

## South African PetroSA sees product shortage

### Needs additional refining capacity to lessen import dependence

*Cape Town, South Africa*—South Africa's state-owned PetroSA said July 8 that Africa's biggest economy will struggle to meet future growth as demand for fuel has reached the point where it exceeds supply from local refineries.

"The liquids fuel chain in South Africa is significantly constrained. The existing infrastructure is not able to support the requirements for increased crude, products in the short to medium term," PetroSA's lead strategist, Faizel Mulla, said at a CWC-organized conference in Cape Town. Mulla said South Africa will be a net importer of products by 2016 by about 2 billion liters/year (12.58 million barrels) of gasoline and 7 billion liters of distillates, which includes diesel and jet fuel. South Africa's 485,000 b/d refining capacity is the second largest in Africa after Egypt but the government has said that without additional refining, the country will become increasingly dependent on importing petroleum products. PetroSA expects to make a final investment decision on the Coega refinery project by early 2011, with the start of production seen by the end of 2014 or early 2015. The refinery is expected to help ease South Africa's dependence on imported fuels, estimated at 3 billion liters/year, but Mulla said by 2021 the full refinery capacity will be absorbed by South Africa's demand. BP South Africa's refining manager, Neazane Mabena, said at the same event that Africa would need to build more refineries of a minimum 400,000 b/d capacity if it is to meet growing energy demand. He added that opportunities exist for brownfield refinery expansion at the relatively larger complex African refineries. This, he said, would present a cost-effective opportunity for increasing capacity to meet the growing demand for fuel products. Refineries in South Africa will have to make investments in preparation for the introduction of new fuel emission standards, known as the Euro 4, by 2012. The new standards will require the upgrading of existing plants. Outlining a number of factors placing pressure on supply ahead of the completion of a new pipeline from Durban to Gauteng by 2010, PetroSA's Mulla said the South African government had put in place measures to ease security of supply including having companies hold 30 days of fuel storage. If nothing is done about the current situation, road freight would be severely overutilized, said Mulla. The new pipeline being laid between Durban and Gauteng will have an initial capacity of 1,100 cubic meters/hour of fuel, rising to about 3,000 cu m/hour by 2025, when all pump stations along the Durban- Gauteng route are completed. The state energy security master plan for the liquid fuels sector recommended that PetroSA procure 30% of crude oil consumed in South Africa by 2020. To support the planned refinery and national supply network, PetroSA plans to provide new oil terminals and upgrades at Cape Town, Mossel Bay, Port Elizabeth, Durban and Gauteng. Meanwhile, Mulla said PetroSA would not only focus on its assets acquired in the recent years but would also look for additional projects. "The key focus areas for us as a national oil company are access to feedstock and storing and producing in southern Africa and exploring around the rest of the world," he said. "We are in other parts of Africa—Nigeria, Equatorial Guinea and Egypt—and we are also looking at other production acquisitions in other parts of the world," he said. Mulla also said PetroSA was looking at the import of crude and gas, particularly in the form of LNG. He also said the company was looking at building further pipelines, an LNG terminal, crude and products storage and LPG storage.—*Jacinta Moran*