Workshop on Ocean Energy

Presentation from National Treasury
21 February 2008
Spier
RE Projects we are aware of:

- **Bethlehem Hydro, 7MW**, started construction and commissioning May 2008
- **Biomass Co-gen**, CEF project in George, **10 MW**, awaiting NERSA license & tariff approval
- **Landfill gas to electricity** project, **1MW** project at the Alton landfill site in Richardsbay which CEF is looking at investing in, Awaiting PPA and EIA RoD
- **MethCap, 4.2MW** biogas to electricity project at the Mossel Bay PetroSA plant, commissioned in October 2007
- **Solar Water heating**, Nelson Mandela Bay metropole. CEF is a major stakeholder in the project, load-shifting **1MW** from 500 houses, detailed feasibility study is underway
- **Darling Wind Farm, 5.2 MW**, near Cape Town with investment from CEF, Darling IPP, DBSA and Darling Community, Construction started and due for commissioning in 2008.
- **Solar Water Heating**, CEF, completed in December 2007 and a total of 500 residential solar water heating systems installed and being monitored in Johannesburg, Durban and Cape Town.

**Comment:** IN GENERAL PROJECTS TOO SMALL, TOO SLOW AND GOING NOWHERE NEAR WHAT WE NEED AS A COUNTRY. WHAT ARE THE REST?
In his Budget Speech yesterday (20 Feb 2008), Minister Manuel said:

"As a first step towards appropriately targeted fiscal environmental measures, and in support of the required demand side response to power shortages, a new levy will be introduced this year on the sale of electricity generated from non-renewable sources, at a rate of 2 cents per kWh. It will be collected at source from the electricity generator, and is expected to raise about R2 billion in 2008/09 and R4 billion a year thereafter."

"We are also setting aside R2 billion over the next three years to support programmes aimed at encouraging more efficient use of electricity, generation from renewable sources, installation of electricity-saving devices and co-generation projects. Intensive work over the next few months is needed to give content to these proposals, so that allocations for this year can be included in an Adjustments Appropriation."
1. Rollover requests: April – May of each year
2. Budget Proposals from depts. for Additional Funding to Medium Term Expenditure Committee (MTEC) August – September of each year
3. Adjustments Estimates Budget Two Parts:
   3.1: Submission of Adjustments Estimates Chapter in the last week of September
   3.2: Treasury Committee Memorandum to Treasury Committee (TESCOM) Last week of September to First week of October
4. Medium Term Budget Policy Statement: October/ early November
5. Thorough work through the Chapters and Database of The Estimates of National Expenditure (ENE) submitted by Department from December until Budget Day in February
1. **ROLLOVER PROCESS**

- Administered in terms of Paragraph 6.4. of the Treasury Regulations
- In terms of Paragraph 6.4.2 of the Treasury Regulation, departments must submit their rollover requests by no later than the last day of April.
- Departments must comply with certain provisions when requesting for rollovers in terms of TR 6.4.1:
  - A maximum of 5% of the Department’s Goods and Services budget appropriated in the previous financial year’s Adjustments Estimate may be rolled over
  - *Capital expenditure*: Unspent funds on payments for capital assets may only be rolled over to finalise projects or acquisitions still in progress
  - *Transfer payments*: Savings on transfer payments and subsidies may not be rolled over for purposes other than what was originally voted for
  - Funds for a specific purpose (such as a transfer payment) may not be rolled over for more than one financial year unless approved by the Treasury
  - Savings on compensation may not be rolled over
  - The National Treasury may earmark specific amounts approved for rollover
2. Budget Proposals for Additional Funding to Medium Term Expenditure Committee (MTEC)

- Treasury Guidelines are sent to Departments indicating how to compile their Budget submission which will contain requests for additional funds to baseline amounts.
- Guidelines are compiled by Budget Office through obtaining inputs from PF Chief Directors, PPP Unit, Soccer World Cup, Infrastructure Unit in the Budget Office.
- Treasury Guidelines are issued between June and July each year.
- A workshop is held for Budget examiners and Departments.
- Previously the guidelines limited Departments request to four proposals for additional funding but last year there was no limit placed on the number of requests for additional funding.
- For Infrastructure projects, since 2005, a Capital Budgets Committee (CBC), a sub-committee of MTEC, was initiated to evaluate the Bids received.
- Infrastructure Projects / Programmes are divided up into three categories in monetary terms:
2. Budget Proposals for Additional Funding to MTEC (cont.)

- Mega, Large and Small
- “Mega” projects or programmes: which are estimated to cost more than R500 million (in total), or have a borrowing or PPP component
- “Large” projects or programmes: which are estimated to cost less than or equal to R499 million but more than R20 million.
- “Small” projects or programmes: which are estimated to cost less than or equal to R20 million.
- Types and extent of ‘feasibility study’ or ‘analysis’ required to be submitted as part of a budget request, depends on project classification above, and details of this are to be found in the Treasury Guidelines each year.
- We are continually increasing the rigour of the analyses requiring to be submitted so that only the most realistic and best planned projects are given the go-ahead.
2. Budget Proposals for Additional Funding to MTEC (cont.)

• Public Finance (PF) Division:

  – Hosts bilaterals with each Department and includes representatives of other sections of the National Treasury depending on the Budget bids received (for motivation, information to arrive at a fair and informed recommendation). Public Entities often attend with Dept.

  – For Infrastructure projects and programmes recommendations are made to the Capital Budgets Committee (CBC). CBC thereafter makes recommendations to MTEC

  – For other requests, PF Budget Analysts make recommendations to MTEC after obtaining concurrence from the Chief Directors who are part of the MTEC committee
2. Budget Proposals for Additional Funding to MTEC (cont.)

- Recommendations of MTEC are submitted to the Minister’s Committee on the Budget (MinComBud) and finally Cabinet

- Cabinet approves allocations

- Letters of allocation compiled by Public Finance Division in conjunction with Budget Office for the DG’s Signature

- Allocation letter requests Department to Submit first draft of the Estimates of National Expenditure (ENE) Chapter by the 1st week of December – details of plans, measures, expenditures and 3 year forecasts, including Public Entities
3. Adjustments Estimates Budget:

3.1 Submission of Adjustments Estimates Chapter in the last week of September

- Beginning September / end-August Departments are requested to submit their Adjusted Estimate Chapter and data base by the end of September
- Budget analyst must check, verify and amend where necessary and provide comments to budget office both on the contents and the data base
- Chapter must be signed off by CD
3. Adjustments Estimates Budget: Memorandum to Treasury Committee (TESCOM)

3.2 Request for Additional funds through Adjustments Budget (half of the financial year) Treasury Committee Memorandum to Treasury Committee (TESCOM) Last week of September to First week of October

- Similar process to that of the Rollover Process
- Administered in terms of Section 30(2)(b) and Paragraph 6.6 of the Treasury Regulations
- Unforeseeable and unavoidable expenditure relates to expenditure that could not be anticipated at the time of finalising the ENE (Budget)
- Not categorised as unforeseeable and unavoidable expenditure
  - expenditure known but was not accommodated in the budget at the beginning of the financial year
  - tariff adjustments and price increases
  - extension of existing services and creation of new services that are not unforeseeable and unavoidable expenditure
3. Adjustments Estimates Budget: Memorandum to Treasury Committee (TESCOM) (Cont.)

- After recommendations meeting of Senior Manager’s of the National Treasury, Budget examiners requested to revise recommendations and submit revised recommendations to Budget office on the prescribed template.

- Budget office submits the revised recommendations to the Treasury Committee.

- Treasury Committee (TESCOM) made up of the President, Minister and Senior Management of the National Treasury.

- Recommendations are approved by TESCOM usually at the end of October.

- Budget Office notifies the Departments of the amounts approved by TESCOM.
Thank You

Questions?

Mahesh Fakir 21 February 2008
Chief Director: Urban Development and Infrastructure
Public Finance Division, National Treasury
Phone: 012-3155119
mahesh.fakir@treasury.gov.za