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How to get self-generation by miners going

Minister Mantashe says his Department is ready to help bring self-generation projects online. Here are some ideas to make this a practical reality.

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As one of the largest mining companies in the Northern Cape, with a plan to bring significant growth in the area and contribute to the socio-economic status of the province, we appreciate the minister's commitment to help bring self-generation projects online. Availability of the power at a low cost is critical in enabling our growth which will significantly contribute to both regional and national economy.

The renewal energy framework can be further strengthened by providing tax incentives, carbon credits, allowing developers to have access to competitive financing and permitting trade in renewable power. South Africa has tremendous potential to generate renewable energy, thanks to its geographical and climatic advantages, which can be leveraged in promoting investment via a flexible and faster regulatory framework processes.

Speaking at the Minerals Council South Africa's AGM recently, Minister Gwede Mantashe urged mining companies to work closely with the Department of Mineral Resources and Energy (DMRE) to expedite the approval of their projects to generate electricity. Quite rightly, he argues that bringing many self-generation projects online could be "quite a breakthrough for the economy" as it would reduce demand on the aging Eskom fleet and give the company a window to speed up the maintenance and repair programme it has already begun under its new leadership.

The big challenge is that any project above 10MW needs to be approved by the National Energy Regulator of South Africa (NERSA) in order for excess energy to be sold to the national grid or direct to Eskom. Large self-generation projects are not financially viable unless they can offload excess capacity at a profit. The industry is lobbying for that threshold to be raised to 50MW mainly due to the slow approval process.

Apparently, the industry has more than 2GW of self-generation projects in the pipeline, huge potential contribution to the economy as a whole, which would assist in alleviating load-shedding.

While the bigger issues relating to the licensing of these projects - such as raising the threshold at which NERSA's approval is needed, will take time and political will to solve, it would be possible to make some quick changes to speed up the process now. In our opinion by implementing the following relatively simple steps, it should be possible to reduce the approval process to 30 days, and thus unlock much-needed private-sector investment into the energy sector:

- **Put a trained group of DMRE facilitators in place.** The Minister emphasised the positive role that the Department could play in ensuring that the self-generation plan was sound and met all the necessary policy guidelines, and shepherd the application through the NERSA process. That is very true, but the practice does not always live up to the theory. Our experience has often been that documentation ends up on the desk of DMRE staff members who do not have the requisite training to play a constructive role. Because there is no way of identifying and targeting those DMRE officials who can help, mining houses often adopt a scatter-gun approach in the hope of reaching a person with the right knowledge by chance. The Department could solve this easily by creating a process whereby applications could be routed to the best person to help.

- **Streamline the environmental impact assessments (EIAs).** EIAs are obviously vital but they are both lengthy and costly. Instead of delaying the approvals process while the EIA is done, it would make sense to appoint a fit-and-proper EIA consultant as a key requirement for any project to be approved. Numerous problems relating to mining projects in general can be traced back to the use of environmental impact consultants that are not registered with the Environmental Assessment Practitioners' Association of South Africa. Dealing with professionals whose qualifications have been verified and who are subject to the discipline of an enforceable code of conduct reduces the risk considerably for the authorities. Presumably the Association could be engaged to play a more focused watchdog role as well.
  Once NERSA has satisfied itself that a bona fide environmental impact assessment professional governed by a code of conduct is on board, the necessary documentation could be produced in parallel with the build.
- **Streamline the Eskom engagement process.** Eskom should streamline its due diligence to take place within a 30-day window. Of course, the company must make sure that potential self-generation projects are aligned with its technical and strategic imperatives, but by putting a proper assessment framework in place, the process could be both standardised and speeded up without any loss of confidence. Of course, this would mean that Eskom would have to recognise the strategic role that self-generation could play in its strategy to put South Africa's energy market back on track. This would mean looking beyond the impulse to protect its business in the short term.

Government is correct in emphasising the need to attract private sector investment into the economy, especially in critical areas. One could hardly imagine a more critical area than electricity generation: the impact of unreliable energy supply is well documented and affects the whole economy. Some small changes to make the process for gaining approval to sell self-generated electricity back to the grid would unlock substantial investment that would save government money and, by improving business conditions, encourage the economic activity that creates the jobs and tax revenues the country so desperately need.

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