# Chemicals sector crucial for South Africa's industrialisation

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As one of 18 sectors identified by a Presidential working group as being crucial to accelerating gross domestic product (GDP) growth in South Africa, the chemicals sector has a foundational role to play in supporting the growth of the country's industrial sectors.
The chemicals sector has a 12 times multiplier effect for job creation and about a 5.5 times multiplier on GDP, says Chemical and Allied Industries Association (CAIA) chairperson **Rod Humphris**.

"The chemicals sector is largely an upstream sector to the mining, manufacturing and agricultural industries, and its success depends on the downstream sectors performing well and growing. Therefore, an integrated approach is necessary to support growth in the chemicals sector. The sector provides input to 23% of total manufacturing gross value in South Africa," he noted during a responsible chemical management dialogue, held in Sandton, on Tuesday.
The chemicals sector is possibly the most important sector to ensure sustainability and sound waste management, United Nations Environment Programme Southern Africa head **Cecilia Kinuthia-Njenga** added.

Environmental Affairs Minister **Nomvula Mokonyane**, in a prepared speech delivered by CAIA executive director **Deirdré Penfold**, agreed on the essential role chemicals companies play in society and the economy, but said there was a need to ensure that chemicals are produced and used in a way that has minimal adverse impacts on the environment and human health.

Meanwhile, American Chemical Council president and CEO **Cal Dooley** emphasised that the sustainability of the chemicals sector provided a direct contribution to the bottom line of chemical sector companies, as well as their value chain partners, because it emphasised efficiency, monitoring, control and continuous improvement.

He detailed the regeneration of the chemicals industry in the US on the back of the exploitation of natural gas, from shale gas, as a feedstock for the industry, which had a direct impact on the competitiveness of the industry and also had a knock-on effect that stimulated the regeneration of the manufacturing industry, which had waned by 25% in competitiveness between 1990 and 2004.

Significantly, the discovery of gas reserves off South Africa's coast, in the Outeniqua basin, could have a similarly significant impact on the reindustrialisation of South Africa, owing to the presence of a mature petrochemicals sector, said South African Oil and Gas Alliance (SAOGA) CEO **Niall Kramer**.

Estimates by the SAOGA indicated that the development of an oil and gas industry could have a larger economic impact than the mining sector has had and could be a significant benefit to the developmental State. Kramer highlighted Norway, which had a national sovereign wealth fund of $1-trillion with which to stimulate its economy and manage any economic shocks owing to its use of revenue derived from North Sea oil operations.

However, he emphasised that oil and gas were not a guarantee of prosperity, unless exploitation thereof was underpinned by sensible policy and capacitated execution, but it could act as an engine for growth. The readiness of the local economy was, therefore, a crucial puzzle piece that had to be developed over the next five to ten years as the production of gas and condensates ramp up.

New Partnership for African Development business foundation energy project manager **John Rocha** highlighted the growing natural gas exploration activities, onshore and offshore, taking place across Africa, and how these sources of chemical feedstocks could facilitate the growth of chemicals companies, and specifically South African companies, into the continent.

Department of Trade and Industry director-general **Lionel October**, meanwhile, pointed out that the department was working on the gas industrialisation strategy and aimed to use it as a means to bring about structural change to the industrial sectors and the broader economy.

He highlighted the success of Germany in developing its industrial capacity on the back of a robust and effective chemicals sector and compared the impact that the discovery of diamonds and gold had on the industrialisation of the local economy, as well as the establishment of unrelated industries that arose from the discovery of mineral resources, such as banks to facilitate the capital requirements of gold mining, as an example.

"We can take the mineral resources that we are endowed with and use it to enrich the nation. If we get it right, we can go the Norway route, which had been a mainly agricultural and forestry economy prior to its discovery of oil wealth, and uplift our entire society, but this requires that business, government and labour collaborate."

Kramer emphasised that the country should leverage the knowledge and expertise of existing companies to accelerate its exploitation of the natural resource, as they brought the best practices, equipment, experience and capital to effectively and efficiently exploit the resource.

October added that Total, which had made the discovery of the Brulpadda natural gas reserves, was a multinational who had achieved a Level 1 broad-based black economic empowerment rating. He compared this to the German focus on social transformation during its reindustrialisation following the Second World War, which was comparable to transformation in South Africa.

The involvement and development of South Africans was not exclusive to the development of the chemical and oil and gas industries, he explained.

However, to grow the chemicals sector, as a mainly scientific and knowledge industry, requires knowledgeable and skilled people, but South Africa's poor education outcomes drag on any potential growth aspirations, said Humphris.

The collaboration of business, government and labour was, therefore, key to the revitalisation of all aspects of the South African economy, including the work to grow the chemicals sector and use the natural gas reserves to promote industrialisation.