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MEDIA STATEMENT

Local Government Energy Summit 2018

Sandton Convention Centre

Members of the Media

Ladies and gentlemen

Good morning,

Thank you for joining us for the three-day Local Government Energy Summit 2018, which kicks off today.

The Summit is hosted by the South African Local Government Association (SALGA) to lead the essential conversation and efforts to define the energy future for local government in South Africa.

The Energy Concern

The Summit comes just less than a month after SALGA raised concerns during the recent State of the Nation Address Debate about the major transition and disruption currently being experienced by the energy sector both locally and globally.

There is a shift away from centralised generation and distribution monopolies to more distributed, user-engaged, digitally integrated energy systems.

This shift has the potential to radically alter the way in which the energy sector will function in the future – and local government has a significant role to play in this regard.

We have noted that the transition in the energy sector is driven by a range of factors. These include an increasing demand on networks ranging from a reliability and accessibility perspective to technological advances and an increased emphasis on reducing greenhouse gas emissions.

These global drivers have resulted in several megatrends in the industry which are acting as catalysts for change. These megatrends can be summarised as follows in the South African context;

- ◆ The electricity distribution industry is experiencing the delinking of economic growth and electricity demand. Sales of electricity in the municipalities have shown a sustained downward trend over the last years and have, in some instances, dropped significantly.

These dynamics have radical implications for local municipalities that are compelled to re-define their role in the electricity value chain and adapt their funding and operating models.

- ◆ The growth of renewable energy technologies is re-shaping energy systems across the globe. In South Africa, which relies on coal-fired power plants for 90% of electricity generation, this trend suggests a critical shift in dynamics, generating numerous risks and opportunities at local level in the value chain.

Therefore, the re-definition of South Africa's electricity systems indeed commands the need to better understand the business models available to municipalities. This way municipalities can maximise benefits arising from this transformation while mitigating risks and balancing trade-offs.

- ◆ This then calls on South African municipalities to seize arising opportunities and minimise potential risks associated with the introduction of renewable energy technologies in the domestic electricity system.

The proposals

There is therefore an inherent risk that is flowing from what in general must be considered as a positive development. The growing number of businesses that are operating off-the-grid indicates an increase in the consumption of clean energy. This is ideal if climate change mitigation mechanisms are to be adhered to.

However, the lesser the number of companies connected to the grid, the greater the chances for our municipalities to be financially unviable. This then calls for all stakeholders attending the Energy Summit from today to find sustainable solutions to municipal revenue generation mechanisms.

As part of the medium-term solutions, we remain convinced that there is a need to unbundle the role of the national power utility, Eskom, within the energy value chain. Ours must be to invest in a reciprocal energy sector whose collective quest is to aid economic growth and reduce the financial burden on citizens.

The Summit Objectives



The Summit offers a platform for all stakeholders to also define the future of local government utilities amidst the transition and disruptions in the energy sector. This is why the three key objectives of the Summit are clear that;

- ◆ We need to understand how the transition manifests economically, legally and financially for local government;
- ◆ We must propose a legislative framework that will assist in the alignment between national and local energy planning; and
- ◆ Explore how the energy economy can potentially unlock job creation and stimulate economic development.

The timing of the Summit is impeccable, particularly with the new political leadership at the helm, and the positive outlook currently upon our country.

As SALGA, we hope that the spirit of 'Thuma Mina', 'Send Me' - will challenge each and every participant in this Summit to get involved in creating a sustainable energy future in our municipalities, provinces and throughout South Africa.

Ends