



Harmful gas phase-out plan on track Page 32
 LPG production steady and in demand, says supplier Page 35

GAS

Compiled by MARLENY ARNOLDI

Policy and legislation on natural gas are currently bottlenecked in South Africa, which creates limits to the country's gas economy growth, says growth strategy company Frost & Sullivan.

"Political uncertainty, which affects policy and legislation, needs to stabilise for most sectors to see growth, and gas is no different," says Frost & Sullivan energy and environment industry analyst **Tilden Hellyer**.

Industry association South African Oil & Gas Alliance CEO **Niall Kramer** adds that any form of uncertainty is bad, especially in an environment of a low crude oil price and an excess supply of gas.

"This will not deter interest, but derisking will take longer. Global investors are still interested in South Africa, as we are an unexplored frontier with significant potential reserves on- and offshore. The simple reality, but not well understood, is we must drill for data on which to make good decisions. We need relevant, empirical data from South African holes to make South African-suited decisions," explains Kramer.

He warns that South Africa is unlikely to get to a stage of fully understanding the technicalities and geology of indigenous natural gas until it gathers more empirical data.

Further, Hellyer notes that South Africa has to create attractive, stable policy conditions to bring in international, experienced explorers, as this will create bankability and more certainty in the gas economy.

"These things, unlike geology and global prices, can be controlled. However, it is unlikely that gas will replace coal-generated electricity anytime soon, as there is by some estimates up to 200 years of coal reserves left in the country."

He adds that some put the value at a timeline of 50 years, owing to the reserves becoming economically unminable. "As a leader in the coal mining industry, South Africa can continue this trend as long as it is profitable."

Hellyer avers that the current lack of investment in alternative energy sources will keep coal security as the frontrunner, owing to the pending full operations of coal-fired power stations Medupi, in Limpopo, and Kusile, in Mpumalanga, which will have a minimum lifetime of 50 years.

Delaying Factors
 "The Mineral and Petroleum Resources Development Amendment Act (MPRDAA),

the Gas Utilisation Master Plan (Gump) and the Department of Energy's Integrated Resource Plan should steer the fate of the gas sector, either to prosperity or failure; however, these documents are negatively affected by the political climate in South Africa, creating delays in projects being commercialised," notes Hellyer.

He says the Gump, which outlines the country's plans to integrate gas into the energy mix through public-private partnerships, has yet to surface, while the MPRDAA has been in limbo since 2013 with progress expected by the fourth quarter this year.

He adds that the gas-to-power programme, parallel to the Renewable Energy Independent

Power Producer Procurement Programme, has been delayed in recent years.

The programme is waiting for the fundamental catalyst to start business – the release of the Request for Qualification, which will enable power players to enter the market, is already one year behind schedule.

Naturally Beneficial
 Hellyer notes that use of natural gas has been proven in countries such as the US, which is rapidly moving from a coal-based to a natural gas-based economy, and Europe, which remains heavily reliant on gas in the commercial and domestic sectors.

Policy limits South African gas economy



COVERING THE BASES
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