



**SPEECH BY THE MINISTER OF MINERAL RESOURCES AND ENERGY,
HONOURABLE SAMSON GWEDE MANTASHE (MP)
ON THE OCCASION OF THE TABLING OF
THE MINERAL RESOURCES BUDGET, BUDGET VOTE 29,
TO THE NATIONAL ASSEMBLY, 10TH JULY 2019**

Speaker of the National Assembly

Deputy Minister of the Department of Mineral Resources and Energy, Cde Bavelile Hlongwa

Chairperson and Members of the Portfolio Committee on Mineral Resources and Energy

Honourable Members

Invited guests

Ladies and gentlemen

Introduction

The Department of Mineral Resources and Energy, although merged into one department, will present two separate budgets. Today we table Budget Vote 29 for Mineral Resources. Tomorrow we will present the energy budget.

Two billion Rands has been allocated to Mineral Resources for the 2019/2020 financial year; of which 52% goes to entities in our portfolio. This demands of the Department to be more efficient, especially in these tough economic times.

We must, nonetheless, give practical expression to and execution of the electoral mandate to grow South Africa. We must do so in line with the seven priorities outlined by the President in his State of the Nation Address.

Merger of mineral and energy resources

Directed by the President's reconfiguration of Government, we are working in earnest to merge the minerals and energy departments.

Mining and energy are critical to economic growth and development. Merging the departments asserts their mutually reinforcing nature; and, thus enable streamlining of processes, integration in the value chain from upstream to downstream, and ensure alignment of the policy and regulatory framework for stability and investment.

Reconfiguration should result in a department that is adequately capacitated, efficient and responsive.

Economic overview

We recognise that the Budget Vote occurs in a dire economic climate, nationally and internationally.

The economy contracted by 3.2% in the first quarter of 2019. Mining declined by 10,8%, contributing 0.8% to the overall decline. Load shedding, electricity pricing and a five months long strike in the gold sector account for the decline. Therefore, the imperative for a reliable, secure supply of energy for the growth of the sector.

Honourable Members,

South Africans we met in our elections campaign, called on us to invest in job creation.

The employment figures for the first quarter of 2019 are a positive sign. Of the twenty-two thousand jobs created, six thousand are in mining. We are talking to the industry to sustain these positive indications.

The non-ferrous metals sector also show signs of growth in the first quarter.

Mining is a sunrise industry. We must prospect, explore and exploit the world-class mineral deposits we have. We will resuscitate green field exploration to capture a minimum of 5% of the global exploration share, which average US\$10 Billion per annum. The investment will attract a minimum of R8 Billion into the exploration sector. To this end, the State has deliberately decided to invest in the geoscience mapping programme, through the Council for Geoscience.

Long-term sustainability, and stability, of mining depends on coexistence with others, that is, agriculture, environment and tourism, and mining communities. Mining companies must, therefore, prioritise and be proactive in engaging with these stakeholders. This coexistence is affirmed by recent court judgments on the regulation of mining and exploration rights, which emphasise meaningful consultation with communities and lawful occupiers of land, also cooperative governance between organs of State.

The Department's councils for science, together with private and other public entities, are developing local resources of phosphates, a primary feedstock to manufacture fertilizers.

The Elandsfontein Phosphate deposit on the Cape West Coast, will significantly improve South Africa's self-sufficiency in fertilizer feedstocks; once fully operational.

Global demand for alternative sources of energy, in particular clean energy, present new opportunities for minerals such as; lithium, vanadium, cobalt, nickel, manganese, carbon, copper and Rare Earth Elements (REE), which support this trend. Hence, the investigation into these minerals that contain elements for clean energy technologies. We have progressed with the geo-environmental baseline study in Beaufort West, with the impending drilling of a stratigraphic borehole to ascertain the makeup of the Karoo formations. This will inform an appropriate monitoring and evaluation regulation for the development of the shale gas prospects inherent in the Karoo. These initiatives constitute our effort to create a seamless transition to a low-carbon energy generation.

The Molteno coal fields, spanning the southern part of the Free State and a large part of the Eastern, are being evaluated for their suitability for energy generation.

Early indications are that the coal fields could be utilised as thermal coal for electricity generation. A programme for carbon capture and storage, to ensure continued use of our coal resources in an environmentally sustainable manner, is underway.

Policy and regulatory framework and resultant mining investment

The policy and regulatory framework are stable and predictable. Our principal Act – the Mineral and Petroleum Resources Development Act – as well as Section 100 thereof, are clear on requirements for current and potential investors. Together with stakeholders, we are developing a growth and competitiveness strategy; conscious that growth, transformation and competitiveness are all critical for the long-term sustainability of the mining sector.

Significant investments, totalling R45 billion and creating an estimated four thousand permanent jobs, poured into the sector in the past year. Among them; R21,8 billion by Vedanta Resources in the Northern Cape, Sasol's R14bn mine replacement programme at Shondoni and Impumelelo in Mpumalanga, and Exxaro's R3,3 billion mine investment in Belfast, Mpumalanga. These are an endorsement to South Africa being an attractive destination for mining investment.

Over 2018 to 2020, a total of 60 mineral resources projects are in the pipeline, with an investment estimate value of R110 billion, and a projected employment of 32 000 jobs. These are projects in exploration, expansion, new mines and processing plants. We recognise the growth of junior miners, who are significant players in exploration.

Improving the licensing environment

To meet these initiatives and demands, we have set aside R20 million in the current financial year to improve and develop an integrated licensing system over the coming two years.

We have made significant strides in processing the backlog in licence applications, in our Mpumalanga, Limpopo and North West regions. These offices have now been reopened.

Turnaround times to process licence applications are under review. Timeframes must be short, without having to effect major legislative amendments, by adopting more effective and efficient internal processes. This will ensure that we are more responsive to the needs and requirements of our applicants.

There is relative stability in mining sector, as a result of collective efforts by government, business and labour. As wage negotiations in the platinum sector proceed, we appeal to all stakeholders to engage in good faith, in the interest of the employees, the sector, and the economy at large.

Research and Development (R&D) and Beneficiation

Our manifesto enjoins us to transform the economy, to serve all the people, through interventions that promote a developmental growth path.

Beneficiation has the capacity to grow the economy and create decent employment. It can, potentially, turn our comparative advantage in terms of mineral endowment into a competitive advantage. The R850 million given to our science councils intends to support the various critical programmes they are undertaking in this regard.

We should use administered prices as an interventionist tool to grow the economy and support localisation. Steps to address administered prices, in electricity, port and rail tariffs, that hamper investment and growth are being considered.

These are attempts at attracting beneficiation projects locally. We will work with other departments to achieve this objective.

Mintek is in the process to develop a rare earth element manufacturing industry. This will meet the global demand for rare earth elements, used in applications for electric vehicles and wind turbine generators. The required technology and refining facilities have been developed to support the sector and to stimulate local refining and manufacturing of the products.

Following the initial investment of R100m, we are investing R150m to revive the declining ferroalloys sector – mainly ferrochrome and ferromanganese - over the next five years. This work will be undertaken by Mintek. A significant portion of local ferroalloys smelters were mothballed over the years due to high electricity costs; and the ore is currently being exported. The replacement of a portion of the electrical energy required to produce ferroalloys with renewable energy has the potential to reinvigorate the sector and restart the idle capacity. It is considered much easier to recapacitate and revive the ferroalloys industry by rebalancing the energy mix, than developing the whole new mining sector from scratch.

Mintek has also developed a solution for acid mine drainage (AMD), by removing its environmental impact and transforming it into usable water. The solution has passed industrial testing scale and is ready for full implementation.

An investment of R120m, over the next five years, will go into Mintek's development of high-value diagnostic products and a manufacturing infrastructure to supply the products on a commercial scale, as part of beneficiation initiatives. These point-of-care diagnostic test kits – for example, kits for HIV, malaria, TB and Rift Valley fever; use nano-particles of gold as an active ingredient. They are currently supplied to public health facilities in five provinces; and outperform commercially available products in terms of shelf life and accuracy.

Their usage will reduce South Africa's reliance on imports of diagnostic kits and utilise South Africa's gold.

In the South African context, Platinum Group Metals (PGMs) form the largest portion (90%) of our untapped resource endowment, conservatively valued at around US\$ 2.5 trillion.

To take advantage of the country's abundant platinum resource, the Hydrogen South Africa (HySA) flagship project was launched to beneficiate platinum through use in hydrogen powered fuel cells. The project aims to achieve the local production of 25% of the global demand for beneficiated platinum in fuel cells by 2020 through the production of the catalysts, components, selected fuel cell systems and the generation and distribution of hydrogen.

The Kloppersbos Explosion Testing facility, one of the few remaining in the world, is being transferred to the Mine Health and Safety Council in the current year. The CSIR, will continue to manage the facility, in the interim, until the transfer is completed. The facility will be upgraded to continue with research on the reduction of coal dust and methane explosions and fires.

We are investing in a seismic monitoring network to monitor seismic activity that could potentially affect the integrity of private, business and critical infrastructure.

We are exploring applications of the fourth industrial revolution (4IR) and Artificial Intelligence (AI) to predict occurrence of seismicity and land subsidence and mitigate the risk of disaster.

Relocating the State Diamond Trader and the South African Diamond and Precious Metals Regulator to the Gauteng Industrial Development Zone (GIDZ), allows us to use this strategic location to promote equitable access to mineral resources for local beneficiation of precious metals and diamonds.

Skills development

In response to the President's priority of education, skills development and training; R800 million is allocated to fund, amongst others, bursaries, apprenticeships and internships in the fields of geology, electrical, mechanical, mining and rock engineering, as well as artisanal training.

The Mining Qualifications Authority (MQA) currently supports 1700 bursars. Eight hundred and forty beneficiaries will receive bursaries in this financial year; adding to those already spread across universities and TVET colleges. In partnership with mining companies, four thousand unemployed youth are training as artisans and another eight hundred will be recruited this year.

The MQA graduate development and internship programmes, places undergraduates at mines for in-service training, and graduates in two-year internships with the mines.

Two hundred and fifty-five learners are undergoing the graduate development programme, with a planned funding for five hundred and fifty more learners before the end of the year. Four hundred and forty-seven learners are in the internship programme, with five hundred more to be placed in 2019/2020.

We are prioritising training for mining communities and labour sending. Beneficiaries are trained in plumbing, tiling, carpentry, welding, clothing manufacturing, small scale mining, crop production, and entrepreneurship.

Health and safety

Mining is about people. It is about workers who translate investment into wealth. Therefore, health and safety of employees is paramount.

The total number of reported fatalities this year stands at twenty-one; lower than the forty-five reported for the same period in 2018. This is 53% improvement, year on year. There is also an 11% improvement in mine injuries, from one thousand one hundred and ninety-three to one thousand and sixty-three cases reported.

We are collaborating with the Department of Health on a project to investigate the capacity and possibility of mine hospitals to extend healthcare facilities to families of mine employees and surrounding communities.

Illegal Mining

Illegal mining is a criminal activity. We decisively deal with the source of illicit mining and trafficking of our minerals.

South Africa, and other Member States, tabled a draft Resolution to the United Nations Commission on Crime Prevention and Criminal Justice during the 28th Session held from 20 to 24 May 2019. The resolution is about combating transnational, organized crime and its links to illicit trafficking in precious metals and illegal mining, including by enhancing the security of supply chains of precious metals. Member States were urged, in line with their respective domestic legal framework, to consider criminalising illicit trafficking in precious metals and illegal mining, particularly by organised criminal groups. Additionally, they were encouraged to control and secure the supply chain and

introduce the legislation necessary to prevent, investigate and prosecute illicit trafficking in precious metals.

The Department will work together with, and support other Departments, on a national strategy to eliminate the illicit mining and trade of precious metals and diamonds.

To give impetus to an initiative we have started, we will develop a framework to guide small-scale and artisanal miners as part of licensing and support. The sector has potential to grow the SMME sector and create much-needed employment.

Conclusion

We reaffirm that mining is a sunrise industry. It can contribute to the delivery of Government's priorities, revive the economy and boost growth and development in the country.

To this end, the House should support Vote 29, Mineral Resources.

I thank you.