



WORLD CLASS MINERALS AND ENERGY SECTORS THROUGH SUSTAINABLE DEVELOPMENT

South African Bio-fuels Industrial Strategy

DEPARTMENT OF MINERALS AND ENERGY

Xolile Mtwla



the **dme**

Department:
Minerals and Energy
REPUBLIC OF SOUTH AFRICA

UNEP Biofuels Workshop

28: 07: 2007

Presentation structure

- Mandate
- Background on the development of the policy
- Consultation process
- Progress to date
- Way forward

Mandate

- Bio-Fuels a key driver in AsgiSA, for socio- economic development

Cabinet on 7 December 2005

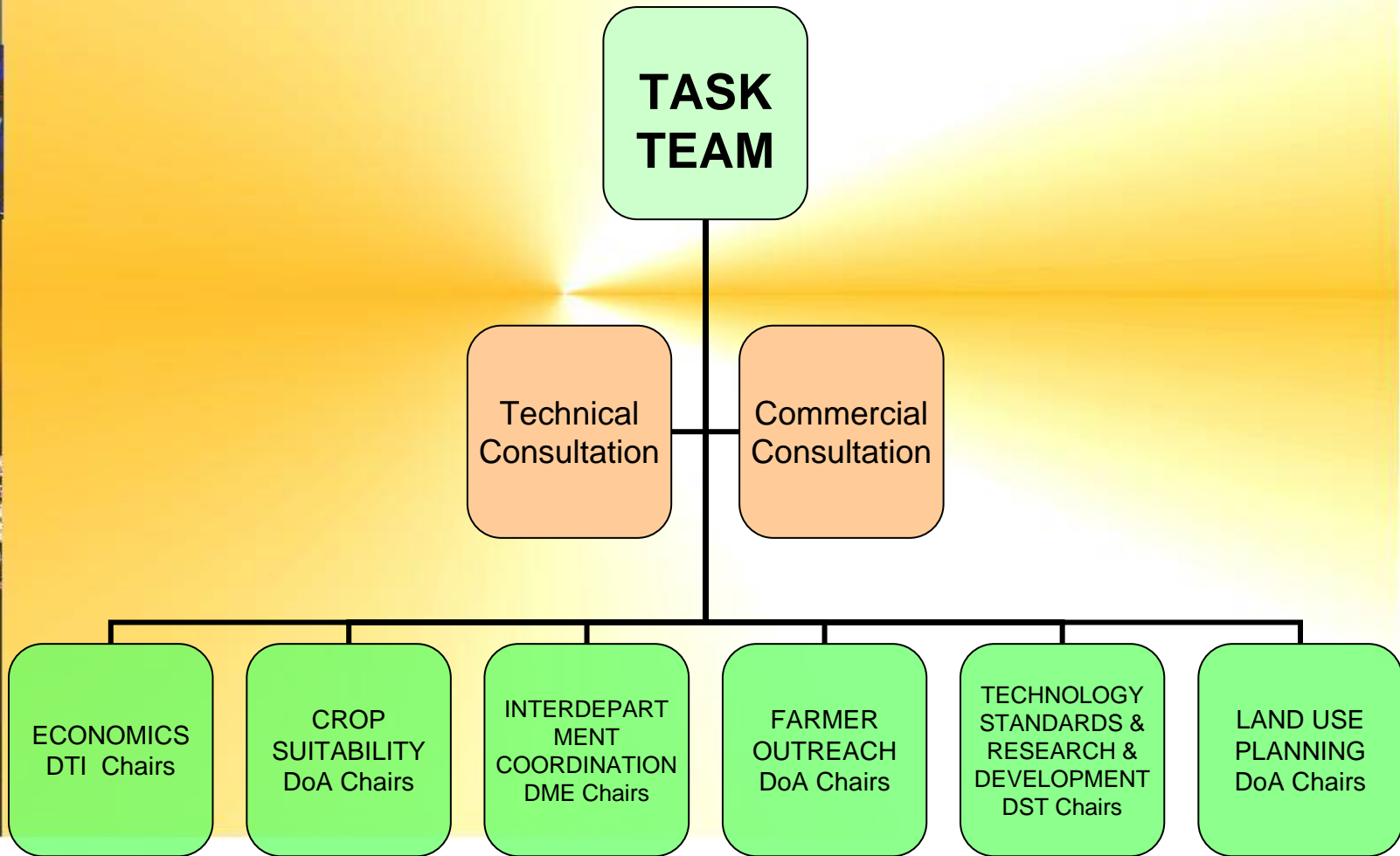
- “**approved** the development of an industrial strategy **targeted at creating jobs** in the energy crops and bio-fuels value chain acting as a **bridge from the second economy to first economy status**
- **authorised** the establishment of a Bio-fuels Task Team in order to develop the said industrial strategy comprising out of **national departments and state entities**
- **authorised to immediately engage with interested stakeholders in the first economy** to see if it is possible to, by means of **minor regulatory changes** and improvements, establish a modest biofuels industry. **If there are financial implications, it must be reported to the Cabinet.** The costs reflected in the memorandum must, however, come from the Departments’ existing budgets”

Bio-fuel Task Team Members

- Agriculture, (DoA)
- Land Affairs, (DLA)
- Environmental Affairs and Tourism, (DEAT)
- Minerals and Energy, (DME) - CHAIR
- National Treasury, (NT)
- Public Works, (DPW)
- Science and Technology, (DST)
- The Presidency; (PO)
- Trade and Industry, (dti)
- Water Affairs and Forestry, (DWAF)
- Transport (DoT)
- Provincial and Local Government (DPLG)

Shows broad impact across sectors
Hence impacts are also wide (diverse)

Biofuels Task Team



Studies conducted

- Literature review, overview and identify gaps
 - Gave rise to Terms of Reference for assistance in drafting strategy
- Feasibility Study into Biofuels Industry in RSA
- Developed Draft National Biofuels Industrial Strategy



Macroeconomic impacts summary

	Scale	Significance	Comment
Jobs (Social)	55 000	1.3 % reduced unemployment	90 % of jobs in rural areas
Renewable Energy (Environment)	75 % of Target for RE by 2013	Major (for a small target)	Sustainable, basis for future expansion
Supply Security & Diversity (Independence & Risk)	4.5 % of Liquid Fuels use	Minor, as market growth is 3-5 % pa	Little impact on oil supply
Economic Impact	R2 bil pa added to GDP	6% of AsgiSA target of 2 % additional economic growth	60% into Agriculture, 3 - 7 % growth supported



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Macro-economic impacts

- Based on a Realistic scenario without excessive support or harming food security
- **Achievement of 75 % of total Renewable Target 2013**
 - 8% bio-ethanol blend (50% maize, 50% sugar cane)
 - 2% biodiesel blend (mainly Soya)
- Supply security of liquid fuels increased by 4.5 %
 - Currently 35% (Sasol, PetroSA, own crude)
- Emission & GHG benefits (R100 mil @ \$10/ton CO₂)
- **Balance of Payments improved by R 3.7 billion pa**
- Investment requirement is R6 billion, i.r.o 12 large biofuels plant, to achieve the 4.5% penetration

Consultation Proceedings

Areas of concern

- Food and land prices
- Finance Mechanisms
- Crop suitability and availability
- Fuel Quality
- Technical issue
- Decentralised model
- Energy balance
- Legislative support
- Institutional arrangement

Areas of concern: Food and Land prices

- Maize being a staple food- off shortages
- Impact on food price increase, not good for the poor
- Rather use non food crops
- Land owners losing land due to biofuels competition- Impact on land restitution
- Speculator raising the land price in anticipation for biofuels crop plantation
- What strategy can be put in place to address this?



Areas of Concern: legislative framework

- Licensing provisions and requirements
- Biofuels regulations
- Regulating off take- mandate
- Fuels Specification



Progress to date

- A smaller working group was formed by DST, DOA, DME, **the dti**, NT and DME Advisors to finalise the strategy
- Identify gaps and consider what is reasonable for inclusion in the strategy
- Respond to the areas of concern from the consultation process
- Propose financial support for the kick start of the industry - this includes revisiting the figures for BFP, Equalisation Fund and fuel levy
- Suggest a suitable licensing system

Way Forward

- Revised strategy to go back to cabinet
- Approved- regulation

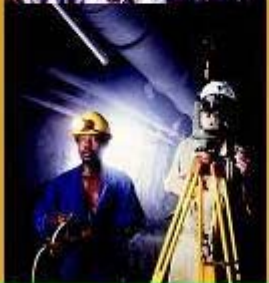




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THANK YOU

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