

Department of Energy

UPDATE ON THE SOUTH AFRICAN BIOFUELS PRICING & REGULATORY FRAMEWOKRS



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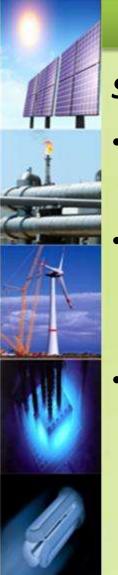




INTRODUCTION

- 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.





BIO-ENERGY EXPLOITATION IN SA

Some bio-energy related Initiatives:

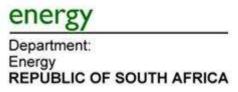
- Various household level bio-digesters erected in Eastern Cape,
 Western Cape, KwaZulu Natal, Limpopo.
- Other biogas projects in Eastern Cape.
 - Three Crowns Rural School;
 - Biomass (wood chips) gasification plant in Melani Village; etc.
- Various small scale landfill gas and biodiesel manufacturing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





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.





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
đ	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
	TOTAL			> 1,000		



energy 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.





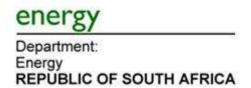


Biofuels Mandatory Blending Regulations:

- 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.



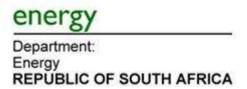


BIOFUELS RELATED FRAMEWORK (cont')

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.





SOME ON-GOING & OUTSTANDING BTT ACTIVITIES

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



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SOME ON-GOING & OUTSTANDING BTT ACTIVITIES

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



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 energyge, it does posse long term potential for growth.

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THANK YOU

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