



Key Note Address by the Minister of Energy, Ms Dipuo Peters, MP at the Annual LPGAS Safety Association Conference

9 November 2009, Indaba Hotel, Gauteng

Programme Director,

The Chairman of the LPGA SASA, Mr Herbert Ngwenya

The LPGas Safety Association of Southern Africa (LPGSASA) CEO, Mr Dennis
Harold

World LPGas Association Managing Director Mr James Rockall,

Members of the South African Petroleum Industry Association (SAPIA)

The LPGas Industry Members

Senior Government Officials

Distinguished guests and

Ladies and gentlemen

It is an honour to be invited to participate in this conference. I was informed that the theme of this conference is Safe Energy for 2010.

This is a most appropriate theme as energy has become not only an important matter in our country but it has also assumed the mantle of being a global challenge especially for developing countries.

As recently as this year the World Bank presented a paper on energy poverty to the G 8 Energy Ministers in Rome, Italy. The paper stated shocking statistics.

It revealed that, of the 1.6 billion people that lack access to electricity, most of them are concentrated in Africa, Asia and Latin America. An analysis of the current investment projects in developing countries, shows that rural (and general) electrification programmes are concentrated in Asia and Latin America. Very little is currently being done in Africa especially in sub-Saharan Africa. Africa has the lowest electrification rate, with as many as 547 million without access to clean energy.

The World Health Organisation has revealed that 3 billion people worldwide use wood, coal and biomass for cooking. This is particularly worse in our continent of Africa where about 646 million people depended on biomass for cooking in 2002 and this has not changed much today.

In general, having analysed the rate at which investments in electricity generation are dispensed on the continent, forecasts show that less than half of African countries will not attain universal access to electricity by 2050. This provides ample opportunities for you as investors in the LPGas industry.

Opportunity exists where you to make a significant impact as South Africa, Africa, and the world diversify their energy mix. LPGas, I am told, is more efficient than most energy carriers when it is used for space heating and cooking hence our assertion that it is well positioned to be the energy carrier of choice for most of our households.

An added advantage of LPGas is that it is clean, portable and easily accessible. The logistical infrastructure required to market the product is not as costly and as cumbersome as putting power stations and transmission lines. LPGas can be easily distributed to the most remote areas of our country.

These characteristics demonstrate vividly that this form of energy should be made accessible to all South Africans and including and specifically those that have not yet been connected to the electricity grid. These are people who live in the rural areas and informal settlements.

Programme Director,

What then are the factors that are preventing the universal use of LPGas in this country?

All of us know that one of them is the price of LPGas. It is way too high. This is a fact that can never be disputed. Many a time I have been approached by concerned citizens who wish to join many other citizens of the world

who have switched from electricity to LPGas but price is proving to be the stumbling block.

I am aware that LPGas is a business that is driven, amongst others, by volume. Higher volumes have the advantage of reducing fixed costs of operation and invariably bring down operational costs and this ultimately will result in increased profit margins. Why are we not joining the rest of the world in going this route?

My Department recently conducted two pilot projects focussing on LPGas for low income households. I am informed that these projects demonstrated, without doubt, that there is appetite for LPGas. Communities in the affected areas responded enthusiastically to the project.

This leaves the price as the main impediment to the uptake and use of LPGas in our country.

Ladies and Gentlemen,

My Department has indicated, on several occasions, that LPGas will be regulated as soon as possible. Consequently public consultation on this matter has been conducted and we have considered all the concerns that the industry has raised. These regulations will be promulgated within the next few weeks. This move should therefore bring much needed certainty to you as investors in this sector.

I hope that you will take advantage of the possibilities that have been presented by this move and change the face of LPGas and turn it into the kind of business that it ought to be.

I understand that some of the challenges faced by industry, especially small players, is the lack of access to financial capital to purchase cylinders. This is also compounded by the dynamics of the cylinder management system in the country.

This is a challenge which will be eliminated once there is massification of this industry.

I hope that during your operations, big industry players will act and conduct themselves in a manner that wilfully encourages the emergence of BEE players rather than the other way around.

I have no doubt that you are aware that you are expected to comply with the provisions of the Petroleum Products Act which dictates that you need to have historically disadvantaged partners in your business. It is my intention to conduct an analysis to see how you have performed with regard to the dictates of this legislation.

Your expansion plans should take cognisance of the need to include BEE companies. It is important that as this industry expands, it also focuses on

empowerment. South Africa has one of the highest levels of unemployment and inequality in the world. These are dangerous characteristics of our economy and they have severe consequences which are currently being manifested in the current social unrests.

As the sector that surely has to be committed to transformation, it will be critical that you place greater focus on employment creation as well as development of SMMEs.

I am told that in Brazil, the LPGas value chain has created both business and employment opportunities for SMMEs. Surely, we can emulate such models and replicate them in our country.

As an industry and government we need to play our part in breaking the back of poverty and underdevelopment. You should not only focus on alleviating energy poverty but you should focus with even greater fortitude on eradicating energy poverty.

The success of LPGas is primarily based on the safe use of the product. This should not be under-estimated. I must take this opportunity to commend the LPGSASA for its sterling work in ensuring that safety is paramount in the sector.

I am urging new entrants in this sector to adhere to the principles of safety.

Safety must cover all aspects of this business, from ensuring that the equipment we use especially the cylinders, cylinder filling machines, and scales, are constantly maintained according to the safety standards set by the South African Bureau of Standard as well as the Department of Labour.

It is my expectation that, as this industry grows with leaps and bounds and its clientele base expands, this will be accompanied by an even greater safety education campaign. I have observed that some companies and the LPGSASA have been issuing adverts with safety tips. That is commendable. Together we can do more to promote safety awareness in the sector.

In the event that accidents occur when people use LPGas, my expectation is that the industry must take full responsibility to adequately compensated the victims. The industry should have some kind of (insurance) policy to deal with the consequences of accidents related to LPGas. I expected that the theme should also touch on the element of the security of supply. When LPGas is used for cooking and space heating, it immediately becomes an essential product.

I hope that the industry plans will take appropriate steps to ensure that there is a reserve margin in the form of strategic stocks built in the system. It will be a very bad experience if households were to develop dependence on a product that will constantly be subjected to erratic supply. Industry expansion plans need to take cognisance of the need to ensure continuity and security of LPGas supply to consumers.

The industry and all the stakeholders need to grasp the nettle and seize opportunity that this sector provides. The success of the sector and our ability to change the energy mix will be based on the principles of ensuring “the availability of the right goods, in the right quantities, in the right condition, at the right place at the right time for the right customer and at the right price”.

The LPGas business is also a logistics business meaning that you need to have supply logistics within highly complex inter-relationships, a world of many small but tremendously important interconnected processes which if well managed will ensure prompt and efficient supply of the product.

In conclusion, it is important that as a collective, we reflect on the potential for LPGas in the country especially at this time when we are facing major constraints in our attempts to supply sufficient energy to meet increasing demand.

The situation will be aggravated once the economy is on an upward growth path. The time to switch to LPGas in South Africa is now. The opportunity to do this is now. The circumstances are far more favourable now than ever before. I challenge the industry and all of you here to today to heed this call and invest in the sector now.

Working together in the LPGas sector, we can do more to alleviate energy poverty, diversify energy mix, promote cleaner, safer, and affordable energy carries, and modernise our energy sector for the benefit of all.

I thank you.