energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA

Remarks by Minister of Energy, Honourable Jeff Radebe at the Japan – Africa Public Private Economic Forum

3 May 2018; Sandton Convention Centre; Johannesburg

Distinguished business delegation headed by Mr Hiroshige Seko, Minister of Economy, Trade and Industry of Japan,

Honorable Ministers from Africa,

Mr Katunori Takahashi, Parliamentary Vice Minister of Land, Infrastructure, Transport and Tourism of Japan,

Distinguished Panelists,

Moderator of the session, Mr Hiroshi Kato, Senior Vice President of JICA,

Ladies and Gentlemen,

I am pleased to be part of this important occasion and contribute towards the debate on a subject matter pertinent to the continents of Africa and Asia. This discussion is particularly crucial precisely because for Africa to realize its full economic and social potential, the continent will require robust power infrastructure to deliver affordable, clean energy to all of its citizens, including those in rural areas.

The Japanese private sector can work with African countries in recognition that Africa has a diverse energy landscapes throughout its many countries – each with its own resource potentials, needs and political and economic systems.

Our leaders can accelerate energy access in Africa by using existing initiatives to leverage synergies, overcome barriers, improve quality, reduce costs and increase impact. A number of existing regional and international programmes and initiatives exist that can be better utilised and synchronised to attract private sector involvement, improve continental energy access and thereby the prosperity and economic development prospects of not only Africa, but also the world.

In alignment with the Tokyo International Conference on African Development (TICAD), the Japanese private sector can use the number of existing African initiatives to solve the continent's energy challenges, especially since most of the initiatives focus on encouraging clean and renewable energy solutions. These initiatives include the Africa Union's (AU) Renewable Energy Initiative, African Development Bank's (AfDB) New Deal on Energy for Africa, AfDB's Sustainable Energy Fund for Africa and the United Nations' Sustainable Energy for All.

Programme Director, let me then focus on few of the major programmes for South Africa that re critical towards contributing to the objectives of securing energy supply.

South Africa's Refining Capacity: -

South Africa is and will for the next decade import more oil and gas than it will be able to produce. Therefore there is a need to ensure that the country is able to sustain well into the future local refining capability as well as enhance the ability to import petroleum products competitively.

South Africa has a deficit in the production of refined petroleum products and therefore relies on imports to meet the demand. Imports of petrol and diesel provide the necessary bridge between growing demand and the current refining capacity.

In addition South Africa's liquid fuels supply chain infrastructure especially in the inland, there is a need of reinvestment particularly in storage infrastructure. The increase in imported refined will further put pressure on the import and distribution infrastructure. The country must be able to secure supplies on an ongoing basis and be able to respond to national and global supply challenges.

Increasing imports of refined products have a more negative impact in the economy through the deterioration of the current account of the balance of payments. Furthermore, continued reliance on imports requires additional investments in import, storage and logistics infrastructure to accommodate growing imports requirements irrespective of the potential of additional future refining capacity.

I am of the view that the country can ill afford to mothball existing refineries as it is already importing at least 20% of the country's demand for refined petroleum products. Unlike its other trading partners, South Africa is **not** in close proximity to major global refining centres. A voyage by a vessel carrying petroleum products from Singapore (a major refining centre) to Australia is 60% more than a voyage to South Africa in terms of distance.

Sub Saharan Africa has a deficit of refining capacity even through it is endowed with crude oil. A decision has to be taken on the level of imports necessary to trigger alarm bells on security of supply.

The National Development Plan had envisaged that government would pronounce on the additional refining capacity by 2017, given the growing gap between supply and demand. In this regard the NDP proposed the following options to increase supply:

- New Oil-to-Liquids Refinery (Project Mthombo)
- New Coal-to-Liquids Plant
- Upgrade existing Refineries
- Import Refined Product
- Partner with Angola or Nigeria on a refinery

Of the five options listed above, the three that are practical, suitable and sustainable in the short term are: (i) new crude oil to liquid refinery, (ii) upgrade of existing refineries as well as (iii) the import refined products.

I am of the view that over reliance on imports to meet the growing demand may not be feasible unless the constrained import infrastructure is debottlenecked. As is the case when refineries are on a shutdown, imports get delayed compromising the whole logistics infrastructure. In the end sporadic shortages are always experienced. In the case where the bulk of demand is met through imports the situation is bound to be worse.

The new crude oil refineries and the upgrade of the current refineries are the more feasible options available as they both create an opportunity for the beneficiation of crude oil produced in the continent amongst others. It must be borne in mind that whatever option that is considered, it must address the two most important issues, namely, energy security and the associated security of supply. The advantages of a new refinery include the fact that it would:

- Eliminate the requirement for increasing imports of refined products
- Relieve Durban congestion and diversifies fuel distribution network
- Diversify crude oil sourcing, due to its ability to process challenging crude oils
- Create an opportunity to integrate cost effective strategic storage

On gas, the natural gas industry in South Africa is at a relatively early stage of development. There are two existing and separate sources of supply of natural gas: imports by Sasol from Mozambique through the ROMPCO pipeline to supply industrial and residential customers in the North East of South Africa, and gas that is produced offshore, in the south west and used in the Mossel Bay GTL plant.

There is a need for South Africa to rapidly develop gas infrastructure across the value chain as we move towards energy mix that is both sustainable and clean.

Recent gas discoveries of significant scale in our neighbouring Mozambique will no doubt contribute to raising greater awareness of the potential for gas in the energy mix of South Africa.

The development of low cost shale gas emanating from various areas within South Africa (including the Karoo) will result in South Africa also joining the global players of shale gas exploration and will yield concomitant economic activities which has a potential to bring about the much needed foreign direct investment in South Africa and the Southern African Development Communities (SADC) at large.
This increased recognition of Natural Gas is evidenced by the positioning of the balanced energy mix as reflected in the Integrated Resource Plan of year 2010. The Department is at an advanced stage of finalizing the review of IRP which will provide further policy certainty on electricity generation infrastructure for the next 20 to 30 years.

The large discoveries in the Rovuma Basin have also resulted in renewed interest in South Africa as an upstream country from the international oil and gas companies. South Africa plans to open its doors to International Oil and Gas companies as it embarked on this new and exciting area of energy supply.

On Renewables: the socio-economic conditions and government objectives have changed in South Africa since the start of the procurement process of BW 3.5 and 4 in 2013/14. Although very late in the procurement process, we have challenged our private partners to deliver even more value for money through a request to enhance socio-economic transformation opportunities for black South African participation in their project structures.

Our people deserve access to clean affordable electricity which would not have a negative impact on the environment and their health. The National Development Plan 2030, as one of the objectives of the plan, requires 20 000 MW of renewable energy by 2030.

Regional Focus

The development of various transmission corridors into Namibia, Mozambique, Botswana, Zimbabwe, Zambia and right into the Democratic Republic of Congo, is a strategic programme which we are pursuing. We believe that the Inga Project in the Democratic Republic of Congo can unleash clean and affordable hydropower to meet the energy needs of all of the sub-region.

The integration of the economies in the Southern African Development Community (SADC) can only happen if transmission interconnections are developed. Transmission inter-connection projects have been initiated on the eastern and western flanks of the region.

These projects are intended to open up the cleaner generation options like hydropower and natural gas. Examples we can use are the Inga Project in the Democratic Republic of the Congo (DRC), the STE Project in Mozambique, through which about 50 000MW of power exchanges could occur, and the Rovuma Gas pipeline project.

This year South Africa has the honour of chairing the SADC. Under the Heads of States gathering, there will be an Energy Cluster which is chaired by the Minister of Energy of the country that chairs SSADC. I will be engaging with my regional colleagues on a range of issues of commonalities in the energy sector, and seek energy solutions for the whole region.

I thank you