

Policy certainty to create investment and opportunity

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The Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill, which was expected to be presented before Cabinet will now, as requested by the industry, be separately presented as the Petroleum Development Bill and should, if the final terms are commercially attractive, encourage more companies to invest and drill both onshore and offshore.

However, the many years of delay in enacting the MPRDA Amendment Bill have led to great policy uncertainty, which the South African Oil and Gas Alliance (Saoga) hopes will be now eliminated.

This comes after newly appointed Mineral Resources and Energy Minister **Gwede Mantashe** took the reins and moved swiftly in his Budget speeches to underpin President **Cyril Ramaphosa**'s investment drive.

Saoga CEO **Niall Kramer** says South Africa has the potential to be the next big frontier in oil and gas, as long as the country shows discipline and foresight regarding the correct policy environment. He adds that this appears to be happening and the next key step is to be ready for South African businesses to be able to participate across the full value chain.

“For example, the pragmatic policy framework of Mozambique has made it an attractive prospect for investors and explorers who have found some 190-trillion cubic feet of gas and attracted more than \$50-billion in financial investment. Another good example of a sound and disciplined policy framework is Norway who has underpinned its North Sea hydrocarbons with its ‘ten commandments for oil and gas’. This ensures that the benefit goes primarily to the population.”

While the potential for exploration and economic development is great, there is an impact on the entire system and the supporting value chain and infrastructure that will be created for exploration and probably for liquefied natural gas importation too.

From a marine point of view, several onshore and offshore infrastructure developments are required to accommodate such large projects. Supplies would have to be transported, infrastructure and facilities would have to be established and South African businesses need to be ready to participate. This requires policy certainty but also significant local support and planning. “While we will need global expertise and capacity, we must also get South Africa ready to participate fully. Otherwise we could end up missing a large development opportunity,” he adds.

“Therefore, projects of this magnitude are not only technical – they also require a vast supply of general goods, services, materials and maintenance. Mozambique is likely to take off before South Africa does and that could be an opportunity for South African businesses to participate there first,” Kramer enthuses.

He mentions that South Africa needs the right policy framework and must be ready especially in terms of harmonised policy and regulation. “We need an integrated, joined-up approach to make investment and participation simple and hassle free. What seems like small issues, like the visa debacle, quickly becomes large issues that distort inward investment.”

Saoga has facilitated South Africa’s readiness for years, especially in mapping future skills and developing technicians and artisans, as well as lobbying government and providing information for member companies about policy developments and readiness.

The alliance also provides the service of an overview of the policy framework for incoming investors. Potential international and local investors come to Saoga for derisking because it enables them to get a sense of the above- and below-ground risks, as well as the politics, economics, legislative environments, technical issues and environmental issues, before they commit to investment decisions or apply for an exploration licence.

However, Kramer says, once the new law is in place, assuming it is seen as stable and commercially viable, exploration will likely increase significantly.

“The oil and gas opportunity that is available in South Africa is probably the biggest economic lever that the country has currently. We cannot afford to miss this again as all these companies have other global options. This is our best chance to catalyse economic growth that could be ahead of population growth.

“Stakeholders, regulators, investors and institutions need to develop a shared, concrete vision to understand the potential upside and prosperity that South Africa will experience. And to do so, we must see through the noise,” he concludes.