fatal incidences contributed to the regression resulting in 53 fatalities reported in 2023. We have also noted with great concern the emerging trend of fatalities related to motor accidents and disasters involving illegal miners. To this end, the department has entered into an agreement with the industry on the development of minimum standards and guidelines to mitigate against road fatalities, while intensifying the fight against illegal mining.

House chairperson, at the beginning of the sixth administration, we had ***state-owned entities*** with limping governance structures where, in most of them, there were no boards and no CEOs. Owing to this, most of them had disclaimers and qualified audit outcomes. Following our intentional approach to ensure good governance and thereby appointing competent boards, we have seen, at least eight of our eleven SOEs obtaining either a clean or unqualified audit outcome in the 2022/23 financial year. The two in the red are NECSA with a qualified audit outcome even though they have improved from a disclaimer in the prior year, AEMFC which obtained a disclaimer, thus affecting the overall CEF group to a qualified audit outcome.

Chairperson and honourable members, in the ***2024/25 financial year***, the department has been allocated at least ***R8.84 billion,*** of which ***R6.4 billion*** is earmarked for ***transfers to public entities, municipalities, and other institutions or implementing agents***. This low allocation talks to our view that the state does not invest in productive sectors but emphasise social spending which is not sustainable without sufficiently spending in productive sectors that generate resources.

As part of governments' concerted efforts aimed at achieving universal access to electricity, the department has through the ***Integrated National Electrification Programme (INEP)*** connected *eight hundred and thirty-seven thousand, one hundred and eighty-nine* ***(837 189)*** households to the ***national grid*** during the sixth administration. A further seven thousand, seven hundred and eighty ***(7 780)*** households were connected through ***non grid technology*** (Solar Home Systems). Mindful of the importance of access to electricity to address energy poverty, we have resolved to disburse ***R3.94 billion*** of our budget allocation to INEP as follows: ***R2.2 billion for the INEP Eskom*** grant and ***R1.8 billion for the INEP Municipal*** grant.

We have further ***reprioritised R181.9 million from the INEP to fund*** the government's programme of ***rehabilitating derelict and ownerless mines***, therefore bringing the total allocation to R310.82 million in the 2024/25 financial year.

Coupled with our efforts to attain goal seven of the United Nations' Sustainable Development Goals (SDGs), the department has since the gazetting of the ***Integrated Resource Plan (IRP) in 2019***, procured *six thousand and ninety-four* megawatts (6 094 MW) from a ***diversified energy mix to meet the country's growing electricity demand*** while reducing carbon emissions from high carbon emissions to low carbon emissions. Of this capacity:

- 150 MW procured under ***RMIPPPP*** have been connected to the national grid, while 278 MW are currently under construction and are expected to be connected to the grid by June 2025. Four gas projects and one hybrid project, with a combined capacity of 1 570 MW, failed to achieve commercial and financial closure due to failure to obtain environmental authorisations, secure port access, and conclude financial close requirements by the due date set in the Project Agreements.
- Of the 2 583 MW procured under ***Bid Window 5 of the REIPPPP***, 1 159 MW are under construction and expected to start connecting to the grid by September this year. The remainder of 1 424 MW failed to achieve commercial close due to price increase on the components driven largely by supply chain interruptions during the COVID-19 pandemic and geopolitics.

- Of the 4 200 MW that were released to the market under ***BW 6 of the REIPPPP***, 3 200 MW of wind technology could not be appointed due to limited grid capacity. Consequently, 1 000 MW of solar PV was procured. Despite this hurdle, at least two projects with a combined capacity of 360 MW are under construction, while other projects with a total capacity of 640 MW are waiting for Eskom to issue them budget quotes.
- Project developers of projects procured under ***Bid Window 1 of Battery Storage*** with a total capacity of ***513 MW*** are awaiting their budget quotes from Eskom.

In addition to this capacity, a further 8 231 MW of new generation is currently being procured with requests for proposals having been issued in the following areas:

- 5000 MW ***of the REIPPPP*** under *Bid Windows 7*
- 2000 MW of ***Gas-to-Power*** under *Bid Window 1*
- 1 231 MW of ***battery energy storage*** under *Bid Window 2 and 3*

Government is on course with the procurement of two thousand, five hundred megawatts (2500 MW) of ***Nuclear New Build Programme*** to be implemented at a pace and scale that the country can afford. Having completed the procurement framework study, the department is currently engaged in extensive consultations with various key stakeholders, including Eskom and National Treasury, on the **optimal ownership models** for the implementation of the programme. Once consensus is reached with these stakeholders, Cabinet will be approached for approval with an intention to issue the Request for Proposals (RFP) soon thereafter.

One of our interventions towards resolving electricity supply shortages is the ***review of the IRP 2019,*** of which a draft was released for public comments in January this year. Having considered all inputs and comments received from the public participation process, the department is currently remodelling based on additional data received from stakeholders with the intention of submitting the final IRP to cabinet for approval in October this year.

The ***National Development Plan (NDP) envisions*** a South Africa with an adequate supply of liquid fuels by 2030. To realise this vision and in response to the premature closures of oil refineries, the department has through the Central Energy Fund (CEF) concluded a transaction on the sale of assets located at the ***SAPREF Precinct***. Additionally, the Strategic Fuel Fund, a subsidiary of CEF, has acquired the majority stake in a Liquified Petroleum Gas (LPG) company as well as the storage terminal that was previously owned by BP in Cape Town to store and supply diesel.

While we appreciate the return to full operation of the Cape Town refinery, we are also mindful of the need for ***investments in new refining capacity***, particularly in light of the recent oil and gas discoveries both in the South African and Namibian waters.

Cognisant of the Supreme Court of Appeal decision to afford applicants an opportunity to cure identified defects in application processes, we must work together to find lasting solutions to the litigation by foreign-funded Non-Governmental Organisations (NGOs) aimed at halting seismic data acquisitions which are highly non-invasive with minimal impact on marine life. The recent successful 3D seismic data acquisition in April this year on the west coast by Searcher has proven that these operations can be done successfully without any harm to the environment.

As members would be aware, Shell officially announced its exit from its downstream business in South Africa as part of its long-term strategy which has seen the company exiting jurisdictions such as Australia, New Zealand, and most African countries in 2011. It is, therefore, disingenuous to assume that the exit was prompted by policy uncertainty. Despite this development, South Africa’s petroleum industry has a great potential for growth facilitated by government’s commitment to promote an efficient manufacturing, wholesaling, and retailing of petroleum products.

Honourable Speaker, allow me to take this opportunity to thank the President and my party for entrusting me with this responsibility.

I also wish to thank the former Deputy Minister, Dr Nobuhle Nkabane for her role in the execution of our mandate as the Department. On the same note, allow me to congratulate the newly appointed Deputy Minister of Mineral and Petroleum Resources, Ms Judith Nemadzinga-Tshabalala. Having engaged with her, I am convinced that together we will respond effectively to the needs of the mining and petroleum sectors.

I also wish to thank Team DMRE led by the Director General, Mr Jacob Mbele, and express our gratitude to the erstwhile members of the Portfolio Committee on Mineral Resources and Energy for their unwavering support and guidance over the last term. Similarly, I wish to extend our appreciation to our social partners for their contribution and support over the years and wish to commit to continue working with them to realise our transformation agenda.

Lastly, allow me to thank my wife, Mrs Nolwandle Mantashe, my family, and the support staff in the Ministry's private office for their untiring support throughout the years.

Honourable speaker, I present to this august house, the Budget Vote 34 for further deliberations and adoption.

I thank you