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Understanding values in piped gas

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With the availability of natural gas in countries such as Mozambique and Namibia, coupled with the discovery of offshore gas reserves in Mozambique and South Africa, the piped gas industry in southern Africa is undergoing rapid expansion.

In November 2015 Rompco, a joint venture between Sasol, Companhia Mocambicana de Gasoduto and South African Gas Development Company announced a plan to expand 865km gas pipeline into South Africa.

This expansion has since been completed and recently Sasol announced further drilling in the adjacent regions next to the existing Pande and Temane fields. Mozambique will soon undergo expansion with over 2600km of gas pipelines projected to be laid, with the pipeline in full use by 2020.

According to David Constable, President of Sasol, the Mozambican gas industry is playing an increasingly important role in the regional energy landscape, and this project represents a major milestone in further developing natural resources, which will significantly benefit Southern Africa

So what are the values in piped gas?

In the USA approximately \$456.46 billion worth of piped gas expansion projects are currently active and this is growing. There is a collective understanding that this significantly cheaper fuel is currently shaping the future of the American industry. This is challenging fuel pricing and the very future of oil supply.

In Southern Africa, the landscape is different. The challenge lies in marrying infrastructure cost with long term profits and product competitiveness. For example, not all South African industries are pro-gas and many companies see the South African governments' transition to gas as an opportunity to rubber stamp.

According to Mail&Guardian, natural gas has been identified by the country's top policymakers as a key energy for the future, but new regulations designed to facilitate the switch to a gas economy immediately resulted in a court challenge by some of the country's largest gas users.

Technically Southern Africa is ripe for the piped gas picking, and the industry is showing relative growth, but the challenge remains in the collective willingness by two main role players; government and industry. Government's willingness to keep costs relatively low (by world standards) and industries willingness to adapt to using piped gas.

Where to from here?

The Southern Africa Gas Association (SAGA) has recorded a significant growth in demand for piped gas. However, the cost of infrastructure and development of pipelines play a major role in slowing piped gas demand.

In addition to coal gas and Liquid Petroleum Gas, Africa produced about 930 000 tonnes of natural gas and 104 860 tonnes of associated condensate in 2003.

McKinsey and Company Management Consultants predict full piped gas integration by 2050. The General consensus is piped gas could be the preferred energy supplier in the future if obstacles are overcome.

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