

Local players keen to exploit opportunities in gas sector

By [Dr Urishanie Govender](#)

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The South African engineering consulting industry has positioned itself to harness opportunities in the gas sector, but a clear gas master plan is required to convince investors and other stakeholders to put their weight behind the country's energy plans.



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At the 21st Congress of Parties (COP 21), South Africa committed to reducing its carbon footprint by introducing more gas into its energy mix. However, since being drawn up in 2010 and published in draft form in 2013, the country's Integrated Resources Plan (IRP) has not been updated or finalised. An Integrated Energy Plan was drawn up at the same time as the IRP 2010, but did not receive the requisite status and attention from the Department of Energy.

Similarly, the Gas Utilisation Master Plan, which has been on the drawing board since 2012, has not been finalised.

Time is running out

While there have been rumours of the IRP being considered later in 2016, time is running out for any significant process to be completed. An update of the IRP is crucial to show the demand projections and the most desirable blend of technologies to meet with these demands.

Ideally, the IRP should be updated annually to accommodate the rapidly changing cost of generation environment and uncertainty around future electrical power demand.

Certainly, if South Africa is serious about transitioning to a low carbon economy and harnessing opportunities presented by the gas sector, a master gas plan is critical and it needs to be shared with all industry players as a matter of urgency.

To move gas from source to demand, significant infrastructure is required, be it in the form of pipelines or rail and port capability. This is a space in which the engineering consulting industry can play a significant role, especially in countries such as South Africa, which has no large-scale gas-fired power and negligible residential piped gas.

Enormous potential

A recent Frost & Sullivan report, commissioned by GIBB, which interrogated the risks and opportunities in gas pipeline infrastructure development in sub-Saharan Africa, focused on the source of the gas, reserve potential and demand. It highlighted the enormous potential of the gas sector in countries that have large commercial gas reserves and a master gas plan in place.

The current gas infrastructure in Africa is not sufficient to handle with the growing demand of gas on the continent. Notably, the country-to-country or transmission pipeline network in Africa is more developed than the city-to-city or distribution pipeline network. This suggests significant investment will be required to establish pipelines that can meet the demand of gas on the continent, an investment that the report quantified at \$212bn.

In addition, the report identified countries that offer the largest gas opportunities (ranked from one to six) – Nigeria, Mozambique, Tanzania, Ghana, Cote d'Ivoire and South Africa – with growth in cities such as Lagos, Johannesburg, Dar es Salaam and Nairobi driving the use of domestic gas.

While South Africa, Angola and Cameroon lack legislative certainty, Mozambique, Ghana and Cote d'Ivoire enjoy a greater degree of certainty, which makes them more attractive to investors.

Overlooking local expertise

A worrying trend is for government to look exclusively to international companies to deliver on large infrastructure projects. They tend to overlook local expertise and ability and the potential for local companies – with the capability, but perhaps not the experience – to partner with international companies.

State-owned enterprises such as Transnet, which may have a significant role to play in developing or upgrading gas infrastructure and contributing towards economic development in the country, need to continue to take the lead in terms of the developmental agenda in order to maximise the local benefit.

In this respect, the industry needs stronger signals from government and a firmer indication of the timeline for the projects. Engagement with all stakeholders is also required to establish what local capacity exists and to ensure local companies are readied for the gas boom when it lands.

Lead times and development cost

A factor that is often overlooked is the significant lead times and development cost associated with such projects.

“Typically these projects require of the order of up to 4-5% of the total capital cost to get to a full investment ready status,

this coupled with the associated lead time of necessary approvals etc. In addition it is often forgotten that such projects often require a significant investment in advance infrastructure. This implies that without a degree of certainty in the policy space investors are necessarily cautious in providing the necessary enabling investment,” said GIBB Power and Energy general manager Paul Fitzsimons at the recent GIBB Roundtable event.

The gas price is reportedly at its lowest in 14 years. When the gas price corrects and gas projects in South Africa and on the continent start to boom, the local industry must ready itself to be at the frontline.

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