

**REMARKS BY THE MINISTER OF ENERGY, MS DIPUO PETERS,
AT THE MEDIA BRIEFING ON THE DRAFT FUEL SPECIFICATIONS
AND STANDARDS AT THE GCIS IMBIZO MEDIA ROOM
CAPE TOWN ON 8 MARCH 2011**

DEPUTY MINISTER OF ENERGY

DIRECTOR GENERAL OF THE DEPARTMENT OF ENERGY

REPRESENTATIVES OF THE MEDIA

REPRESENTATIVES OF SAPIA

LADIES AND GENTLEMEN GOOD AFTERNOON

Today marks yet another milestone in the Energy sector of our economy as we unveil to you the draft fuel specifications and standards that have been the subject of many a debate in our country. We are presenting the direction that government intends to pursue towards modernization of our liquid fuels.

This is a continuation of a process that resulted in the prohibition of the addition of lead into all grades of petrol and the reduction of levels of sulphur in diesel from 3000 parts per million to 500 parts per million. You will recall that a study conducted by the medical research council showed reduced levels of lead in the blood of children as a result of the prohibition of lead in petrol. So a tightening of standards does indeed have benefits for the environment and people in general.

The approach we have taken in developing these specifications was underpinned by three imperatives:

First and foremost the specifications are informed by the need to contribute to public health. As you are aware the Government has identified public health as one of the major priorities for this term. We are reducing the allowable levels of benzene, which is a known carcinogen from 5% to 1%. We are reducing the allowable levels of other benzene related components in fuel. This we are doing knowing perfectly well

that the levels of exposure to carcinogens in the fuel emissions especially for those that are exposed on a regular basis will be reduced resulting in reduced risk of cancer.

The second and third imperative are interlinked these are environmental concerns and the need to enable more advanced combustion engines into our roads. The transport sector is one of the contributors to greenhouse emissions and consequently global climate change. This is particularly important in the year during which we are hosting COP-17 in Durban towards the end of the year. As responsible citizens of the world we cannot continue using fuels that result in emissions of more greenhouse gas emissions than those partners with whom we trade.

We are therefore reducing the level of sulphur in our fuel 500 parts per million to 10 parts per million. Simplified, the impact of this will be two fold. Firstly the low levels of sulphur will allow for the introduction of engines that are much more efficient and that will result in less carbon dioxide emissions.

So per kilometre travelled, these more fuel efficient vehicles emit less. This will complement the introduction of the carbon tax which was introduced by the Minister of Finance. There will be benefit for the motorist in the sense that more efficient vehicles will also mean less trip to the pump as your tank will last longer.

Let me turn to the issue of timing as well as process going forward. We expect that the cleaner fuels should be made available initially through amongst others imports as we are already importing petroleum products. The CTL and GTL facilities will be able to produce some components of the cleaner fuels however some blending components may be necessary. We would want these fuels to be available as soon as 2013. We expect that the refineries will take turns in upgrading refineries to be able to produce cleaner fuels and that the last refinery conversion should be completed by 2017.

Questions have been raised about the cost of all of this. We believe that cost recovery will be subject of discussion once a thorough determination of the costs and benefit for each refinery has been done. There are approaches that can be considered including differentiated taxes which create an advantage for high quality fuel. All these will be subject of discussion with the relevant stakeholders going forward. It was important for the fuel specifications to be released by the Department in order to begin the discussion on modalities.

We believe that the upgrading of refineries will offer an opportunity for both job creation as new components will have to be fitted into the refineries. In keeping with the objectives of the Industrial Policy Action Plan we also expect that the local content in the component manufacturing will also be maximized. This should be seen as an opportunity to create jobs and manufacturing opportunities.

For the vehicle manufacturers, we would want this to be an opportunity for more advanced engines to be fitted into the vehicle pool of South Africa.

Ordinarily we would have released the draft specifications for comment, however we felt that some explanatory document is necessary and as such we are also launching this discussion document that explains the rationale for going this route. We will allow for a comment period of 60 days after which the comments will be considered and the document will be finalized.

Let me conclude by indicating that recent events particularly affecting North Africa and the Middle East are having an impact on global fuel prices including South Africa. We therefore need to amongst others change our driving habits to use fuel more efficiently. We will monitor the situation and where necessary I

will have to consult the Minister of Transport to determine whether other ways of conserving fuel are not feasible.

I Thank you.