Keynote Speech by the Minister of Energy, Ms Dipuo Peters

-4th Annual Natural Gas Conference 2011 on 6th & 7th September 2011-

At the Indaba Hotel, Fourways, Johannesburg

Theme: "Evolving Energy Source"

Slogan: "Synergy for Alternative Energy"

06 September 2011, 08:30 - 09:15

Programme Director;
The Chairman of the South African Pipeline Gas Association, Dr. Roy Lubbe
Natural Gas Industry Stakeholders;
Government Officials;
Members of the Media;
Honoured Guests;
Ladies and gentlemen

May I start off by thanking the organizers of the 4th Natural Gas Conference, the South African Pipeline Gas Association [SAPGA], for affording me the opportunity to speak in this event. I am pleased that the organizers' intentions are well aligned with those of Government and the Department of Energy in particular, these being that of enabling natural gas to play a significant role in our energy mix / portfolio.

We do consider natural gas as an evolving energy source which requires us to create synergies among the various alternative energy carriers in our energy mix to best serve the energy needs of our people. Optimal sourcing and use of energy resources and the concomitant infrastructure requires integrated planning and collaboration of all involved. The convergence of energy is a reality of our times – one can't talk about electricity to the exclusion of natural gas or vice versa, neither can one talk about liquid fuels / diesel to the exclusion of natural gas and vice versa.

There is however the hard truth that we all have to face and effectively deal with, which is that: South African has very limited gas reserves. In this regard, we are eagerly awaiting the outcome of the assessment of the shale gas potential which is currently estimated to be around 485 trillion cubic feet (tcf) by the USA Energy Information Administration. We note the concerns related to shale gas and trust that the Interdepartmental Task Team that is looking into this matter, and led by the Department of Mineral Resources, will provide us the way forward.

We are also appreciative of the efforts of the Petroleum Agency of South Africa (PASA) regarding the promotion of gas exploration in the country. Our national oil company, PetroSA, is also hard at work with its exploration efforts to source gas for its Gas-to-Liquids facility in Mossel Bay. We dare not forget the contribution of the private entities that have invested heavily to explore our shores for both conventional and unconventional gas resources. There are also projects afoot to explore the potential of importing natural gas, both as liquefied natural gas (LNG) and compressed natural gas (CNG), to meet our country's energy demands.

It is with this in mind, among other things, that the IRP2010 was developed and incorporated gas among alternative energy sources for electricity generation. The IRP2010 presents a 20-year view on South Africa's energy mix that seeks to balance growth in demand with South Africa's commitments to reducing its dependence on coal and to reducing climate-changing emissions. Noting that energy is an input cost to the economy, the IRP2010 aims to improve South Africa's global competiveness and support job creation; improved management of our natural resources; as well as the reduction of and mitigation against green house gas emissions in line with our commitments on emissions reduction targets. The IRP 2010 is aligned to the objectives set in the Long Term Mitigation Scenarios and the commitments made to the climate change imperatives, especially the Copenhagen Accord. In this context the IRP2010 will also serves as an input to other planning functions, including economic development as well as environmental and social policy formulation.

Cabinet approval of the IRP 2010 as well as the approval of the tabling in Parliament of the Independent System and Market Operator (ISMO) Bill on 17 March 2011 augured well for the facilitation of participation of independent power producers (IPPs) in electricity generation in South Africa. Under the approved IRP 2010, **imported gas is expected to make**

up 6% of all new electricity generation, hydro power 6%, **open-cycle gas turbines (OCGTs) 9%**, coal 15% and nuclear 23%. This translates into an envisaged electricity generation from gas of 15%, which is far from being an insignificant share if one considers our gas reserves, the total electricity demand and the current gas consumption - Natural gas accounts for 3 percent of our primary energy consumption. However, there is no magic wound that will bring such a change in our electricity generation mix – we all need to do our part and work together to make natural gas an energy carrier of note in our mix.

The use of natural gas as an energy resource has been in existence since the early 1950's as a by-product of crude oil production. The 1973 and 1979 oil crises led to the replacement of appropriate oil markets with natural gas. The focus on gas increased and resulted in a fully developed and interconnected pipeline system in Europe and the USA during the 1990's. This increased was and continues to be driven by the strategic diversification of energy resources; the need for domestic space heating; the fact that gas is a cleaner fuel resource compared to coal and oil; as well as the reluctance in the 1980 to the present time (with the exception of France) to commission nuclear power stations. It should however, be noted that our IRP2010 focuses on ensuring security of electricity supply, as well as diversifying the mix away from coal and towards renewable sources, as **well as nuclear energy**.

Collaboration among the major gas industry stakeholders as well as Government is vital to ensure that there is investment in the supporting infrastructure, skills development; improved local content and supplier development that is alive to our socio-economic imperatives. We must learn from the concerted efforts of the Europeans and Americans in creating an infrastructure of interconnected pipelines beyond political boarders for the supply of gas to the South African market.

The economic empowerment of historical disadvantaged South Africans (HDSA) remains firmly embedded in our agenda. We are also cognizant of the fact that meaningful and sustainable empowerment should be underpinned by a solid skills base of those we seek to empower, the historical disadvantaged South Africans. Hence supplier / vendor development that is targeted to enable HDSAs to add value and play a significant role in the core business of the gas industry value chain is crucial for empowerment. This requires more than just “teaching” or “lecturing” to people instead of mere compliance and but a culture that views empowerment as a profitable social imperative.

Programme Director, allow me to also mention that good political relations with other countries need to translate into economic benefit for our respective citizenry. For this to happen Government-to-Government relations need to be supported by Business-to-Business cooperation - this is the role that the gas industry players have to play to make gas trade with our neighbours and other countries a reality. For example, Algeria, Angola and Nigeria are among the large gas producers in the continent but there is still no significant gas trade with South Africa. We note the reported gas finds in Tanzania, which are estimated to be around 11 trillion cubic feet (tcf).

We also appreciate our continued cooperation on gas trade with our neighbours, Mozambique and Namibia. Gas trade with Mozambique, currently involving gas sourced from Temane and Pande, has intensified with the commissioning of a Gas Compression Station in Komatipoort in 2009 to increase the gas flow rate from 120 to 147 million gigajoules (MGJ) per annum. The Government of Mozambique, Sasol and iGas invested about R1.1 billion in the Gas Compression Station. As per of regional development and cooperation we will endeavour to promote gas trade within the SADC region.

As a Department we will continue with our efforts of creating an enabling environment for the sustainable use of gas in our energy mix. Pursuant to this, we have initiated the process of reviewing the Gas Act, 2001(Act No 48 of 2001). Among other things, we would like to adequately address the regulations of LNG, CNG and virtual storage as well as improve the Gas regulatory Framework to accommodate changes in the industry landscape. As part of its international relations and cooperation activities, the Department will continue with its activities within the South Africa / Mozambique Gas Commission and the South Africa / Namibia Gas Commission.

I thank you.