

Remarks by the Acting President of the Republic; Mr Jeff Radebe at the Gas to Power Africa Congress

15 May 2018

Cape Town

CEO of Oil and Gas Council, Mr Iain Pitt

Deputy Minister of Energy, Ambassador Thembisile Majola

Members of the Portfolio Committee on Energy, present here today

Director-General of the Department, Mr Thabane Zulu

Chairpersons and Executives of International Oil and Gas Companies

Chairpersons and Executives of South African Companies

Invited guests

Ladies and Gentlemen.

Good Morning

This Gas to Power- Africa Congress starts a day before I present the Department's Budget Speech in Parliament. I will be delivering the Speech tomorrow at 14h00 in the National Assembly where I will highlight the Departments achievements and outline our key priorities in the ensuing

year. I therefore invite all of you to join us when we deliver this important policy statement on the in the National Assembly.

2018 is the year of the centenary of founding father of the nation, former President Nelson Mandela. A series of activities lined up to celebrate the sacrifices of this great son of the soil under the theme **“Be the Legacy.”** Nelson Mandela was a giant of our times and his contributions to the development of our nation will be forever remembered.

South Africa’s economy has stagnated for which we appreciate that for our economy to grow and attract significant infrastructure investments there needs to be policy certainty, especially energy policy.

It is for this reason that I have committed to concluding the review of the Integrated Resource Plan – the IRP (our electricity plan) by mid-August 2018. The Integrated Energy Plan (IEP) and its the associated sector plans (IRP, Liquid Fuels Plan and the Gas Plan) will be developed and concluded by the end of 2018/19 Financial Year. This achievement is one important milestone necessary to providing policy certainty geared towards stimulating the much needed investment in our economy.

Natural gas represents a very important and growing part of the global energy system. It is the fastest growing fossil fuel and its consumption is forecast to increase by 1.4% annually.

Global gas consumption is projected to increase from 124 trillion cubic feet (Tcf) in 2015 to 177 Tcf in 2040. This contributes the largest increase in world primary energy consumption.

Natural gas is finding its place at the heart of energy discussion worldwide. Recent discoveries of new supplies of gas, the remarkable speed and scale of shale gas development globally and decreasing gas prices has heightened the awareness of natural gas as a key component of energy supply mix in a carbon constrained world economy.

There are abundant supplies of natural gas in the world and more recently in our neighboring country, Mozambique. Many of these supplies can be developed and produced at relatively low cost. The role of natural gas is expected to continue to expand, and its relative importance within the Southern African Development Community (SADC) is likely to increase further as greenhouse gas emissions are contained.

South Africa has a 25 years gas trade cooperation agreement with Mozambique in the energy sector. This cooperation is guided by mutual interest of exploiting oil and gas opportunities within the region and globally.

The Central Energy Fund, which is wholly state owned company, is mandated by Ministerial Directive to be the South African Gas Infrastructure Company in Southern Africa. This mandate is executed through iGas, a subsidiary of CEF.

For this reason iGas acquired a 25% shareholding in the joint venture company, the Republic of Mozambique Pipeline Investments Company (ROMPCO) which owns and operates the 865 km gas transmission pipeline from the Mozambican gas fields of Pande and Temane to Secunda in South Africa.

The Mozambican partner, which owns 25% shareholding in this joint venture, is the Mozambican Government Company CMG (Companhia Mocambicana de Gasoduto), a subsidiary of ENH (Empresa de Hidrocarbonetos). The third partner in ROMPCO is Sasol Limited, which owns 50% shareholding.

Going forward, the South African Government intends to expand this relationship with the Mozambique Government for the mutual benefit of the respective governments and to drive economic developments of previously excluded sectors of our society as we give a practical meaning to the term Socio Radical Economic Transformation.

It is important to note that Southern Africa has huge reserves in Tanzania, Mozambique and within South Africa in the form of coal bed methane and shale gas.

South Africa's gas market started to develop in the 1960's with the production of synthetic gas from coal used for the manufacturing of fuel and petrol chemicals in Sasolburg.

In 2004, the country started importing natural gas from Mozambique using a corporate structure I have outlined above. South Africa has the possibility of introducing a variety of sources of natural gas which could be economically available within a 25 year planning horizon to 2040.

The realisation of potential natural gas reserves within SADC region, and especially the potential held with South Africa for indigenous gas (Shale Gas and Coal Bed Methane) represent a significant opportunity to boost economic growth, employment and investment. According to the US Energy Information Administration (EIA), South Africa has some of the largest potential shale resources in the world, beneath the Karoo. The EIA estimates the potential resource to be 380 Tcf.

In our case, regional gas markets together with shale gas are potentially commercially viable option. The environmental challenges of shale gas exploitation, research and regulation certainty will also contribute to the curved path of gas in South Africa.

The use of natural gas in South Africa has been largely limited to applications in the industrial (gas-to-liquids) and commercial markets. Natural gas accounts for 4% of energy consumption in the country.

South Africa Policy Perspective:

A number of national policy documents such as the White Paper on Energy for South Africa 1998, the National Development Plan (NDP), the Integrated Energy Plan (IEP) and the current Integrated Resource Plan (IRP) 2010 presents the case for natural gas as a significant contributor to South Africa's energy mix. The NDP identifies natural gas as a viable alternative to coal. The NDP further provides as one of the infrastructure priorities the construction of infrastructure to import Liquefied Natural Gas and increasing exploration to find domestic gas feedstock.

In support of the vision for the South Africa gas programme, the Department has started developing, through its Independent Power Producer Office (IPPO), a Gas-to-Power IPP procurement programme. This programme will serve as an anchor for gas market and infrastructure development in South Africa. We anticipated that the introduction of large-scale gas in South African economy will lower the country's carbon emissions not just from the electricity generation, but also from the energy sector as a whole, including the transport sector.

The Department is in the process of reviewing the gas regulatory framework, Gas Act, 2001 (Act No. 48 of 2001). The review led to the development of the Draft Gas Amendment Bill, 2016. The Draft Gas Amendment Bill, 2016 is supportive and facilitative of investment in the Gas-to-Power IPP procurement programme value chain.

The Bill will largely introduce a mechanism that allows the Minister of Energy to direct the development of new gas infrastructure including pipelines, storage and regasification technology for imported Liquefied Natural Gas (LNG). The Bill will also encompass the midstream elements of the gas value chain, whereas the upstream will be covered under amendments to the Mineral and Petroleum Development Act.

Once again I wish to thank the organisers this event for inviting us to participate. I wish you a successful conference as you deliberate on this important segment of the broad energy sector.

I thank you