

2013

## **Tariff hike of only 1% increases mining costs to R100 million per year, says industry expert**

*African Utility Week to give practical solutions to solve power challenges facing big business*

An electricity tariff rise of only 1% has a devastating impact on the mining industry as it amounts to an increased expenditure of R100 million per year according to the South African Chamber of Mines. It therefore really hurts that since 1 April this year, large power consumers have had to fork out an average monthly 9,6% tariff increase. Energy challenges facing big business is high on the agenda at this year's **African Utility Week** which takes place in Cape Town from 14 to 15 May.

### **African Utility Week**

According to Nicolette Pombo-Van Zyl, programme manager of the Large Power User programme at **African Utility Week**: "the proverbial axe is falling on 'business as usual' as every industry in South Africa, from mining to manufacturing to retail, is cringing at the thought of rising energy tariffs and commencement of a carbon tax on 1 January 2015. On the receiving end of tariff hikes, industry is dealing with three significant elements, namely the cost of electricity, uncertainty around sufficient electricity supply and carbon emission management."

### **More optimistic about jobs**

Although some industry insiders have warned that the tariff increase could lead to 250 000 job losses, Dick Kruger, techno-economic adviser to the South African Chamber of Mines, is more optimistic. "Eskom previously indicated a 35% increase. Although 9,6% is high, we are nonetheless thankful that it is less than the 16% that Eskom eventually applied for. This increase will definitely not go unnoticed in an industry which has seen prices doubling over the last three years. However, at this stage we do not foresee any job losses or mine closures directly as a result of the increase. We have known since August 2012 that increases were on the way and mines could figure this into their short and medium plans."

This means that mining companies had to seriously look at their operations and make adjustments such as the introduction of variable speed drive motors that have been known to cut energy use.

Says Dick Kruger: "some mines have already looked at replacing electric motors with variable speed drive motors and replacing compressed air drills with extremely expensive electric rock drills."

According to Kruger, gold mines will be hit hardest: "about 60% of the total cost of the electricity consumption at gold mines goes towards creating an environment that one can work in. Large amounts of money are spent on ventilation, pumping and refrigeration. Only 40% of the expense goes towards production purposes."

### **Power cuts of 2008**

Some pockets of the South African economy are still trying to recover from the devastating effects of the first few months of 2008 when power cuts were a daily occurrence. This coincided with the global economic crash and thousands of jobs were lost across all economic sectors.

At the time Eskom gave an undertaking to large power users that it would do everything possible to avoid power cuts to big business.

"Eskom has made good on this undertaking. But there are other problems. In March (2013) the mines in Carletonville stood still for three days when transformers burned down and miners could not be sent underground. It also happens frequently that the power supply is not running on full strength which leads to work grinding to a halt. Although the mines do not generate income during these situations, the expenses do not decrease. Workers still need to be paid and the mines have to foot the bill for the ordinary daily running costs," says Kruger.

"The mining industry has signed the Voluntary Energy Efficiency Accord committing itself to pursue a reduction in power use of 15% by 2015. Mines have already saved a lot of energy, but savings can only be done up to a certain point before production is compromised."

### **Anglo American**

In a brief response about how Anglo American is dealing with unstable power supply and tariff hikes,

the mining giant's spokesperson Hulisani Rasivhaga said: "Anglo American is monitoring many aspects of Eskom's performance on a regular basis and is aware of Eskom's limitations. Anglo American and all its business units, is supporting Eskom by shedding load as and when required and as mutually agreed."

The South African Chamber of Mines' Dick Kruger emphasises the need for more power generating plants: "When the new Medupi power station in Limpopo and the Kusile station in Mpumalanga have been completed, we will be able to breathe again. At least for a while."

**African Utility Week's programme for Large Power Users includes:**

***Free CPD accredited Technical Workshop programme on the exhibition floor:***

- **Cogeneration / power plants – new product development in turbine technology**

Julio Cesar Bianchini, Commercial Manager – TGM Turbinas, ZEST WEG Group, South Africa

- **Large energy savings through Compressed Air Management / Monitoring / Leak Detection and auditing**

Devon Fisher, Audit Manager, Artic Driers International, South Africa

- **Solar Rooftop projects for LPUs**

Claire Lockey, Marketing and Communications, SolarWorld Africa, South Africa

- **Sustainable energy solutions for businesses**

Wayne Fortuin, IDM Implementation Manager, Eskom, South Africa

- **Renewable energy solutions for IPP's, Mining, Industrial and Corporate companies**

Reutech, South Africa

***Conference programme for Large Power Users:***

- **Mining perspective on sustainable energy efficiency performance to secure our future**
- Coenraad Pretorius, Energy Engineer, Anglo American, South Africa
- **Making Energy Saving a Reality – from the Western Cape's largest electricity consumer that saved R90 million in one year**
- Reinet van Zyl, Business Improvement Manager, ArcelorMittal, South Africa
- **The human element – changing the workforce mind-set**
- Pieter Pretorius, Senior Marketing Manager, 49M Initiative, South Africa
- **Energy Management Standards and Systems – ISO 50001**
- Alfred Hartzenburg, Senior Project Manager: Industrial Energy Efficiency Project, National Cleaner Production Centre of South Africa (NCPC-SA), South Africa
- **Managing tariffs: a discussion on the Price Impact Assessment project**
- Shaun Nel, Project Director & Advisor, Energy Intensive Users Group of Southern Africa, South Africa
- **Carbon and energy reduction initiatives at Woolworths**
- Justin Smith, Head of Sustainability, Woolworths, South Africa

The exhibition and the technical workshops are free to attend if visitors pre-register on the event website.

**The dates for African Utility Week are:**

Exhibition & Conference: 14-15 May 2013

Pre-conference Workshops: 13 May 2013

Site Visits: 16 May 2013

Location: CTICC, Cape Town

Website: [www.african-utility-week.com](http://www.african-utility-week.com) <<http://www.african-utility-week.com/>>

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