



MINISTER OF ENERGY, HON. TINA JOEMAT-PETTERSSON, MP
Keynote Address at the Argus Africa LPG 2014 Conference
Cape Town, South Africa
16 September 2014 at 12h00-12h30

Programme Director;

Members of the diplomatic core;

Mr. Nick Black, Vice-President Argus LPG, and the whole Argus leadership as organisers of this conference

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Senior Government Officials;

Captains of the industry;

Honoured Guests;

Ladies and Gentlemen

Programme Director

Let me start by conveying on-behalf of the South Africa government our appreciation for the invitation extended to us, to be part of this auspicious inaugural Argus Africa Liquefied Petroleum Gas (LPG) Conference.

We trust that the deliberations here over the next two days will be of such a fruitfull nature by enhancing our discourse of ensuring that there is adequate provision of

basic energy resources to our people, not only in South Africa but throughout the rest of Africa.

I am flagging Africa deliberately because our challenges of providing sufficient and appropriate sources of energy is a challenge facing all countries within our continent, and LPG as an alternative and reliable energy source ought to be deployed in dealing with this challenge.

Programme Director:

This conference is taking place at a time our government led by our Honourable State President Jacob Zuma, has placed energy as one of Government's apex priorities. During his State of the Nation Address in June 2014 he called for radical transformation and decisive changes in the energy space, and that as Country we must address energy constraints which are negatively affecting our social and economic transformation imperatives.

He emphasised the importance of energy security in driving radical economic transformation in pursuit of the attainment of our country's objectives. Energy is the lifeblood of our economy and, as an input cost therein, should be availed and managed to be a catalyst for South Africa's development.

Ladies and Gentlemen

Our energy policy document for South Africa, which is the White Paper on Energy Policy of 1998, among other things, seeks to ensure security of energy supply through diversification. The envisaged energy mix features liquefied petroleum gas (LPG) despite the constrained domestic production of its production. On average LPG production by South African Refineries is about 360,000 tonnes per annum.

There are persistent shortages of LPG during the winter months, particularly in the Western Cape. Unplanned and prolonged planned refinery shutdowns exacerbate these shortages. The alleviation of these shortages and the envisaged future growth in LPG consumption can only be met through imports, which is, accessible,

affordable and reliable LPG supply.

Consequently, LPG import as well as storage and distribution infrastructure are necessary enablers for such imports. I am told that the biggest LPG storage facility has a capacity of about 3,600 tonnes. This means that the biggest cargo that the country can import at a time is at most 3,500 tonnes, which would normally translate into higher costs of bringing small parcels of LPG into the country.

Programme Director

We are therefore encouraged by the private sector efforts towards investing in building infrastructure and facilities throughout the whole value chain. We know that once investments have materialized the prices for LPG will significantly be reduced and become affordable to the end users, being our poor people in rural and informal settlements across the length and breadth of our country.

It is also important that such investment not only happen in South Africa, but through the whole of Africa, as inadequate infrastructure remains a major impediment to energy supply security. Strengthening of our various state institutions and the development of the requisite infrastructure in Africa will go a long way in addressing the Continent's energy security challenges and bolstering intra-African trade.

Within this context we shall be realizing the objectives of NEPAD, in that any consideration for the LPG market, distribution, investment in infrastructure and trade must be of a regional focus and approach.

Programme Director

As government we are aware that you the private sector need certainty in terms of policy and regulatory environment in order to take and make appropriate investment decisions.

In this context our Energy Regulator of South Africa (NERSA) has a transparent mechanism of compensating investments in LPG infrastructure, and NERSA is working closely with the Department for the integration of the tariff and pricing mechanisms.

Furthermore in ensuring that we create a conducive policy/regulatory framework for infrastructure development, government has passed the Infrastructure act which define on how as a State we should manage and approach infrastructure development which is or are of strategic national interest In this case our engagement with the departments of Transport and Environment Affairs will be crucial in ensuring amongst other that the Ports, Marine and land transport plans and the EIA approvals respectively, take into account our LPG rollout plans.

Programme Director

There are other constraints to the growth of LPG utilisation that need to be identified and exhaustively addressed - This is the work that the Department of Energy is currently seized with. Our goals for LPG utilisation within the national energy mix will be informed by this work.

Before the end of this current financial year, the Department of Energy will consult stakeholders on the following documents:

1. The LPG Maximum Refinery Gate Price (MRGP) Review – public consultations were held in 2013 and further consultations need to be held to deliberate upon proposed methodologies;
2. The Review of the Maximum Retail Price of LPG supplied to residential customers. The inaugural regulation of the maximum retail price of LPG supplied to residential customers came into effect on 12 July 2010 in response to the outcry of end users about exorbitant LPG prices;
3. The Review of Regulations under the Petroleum Pipelines Act, which is expected to be published in the Government Gazette for public comment before the end of October 2014; and
4. The LPG Expansion Strategy.

The finalisation of these documents is dependent upon inputs from and consultation with stakeholders.

Program Director:

It would be folly for us to pretend as if the economy is not struggling with rising energy prices as well as an electricity supply that is under severe pressure. Whilst South Africa is endowed with coal, which is the major source of our electricity, Government sees the need to diversify the energy mix so as to provide citizens with choices in satisfying their needs. The important but sometimes conflicting objectives of developing the requisite infrastructure while ensuring the affordability of LPG require a lot of fine balancing.

We shouldn't ignore the fact that South Africa's energy supply is characterized by unequal access to modern energy carriers such as electricity and LPG. Low income households continue to lack access to affordable, safe and cleaner energy sources for cooking and space heating. This situation can only be left unaddressed with dire consequences.

Program Director:

Allow me to warn this collective that lack of transformation in the LPG industry remains a threat that could easily undermine whatever gains we might think we have made. We need to change the structure of our industry and bring in those who are historically disadvantaged. The President has called for drastic changes and transformation is one of such changes to be made. Transformation remains one of the tenets of our regulatory framework.

Conclusion

South Africa is fully appreciative of its resource endowment and remains steadfast in its drive to improve the security of supply of gas and LPG in particular. However, our commitment and resolve will yield no fruit without the financial and technical capacity to generate or source, handle and use LPG, being underpinned by the appropriate regulatory framework.

The key debates of which this conference will be seized with, I believe will take us a step forward in taking LPG as an energy source of choice into a new developmental trajectory.

I hope that the discussions around Infrastructure, transportation and storage challenges; Innovations in LPG accessories and equipment; Regulatory frameworks and policies; Investment opportunities in LPG in Africa; to mention but a few must be of such a nature that the outcomes of this conference will result in practical and immediate investment by the private sector.

As a South African government and I can also assure you that all governments within the African Continent, we are eagerly awaiting impatiently the positive deliberations of this inaugural conference.

We commit ourselves not to be spectators, but active participants in the development of the LPG industry. I therefore wish you a very successful Conference that will assist us to take the LPG industry where it rightfully belongs in the African energy landscape.

Let us engage robustly, while bearing in mind that the masses of our people, bearing the brunt of energy poverty their patience is waning.

We shall continue to move Africa, South Africa and the LPG industry forward.

Thank you