

Energy Efficiency Guidance Note [2013]

This note documents Massmart's position on energy efficiency and specifically electricity metering and monitoring.

Background

Historically, South Africa has benefited from relatively cheap electricity. However, electricity prices have risen rapidly from 17c/kWh in 2006 to 60c/kWh in 2012 and the National Energy Regulator (NERSA) has approved a further 8% per annum energy price increase for the next 5 years.

South Africa has also experienced growing national electricity demands and in response to this, and in line with global trends, the South African government has committed to a 34% reduction in carbon emissions by 2020 and a 42% reduction by 2025. Given South Africa's reliance on coal fired power stations for electricity, there is little doubt that improved energy efficiency will be imperative to achieving Government's carbon emissions goals.

The rising cost of electricity and the need to more effectively manage carbon emissions makes the efficient use of electricity a necessity from both an operational cost and a sustainability perspective.

Walmart Position

Walmart has committed to a goal of being supplied 100% by renewable energy by 2025. This includes generating its own energy at stores and distribution facilities and significantly reducing its greenhouse gas emissions (Walmart Global Responsibility Report: 2012).

Walmart is committed to experimenting, piloting and scaling a variety of cutting edge and proven technologies to improve energy efficiency and drive investment in renewable energy initiatives. As part of this commitment, Walmart has developed 2020 energy efficiency and renewable energy goals by market. Using 2010 as a baseline and business as usual energy efficiency models, markets were required to set energy efficiency and renewable energy targets that incorporate both new store openings and legacy store retrofits.

Massmart Position

Massmart is focused on improving energy efficiency in line with format-specific energy intensity benchmarks.

Massmart recognises that energy security and concern around escalating energy tariffs continue to be national priorities. In line with this, Massmart is developing energy intensity

benchmarks and targets for all Group formats that distinguish between legacy and new store energy efficiency requirements.

Actions

Massmart will implement the following measures to improve store energy efficiency within the Group:

- All stores will be required to independently monitor and record monthly energy consumption using programmable check meters
- Divisions must reconcile and review check meter readings against municipal electricity bills
- Divisions will be required to submit check meter data to Massmart for review
- For new stores, divisions will be required to develop store specific energy efficiency plans that define expected efficiency savings when compared to benchmark best in format legacy stores
- For planned retrofits, divisions will be required to include energy efficiency plans indicating expected energy savings based either on: energy savings achieved through benchmark retrofits; or estimated savings based on the installation of more efficient energy technology
- With regards to retrofits, initiatives should result in a 3-4 year payback*
- All divisions will be required to demonstrate, using check meter data, progress made towards achieving agreed energy efficiency targets at both new and retrofitted stores.