**PRESS RELEASE**

Localisation is essential in making nuclear power a success in SA

***17 November: 2014:*** *As nuclear power generation looks set to become an increasingly-prominent option for renewable energy production in South Africa, it is vital that local manufacturing companies are included in the large-scale and costly infrastructure rollout to ensure long-term efficiency and sustainability.*

International manufacturing and engineering company DCD Group is a driving force behind the promotion of raising local content thresholds in local energy sector. DCD MD **Rob King** believes that the concept of appointing foreign companies to build local nuclear power stations exclusively is illogical and a lost opportunity to boost the local manufacturing sector.

“There is certainly capacity in the South African industry, and moving this capability abroad does not make sense. By taking a little bit of risk, we can nurture and develop this industry locally, which will result in considerable and measurable positive spin-offs into other sectors too,” he explains.

According to King, a study conducted by the Nuclear Industry Association of South Africa (NIASA) found that as much as 59.4 percent of future nuclear builds could comprise local content. “DCD has been working on this matter in close collaboration with NIASA, which presented these findings to the South African parliament to help convince them to raise the local threshold on nuclear plants.”

Due to the fact that South Africa is still a developing economy, King claims that government is not allowing local industry sufficient time to adequately develop its nuclear capabilities. “It takes time to get to the point of delivering projects of this magnitude successfully. The process starts with developing the necessary skills and commercial abilities to begin costing these projects accurately.”

DCD is already equipped to manufacture components outside of the nuclear island, which is the heart of the plant that houses the nuclear system that produces steam. Depending on the technology used, this can represent up to 70 percent of the spend. “It is for this reason that we are urging government to take account of these figures when selecting the vendor,” says King.

What’s more, DCD is investing significantly in training resources to cope with the ‘First World’ standards that nuclear builds demand. It will cost in excess of R200-million to develop a new facility that can cater to the exacting quality requirements for manufacturing components for the nuclear island.

DCD has already been formally recognised for its continued efforts and contributions towards promoting localisation in the energy sector, after being presented with the 'Distinguished Contribution to the Advancement of Local Content in Wind Energy Award' by the South African Wind Energy Association (SAWEA) in September 2013.

The R300-million, 23 000 m2 DCD Wind Towers wind tower manufacturing facility, located in the Coega Industrial Development Zone (IDZ) in the Eastern Cape, was specifically established to support the localisation of wind tower manufacturing in South Africa.

In addition to stimulating the local economy, King highlights the fact that localisation in the wind energy sector will create new skills and sustainable employment. "Localisation, particularly in the construction of wind farms, also creates jobs in secondary industries, thereby contributing to measurable socio-economic development,” he continues.

Despite early success in the wind energy sector, King admits that it will be more of a challenge to achieve similar local content thresholds in the nuclear sector. “The vast investment needed for these builds means that South Africa will seek international participation to finance them. I suspect that this will also result in foreign contracting capability being placed ahead of local content.”

Bearing this in mind, King indicates that, from a localisation point of view, South Africa should pursue electricity generation technologies that complement the government’s National Development Plan (NDP) of promoting sustainable local job creation.

Given the need to reduce the carbon footprint of electricity generation, the construction of more coal-fired power plants would not be feasible as the next base-load capacity. “Although it will not create much work for DCD, I do believe that we will have to move to natural gas as a fuel source to provide us with our base-load electricity needs. The funding of these power stations are more feasible than nuclear and can therefore be built in line with the NDP,” notes King.

Citing the United States as a prime example of a country that has made considerable strides in reducing its reliance on ‘dirty’ energy through increased use of its shale gas resources, while significantly decreasing its reliance on oil imports, King indicates that the South African government has much to learn from the way in which the United States has benefited from its own resources.

In the past, the United States played a major role in blocking firm commitments to carbon reduction strategies and tax implications to curb carbon emissions. However, King suspects that its new position will now change as a result of its cleaner energy mix.

“This will place pressure on South Africa to accelerate green energy options such as gas, as its exporters will lose their competitive edge in international markets when they are subjected to penalties for relying almost primarily on electricity generated from fossil fuels,” he warns.

Another challenge for the local industry is the consideration of a carbon tax implementation, which King believes will be a ‘double-whammy’ for a country already experiencing high electricity costs. “We need to find ways of introducing cleaner and cheaper electricity into the system, and renewable energy is not always suited to base-load generation.”

Again, King points to gas as the most viable solution, as it also provides the opportunity to introduce smaller plants and independent power producers (IPPs) to the national grid. “State-owned Eskom is monopolising the generation of electricity at present, despite Medupi and Kusile construction projects being unsuccessful in terms of their execution,” he continues.

In contrast, King observes that IPPs are rolling out their projects according to expectation. “This is an important shift that is required in the South African energy-generation landscape if we are to attend to our bourgeoning energy backlog. Due to South Africa’s vast coal reserves, we will never turn our backs on it, as it will continue to power our energy future.”

With numerous options for future renewable power generation, DCD has developed a diversification strategy to ensure that it can successfully enter new markets. King reveals that the company has taken a three-pronged approach to business. “Firstly, the business must be structured according to the market environment. The next step involves focusing on the market and obtaining a share of it.”

The final step involves finding pockets in markets where DCD can compete with better products, as opposed to price. King elaborates: “This places significant credence on the technical resources within the DCD Group, which boasts 80 highly qualified and experienced engineers – many of whom will be redeployed to our research and development department to drive this strategy.”

**Local content thresholds revisited**

DCD recently challenged government’s initial targets of achieving a 20 percent local content threshold in the local renewable energy sector. “We questioned government’s initial targets of achieving a 20 percent threshold, and argued that we would not be able to create one new job by pursuing such a low threshold for local content. We brought this to the attention of government, suggesting that it be raised to 40 percent. The Department of Trade and Industry accepted this proposal, which has been implemented in the third round of the roll out,” concludes King.

***Ends***

**Notes to the editor**
There are numerous photographs specific to this press release. Please visit <http://media.ngage.co.za> and click the DCD link.

**About DCD Group**
DCD Group (Pty) Ltd is an international manufacturing and engineering company providing products and solutions to the rail, mining and energy, defence and marine sectors. As a group DCD is able to offer comprehensive, integrated heavy engineering solutions in addition to bespoke individual solutions. DCD has been an integral participant in South Africa’s infrastructure development for decades and is now playing an active role as a partner of choice to government in the current infrastructure expansion drive.

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