

# PROJECTS AND INFRASTRUCTURE

DEVELOPMENTS  
IN THE  
SOUTH AFRICAN  
GAS SECTOR

## DEVELOPMENTS IN THE SOUTH AFRICAN GAS SECTOR

**Gas has long been a neglected part of the South African energy mix, contributing only 2.8% to the primary energy supply. This situation can see a drastic change if the US Energy Information Administration is correct in estimating that South Africa's shale gas deposits are in the region of 390 trillion cubic feet. The possible extraction of this gas by hydraulic fracturing (fracking) has sparked a contentious debate, specifically with reference to the ecological risk it potentially poses for the Karoo basin.**

On 28 October 2014 the Department of Mineral Resources (DMR) indicated to National Council of Provinces' Select Committee on Land and Mineral Resources that the Technical Regulations for Petroleum Exploration and Exploitation are expected to be published in January 2015. Only after the publication of these regulations will exploration licences be issued, with hydraulic fracturing expected to start within 12 to 18 months thereafter.

Other legislative developments to be finalised includes the Gas Amendment Bill, which was gazetted in May 2013. The bill aims to amend the Gas Act, No 48 of 2001 (Gas Act) so as to, amongst others, improve the regulatory framework in the gas industry, introduce new technology in the sector and facilitate gas infrastructure developments. The Department of Energy (DoE) has highlighted that the amendments to the Gas Act also include the redefining of the definition of 'gas' to bring unconventional gas, such as shale gas under its ambit.

On 11 September 2014 the DoE announced that the Gas Amendment Bill was forwarded to the State Law Advisor for final pre certification. The DoE also indicated that the Gas Utilisation Master Plan (GUMP) was under construction, which will set out how South Africa plans to utilise natural gas until 2050.

The above developments in the gas sector will lead to exploration licences being issued after legislative amendments have been finalised. If everything works according to plan, this will most likely see exploration drilling commencing mid-2016.

The legislative amendments support the DoE's Integrated Resource Plan (IRP), which envisages that 14% of all new generation capacity be procured from gas. Bearing in mind the availability of natural gas in Namibia and Mozambique, the discovery of offshore gas along the South African coast, exploration in the Orange River basin and possible onshore coal-bed methane extraction in the north of the country, a new and exciting era in the South African gas sector can be expected.

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