



*Monday, 28 September 2020*

Dear Fellow South African,

Every South African knows how important electricity is in our lives. When it is available no one thinks about it. But when we have load shedding everything just goes wrong in our lives at home, in our work environment and practically in every facet of our lives.

As we know only too well our energy security is precarious and load-shedding imposes very high costs on our economy. Our fleet of coal-fired power stations is ageing, vulnerable to breakdowns and incurs significant maintenance costs.

Reliable, secure and affordable energy supply is the lifeblood of any economy. To limit the impact of climate change, it is equally important that energy is sustainable and environmentally-sound.

We have one of the most energy-intensive economies in the world. While our energy sources have become more diverse than before with the increasing inclusion of renewable energy sources, we remain heavily dependent on fossil fuels, mainly coal. We are also a water-stressed country and coal power generation consumes vast quantities of water.

A government we have decided that to grow our economy and attract investment, secure and sustainable energy supply is paramount.

It is therefore vital that we significantly, and speedily, increase our electricity generation capacity.

Following the commitments we made in the State of the Nation Address in February, government has now gazetted ministerial determinations that will enable the development of more than 11,800 megawatts (MW) of additional power generation. To give a sense of the scale of this development, South Africa currently has in the region of over 30,000 MW of electricity available on the national grid each day.

This signals government's clear intention to move ahead with one of the key reforms that is needed to unlock the growth of our economy and attract much-needed investment.

This new energy will be procured from diverse sources, including solar, wind, gas, coal and storage. While meeting our energy needs well into the future, this new capacity will also help us meet our international obligations to reduce carbon emissions.

This electricity will be procured through a transparent tendering process that prioritises competitiveness and cost-effectiveness.

Most importantly at a time when energy supply is severely constrained, new generation projects that can be connected to the grid as soon as possible will be prioritised. The next step, which will be following soon, is to initiate various procurement bidding windows including opening Bid Window 5 of the renewable energy independent power producer programme. This is in addition to the 2,000 MW of emergency power that is being urgently sought through the Risk Mitigation Procurement Programme to meet the country's current energy shortfall.

In an effort to facilitate electricity self-generation and as part of the reform process, we have removed the licensing requirement for self-generation projects under 1 MW. So far 156 self-generation facilities under 1 MW have been registered, with a total installed capacity of 72 MW.

For facilities that can generate above 1 megawatt, the National Energy Regulator of South Africa is improving its licensing processes to improve turnaround time. So far, five such facilities, with total installed capacity of 25 megawatts, have been licenced. Further work is being undertaken to reform the regulatory environment to ensure that we make fuller use of the great potential in this country for self-generation among commercial and industrial users.

As part of our regulatory reforms, draft amendments to regulations that would enable municipalities in good standing to procure their own power from independent power producers will soon be gazetted.

Stabilising our state owned enterprises is an important part of the reform process. In this regard, we are working to restore Eskom's operational capabilities and restructure Eskom to fundamentally change the way in which we generate and transmit electricity in our country. Our vision is to lead South Africa through a just transition which ensures that as many people as possible benefit from the investment, growth and job-creation that we can achieve through expanding our electricity generation capacity.

We are making progress in overcoming the challenges that Eskom has been facing over a number of years. As part of the necessary restructuring process, separate governance structures in the form of boards have been appointed for the power utility's generation, transmission and distribution divisions, as we announced at the State of the Nation Address. Improvements are continuing in municipal debt collection. Despite recent challenges we have faced with load shedding, maintenance work is continuing at power stations.

The concerns that have been raised about energy policy uncertainty are being addressed on an ongoing basis through the reform process that is at the centre of our national economic recovery effort.

The progress we are making in the area of energy policy reform isn't just critical to fixing the

current power supply crisis. It will begin to reduce the impact of electricity interruptions on businesses. It will create investment possibilities – and upstream and downstream industrialisation opportunities – as we build new generation capacity and expand the electricity grid in the years ahead.

That is why addressing and overcoming the financial, structural, managerial and operational challenges at Eskom has had to take place alongside fundamental structural reforms to assure the future of our energy supply.

The crucial first step in this reform process was the release of the Integrated Resource Plan last year. The IRP updates the national energy forecast and provides a roadmap for our energy sector for the next decade.

It clearly outlines our energy mix, sets out key policy supply and demand decisions to support electricity infrastructure development, and paves the way for investment in low-carbon, climate change resilient energy sources and technologies.

The latest developments I have highlighted in this letter represent a huge, fundamental step forward in the implementation of our ambitious energy plan.

The procurement of power from independent producers will significantly increase investment in the sector, particularly in renewables and gas. This will attract greater investment in energy and create much needed jobs, and spur business development and localisation.

As we begin the long and difficult recovery from the coronavirus pandemic, we can draw encouragement, confidence and hope from the measures we are taking now to address our immediate electricity challenges and secure our energy supply well into the future.

These and other economic reforms that will be undertaken in the months ahead will without any doubt establish a firm and enduring foundation for the return to growth and job creation that South Africa sorely needs.

Best regards,

A handwritten signature in black ink, reading "Cyril Ramaphosa". The signature is written in a cursive, flowing style.