

We can no longer just pay and pay and pay. If Mantashe can't cope, he must go!

By Kevin Mileham MP – DA Shadow Minister of Mineral Resources and Energy

Chairperson,

South Africa, and her people, are suffering.

It's not just the days without electricity that affect us, but also the spiralling cost. We are expected to pay, and pay, and pay, and pay, for an entity that can only keep the lights on and its generation plants running 59% of the time, according to the latest ESKOM system status report.

ESKOM's tariff has increased by 9.61% over last year's tariff. And while that was significantly lower than the 20.5% ESKOM had requested, it is still more than double the country's official inflation rate! It was only through the sustained efforts of the DA and civil society organizations, that NERSA heard the call to limit ESKOM's increase.

And yet, given that ESKOM and NERSA are once again in court arguing over the tariff determination methodology, we await the court's judgement to hear whether a further R59 billion will have to be recovered. If so, consumers and businesses will once again be expected to foot the bill for ANC mismanagement, incompetence and corruption over many years.

One only has to look at the mess that is the Medupi and Khusile coal plants, to see what happens when comrades and cadres are permitted to loot freely. Let us not forget that much of our electricity pricing issues arise from ESKOM debt – incurred to build these two power plants, and facilitated by the likes of Chancellor House and Hitachi Power Systems for the benefit of the corrupt and thieving African National Congress. And it was done on the watch of one Samson Gwede Mantashe, our esteemed Minister of Energy, who at the time was the Secretary-General of the ANC, and intimately familiar with the dealings of Chancellor House.

Chairperson, the price of 95 Octane petrol has increased by 44% since January last year! In the same period, diesel has increased by 13% and illuminating paraffin by 20%. At the time that the Basic Fuel Pricing model was introduced in 2003, South Africa was a net exporter of refined petroleum products.

Over the past two decades, however, that situation has changed dramatically, and the country is now a net importer, and given the recent closure of four of South Africa's refineries in the past two years, that situation has only worsened. As a result, the Basic Fuel Price Model is no longer the appropriate way to determine the price of liquid fuels. It is absolutely unacceptable that a full third of the price we pay for petrol goes into government coffers.

This is not a caring government. It is a government that is robbing consumers to pay for its own flagrant excesses, wastefulness and corruption.

In this regard, we are pleased that Minister Mantashe has heeded our request to comprehensively review both the pricing of liquid fuels and electricity. We welcome his acknowledgement on Tuesday that high energy prices are perpetuating energy poverty, and that the formula used by NERSA to determine the price of electricity is, to quote him, "backward".

Yesterday on Radio 702, Dr Dale McKinley, a noted political economist said (speaking of the war of Russian aggression in Ukraine, and I quote: *"It's not just at the fuel pump that we going to feel this immediately."*

"There is a huge range of knock-on effects, it goes across the board and it hits the consumer very hard. It seems we are far away from this political war in Europe. Economically, it's a global issue and particularly for South Africa it's going to hit us very hard, and it's going to hit most obviously those who are least able to afford it."

The reality, is that we have not yet begun to see the impact of the despicable Russian invasion of Ukraine in fuel pricing – that will only really impact on next month's prices – but one aspect that has not been considered is the impact this will have on electricity pricing. Remember that we use diesel to fuel ESKOM's peaking plants – many of which now run almost 24/7, at great expense – to keep the lights on and minimize loadshedding.

In fact, Chairperson, if we were to allow more competition, ease the difficulty of doing business, and reduce the heavy-handedness of government price setting, we would undoubtedly be in a far better position economically. Instead, government takes its cut on every litre of fuel and kilowatt of electricity, and as a result, businesses are closing their doors, citizens are becoming unemployed and more South Africans are seeking greener pastures. This government has a lot to answer for.

The rotating door of energy ministers has done little to resolve the crisis – whether of generation capacity or electricity and fuel pricing – because the ministry is captured by the same disease that affects everything the ANC touches: a complete lack of accountability and willingness to accept the consequences of their actions.

Nearly every entity in the Department of Energy is in the red. The auditor general has repeatedly highlighted supply chain management issues and irregular expenditure. The department and its entities fail to meet the most basic of key performance indicators, and yet somehow, life goes on and no one is held responsible.

In the meantime, it is ordinary South Africans who continue to suffer. And so we get to the nub of the matter: what is to be done? We need to address the affordability of refined fuels and electricity in a manner that ensures meaningful systemic change, and does not merely pay lip service to resolving this issue. When the prices of fuel and electricity increase, every other product and service becomes more expensive as a result of the knock-on effect. Ordinary South Africans struggle to satisfy their daily needs – whether that's transport, heating, cooking, lighting, manufacturing or countless other activities. The cost of living in South Africa has become unaffordable, primarily because of above inflation increases to fuel and electricity prices – costs which are, if not totally in the control of government, are certainly far more susceptible to government manipulation and management than in a deregulated economy.

The Democratic Alliance has been clear and unequivocal in its call on national government:

- Unbundle ESKOM and create a truly independent grid operator
- Open up the grid to competition, and remove the cap on renewable energy generation in the Integrated Resource Plan

- Make it much easier, through a concerted red-tape reduction programme, for municipalities, businesses and consumers to either generate their own electricity or to procure directly from independent power producers
- Incentivise the importation and local production of electric vehicles to reduce the reliance on refined fuels
- Deregulate the fuel sector and allow the free market to determine pricing – and more specifically, get rid of the unaffordable taxes and levies that government use to cover their incompetence and corruption
- Abandon all plans to purchase SAPREF or other refining capacity – government has proven over and over again that it cannot run businesses effectively, and a massive investment would be required to bring this plant up to the proposed Clean Fuels standards

Chairperson, South Africa cannot afford to wait for another government talk-shop, indaba or Commission to address the crisis of affordability it now faces. If Minister Mantashe is not up to the task of addressing the problems in our energy sector, he must go!