



**DEVELOPMENT
OF SOUTH
AFRICA'S
BIOFUELS
INDUSTRY.**



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

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 se 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 receives 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



LICENSING OF BIOFUELS MANUFACTURING FACILITIES

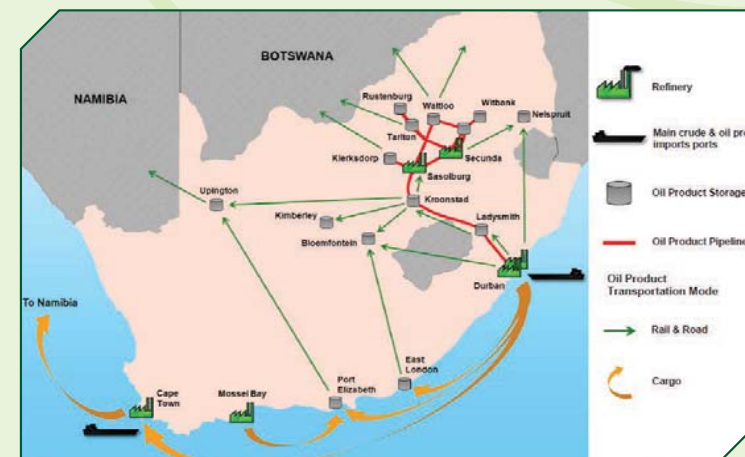
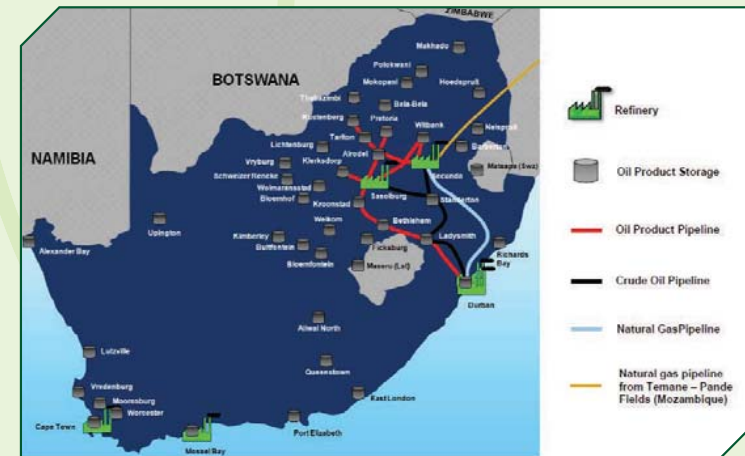
No	Company Name	Plant Type bioethanol/biodiesel	Capacity (million liters per annum)	Location	License status
1	Average 316 (Pty) Ltd	Sorghum - based Bioethanol	90	Cradock Eastern Cape	Granted
2	mabele Fuels	Sorghum - based Bioethanol	158	Bothaville Free State	Issued
3	Ubuhle Renewable Energy	Sugarcane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



OPPORTUNITIES

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

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