



# Department of Energy

*UPDATE ON THE SOUTH AFRICAN BIOFUELS PRICING & REGULATORY FRAMEWOKRS*



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**20 FEBRUARY 2013**

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# INTRODUCTION

- Conversion of bio-energy to modern energy presents an opportunity for management of energy related environmental impacts – *one of the 1998 Energy White Paper objectives.*
- Supportive and enabling frameworks have not reached maturity levels despite noticeable areas of improvements.
- Job creation imperative presents significant opportunities for the sector.
- Liquid biofuels are now topical on SA's developmental agenda due to attributes such a massive job-creator, balance of payments savings, energy supply security, et.al.
- SA bio-energy Exploitation is currently less optimal.



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## *Some bio-energy related Initiatives :*

- Various household level bio-digesters erected in Eastern Cape, Western Cape, KwaZulu Natal, Limpopo.
- Other biogas projects in Eastern Cape.
  - *Three Crowns Rural School;*
  - *Biomass (wood chips) gasification plant in Melani Village; etc*
- Various small scale *landfill gas* and *biodiesel* manufacturing plants across the country.



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# SOUTH AFRICAN BIOFUELS ASPIRATIONS

- **2013 target:** 2% biofuels penetration (about 400 million liters per annum) into the national liquid fuels pool.
- **South Africa's biofuels objectives :**
  - ❖ Contribute towards the achievement of the national renewable energy policy targets;
  - ❖ Contribute towards improving energy security in the country
  - ❖ Contribute towards the reduction of greenhouse gas emissions;
  - ❖ Facilitate rural economic development through job creation, SMME development, etc.;
  - ❖ Stimulate agricultural production in the under-utilised agricultural areas of the country; and
  - ❖ Integrate historically disadvantaged farmers, especially in the former homelands, into the mainstream agricultural and energy economies.



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# UPDATE ON LICENSING OF BIOFUELS MANUFACTURING FACILITIES

No.	Company Name	Plant Type (bioethanol/biodiesel)	Capacity (million liters per annum)	Location	License status
1	Arengo 316 (Pty) Ltd.	Sorghum-based Bioethanol	90	Cradock, Eastern Cape	Granted
2	Mabele Fuels	Sorghum-based Bioethanol	158	Bothaville, Free State	Issued
3	Ubuhle Renewable Energy	Sugarcane-based Bioethanol	50	Jozini, KZN	Issued
4	Rainbow Nation Renewable Fuels Ltd.	Soybean-based Biodiesel	288	Port Elizabeth, Eastern Cape	Issued
5	Exol Oil Refinery	Waste Vegetable Oil-based Biodiesel	12	Krugersdorp, Gauteng	Granted
6	Phyto Energy	Canola-based Biodiesel	> 500	Port Elizabeth, Eastern Cape	Initial stages of license application
7	Basfour 3528 (Pty) Ltd	Waste Vegetable Oil-based Biodiesel	50	Berlin, Eastern Cape	Granted
8	E10 Petroleum Africa cc	Bioethanol	4.2	Gauteng , Germiston	Granted
<b>TOTAL</b>			<b>&gt; 1,000</b>		

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**Granted:** application evaluated by an Analyst, recommendation made & signed by the Controller, system generating an approval letter

Department: **Issued:** applicant has met all the requirements and is now in possession of a manufacturing license.

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## SOME EXISTENT BIOFUELS RELATED INCENTIVES

- Currently bioethanol falls outside the fuel tax net, and is therefore 100% exempt from fuel tax.
- Biodiesel falls within the fuel tax net, and biodiesel manufacturers receive a rebate of 50% on the general fuel levy.
- All renewable energy projects (including biofuels) qualify for an Accelerated Depreciation Allowance of 50:30:20 over three years.
- Over the year, these incentives have proven not be sufficient to lure investments in the biofuels sector, hence the need to establish a more enabling and supportive regulatory framework.



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## ***Biofuels Mandatory Blending Regulations:***

- Issued draft regulations on 16 September 2011 to solicit public comments until 18 November 2011;
- Hosted a stakeholders' workshop on 24 February 2012;
- Gazetted the final regulations on 24 August 2012; and
- DoE will firm up the date of coming into effect of the mandatory blending regulations after conclusion of the the incentive scheme together with National Treasury.

## ***Biofuels Pricing Framework:***

- Initiated pricing studies (*Blending-value & Break-even price determination*) in February 2011 & completed in December 2011.



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### Biofuels Pricing Framework (cont'):

- Hosted a stakeholders' workshop on 16 March 2012;
- Convened a number of incentives discussions with Treasury and ***the dti*** and, to this end:
  - ❖ Finalised the subsidy principles;
  - ❖ The *draft* pricing regulations and rules for administering the biofuels prices (internal working document already developed); and
  - ❖ National Treasury is developing a biofuels support mechanism.



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# SOME ON-GOING & OUTSTANDING BTT ACTIVITIES

ACTIVITY	RESPONSIBILITY	DEADLINE
Provide an update on research findings or status quo of 2 <sup>nd</sup> generation biofuels as well as an argument or counter-argument on the inclusion or continued exclusion of 2 <sup>nd</sup> generation bio-fuels.	<i>DST</i>	31 March 2013
Support emerging farmers in negotiating contracts with bio-fuels manufacturers as well as financial assistance	<i>DAFF</i>	31 December 2013
Provide argument or counter-argument on the inclusion or continued exclusion of maize & Jatropha on the list of permitted feed stocks	<i>DAFF</i>	31 March 2013



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# SOME ON-GOING & OUTSTANDING BTT ACTIVITIES

ACTIVITY	RESPONSIBILITY	DEADLINE
Broaden the general public's knowledge as well as acceptance of biofuels	<b><i>BTT &amp; GCIS</i></b>	On-going
Provide technical support to emerging and aspirant farmers.	<b><i>DAFF &amp; SOCs</i></b>	On-going



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## CLOSING REMARKS

- Bio-energy, in its various forms, is being harnessed in SA (though to a relatively less degree).
- Some outstanding issues/deliverables are still work-in-progress.
- However, with all affected & interested parties' hands on the deck, clear government policy, regulations and other supportive instruments for the local bio-energy industry will be in place.
- SA is set to produce biofuels in excess of the originally set annual target when the overall enabling & supporting framework (*mandatory blending regulations, pricing framework*) takes effect.
- As much as the local biofuel industry is currently in its infancy stage, it does posse long term potential for growth.



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# THANK YOU

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