

MINUTES OF THE BUSA ENERGY SUB-COMMITTEE MEETING HELD ON 8 OCTOBER 2019, 10:00 – 12:00 AT BUSA OFFICES

ATTENDANCE

| SURNAME & NAME | ORGANISATION | ATTENDANCE |
|----------------------|----------------|------------|
| Bangure, Kudzanayi | NEPAD | Attended |
| Booyesen, Walter | DELOITTE | Attended |
| Carnegie, Chris | NEPAD | Attended |
| Collins, Dave | MAC CONSULTING | Attended |
| De Lange, Martin | NAACAM | Attended |
| Dykes, Dennis | BASA | Attended |
| Hamman, Christoff | ROTHCHILD | Attended |
| Kingston, Martin | ROTHSCHILD | Attended |
| Long, Dave | SAIPPA | Attended |
| Mahanyele, Vuvu | AMCHAM | Attended |
| Molony, Jane | PAMSA | Attended |
| Morris, Jarredine | BUSA | Attended |
| Purchase, John | AGBIZ | Attended |
| Seane, Masego | SASOL | Attended |
| Seperepere, Lebogang | TRANSNET | Attended |
| Serrao, Olivier | BUSA | Attended |
| Sithole, Jabulani | TRANSNET | Attended |
| Teffo, Christian | MCSA | Attended |
| Tshuma, Wilfred | SACCI | Attended |
| Van Staden, Piet | EIUG | Attended |
| Venter, Pierre | BASA | Attended |
| Wait, Requier | AGRISA | Attended |
| Yawitch, Joanne | NBI | Attended |

APOLOGIES

| SURNAME & NAME | ORGANISATION | APOLOGY |
|---------------------|--------------|---------|
| Ade, Michael | SEIFSA | Apology |
| Baart, Kevin | SAPIA | Apology |
| Bangerezako, Portia | SANLAM | Apology |
| Bengu, Dumisani | FASA | Apology |
| Bold, Gerhard | DELOITTE | Apology |
| Bomela, Dumisani | HASA | Apology |
| Chibanguze, Taffi | MCSA | Apology |
| Corcoran, Marc | SAVRALA | Apology |
| Crawford, June | BARSA | Apology |
| Derby, Portia | NAACAM | Apology |
| De Klerk, Mark | HYPROP | Apology |
| Douglas, Giles | ROTHSCHILD | Apology |
| Ganto, Mlu | CAIA | Apology |
| Grant, David | SABMILLER | Apology |
| Human, Jaco | IGUG-SA | Apology |
| Hiestermann, Rudi | SASOL | Apology |
| Kruger, Marique | SEIFSA | Apology |
| Langenhoven, Henk | MCSA | Apology |
| Lawrence, Michael | MCRFSA | Apology |

REGISTRATION NUMBER: 2014/042417/08

PRESIDENT: Siphon M Pityana **VICE PRESIDENT:** Martin Kingston **NEDLAC CONVENOR:** Kaizer Moyane

DIRECTORS: Busi Mavuso, Cas Coovadia, Christopher Campbell, Deidre Penfold, Gwarega Mangozhe, Joe Mwase, Maurice Radebe, Roger Baxter, Stavros Nicolaou, Vusi Khumalo

| SURNAME & NAME | ORGANISATION | APOLOGY |
|-------------------------|--------------|---------|
| Levington, Mike | SAREC | Apology |
| Leyden, Siobhan | RA | Apology |
| Macleod, Steve | SAEFA | Apology |
| Magafeda, Siganeke | SAPIA | Apology |
| Makhetha, Tebele | BLSA | Apology |
| Maneschijn, Raynard | DELOITTE | Apology |
| Manga, Nobuzwe | SATMC | Apology |
| Maphumulo, Sam | SASA | Apology |
| Marais, Gerhard | RFA | Apology |
| Manzi, Muzi | AFSA | Apology |
| Mitchelson, Marcel | SASOL | Apology |
| Moola, Mumtaz | SAPOA | Apology |
| Moothilal, Renai | NAACAM | Apology |
| Mosiah, Lerato | HFA | Apology |
| Mpofu, Portia | SASA | Apology |
| Mthombeni, Tsakani | EIUG | Apology |
| Nafte, Desiree | SAPOA | Apology |
| Naaidoo, Shamini | RFA | Apology |
| Netshifhefhe, Constance | PPC Ltd | Apology |
| Nicolaou, Stavros | ASPEN | Apology |
| Nijikelana, Sisa | SAIIA | Apology |
| Nkosi, Brenda | SASOL | Apology |
| Ntseoane, Sandile | SAVRALA | Apology |
| Ntuli, Ndiphiwe | BARSA | Apology |
| Nyatsumba, Kaiser | SEIFSA | Apology |
| Ojo, Olatunde | BCC | Apology |
| Penfold, Deidre | CAIA | Apology |
| Pierini, Claudio | BCC | Apology |
| Pretorius, Herman | EIUG | Apology |
| Pretorius, Rudolf | SASOL | Apology |
| Radebe, Maurice | SASOL | Apology |
| Rohrs, Sue | PAMSA | Apology |
| Roytowski, Talph | AMSA | Apology |
| Saayman, Gerhard | SASOL | Apology |
| Schoeman, Jan | RMI | Apology |
| Seaka, Steve | ABSA CAPITAL | Apology |
| Shaw, Tom | IGUG-SA | Apology |
| Shunmugam, Raj | CLENCAROL | Apology |
| Sibanda, Tyson | BUSA | Apology |
| Swart, Izak | DELOITTE | Apology |
| Theron, Paul | AMSA | Apology |
| Umanah, Tebogo | TBCSA | Apology |
| Valasis, Vera | FASA | Apology |
| Vallabhjee, Bhavtik | ABSA CAPITAL | Apology |
| Williams, Ross | SAEFA | Apology |
| De Wet, Liesl | RFA | Apology |



MINUTES

Key: Table = decision for follow-up:



1. OPENING AND WELCOME

Martin Kingston in the Chair opened the meeting and welcomed those present.

2. SAFETY BRIEFING

Martin Kingston gave the safety briefing.

3. ATTENDANCE AND APOLOGIES

Attendance and apologies are captured above.

4. DECLARATION OF INTEREST

There were no declarations of interest recorded on the attendance register.

5. ADOPTION OF THE AGENDA

The agenda was adopted with the following amendments:

Addition of "Eskom".

The agenda was rearranged for the presentations from Transnet and Nepad to happen before the administration of items and the rest of the agenda.

6. ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 23 JUNE 2019

The minutes were adopted.

7. MATTERS ARISING

Action item 6 - development of a stakeholder engagement strategy was noted as in progress. Jarredine Morris to send the draft to the SC for comments and approval by 18 October 2019.

8. TRANSNET NATURAL GAS NETWORKS PROJECT

Refer to presentation.

There must be infrastructure to enable midstream LNG importation into the country.

Need to leverage the resources we have for the benefit of the economy.

Partnering with the private sector is critical to the success of this project (state is fiscally constrained).

Gas to Power (G2P) is expected to be online by 2024 (likely Coega).

There is a market for gas in the KZN/Gauteng corridor.

Transnet is working to ensure there are supply alternatives (to Sasol).

There should not be competition between Coega/Saldanha and RB, these should be complementary.

Looking at Gauteng/KZN corridor as key aggregators to ensure a market and competition.

Transnet will be an infrastructure provider but will not own/sell the gas molecules.

Discussion

Competition and availability of gas at least-cost are crucial to the success of this initiative.

Partnerships are vital to ensure that the relevant competencies are taken care of by those best placed to do so.

The national ports authority must develop infrastructure to enable further development.

Part of this is considering how the infrastructure can be made available to multiple parties to avoid monopolies. LNG suppliers should not have to own the infrastructure.

Given the country's recent and current troubles with state capture and corruption – including Transnet, the governance around this initiative is paramount.

From an ownership perspective Transnet and other SOEs will not own more than 41% of the infrastructure.

Coega – if one considers the gas volumes, they are small, but if the economic needs in the area are considered, there is a need to ensure that economic opportunities are created for that part of the world. Building gas infrastructure can enable development and create opportunities for employment. If the gas lands and the LNG can be transported to local municipalities – this can also lead to economic opportunities.

It must be recognised, despite the allocation in the IRP that the balancing of renewable energy, by the time it becomes necessary will likely be done by battery storage. Larger G2P projects will require larger volumes, these plants will likely be peaking plants that will stand idle for most of the time and then be run very hard.

The basis of Transnet's assumptions from the IRP is that this allocation will be for a peaking power plant. Not only the power for Eastern Cape but industrialisation opportunities as well. While G2P is important as an anchoring client, growth in market is expected to come from industrial use and maybe commercial and residential reticulation as well.

It must also be borne in mind that NERSA will not grant licence without policy to guide this. The IRP talks to G2P, but the IEP is still outstanding. Is the IRP sufficient for these plans to come to fruition? 2024 is not far away, it may be difficult to overcome policy constraints and hurdles. It may well be impossible to get the infrastructure policy in place, never mind the physical infrastructure.

Transnet is engaging with NERSA and the DMRE on the regulations required and their policies, including the outstanding IEP and the Gas Amendment Bill. Agreed that 2024 is a very short planning period. It is understood that DMRE is going to Cabinet mid-October with the IRP again. And it is understood that the Gas Amendment Bill is going to Cabinet shortly thereafter.

The IRP plays a big role in the viability in the project, but it is hoped that the IRP will be reviewed every 2 years, so there is the possibility that new energy technologies will come online much sooner, and this may have implications for gas.

The IRP assumes a low load factor and the peakers at only 10% - this is the planning that has been used, so even if the IRP is changed, the gas aggregation can be around industrial use.

The project that Transnet is doing is to create the infrastructure for alternate sourcing of gas (LNG). In the long term there is a lot more discussion that must be planned around Ruvuma to SA pipeline. For this an anchor and a significant amount of investment is required. The LNG infrastructure that Transnet is putting in place is a short-to-medium term solution.

The Chair gave thanks to presenters and committed the SC to will discuss further engagement with both NEPAD and Transnet and communicate this due course.

9. REGIONAL GAS PLAN UPDATE (NEDPAD)

This presentation was given ahead of the Transnet Presentation to give the regional context ahead of the country-specific initiative being undertaken by Transnet.

Refer to presentation

In 2016, the SADC heads of state agreed to the development of a Regional Gas Master Plan. This plan should consider the large-scale industrialisation based on gas and the unlocking of the opportunities in the region.

This project attempts to ensure a more coordinated effort from a regional perspective.

The Consultative Public Private Sector Meeting in Windhoek, Namibia earlier this year was primarily to understand what the view is from each country as the starting point of this work – demand and supply. The planned approach as this is rolled out is to have quarterly engagements of this kind with these stakeholders. Nepad has requested that internal stakeholders within each country work to ensure alignment among themselves. This will be refined as necessary going forward.

The project team will engage with industrial users in the different countries. Without the face-to-face dialogues, there is much nuance that is not understood. The ultimate goal is to develop a road map of who, when, over what timeframe etc.

The ENH and Regional Study is to understand what infrastructure is available, what upgrades are necessary and new infrastructure development is required and the timing thereof. The work that is being done by Nepad is in the planning stages of the process (strategy and alignment). What Transnet is doing is looking at what projects can be clearly defined, resources and funding to deal with specific needs of the market. One of Transnet's mandates is to create infrastructure and enable economic growth.

There have been some discussion about the "length of the bridge" that we could rely on gas as a bridging technology to move towards a lower carbon economy - how long will the region be able to ride off the back of gas?

There is awareness among stakeholder of the need to review power generation away from coal and the use of gas as a bridging technology in the interim. However, for the region there is also a big opportunity to use gas for industrialisation, not only for G2P.

There are several industries in the SADC region whose growth is constrained because of power limitations – this is an area that gas can help with.

A regional aggregator, FOREX, Indices etc has not been considered yet.

DISCUSSION

It is clear that there is massive uncertainty post 2023 and that a short- and medium-term plan is urgently needed. It is not certain however that the plan for Coega is the best plan. The BUSA position on this is currently still out for members comments and the final document will be circulated next week.

There is a danger that the country could run out of time and potentially power if there are further delays. Financiers will need to be engaged next year if the projects are expected to be finalised by 2023/24.

It was agreed that there should be a working group established to look specifically at gas development and the BUSA position. Not just on Coega, but in general including on infrastructure development, pricing and financing. Maurice Radebe as selected to lead this working group in absentia. A call for other participants would be issued to the SC. This WG should revert to the SC with the proposed terms of reference/mandate for approval.

Action (1)

It was agreed that a Working Group must be established, led by Maurice Radebe.
This WG must revert to the SC with a ToR for approval.

It was also agreed that though these presentations were useful to get an overview of some of the happenings in this space, it would be better to engage directly with DMRE and Dti, rather than with Nepad and Transnet. Though, these relationships should be kept.

10. ENERGY POLICY AND PRICING

10.1. Eskom

- 10.1.1. The TAMDEV initiative is up and running through the NBI. In respect to Eskom, the letter and offer sent to Minister Gordhan has been followed up but received no response to date. Until there is clarity via his office, or from Eskom as to what assistance is required, TAMDEV is limited. It was agreed that the progress update from the TAMDEV office would be circulated to the SC.
- 10.1.2. There is a meeting planned between the BUSA leadership and Eskom's leadership, this will also deal with TAMDEV to ensure a coordinated, rather than piecemeal approach.
- 10.1.3. BUSA had a meeting with the Eskom CRO and reiterated its concern that a part-time structure has been established to deal with such a crucial task as the restructuring but also committed to whatever assistance Business could afford.
- 10.1.4. The Nedlac Eskom Leadership Task Team is having its first meeting next week Tuesday, 15 October 2019, among the areas covered in the draft ToR is the restructuring of Eskom.

Action (2)

Circulate the TAMDEV updated

10.2. IRP Nedlac Process

- 10.2.1. The IRP Nedlac process is complete. All the mandated positions were carried into the process, but not necessarily agreed to, for example the review of the IRP every two years and the increase of the Distributed Gx allocation to 1000MW. However, these areas are noted in the Nedlac Report and BUSA will pursue these directly with DMRE as part of the Stakeholder Engagement Plan.
- 10.2.2. At the 11th hour, labour withdrew all agreed areas/support for the IRP because government and the other social partners did not agree to including a specific allocation of 2400MW of Nuclear in the IRP by 2030. The report therefore reflected no areas of agreement.
- 10.2.3. The Business Overall Convenor was concerned that a task team could work for 9 months and reflect no areas of agreement. This was taken up with the other overall convenors. Labour has since amended its position to reflect that there were areas of agreement and only Nuclear was an area of disagreement. The report is being updated to reflect this and will then be sent to Cabinet and can also then be circulated to the SC.

Action (3)

The Nedlac Report will be shared with the SC once it is signed-off by the overall convenors and sent to Cabinet.

11. STATUS REPORTS FOR DISCUSSION

11.1. REIPPP

11.1.1. The market is awaiting the publishing and gazetting of the IRP 2018 as it is seen as a prerequisite for any new determinations to procure new generation from IPPs. Over the last few weeks there has been a number of meetings held between the new acting head of the IPP Office (Adv. Sandra Coetzee) and the various renewable energy associations to understand their views on the current status of the programme.

11.1.2. It is clear that the instruction from the Minister DMRE is that Round 5 must be more transformative, however it doesn't as yet seem to be any clear direction on how that will be reflected in any new RFP.

11.1.3. It was agreed that BUSA cannot support the renegotiation of contracts for either coal or the REIPPP's as this will undermine the credibility of an internationally recognised procurement programme. This will also not help investment sentiment for the country. BUSA to prepare a media statement in this regard for approval by the SC and Econpol.

Action (4)

BUSA to prepare a media statement re the negotiation of contracts.

11.2. SMALL SCALE EMBEDDED GENERATION

11.2.1. A meeting with NERSA has been arranged for 22 October 2019.

11.2.2. BUSA will circulate a draft Briefing Note by the end of next week to the SC for approval.

Action (5)

BUSA to circulate a draft Briefing Note for the meeting with NERSA.

11.3. REDZ

11.3.1. There is a meeting of the SIP8 Expert Reference Group scheduled which is expected to confirm the timetable for the selection and gazetting of Phase 2 of SIP 8 Strategic Environmental Assessment process. The importance of this process is for the confirmation of REDZs in the declining coal (Witbank) and gold (Klerksdorp) mining areas



which is expected to support the role of renewable energy projects in just transition processes in those areas.

JUST TRANSITION

Much of this work is done under the Environment SC:

- NEVA/SJRP;
- PCCC as per the Job Summit Framework

However, the Just Energy Transition is an important part of the JT, especially in SA. BUSA will ensure coordination between the two subcommittees, any information/positions from this SC are welcome.

BASA will share their paper.

NBI is hosting a series of COE dialogues on this matter and will share feedback.

11.4. GAS

11.4.1. See above.

12. STAKEHOLDER ENGAGEMENTS

12.1.1. BUSA will circulate the draft Engagement Strategy by the end of next week.

12.1.2. BUSA will circulate all relevant upcoming dates, i.e. MTPBS

13. ANY OTHER BUSINESS

None

14. MEETING CLOSURE

14.1.1. Agreed that the SC should meet again before the end of the year. Possible dates around end November will be agreed with the Chair and the invite will be sent.

The meeting closed at 12:00 am