

**KEYNOTE ADDRESS BY MINISTER OF ENERGY HON JEFF
RADEBE, MP MINISTER OF ENERGY AT THE AFRICA OIL WEEK
CONFERENCE**

CAPE TOWN 6 NOVEMBER 2018

Excellencies Ministers Responsible for Petroleum and Energy

**Senior Government Officials Here, Representing Various
Governments**

CEOs & Chairpersons Here Present

Representatives of Investors in Oil and Gas

Honoured Guests

Ladies and Gentlemen

Allow me on behalf of the Government of South Africa led by His Excellency President Cyril Ramaphosa and the people of our nation to welcome you to our country and indeed Cape Town. It is very exciting to witness the assembly of 16 Ministers responsible for Energy as well as other high ranking State officials in one conference. The number of international private sector participants continues to grow and the list is indeed impressive. We therefore need to ensure that we maximise the benefit of having this huge number of policy makers in the continent as well as our partners, the investors in the oil and gas sector. We remain humbled that our country continues to be the host of the Africa Oil week and understand

the role this gathering plays in shaping mutually beneficial partnerships between producing countries and investors in oil and gas.

In this country we are just emerging from a very successful Investor conference led by President Ramaphosa where a number of corporate entities made commitments to invest in the economy of our country thereby reconfirming their belief in the policies of this government. We expect this investment initiative to attract partners in the oil and gas sector as we will need more energy to sustain the investments announced particularly in the mining sector. We are optimistic that at the end of this conference we will convince a number of oil and gas investors that South Africa and indeed the rest of this continent is ready for investment not only in production but also in refining power producing infrastructure.

We are coming towards the end of special year in South Africa and we are pleased that you are here to share the milestone with us. We have been and continue to celebrate Centenaries for two of the most outstanding leaders of our nation. That of Nelson Rolihlahla Mandela the first leader of the democratic government of South Africa as well as Mama Albertina Sisulu who was a galvanizing force behind the liberation of our country. The celebration of this son and daughter of the Africa

will serve to inspire all of us about the need to persevere in our pursuit of justice for all the inhabitants of continent.

This conference takes place at a time when the world is grappling with two challenges; the impact of geopolitics on crude oil prices as well as that of the weakness in the currencies of emerging markets. As a net petroleum importing country the impact has been severe and I can imagine that the same has been the case for most economies like ours especially those that are still dependent on the imports of refined petroleum products. In the last two years we have been subjected to major changes in the prices of crude oil and these impact not only consumer countries but also producer countries as well. When the price plunged from 115 US Dollars per barrel to 28 US Dollars per barrel the producer countries in the continent found themselves on the backfoot, unable to ensure sustainable production of crude oil. At that time consumer countries benefitted from the lower crude oil prices. However as we all know that situation has reversed rapidly and we witnessed a rise in the crude oil price to the current levels. This has had a negative impact in the cost of living on consumer countries. The current crude oil prices are supportive of greater investment in the exploration and production of oil and gas. The spectre of unilateral sanctions by the US on the Islamic Republic of Iran continues to pose yet another challenge to the stability of crude oil prices.

Excellencies Ladies and Gentlemen

It is important that we locate our discussions within the aspirations of the African Union's Agenda 2063 which requires us a policy makers to ensure that Africa is connected through a world class energy infrastructure that criss-crosses the continent. We need to harness the endowment of Africa with Oil and Gas to ensure that modern energy services are available to African households, businesses. This can be done through ensuring an appropriate balance between production of hydrocarbon resources and their beneficiation into refined products or conversion into electricity as well a direct energy in the case of gas.

A recent outlook report by BP illustrates the challenge for us. It projects that the African continent will in the near term continue to have the lowest per capita energy consumption. It further indicates that as a continent we will remain a significant exporter of hydrocarbons and that gas production will more than double mainly driven by reources in East and West Africa. The report projects increased levels of industrialization by 2040 and that Natural gas will play an important role in meeting energy needs in many of our economies. The report concludes by predicting that our energy demand will remain at one quarter of the world average. I believe that we have a responsibility to

alter this picture so as to bring Africa closer to the world average.

The potential for oil and gas resources in a number of countries in our continent is no longer in doubt. I am always emphasising that the challenge to us as Policy makers is how we convert this potential to a tangible benefit to all the inhabitants of this continent. In the final analysis this potential must be translated to improved access to modern energy forms by consumers in the Africa as envisaged in Agenda 2063. It should also be able to attract investments in economic activity including manufacturing, which in turn creates necessary jobs. With a growing use of vehicles in our Continent, the availability of affordable refined petroleum products becomes very critical. This will require collaboration between crude oil producing countries and those with the necessary refining capacity.

A challenge that we need to confront in the continent is the need to balance oil exploration and production facilities with investment in refining capacity. The lack of world class refining infrastructure continues to deny Africa the ability to benefit from the upside of their resource endowment. Importation of refined products drains foreign currency reserves in many of our countries and revenues obtained from the proceeds of exploration are used to purchase petroleum products. A collaborative approach is necessary to change this around. We

need to attract investment in refining hubs throughout the continent. In South Africa we believe that time has come for an expansion of existing refining capacity in addition to modernization of existing ones. We look forward to the completion of the mega refinery in Nigeria, which we believe will improve intra African trade in refined petroleum products.

Excellencies Ladies and Gentlemen

We have taken note of global industry shifts and are encouraged that many countries in our continent have set themselves the vision to enter the global gas market and promote the development of a domestic and regional gas market. Natural gas can improve the efficiencies of many industries currently using sub-optimal fuel sources in their production processes and resulting in a turnaround in the industrial capacity and demand in the region.

SADC has recently initiated the development of a masterplan to facilitate regional gas trade within SADC. At the last SADC Summit in Namibia the establishment of the Inter-State natural Gas Committee was endorsed by the Heads of State. The SADC Ministers also signed a Statement of Intent for cooperation on the development of Regional Gas Market and

Infrastructure. This collaboration will require support of financial institutions of the region, continent and beyond. We look forward to the support from all our potential partners as we pursue this initiative and we remain ready to engage.

In South Africa we recently published for comment by the public an updated Integrated Resource Plan (IRP) which envisages a Gas to Power Programme incorporating Liquefied Natural Gas (LNG) imports as well as imports through pipelines. The period for comments has since closed and we will consider all comments and submit the final document to Cabinet in the next few weeks for approval. This will be the main vehicle through which to stimulate this envisioned gas market in South Africa. Gas importation will require an all-inclusive effort by government and other stakeholders both in this country and with our partners. This is one area that can accelerate collaboration between producers of the molecules of gas and consumer countries. The proven gas reserves in the African continent alone are enough to more than cater for the continent's energy needs.

In this country government has put in place an enabling framework for private sector participation in our energy sector to enable gas industry development and growth. On infrastructure, we are planning to attract investment in LNG

import terminals, storage and regasification facilities, primary high-pressure gas transmission pipelines and secondary distribution pipeline networks. We are at the final stages of consultation on the amendments to the Gas Act of 2001 to better enable greater utilisation of gas in the economy. We already have the benefit of an experienced Energy Regulator for the gas market which ensures a level playing field for investors as well as protecting the interest of the consumer.

In pursuance of improving energy supply security and trade within the Southern Africa Development Community (SADC), South Africa entered into a Gas Trade Agreement with the Republic of Mozambique in 2004. We remain confident that this cooperation has worked very well for both countries in the monetisation of the gas resource whilst enabling industrial development. We are convinced that recent gas discoveries in the Rovuma basin in Mozambique will benefit the economies of this region and further bolster regional economic integration. The prospects for Coal Bed Methane in this country as well as Zimbabwe and Botswana are an indication of the need for closer collaboration.

Citizens of our continent continue to lament the use of their resources without the concomitant development changes in

their daily struggles. This justifiable concern has got to be addressed. We need to revisit models used for resource extraction and adapt best practices such as those used in Norway to suite our own circumstances. As policy makers we need to invest in the ability of better understand the prospective areas for oil and gas within our countries. We must continue to sharpen the ability of our internal capacity within our respective countries to better understand and more importantly to administer contracts by employing the best talents.

The challenge for the next few days therefore, is to ensure that we emerge with concrete steps and collaborative partnerships that will propel the Agenda of Africa's ongoing development to another level. We need to leverage the endowment of our oil and gas resources in such a manner that the main objective of affordable access to energy for economic development and prosperity is achieved. I look forward to participating in shaping the outcomes of this week's deliberations and we hope that the sharing of developments and trends in our various countries will spur us to make a meaningful contribution to the improvement of the fortunes of the oil and gas sector in the African continent.

I would like to conclude by wishing all of you a pleasant stay in the cool Cape Town. I trust that you will find time to experience the warmth of the people of our country.

Lastly I once again wish to thank the organisers of the Africa Oil Week for continuing on the sterling job of putting Africa's Oil and Gas potential on the World Map.

I Thank You.