DEVELOPMENT OF SOUTH AFRICA’S BIOFUELS INDUSTRY.
INTRODUCTION

• The Biofuels Industrial Strategy (BIS) of the Republic of South Africa was approved by Cabinet on 05-Dec-07:
  • In 2005, Cabinet directed the then Department of Minerals and Energy (DME) to lead and coordinate the development of a Biofuels Industrial Strategy through an inter-departmental Biofuels Task Team (BTT).
  • Five-year pilot phase envisaged ~2% of petrol & diesel market ~460 Ml p.a.
  • A specific requirement of the BIS was to create a link between the first and second economies, a requirement that entails creating jobs in under-developed areas.

• The Government of South Africa identified the biofuel industry as a potential major source of employment and economic development. Benefits include balance of payments savings, energy supply security, agriculture and rural development.

Clear government policy, regulations and incentives are a pre-requisite for the development of the biofuels industry.

• Most importantly, the estimates as per the 2006 feasibility study (conducted by the then DME) revealed that the targeted 2% biofuels scenario can create about 25,000 jobs.
  • Challenge: on their own, projects for the production of biofuels are not financially viable.
  • Government’s intention is to only allocate the producer (investor) incentive to projects that involve expansion that assist in achieving the 2% target.
  • Commendable ground has been covered in pursuit of realising South Africa’s biofuels aspirations.

All the envisaged benefits contribute in supporting a better life for all, both now and in the future.

EXISTING BIOFUELS INCENTIVES

• Biofuels Pricing Mechanism is being finalised but currently:
  • Biodiesel falls within the fuel tax net, and biodiesel manufacturers receive a rebate of 50% on the general fuel levy.
  • Bio-ethanol falls outside the fuel tax net and therefore does not qualify for a rebate.
  • All renewable energy projects (incl. biofuels) qualify for an Accelerated Depreciation Allowance of 50:30:20 over 3 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 - subsidy.
  • Exclusion of waste oil plants from subsidy but retention of existing incentive.

REGULATORY FRAMEWORK DEVELOPMENT

• 2012: Development of financing models; Mandatory Blending Regulations promulgated

• 2013: Effective date of Mandatory Blending Regulations announced, being 01 October 2015; Biofuels Implementation Committee (BIC) established to deal with all matters pertaining to the practical implementation of the BIS whilst the Cabinet-mandated inter-departmental Biofuels Task Team (BTT) continues with its oversight role.

• 2014: Draft Position Paper on the Biofuels Regulatory Framework published for public comment

• Comments received and being duly considered.

• Reference crops for bio-ethanol: sorghum for grains/starches; and sugar cane for non-starches. For biodiesel, reference crop is only soya beans.
Opportunities linked to the geographic location

- Equity participation both on the agricultural side and construction of the manufacturing plant
- Provision of services throughout the value chain (e.g. transportation of the feedstock and product)
- Cultivation of crops and supply thereof to the manufacturing plant
- Employment opportunities
  - During and after construction
  - Throughout the value chain, and in the agricultural sector in particular

### LICENSING OF BIOFUELS MANUFACTURING FACILITIES

<table>
<thead>
<tr>
<th>No</th>
<th>Company Name</th>
<th>Pant Type (bioethanol/biodiesel)</th>
<th>Capacity (million liters per annum)</th>
<th>Location</th>
<th>License status</th>
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<tbody>
<tr>
<td>1</td>
<td>Average 316 (Pty) Ltd</td>
<td>Sorghum - based Bioethanol</td>
<td>90</td>
<td>Craddock, Eastern Cape</td>
<td>Granted</td>
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<tr>
<td>2</td>
<td>mabele Fuels</td>
<td>Sorghum - based Bioethanol</td>
<td>158</td>
<td>Bothaville, Free State</td>
<td>Issued</td>
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<tr>
<td>3</td>
<td>Ubuhle Renewable Energy</td>
<td>Sugarcane - based Bioethanol</td>
<td>50</td>
<td>Jozini, KZN</td>
<td>Granted</td>
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<tr>
<td>4</td>
<td>Rainbow Nation Renewable Fuels Ltd</td>
<td>Soybean - based Biodiesel</td>
<td>288</td>
<td>Port Elizabeth, Eastern Cape</td>
<td>Issued</td>
</tr>
<tr>
<td>5</td>
<td>Exol Oil Refinery</td>
<td>Waste Vegetable Oil - based Biodiesel</td>
<td>12</td>
<td>Krugersdorp, Gauteng</td>
<td>Granted</td>
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<tr>
<td>6</td>
<td>Phyto Energy</td>
<td>Canola - based Biodiesel</td>
<td>&gt;500</td>
<td>Port Elizabeth, Eastern Cape</td>
<td>Initial stages of license application</td>
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<tr>
<td>7</td>
<td>Basfour 3528 (Pty) Ltd</td>
<td>Waste Vegetable Oil - based Biodiesel</td>
<td>50</td>
<td>Berlin, Eastern Cape</td>
<td>Granted</td>
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<tr>
<td>8</td>
<td>E10 Petroleum Africa CC</td>
<td>Bioethanol</td>
<td>4.2</td>
<td>Germiston</td>
<td>Granted</td>
</tr>
</tbody>
</table>

**TOTAL > 1,000**

**Granted** means the applicant has not met all the requirements but is now in possession of a conditional manufacturing license.

**Issued** means the applicant has met all the requirements and is now in possession of a manufacturing license. Other licensing and permitting requirements will still need to be complied with for operation.

### GEOGRAPHIC ORIENTATION

[Map showing the geographic location of biofuels manufacturing facilities.]
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