

**SPEECH BY MINISTER OF ENERGY MS DIPUO PETERS (MP) AT THE OCCASION OF THE THIRD ANNUAL NATURAL GAS CONFERENCE AT INDABA HOTEL, JOHANNESBURG ON 07 SEPTEMBER 2010**

**THEME - “The Evolving Energy Source”**

**SLOGAN - “Glowing Stronger Everyday”**

Programme Director;

Chairman of the South African Pipeline Gas Association (SAPGA), Roy Lubbe;

Industry Captains;

Officials from the various government departments and organs of state;

Current and aspirant players in the piped gas industry;

Ladies and Gentlemen,

**Introduction**

Let me begin by thanking the organizers for an invitation that awards me an opportunity to speak in this prominent event, the Third Natural Gas Conference organised by South African Pipeline Gas Association [SAPGA]. The Department of Energy through its legislative framework stipulates a need to diversify primary energy sources and move South Africa away from its high dependence on coal. Gas as a commodity emphatically fits in South Africa’s energy policy position. In 1998, the White Paper on Energy Policy in South Africa advocated for and committed government to be geared to developing a gas industry that will feed into the energy mix, thereby ensuring security of energy supply. To catalyze the establishment

of a vibrant gas industry with acceptable and fair business rules, a gas legislative regime underpinned by the Gas Act, 2001 (Act No. 48 of 2001) was developed. Derived from the Gas Act was the birth of the National Gas Regulator which, through the National Regulator Act of 2004, is subsequently attached to an action-arm known as the National Energy Regulator of South Africa (NERSA). Regulations associated with the Gas Act were promulgated in 2007.

Our Gas Act in unison and sharing common objectives with the White Paper on Energy Policy seeks to address the socio-economic imbalances of the past through employment equity, skills transfer and development as well as the advancement of Broad Based Black Economic Empowerment. Gas must be made accessible, affordable and safe to our communities. Compliance with these requirements can be facilitated within a competitive market in the Gas Industry that “promotes efficient, effective, sustainable and orderly development and operation of gas transmission, storage, distribution, liquefaction and regasification facilities”. Moreover an establishment of a vibrant gas industry with a lively domestic and international trading mechanism depends on attracting credible investor with good business ethics, by promoting South Africa’s country profile.

I appreciate the proactive thrust by the Third Annual Natural Gas Conference in objectively advancing the interest of the gas industry by addressing both evolutionary and innovative changes in technology, structural developments and markets within the confines of the legislative / policy framework. I expect the unfolding of rigorous engagement and constructive debate that will be triggered by provocative presentations,

creating a potential to tap knowledge from all delegates. Post the conference phase, the wealth of information gathered will assist the South African gas industry with future developments, and also influence government in shaping the legislative framework, regulations and policy through a consultative process with interested and affected parties.

The Gas Regime is multi-pronged, where NERSA regulates and implements legislation on the gas pipeline infrastructure, while the Department of Energy (DoE) is responsible and accountable for the drafting of legislation and development of policy. Furthermore, the Liquefied Petroleum Gas (LPG) remains regulated by the DoE. This regulation followed an outcry from communities on non-standardised and exorbitant pricing, making LPG inaccessible, and thus deviating from the objectives of the White Paper on Energy Policy. Chief among such objectives in this respect is the eradication of energy poverty and facilitation of access to basic energy by households. The Maximum Retail Price of LPG Supplied to Residential Customers was regulated with effect from July 2010.

### **Role of gas in contributing to energy-mix in our economy**

Energy is an important component whose integration significantly contributes to sustained economic growth. Over five consecutive years commencing in 2007, South Africa's real economic growth continued at almost 5 percent. Energy contributed about 15 percent towards Gross Domestic Product (GDP). During 2007/ 2008, rapid industrialisation and extensive electrification programmes resulted in electrical power shortages, and compelled Eskom to request the industry to reduce electricity

consumption by ten percent. South Africa cannot overlook the emergence of such a threat to security of energy supply, and that has accelerated the need for an improved energy mix encompassing alternative primary energy sources such as natural gas, nuclear power and variety of renewable energy. However, South Africa's reliance on fossil fuels as primary energy sources continues where coal fired electricity generation provides 95 percent of electrical power while the balance is mainly derived from nuclear energy. Natural Gas accounts for 3 percent of primary energy consumption and growth to about 10 percent is projected within a decade. Such projection would require the implementation of initiatives such as:

- a \$3 billion to \$4 billion Ibhubesi Gas Project by Forest Exploration International, in partnership with PetroSA and iGas presently intends to develop a gas fired electrical power plant of 400 to 900 megawatt (MW) in South Africa's West Coast and supply natural gas power to Saldanha Bay and the Western Cape areas. The sustainability of the project can be complemented by cooperation with Namibia in the Kudu Gas Project.
- Mozambique to South Africa natural gas flow through the gas-pipeline infrastructure which began in 2004. Mozambique, Sasol and iGas have invested R1.1 billion in the construction and integration of a Gas Compression Station within the pipeline infrastructure in Komatipoort, to enable a 20 percent gas flow rate increase to 147 million gigajoules of natural gas per annum flow to Secunda, for capacity expansion in synthetic fuels as well as industrial and community supply.

- There is continued assessment and evaluation in the research of small pockets of gas in land for methane gas commercialization.
- Prospecting for gas resources both onshore and offshore in South Africa, particularly noting the recent developments in respect of shale gas in the Karoo basin.

### **Impact of Natural Gas on mitigation against Climate Change**

There is growing momentum in the world's quest to mitigate against climate change and global warming, fuelled by the United Nation Convention on Climate Change and the Kyoto Protocol, to which South Africa is a signatory. Increased natural gas and LPG utilization in the country will have a significant impact in reducing carbon emissions and could assist in the acquisition of carbon credits. In December 2009, President Jacob Zuma's presentation at Copenhagen Conference had demonstrated South Africa's commitment in supporting the global emission reduction initiative. He pledged a 34 percent reduction in carbon emissions by 2020 and 42 percent by 2025, depending on the financial and technological support from developed countries. Furthermore, our President has recently accepted to co-chair with President Tarja Halonel of Finland the United Nation Second Panel on Climate Change Sustainability, which further demonstrates our resolve to reduce emissions.

### **Regional Cooperation on Natural Gas Resources**

South Africa has limited natural gas resources, however, Southern Africa as a region has an abundant resources of natural gas, especially countries

such as Angola, Mozambique and Namibia. To complement natural gas supply to the industry and communities, South Africa established the Namibian and Mozambique Gas Commissions respectively. There is a greater need to strengthen and extend intra-regional trade and cooperation in natural gas. This requires harmonization of legislative / policy frameworks and will promote technological exchange and skills development in the gas sector.

South Africa/Namibia Gas Commission was inaugurated in 2005, marking the acceleration of activities in the Kudu Gas Project, geared at constructing an 800 Megawatt gas powered plant in Namibia and the exports of natural gas to South Africa. Discussions in 2008, entailed commercialization of the Kudu gas and conversion into compressed natural gas (CNG) for industrial, transportation and possible electrical power generation in the Western Cape. Although the said discussions have not born any fruit as yet, a useful body of knowledge has been amassed.

The SA/Mozambique Gas Commission, focused on the trading of natural gas from Temane and Pande to South Africa has intensified since the commissioning Gas Compression Station in Komatipoort.

It is in this context that South Africa plans to host the Southern Africa Development Community Gas Conference early in 2011.

## **Possible Future Developments in Compressed Natural Gas Transmission**

The transmission of natural gas from the gas wells in neighboring countries to South Africa, demands planning and the construction of pipeline infrastructure with a network to reach the industrial sites and communities, to make gas accessible and affordable. An evaluation of various gas transport models, pioneered by iGas, is vital in the selection of appropriate methods accessible to areas that are far away from pipelines. It is not necessary for South Africa to re-invent the wheel, while countries like Argentina, India and Mozambique, to name but a few, had developed world class gas transportation systems, involving underground pipeline-infrastructure and Virtual Gas Pipelines to reach consumers. A Virtual Gas Pipeline (VGP) transmission is ideal, composed of gas-compression station to compress gas to 250 bars, packaging of gas in collective cylinders (modules) and truck-transportation of compressed natural gas to consumers.

## **CONCLUSION**

I am really impressed by the initiative undertaken by the South African Pipeline Gas Association to organize a series of Natural Gas Conferences. The benefits of knowledge sharing on the whole value chain will enhance the standards and status of South Africa's gas industry. There are mixed perceptions regarding the safe usage of gas and such conferences will assist in providing education and training to facilitate positive reception of natural gas commercialization and utilisation. We must always guard against energy poverty to improve the livelihood of South Africans through an accessible and afforded gas-market environment. As I mentioned earlier, the legacy of the past continues to torment and restrict Black Economic Empowerment, Employment Equity, skills development and

transfer. This could also be blamed on the reluctance of entrenched players in embracing transformation. This needs to be addressed and corrected. The gas industry has to champion this historical imperative. Effective and efficient management of the gas industry relies on improved governance, business and work ethics supported by an appropriate gas legislative / regulatory framework, benchmarked against international standards. South Africa is aware of the challenges related to the scarcity of natural gas in the country and the importance of regional cooperation in trading within the natural gas industry, to develop a strong economic system in Southern Africa Development Community, where the natural gas market plays a key role. Let us continue to build a healthy environment for economic and social benefits for ourselves and future generations.

I Thank You All.