



PETROLEUM AGENCY SA “PASA” / SOUTH AFRICAN OIL AND GAS ALLIANCE
 (“SAOGA”) CONFERENCE

Unlocking the Onshore & Offshore Oil and Gas Potential in Southern Africa

CEF GROUP CEO’S KEYNOTE ADDRESS: 16 SEPTEMBER 2021

- Chairman of the Petroleum Agency SA, **Mr MB Masuku** and Chairman of the South African Oil and Gas Alliance, **Mr Mthozami Xiphu**;
- Directors of both host entities;
- Petroleum Commissioner of Namibia, **Ms Maggie Shino** who is online;
- Chairpersons, Directors and CEOs of Oil and Gas Companies in attendance;
- The Deputy DG for Policy, Global Relations and Investment Promotion, **Ms Ntokozo Ngcwabe**;
- Distinguished conference delegates in the room and online

I greet you all with the hope that you and your families remain safe and healthy, in the midst of the devastating Covid-19 pandemic.

Let me congratulate the Petroleum Regulator of South Africa (the Petroleum Agency SA) and SAOGA for jointly hosting the first conference focussed on the oil and gas opportunities onshore and offshore South Africa and in the region.

Our country is potentially endowed in oil and gas. The Petroleum Agency SA’s estimates that South Africa may hold 25 trillion cubic feet (tcf) and 9 billion barrels (Bbbls) of prospective oil and gas resources on the south coast, 27 tcf and 11 billion bbls on the west coast, and 8 tcf and 2 billion bbls on the east coast seems to hold true. TotalEnergies and Joint Venture partners (Qatar Petroleum, Canadian Natural Resources, and Main Street) in Block 11B/12B on the south coast have begun to demonstrate this potential. The discovery has proven the existence of a deeper play,

and working petroleum system on the south coast, and has affirmed South Africa as a prospective and emerging petroleum province.

The TotalEnergies JV partnership have to date discovered about 3 tcf of rich gas through the Brulpadda and Luiperd wells drilled on the Paddavissie fairway in 2019 and 2020. This gas could potentially provide feedstock to the Gas-to-Liquids refinery in Mossel Bay at full capacity for a considerable amount of time.

The GTL refinery processed 1.5 tcf of gas for 28 years covering the period 1992 to 2020. This is significantly less than the reserves that Total Energies have so far discovered in the paddavissie fairway, and half way through their exploration programme that envisaged the drilling of up to 4 exploration wells.

The discovered Paddavissie gas could thus go beyond just supplying the GTL refinery with gas and condensate, but supply other potential gas markets, such as the adjacent Gourikwa peaking power plant which is currently run on diesel.

The revival and the name plate increase of the GTL refinery in Mossel Bay, and potential supply of the gas to the Gourikwa power plant would be a major boost to the Mossel Bay and Southern Cape economies. More exploration and production efforts could aid national energy security of supply, with local beneficiation of the oil and gas reserves leading to economic growth, socio-economic development and job creation.

Program Director, Ladies and Gentlemen

Allow me to reflect on our operational challenges we are faced with at our PetroSA refinery. PetroSA, besides its age, is bedevilled by industry challenges namely the impact of COVID – 19, the exchange rate phenomenon that impact the commodity price or should I say the commodity price fluctuations.

Besides these challenges, we have a unique challenge in a sense. Ours is the decommissioning liability monster. But prudent strategic intervention will change this around.

As part of our determination to revive our refining capacity, we are engaged in a number of activities that will enable us to repurpose this ailing refinery and return it to its full operational capacity. Key amongst these activities will include the exploitation

of geothermal energy which has been deemed to be a silver bullet to turn our misfortunes at our refinery.

Ladies and Gentleman, Geothermal energy will not only allow us self-generation of power, but will also enable us to delay our decommissioning liability. Harnessing geothermal energy is a proven technology in other parts of the world. It also present us with an opportunity to offer the market with carbon neutral finished products in the long run.

We believe that the exploitation of geothermal energy which is within our reach will not only position us to produce green energy for the future but will also ensure that we pave a way for South Africa towards a “**Just and Fair**” energy transition. The benefits of this intervention, from the GDP point of view are huge, considering the production of indigenous feedstock in the balance of payment account, beneficiation and sub-industry developments (etc.)

Back to the business of the day, Consistent with Section 24 of the Constitution of the Republic of South Africa, government must ensure that the petroleum resources are developed within the context of Sustainable Development. A process where the exploitation of natural resources, investment, and utilization of technology are in harmony with the natural environment, and enhance the ability to meet both current and future human needs and aspirations. As we heard yesterday from one of the presentations, technology advancement make it possible to minimise environmental impact while advancing economic development through the exploitation of oil and gas.

Our Government, represented by the Department of Mineral Resources and Energy, felt it prudent to separate the regulation of petroleum from other minerals. Instead of finalizing last minute Christmas shopping with the wife, slaughtering a Goat or an Ox, in preparation for one or more of imicimbi yamaQwathi, as is customary on Christmas eve, Honourable Minister Gwede Mantashe went ahead and gazetted the Upstream Petroleum Resources Development Bill on 24 December 2019 for public comment.

This was a clear demonstration of commitment by the Minister to not delay regulatory reform to support the development of the upstream oil and gas industry in South Africa any longer.

The Upstream Petroleum Resources Development Bill, which is now in Parliament, has a provision for State Participation which largely seeks to enable the upstream petroleum industry to explore for and produce oil and gas reserves, cover their costs, make adequate profits, while the State, as custodian of the nation's natural resources, derives an equitable share from the exploitation of the oil and gas reserves for the primary benefit of the country to whom the resource belongs.

The state participation will be executed through the envisaged SANPC (South African National Petroleum Company), which will:

- Carry the State's participation interest in the upstream petroleum sector and engage in exploration and production activities on behalf of the State, thus safeguarding and advancing the State's interests.
- Participate in the execution of work programs by private industry players, thus ensuring the efficient development of the oil and gas fields in the various petroleum rights as licensed by the Petroleum Agency SA.
- Ensure the optimal exploitation of oil and gas reserves through prudent reservoir management practices.
- Ensure the State receives an equitable share of the indigenous oil and gas reserves.
- Build oil and gas reserves for security of supply, contribute positively to the current account, and cushion the State against oil price volatility.
- Act as an agent of development, industrialization, skills development and job creation.

Indeed, supermajors such as Shell, BP, and TotalEnergies started out as National Oil Companies (NOCs). As is the intent with the Upstream Petroleum Resources Development Bill, these NOCs were enabled by supportive legislative and policy frameworks in their home countries, and invariably developed and evolved to become International Oil Companies (IOCs) with a multi-national character. NOC's such as Equinor of Norway, Petronas of Malaysia, and Petrobras of Brazil and many other NOC's in Africa and the Middle East, although commercially driven, still operate in

ways that reflect their national interests. This is South Africa's intent too through State Participation.

You will agree with me that State Participation does not start and end with South Africa, and is provided for in most concessionary petroleum regimes, with almost all SADC NOCs such as ENH of Mozambique, NAMCOR of Namibia, TPDC of Tanzania to count a few containing the provision for state participation in their petroleum laws.

The CEF Group of Companies is ready to play its role as a national energy company and implement the national policies of a diversified energy mix and state participation in the exploitation of its natural resources.

I thank you.