

Department of Energy

12L REGULATIONS IN RELATION TO THE NATIONAL ENERGY EFFICIENCY STRATEGY



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

PRESENTATION OUTLINE

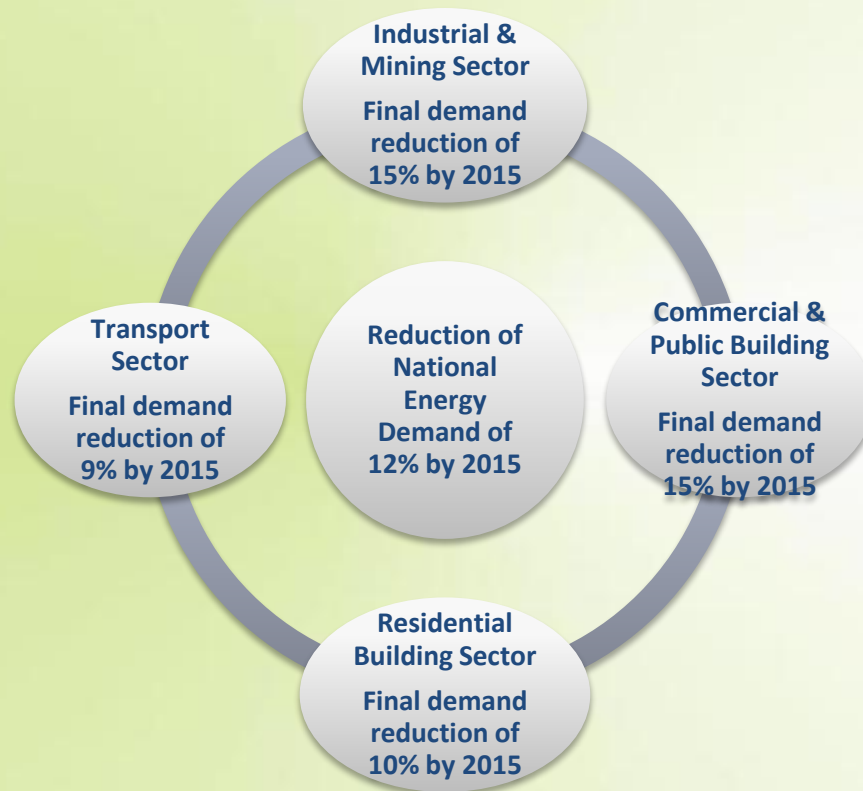
1. National Energy Efficiency Strategy Goals
2. National Energy Efficiency Strategy (NEES) Objectives
3. NEES Review Process
4. NEES Implementation Progress: Standards and Regulation
5. National Energy Efficiency Action Plan
6. Energy Efficiency Target Monitoring System
7. Conclusion



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NATIONAL ENERGY EFFICIENCY STRATEGY (2005) GOALS



- The 2005 NEES set an overall **energy intensity reduction** target of 12% by 2015. This target was further disaggregated into **sectoral targets** as follows: industrial and mining (15%), commercial and public buildings (15%), residential (10%) and transport (9%).

energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA



NATIONAL ENERGY EFFICIENCY STRATEGY (2005) GOALS

- **Implementation plans** were drawn up for each of the sectors with forecast targets of **energy use reductions** based upon assumptions about **energy demand** over the next 10 years (2005 – 2015 using 2000 year baselines). This included the associated drivers, such as the economic development and population growth.
- As part of implementing the 2005 NEES, **interventions** were to be implemented by concentrating on **no/low-cost** options with a high energy saving impact. These were to be followed by medium to long-term higher investment interventions.
- Since the release of the 2005 NEES, **several legislative frameworks** had to be **developed** or **put in place** to support the implementation of the Strategy.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NATIONAL ENERGY EFFICIENCY STRATEGY OBJECTIVES

The Vision of the NEES is *“reducing the energy intensity of the economy through energy efficiency”*.

Achievement of this vision will assist in fulfilling the following national objectives:

- **enhance energy security** by making better use of existing and new generation capacity.
- **improve** South Africa’s global **competitiveness** through reduced energy input cost.
- **decouple** growth in **energy consumption** (and GHG emissions) from growth in **GDP**.
- Contribute to the **creation** of sustainable **jobs**.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NEES REVIEW PROCESS (1)

- The first review of the 2005 NEES was done in 2008. A revised document was then issued for public comments, however the **comments** received were **not favourably**, and requested a more radical alterations including clear **definition of energy efficiency, monitoring system and baseline information** that considers the fact that companies are at different level of achievements of the targets.
- The **second review** of the NEES started in 2011, with public and private sector workshops to discuss the scope and elements of the NEES that needs review.
- Focused engagements/discussions were also held on the **development of regulations** (i.e. Income Tax Allowance on EE Savings) and standards (SANS 50010 and SANS 50001) interlinked to the NEES.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NEES REVIEW PROCESS (2)

- The **revised** strategy was **published for public comments** and about 30 comments were received and workshops were also held to discuss the received comments further. All comments were analysed, and responses provided and this resulted in an adjusted NEES document.
- The 2011 NEES review has been **completed**, however, the **targets were not revised** because the current cycle of the Strategy is ending in 2015. The focus was more of lessons learnt, what were the gaps and how they were and are currently being addressed and the focus was also on the **potential areas of improvement and propose recommendations** of what can still be done.
- The reviewed NEES document **requires to be approved** by **Cabinet** to enable its Gazetting. Cabinet memorandum is being processed in this regard. The reviewed strategy will also be presented at the Government's Infrastructure Development Cluster.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NEES IMPLEMENTATION PROGRESS

Standards & Regulations (1)

- Standards for **energy use in new buildings, energy management, and measurement & verification** of energy savings (SANS 10400 XA, SANS 50001 & SANS 50010 respectively) were developed and introduced with South African Bureau of Standards (SABS) through **the dti**.
- SANS 50010 will be of use to local industries in four ways, namely to: **(i)** enable industries to **accurately quantify** the true benefits as a result of energy savings measures; **(ii)** provide **consistent feedback** regarding the typical **performance** of the various **energy savings opportunities** available to industry; **(iii)** enable companies **improve** their **monitoring** against targets; and **(iv)** enable companies to **claim any tax benefits** available to them from energy-saving programmes.
- **Annexure** to the mandatory provision to the regulations of mandatory provision of energy data prescribing the requirements for **reporting on energy management and submission of energy management plans** has been developed and will be published for public comments.

energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NEES IMPLEMENTATION PROGRESS

Standards and Regulations (2)

- **Standard for Energy Management (SANS 50001)** – This standard will assist in the continual improvement framework to incorporate energy management into everyday organizational practices. In the context of Energy Management, companies will do the following:
 - Plan: **conduct the energy review** and establish the **baseline**, energy performance **indicators** (EnPIs), objectives, **targets** and **action plans** necessary to deliver results that will improve energy performance in accordance with the organization's energy policy;
 - Do: **implement** the energy management action plans; and
 - Check: **monitor** and **measure** processes and the key characteristics of operations that determine energy performance



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NEES IMPLEMENTATION PROGRESS

Standards and Regulations (3)

Regulations on Income Tax Allowance for Energy Efficiency Savings in terms of section 12L of the Income Tax Act

- Regulations on Section 12L have been completed and were **promulgated by the Minister of Finance** as of 01 November 2013. The Regulations were **official launched** on 09 December 2013.
- The regulations are devised to **encourage the efficient utilisation of energy**, and the implementation will be administered by SANEDI.
- For the administration of the regulations' implementation **a web-based online system** has been **developed** and all registrations and submission of proposals will be through this system.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NEES IMPLEMENTATION PROGRESS

Standards and Regulations(3)

- **Procedure of claiming tax allowance**
 - A person that claims the allowance must in **respect of each year of assessment** for which the allowance is claimed –
 - **Register** with SANEDI in the form and manner and at the place determined by SANEDI;
 - Appoint a **measurement and verification** professional to compile a report containing a computation of the energy efficiency savings in respect of the person for that year of assessment;
 - **Submit the report** to SANEDI; and
 - Obtain a **certificate** from SANEDI.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NATIONAL ENERGY EFFICIENCY ACTION PLAN (1)

- In a view to **assessing energy efficiency trends** and to **accelerate implementation** of the NEES, the Department in collaboration with its local and international partners through the support of GIZ embarked on a process of developing the NEEAP.
- The NEEAP is aimed at assisting and providing **guidance** to all stakeholders on the actions required either through voluntary or mandatory nature to enable the achievement of the energy efficiency objectives.
- The NEEAP has been **designed** taking into account **international best practices** to guide implementation of the identified activities.
- It is imperative to note that energy efficiency action plans are **being adopted internationally** to stimulate the translation of energy savings objectives into concrete measurable actions.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NATIONAL ENERGY EFFICIENCY ACTION PLAN (2)

The key purpose and objective of this NEEAP is therefore to:

- (i) **provide detail and guidance** about the actions being taken by Government over the short term as it implements the country's long-term needs and vision set out in, *inter alia*, the NEES;
- (ii) assist in **prioritising future activities/policies** to achieve the EE improvements set out in the NEES;
- (iii) **understand current EE** related activities/policies/challenges; and
- (iv) **report on the progress** made in implementing the NEES and any other documents that make up/are relevant to the EE policy framework.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NATIONAL ENERGY EFFICIENCY ACTION PLAN (3)

- The developed NEEAP is a key document **designed to support** the energy efficiency strategy which remains the overall energy efficiency guiding documents.
- The NEEAP **reflects on changes** in enabling policies and programmes and also **describes interventions** that will be implemented with all relevant stakeholders to ensure that an enabling environment is being created for accelerating deployment of energy efficiency in the country.
- The NEEAP will also **facilitate a robust performance monitoring** in respect to the targets contained in the strategic document.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

NATIONAL ENERGY EFFICIENCY ACTION PLAN (4)

- The NEEAP is a **three year plan** and every effort has been made to accurately reflect the level at which such actions and measures will take place.
- This is a realistic plan taking into account the resources limitation that government is confronted with.
- One of the ultimate objectives of the NEEAP is to determine **adjusted sector or subsector baselines** from those developed in the year 2000 and this is in preparation for the post 2015 NEES targets.
- Other key deliverables of the NEEAP for the next 12 months is the implementation of the **energy efficiency monitoring system, energy management systems, measurement and verification of the energy savings, and functional energy efficiency incentive schemes.**



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

ENERGY EFFICIENCY MONITORING SYSTEM (1)

- The project is being implemented together with **South African Local Government Association (SALGA)** and **South African National Energy Development Institute (SANEDI)**.
- **Overall objectives are to:**
 - Institutionalize **energy efficiency monitoring system** and develop energy efficiency management systems within government structures.
 - **Track** the developing **state of energy efficiency** in South Africa using updated energy efficiency indicators.
 - **Identify drivers** for, and **responses to energy efficiency changes**.
 - **Monitor progress** towards the targets and goals set in the National Energy Efficiency Strategy.
 - **Inform future** energy efficiency policies, financing, regulations and plans.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

ENERGY EFFICIENCY MONITORING SYSTEM (2)

❑ The goal:

- To establish a **functional** context-appropriate system for the purposes of **routine monitoring** of energy efficiency.

❑ Key features:

- *Relevance*
- *Keeping it simple*
- *Using simple tools*
- *A clear resource strategy*
- *Identifying long term, sustainable, routine data collection system*



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

ENERGY EFFICIENCY MONITORING SYSTEM (5)

□ Progress to date:

- ✓ Energy Efficiency Target Monitoring **Methodology Handbook** developed in 2005 was updated and indicators were agreed with representatives of all the sectors.
- ✓ A **pilot project** was conducted between January – April 2013 to test mainly the data collection methodology and the system and this was successfully done.
- ✓ Small samples were used in all sectors and were not statistically representatives of various sectors.
- ✓ The results of the pilot resulted in refining data collection methodologies in preparation of the scale-up of implementing the system.
- ✓ The implementation of the system is **being scaled-up** and is planned that the first monitoring report indicating the energy trends should be produced by

April 2014.

energy

Department:
Energy

REPUBLIC OF SOUTH AFRICA



CONCLUSION

- Government since the introduction of the National Energy Efficiency Strategy in 2005 has developed and introduced the following standards, regulations and plans in the quest of creating an enabling environment:
 - Standards for Energy use in new buildings, Energy Management, and Measurement and Verification of energy savings (SANS 10400 XA, SANS 50001 & SANS 50010 respectively)
 - Regulations in terms of Section 12L of the Income Tax Act, 1962, on the allowance for energy efficiency savings;
 - National Energy Efficiency Action Plan (NEEAP); and
 - Energy Efficiency Target Monitoring System (EETMS) to track energy efficiency improvements since 2005 and using the 2000 base year and baselines.
- The introduction of Energy Efficiency Tax Incentives provides another opportunity to accelerate implementation of energy efficiency interventions and you are all being encouraged to seize this opportunity.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA



Thank You



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA