

## **CRITERIA FOR LICENCES TO MANUFACTURE BIOFUELS**

### **Definitions**

“designated area” means an area designated by the Department of Agriculture, that is underutilised and suitable for the production of biofuels crops, that will supply feedstock to a specific biofuels plant.

underutilized land” means land that has sustainable agriculture production potential, as determined by the Department of Agriculture, that is not currently fully utilized .

“emerging farmer” means a farmer from previously disadvantaged groups that did not have access to markets and/or were engaged in subsistence agricultural activities including those in the former homelands. This includes farmers that acquired land through the land restitution programme

“Own use” means the manufactured product can only be used by those who manufactured it and is not transferable either commercially or in kind.

### **Eligibility**

All biofuels manufacturers, including pilot projects, are required to apply for manufacturing license. Those manufacturing for own use will have to register with the Petroleum Controller and provide annual statistics on what crops they are utilizing, production capacity (how much they are producing) and detailed information of what the products are used for.

Biofuels production for research purposes will have to provide proof/letter from relevant research institutions. Produce from research projects shall be limited to specified quantities and as such must not be used for commercial purposes.

All crops used for the production of biofuels must not have negative environmental impacts on South Africa during processing and storage.

The production of feedstock under irrigation will only be allowed in exceptional circumstances and a detailed motivation will have to be provided. Water that is currently used for gainful irrigation will not be considered for a new water license for biofuels production purposes.

Applicants for the manufacture of biofuels must adhere to the following guidelines:

1. The crops for the production of biofuels are mainly sugar cane, sugar beet, soyabeans, sunflower and canola (as contained in the biofuels strategy).
2. Maize and Jatropha are not permitted crops from which biofuels may be manufactured.
3. Feedstock imports are not allowed.
  - This can only be supported at times of adverse agricultural productions and when local producers cannot meet the investors demand.
  - A licensee must apply in writing to the Petroleum Controller to decide that a period of adverse agricultural production has commenced.
4. Due to difficulties in the availability of certain feedstocks domestically, importation could be allowed for projects at inception stages under certain conditions.

Conditions to be considered:

- Only those crops where generally there is no adequate domestic capacity or are not grown in South Africa. In addition, the carbon footprint of that crop production must not be negative in the country of origin.

- Importation only allowed when a detailed phase-in period for import replacement (substitution) and domestic sourcing has been provided.
- Import replacement and domestic sourcing must be linked to sourcing from emerging farmers from underutilised areas.
- A detailed account of type(s) of by-products, quantities and potential markets has to be provided. Fair conditions of trade have to prevail so as to manage/avoid market dominance by operator(s) in the local market on the back of imports.

5. Feedstock must be cultivated and sourced from the designated areas

- A written commitment or contract is required to ensure that feedstock is sourced from emerging farmers from underutilised areas.
- The use of feedstock from commercial farmers will also require a detailed phase-in plan and period for increased use or evening out of feedstock by emerging farmers from underutilised areas

6. During the first phase (2008 – 2013) more priority will be given to commercially proven technologies, while the piloting and demonstration of second generation will be supported only if it is for research purposes.

7. All biofuels products and producers must meet the prescribed SANS specifications and standards.

8. The utilization of by-products needs to be clearly indicated and a proof of off take agreements need to be submitted.

9. An off-take agreement with a local oil company, operator, large commercial undertaking and dedicated operator such as municipalities that will use the biodiesel and bioethanol is required. Mandated upliftment and accommodation of biofuels in the oil industry infrastructure envisaged in the Biofuels Strategy has to be ensured.

10. Biofuels producers must provide a proof of an agreement or undertaking regarding the blending facilities
11. The applicant must provide evidence where it is applicable that it has engaged with other authorities whose approval will be necessary for the manufacturing facility to operate. These will include, but may not be limited to;
  - a. Department of Agriculture
  - b. The dti- International Trade Administration Commission,
  - c. Department of Land Affairs
  - d. DEAT
  - e. DWAF
  - f. Others
12. In addition to the guidelines above, all other provisions pertaining to the manufacture of petroleum products contained in Petroleum Products Act of 2003 will still apply.