THE NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

Question 123

Mr S J Njikelana (ANC) to ask Minister of Trade and Industry:

Whether the economic cluster in the Government intends taking any steps to address (a) food prices, (b) fuel prices and (c) energy challenges; if not, why not; if so, what are the relevant details? NO1676E

Response:

(a) Rising food prices are a major concern for government. Increasing agricultural production is one strategy to address this concern. The Economic Cluster has a number of programmes that are focused on agriculture and agro-processing, which includes speeding up land and agrarian reform and the provision of skills for emerging farmers. The work of the Cluster focuses on improving the capacity of government to proactively improve our ability to address anti-competitive structures and behaviour, which will improve our capacity to address domestic pricing. Dealing with unfavorable trade conditions due to high levels of agricultural subsidies in developed countries is also a critical issue that is being addressed by government, however, this work, which is led by the dti, is reported through the International Relations, Peace and Security Cluster.

It is important to note that short-term and long-term measures are required to deal with soaring food prices. Most of the Economic Cluster interventions are focused on the medium- to long-term and social sector interventions will be critical to provide short-term relief to the poor.

(b) With regard to fuel prices, the rapid increases reflect market forces in global supply and demand and perceptions of supply and demand.

The key focus of the Economic Cluster has been to ensure that South Africa’s energy infrastructure is sufficient to support economic growth. In addition, the Cluster has also, through a programme led by the Presidency, been developing a framework for economic regulators that will provide an important contribution to the management of network and regulated industries.

On the production side, the production of synthetic fuel is crucial to cushion the country against supply insecurities. This is being dealt with through the implementation of the industrial policy action plan, which is a key Economic Cluster deliverable led by the dti. The government is also exploring the possibility of developing a sustainable biofuels industry to lessen dependence on the importation of liquid fuels. The strategy takes into account the potentially negative impact that biofuels could have on food production.

(c) The initial response of government to the electricity emergency was the establishment of the National Electricity Response Team (NERT) which was proposed in the Economic Cluster’s presentation to the Cabinet Lekgotla in January 2008. It was, however, decided that the NERT would be best coordinated by the Presidency directly while the Cluster maintain its medium to long term focus.
The Cluster’s approach focuses first on the need to ensure that there is security of supply, which can be provided through policy certainty and the roll-out of additional energy infrastructure. This not only includes electricity generation and distribution but also areas in liquid fuels such as increasing refining capacity, the provision of pipelines, port infrastructure, storage and distribution capacity. It has also become clearer that alternative energy sources need to be developed. While key to this will be the roll-out of nuclear energy and the development of a local nuclear industry as an affordable and environmentally sound alternative, the Cluster identified solar energy and other alternative and renewable sources, such as bio-fuels discussed above.

Whilst looking for longer term solutions to South Africa’s energy needs, it is necessary to find ways of reducing our current levels of energy demand without adversely affecting our economy. As part of a broader strategy to deal with the issue of energy supply we need to promote the efficient use of energy. Energy efficiency does not only mean efficiency in the final consumption of energy, but efficiency in its production and transportation as well. A programme to implement energy security is therefore a vital component of the Cluster’s Programme of Action. There is also the work on economic regulators as mentioned above which is a vital component of addressing the energy challenges that we face.