



**MINERAL RESOURCES AND ENERGY
REPUBLIC OF SOUTH AFRICA**

**REMARKS BY THE HONOURABLE
DEPUTY MINISTER OF MINERAL RESOURCES AND
ENERGY**

Dr. NOBUHLE NKABANE

SOUTHERN AFRICAN OIL AND GAS CONFERENCE

CAPE TOWN ICC

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Board Chairman of the South African Oil and Gas Alliance, Mr Mthozami Xiphu

Prof. Paloma Mohamed-Martin, from the University of Guyana

The newly minted Acting CEO of Prasa, Dr Tshepo Mokoka

Facilitators and Panellists of today's Discussions

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Representatives of different public and private sector institutions

Ladies and gentlemen,

It is a pleasure to once again welcome you in this grand occasion where we meet as neighbours on the Southern part of Africa, to deliberate on the developments in the upstream petroleum industry in our region.

As developing nations, we tend to look at developed nations for solutions to our problems and often we do not get it right. I am glad that in this event we have taken a different approach, as we are going to learn from Guyana, a developing country like many of ours.

I am pleased that Guyana is going to share with us their journey of upstream oil and gas industry and the impact it has had on their economy. I believe their experience will assist in shaping our policy interventions as we seek to develop and grow our upstream petroleum industry in our respective jurisdictions.

Ladies and gentlemen, the rising international prices of crude oil is wreaking havoc to many oil importing countries such as South Africa. High crude oil prices translates in severely high fuel prices for our individual countries. High fuel prices in in our countries results in food inflation and increased transport costs that negatively affects poor households.

In South Africa, most people use public transport to go to work and school, and about up to 20% of their income is spent on transport, leaving them with little or nothing to spend on food and clothing, thus plunging them deep into poverty.

Therefore, heavy reliance on oil imports with prices that are set elsewhere, does not bode well for our individual country's socio-economic development. If anything, increased oil prices could be the source of social instability to most of our countries as communities will grow frustrated of higher food and transport costs.

In this regard, it is imperative to accelerate the exploration of oil and gas both onshore and offshore, as having our own petroleum resources will reduce our dependency on foreign oil and cushion our economies, in particular our citizens against imposed whirlwinds of crude price volatility.

In South Africa we have initiated policy intervention processes to enhance the development and growth of our oil and gas industry. The first intervention is the development of the Gas Master Plan which is a policy that outlines and guides the critical role of gas in South Africa while providing policy direction to the gas industry.

We have also developed the Upstream Petroleum Development Bill seeking to ensure that the upstream petroleum sector is no longer regulated under the Mineral and Petroleum Resources Development Act, 2002 (MPRDA), but under discrete petroleum legislation. We believe the de-coupling of the Upstream Petroleum Development Bill from MPRDA will bring regulatory certainty and hopefully shore up investor confidence.

Natural Gas is one of the key components of South Africa's Integrated Resource Plan of 2019, as it accounts for 3% of our energy supply. The Africa Energy Outlook 2022 by International Energy Agency supports the argument of gas as a transition fuel. There is growing consensus supported by technical studies that for South Africa to achieve its targets to reduce emissions in the electricity sector, the deployment of renewable energy gas is part of the options necessary to support the network and ensure security of supply.

Therefore, the continued exploration and discovery of indigenous gas is crucial for meeting our climate change targets and securing of energy supply. We need to ensure that our chosen energy transition pathway provide security of energy supply that takes into account our climate change commitments and the need to grow the economy which is a necessity if we are to address the triple-challenge of poverty, inequality and unemployment that our country is facing.

Hydrocarbons including oil and gas will remain part of the global energy mix including South Africa's energy mix into the foreseeable future. Indigenous gas can be used for manufacturing liquid fuels as was done in the gas-to-liquids refinery in Mossel Bay which at its peak contributed R2 Billion/year or 26% of the Eden district economy.

And natural gas can be used directly as a cheaper transport fuel with at least 30% less carbon emissions and no NOx and SOx emissions associated with the use of diesel. This has been demonstrated in the country at the pilot project of the recently discovered natural gas in the Free State Province.

The recent discovery of natural gas in Mpumalanga Province is a major boost in electricity generation capacity as the country was looking at different sources of energy. Mpumalanga is the epicentre of South Africa's power generation because it has a high concentration of power stations, therefore the discovery of gas positions the province at the centre of the just energy transition and as a source of reference for the country's emission-reduction targets.

We have also seen that Europe is looking to Africa to diversify its gas supplies. This presents a good opportunity and market for local gas beyond our own use. However, the caveat is that we should not rush to export our gas to Europe at the expense of our domestic and regional markets, no matter how tempting the prospects of earning foreign revenue.

I am saying this because we have observed that most African countries who are already exporting gas to Europe, do not supply their domestic markets because they claim a lack of sufficient domestic consumption. The argument often advanced for is the lack of transmission infrastructure and unaffordability of gas products for local communities. My counter argument is that we are not going to change this situation if we do not use the revenue earned from gas exports to develop grow of our economies to create employment opportunities that will lead to consumption of goods and services.

I believe that If Africa is to extract more oil and gas, it could be used to expand energy access while replacing the so called dirtier alternatives for heating and cooking. Of the 759m people the World Bank recorded as without access to electricity in 2019, and the 2.6bn without access to clean cooking, 660m and 910m respectively were in sub-Saharan Africa. Therefore, the exploration of oil and gas deserves serious attention.

In this context, the recent oil discoveries in Namibia are a massively welcome impetus for development in that country, but also for us on the tip of the continent and for our region. We trust that the development of the domestic Namibian gas market emanating from these finds, will benefit the region in terms of substituting diesel usage in power generation. Our sources inform us that the Namibian oil fields, when fully developed, could catapult the country to among the top five (5) oil producing countries in SubSahara

As I conclude, it is the view of the Department that we must sustainably continue to develop our oil and gas in the country, and that energy security requires the development and optimal use of our indigenous resources to mitigate against geopolitical risks as we have recently seen in Europe.

We believe that the development and optimal use of our indigenous resources will help re-industrialisation, manufacturing and ultimately job creation. The development and optimal use of our indigenous resources will help reduce exogenous shocks (e.g., commodity price and foreign exchange rate fluctuations) arising from importing primary energy.

We need to foster stronger ties on inter-African oil and gas trade. Already, South Africa imports the bulk of its crude requirements from African producers, including Nigeria and Angola. There is ample opportunity for a massive expansion of gas trade, especially from the Gulf of Guinea and the broader West Coast of Africa, where we have many producers and some already exporting. We collaborate closely with the African Petroleum Producers Organisation and urge more meaningful engagement with this continental body.

As a region we should strive to build a strong oil and gas sector that will drive regional and continental economic development as is the case with the advanced economies.

I am confident you will add meaningful contributions to the deliberations and show confidence to inspire rapid development in the region's oil and gas sector.

I thank you.