

**KEYNOTE ADDRESS BY THE HONOURABLE ACTING MINISTER OF  
NATURAL RESOURCES  
MRS MPEO MAHASE-MOILOA ON THE OCCASION OF THE OFFICIAL  
OPENING OF THE 3<sup>RD</sup> RERA AGM AND CONFERENCE, LESOTHO SUN  
HOTEL, MASERU, LESOTHO**

Master of Ceremonies

Chairperson of the Regional Electricity Regulators' Association (RERA)

Chairperson of the African Forum for Utility Regulators, AFUR

Chairperson of LEA

The Representative of the SADC Secretariat

The Representative of the Royal Norwegian Embassy in Pretoria

The Representative of the Swedish International Development Agency

The Chief Executive Officers of RERA

Representatives of the Financing institutions

Power Utility Representatives

Distinguished Guests

Ladies and Gentlemen

It is a great pleasure and honour for me to welcome you to Lesotho on this important occasion, the Third RERA Annual General Meeting and Conference. I extend a special welcome to our visitors from outside Lesotho

and I invite you to take time of your busy schedules to see our beautiful country at the end of the conference.

Master of Ceremonies, Ladies and Gentlemen,

I have been informed that the theme of this conference is “Electricity Regulation and Investment in the SADC Region”. Master of Ceremonies, a better theme could not have been chosen at this point in time. As I am sure all of you are aware, investment in the energy sector, especially in electricity, has become a major concern, not only in region but even at the global level. Notably, this gathering comes immediately after the Third World Forum on Energy Regulation which was held in Washington DC last month. In this forum, which, I am informed, was attended by many of you, investment in the energy sector was also a major topic of discussion. The Forum was, of course, preceded by many other similar gatherings, one of them being our own Regional Electricity Investment Conference and Exhibition which was held in Windhoek last year in September.

Master of Ceremonies, Ladies and Gentlemen

Allow me to briefly recap on why investment in energy and electricity in particular, has gained such prominence in recent years. Firstly, we must recall that our continent and, hence our region, lags behind the other parts of the world in development. As a result, from the beginning of this decade much of the focus of the global community has been on how Africa can be assisted in rising from poverty and moving on to sustainable growth and development. Africa is specifically cited in the Millennium Development

Goals that were declared in 2000, the Summit on Sustainable Development of 2002 and several other international fora. These concerns have led African leaders to form the New Partnership for Africa's Development, NEPAD, which sets an agenda for the renewal of the continent. In many of these declarations the important role played by energy in sustainable development is recognized. Energy is included in the provision of essential infrastructure and services such as transport, water, and Information Communication & Technology. Electricity is by far the most versatile energy form for facilitating economic activity; hence we are talking of, predominantly, provision of electricity. To achieve the required investment, massive financial resources are required and it is recognized that they cannot be provided by public and donor sources only, but the private sector has to be involved too.

Master of Ceremonies, Ladies and Gentlemen

Having dwelt upon the reasons why energy investment has gained such prominence, I would like to put the magnitude of the task before us into perspective. The latest estimates indicate that, out of the six billion people in the world, 2.7 billion do not have access to electricity and we know that in most of the African countries, access is indeed very low. For example in the SADC region access to electricity averages approximately 20%, if we exclude the Republic of South Africa and Mauritius which have over 70% access. For Lesotho we are slightly over 11%. Increasing access to electricity requires major investments in distribution infrastructure, especially as we expand supply into the rural areas. Whilst cost estimates

differ from country to country, in our country estimates put the cost per connection at least US\$1500.00 as we expand into the rural areas.

Master of Ceremonies, Ladies and Gentlemen

Electricity is not only required in the home but, for economic growth, it is essential for industry and commerce, for the small and medium scale enterprises, the latter constituting a sector which can potentially contribute most for eradicating poverty in our region. Hence electricity demand in the coming years has to be viewed in this totality. In fact this is the reason why we are expecting demand in the region to exceed supply in 2007, meaning that, besides requiring funds for transmission and distribution infrastructure, we also need them for generation. As we all know, this was a key issue of discussion in the SADC Electricity Investment Conference last year. Estimates by the Southern African Power Pool indicate that US\$3.8 billion is required to develop generation projects with a total capacity of 4200 MW in the short term. In addition there are several cross-border transmission and other generation projects which are under consideration. These include Lesotho's 'Muela Phase II project.

Master of Ceremonies, Ladies and Gentlemen

I have so far dealt with the need to invest in electricity infrastructure. I shall now attempt to link this with regulation. The international fora I mentioned earlier, emphasized among others, that good governance is one of the key ingredients for sustainable growth and development. Good governance is not only required at the national and political levels but also at all levels of

government and in all sectors. In fact this is the reason why many of our countries have established infrastructure regulators in the past 15 years. I am informed that there are now over 200 such regulators around the world. But I am particularly pleased to note that the number of electricity regulators in the SADC region has doubled to eight since the establishment of RERA in 2002.

Independent regulation of the sector, Master of Ceremonies, is important in the eyes of investors because they expect transparent and predictable decision-making. It assures them of legal security for their investments. It gives them a guarantee that they will be allowed reasonable returns on their investments, and it assures them that when there are disputes they will be dealt with in a transparent and fair manner. Since investment funds are presently required by most if not all countries in the world, it is important for us to recognize that our countries have to compete for the investors with the other parts of the world. And the existence of independent regulators which are allowed enough leeway by governments to perform their duties will go a long way towards attracting investors to our region.

Regulation is, of course, becoming increasingly important even in the regional context because many of the new generation facilities are targeted at regional markets. These, in turn, require cross border and trans-country transmission lines. The role of RERA in ensuring harmonized regulation frameworks will, therefore, become more and more indispensable. To this end it is gratifying to note that this forum will consider the Regional Electricity Regulation Principles, whose formulation has been instigated by the SADC Energy Ministers.

Master of Ceremonies, Ladies and Gentlemen

As we speak about investment in electricity generation, we usually refer to the traditional forms of generation i.e., large hydropower and thermal generation. We usually forget renewable energy (RE) sources and energy conservation which can contribute significantly to supply requirements with a lesser impact upon the environment. I want to believe that you, the regulators, have a role to play in the promotion of these important sources of energy. Notably our region is well-endowed with renewable sources of energy: in fact, for us in Lesotho, this sub-sector has the most potential for development after conventional hydropower. Regulators can support RE programs by having dedicated regulatory instruments such as simpler licencing requirements and lighter quality of supply and service standards. I have been informed that LEA is already doing work along these lines and such standards should be available within one year from now. I urge all RERA members to do the same if they have not already done so.

Energy efficiency can be considered as another ‘source’ of energy as we are approaching a situation where demand will exceed supply, coupled with the long lead times for building new generation facilities. Again regulators must consider ways of promoting energy efficiency practices by utilities and consumers. For example, by including energy efficiency measures as a condition in licences and in tariff setting.

Master of Ceremonies, Ladies and Gentlemen

I appreciate the presence of financiers and large consumers in this forum. To the financiers in particular I say, whilst your concerns and perceived risks regarding investment in our region may have some basis, do be considerate. View us in the light of the state of development at which we are. The size of investments required in the electricity sector cannot be provided by the public sector alone but demands a joint effort from all stakeholders.

In conclusion, Master of Ceremonies, Ladies and Gentlemen, I want to reiterate that our region has the energy resources that can meet the increased demand due to a higher access level to electricity. We do not yet have sufficient human resources to carry out the huge task before us; we must therefore also increase our capacity building efforts. As for the huge financial resources required I again appeal to our co-operating partners and financiers to join us in ensuring that our region does not falter from the desired development path.

Before leaving the floor, I would like to thank all of you for honouring us by accepting the invitation to come to Lesotho. Special thanks are due to the sponsors, without which the conference would not be a success. Lastly I would like to express my sincere gratitude to the organizers, RERA and LEA, for having invited me to make these remarks.

I now declare this conference open and wish you success in your deliberations.

Thank you.

***Khotso! Pula! Nala!***