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Voluntary Public

Date: 10/23/2013

GAIN Report Number:

South Africa - Republic of

Post: Pretoria

South Africa Looks to Develop Domestic Biofuels Production

Report Categories:

Biofuels

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Report Highlights:

On September 30, South Africa's Department of Energy finalized a rule authorizing the blending of biofuels with petroleum, and set a date by which petroleum manufacturers in South Africa must achieve targets for adding biofuel to drivers' gas tanks. The rule provides for biodiesel blending up to 5 percent and bio-ethanol up to 10 percent and that petroleum manufacturers must reach these levels when the regulation comes into force on October 1, 2015. South Africa has expressed interest in developing a domestic biofuels industry since 2005, efforts to jump-start the industry fell flat as the South African Government failed to develop the necessary policies, such as blending mandates in fuel.

General Information:

South Africa's Department of Energy finalized a rule authorizing the blending of biofuels with petroleum, and set a date by which petroleum manufacturers in South Africa must achieve targets for adding biofuel to drivers' gas tanks. The draft regulation was issued August 23, 2012, and the Department of Energy announced it as a final regulation on September 30, 2013. The rule provides for biodiesel blending up to 5 percent and bio-ethanol up to 10 percent and that petroleum manufacturers must reach these levels when the regulation comes into force on October 1, 2015. The rule requires petroleum manufacturers to pay a regulated price to biofuel producers. A separate media release from the Department of Energy established an intergovernmental Biofuel Implementation Committee.

The substance of the new rule is undetermined, how prices will be set, or what subsidies may be available to petroleum manufactures. According to the accompanying media release a pricing framework will be among the tasks of the new intergovernmental group. What is clear, is that according to trade contacts and press reports no corn, an important staple food for many South Africans, will be authorized for conversion to biofuels. Reports are that canola, sunflower and soybeans will be used as feedstock for biodiesel, and sugar cane, sugar beet and sorghum as feedstock for ethanol. Some research has been done to promote lumber and cactus for feedstock, but these are less desirable economic choices than field crops. Its unlikely that greater quantities of sugar cane would be available to be converted to ethanol due to water and other natural limitations that prevent significantly increasing sugar production. While there is public sentiment against biofuels in Africa, its development in South Africa can be an important new market for producers and offers new alternatives to find different high protein feed sources like DDGs. The South African agriculture industry wants access to biofuels and is willing to accept limitations for now that will keep it clear of competing for row crops like corn used for food.

The rule sets the stage for next steps, to establish biofuel plants, determine the price regime or subsidy, and the need for technical assistance and research about how distilled dry grains and other by products can help offset production costs by opening new markets such as byproduct use in animal feeds.

Regulations regarding the Mandatory Blending of Biofuels with Petrol and Diesel, August 23, 2012
<http://www.info.gov.za/view/DownloadFileAction?id=173022>

Regulations regarding the mandatory Blending of Biofuels with Petrol and Diesel, Commencement, September 30, 2013.
www.gov.za/documents/download.php?f=199926

The development of biofuels in South Africa first occurred in December 2005, when the cabinet approved a biofuel development strategy that included:

- The development of a Biofuel Industrial Strategy targeted at creating jobs in the energy crops and bio-fuels value chain, acting as a bridge from the second economy to the first economy;
- The establishment of a Biofuels Task Team (comprising national departments and state entities) to develop the industrial strategy; and
- The authorization of the Biofuels Task Team to engage with interested stakeholders in the first economy about establishing a modest bio-fuel industry and to report to cabinet about the

financial implications involved.

Two years later, on December 5, 2007 the South African cabinet approved a national Biofuels Industrial Strategy (see GAIN SF7044). Ultimately, efforts to develop a domestic biofuels industry fell flat as the South African Government failed to develop enforce the necessary policies, such as blending mandates in fuel.