

Department of Mineral Resources

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PRESENTATION ON OPERATION PHAKISA TO THE SELECT COMMITTEE



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BACKGROUND



- Operation Phakisa is an **initiative** of the South African Government designed to **accelerate** the **delivery** of some of the development priorities highlighted in the NDP.
- Through Operation Phakisa, government aims to implement priority programmes **better, faster and more effectively, based on the Malaysian model**



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BACKGROUND



- **THE LAB**

- DMR is lead organisation in the Oil and Gas Lab

- **THE MANDATE**

- Accelerating the realisation of the economic potential of SA's oceans
- Exploration of offshore oil and gas and unlocking the potential of the sector

- **VISION**

- Create conducive environment to exploration to drill 30 wells within 10 years

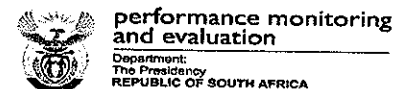
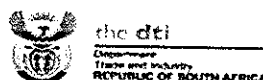
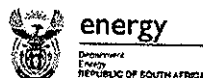


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Organisations represented at oil and gas lab: 47

Attendees from 28 organisations



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THE CONTEXT

- **THE LAB considered the following:**
 - SA Oil and Gas sector is in early development stage
 - It has the potential to create large value to the country in the long run
 - Possible resources of ~9 bn barrels oil and 11 bn barrels oil equivalent of gas
 - South Africa could achieve 370 000 barrels of oil and gas per day, and create 130 000 jobs
 - Contributing \$2.2 billion pa to GDP
 - Reduce dependence on oil and gas imports



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THE CONTEXT...

- **But Risk is high:**
 - Development of Oil and Gas takes decades
 - Oil and Gas exploration requires significant investments,
 - Costs can be over \$50million per drill hole
 - Success rate is very low



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THE CONTEXT

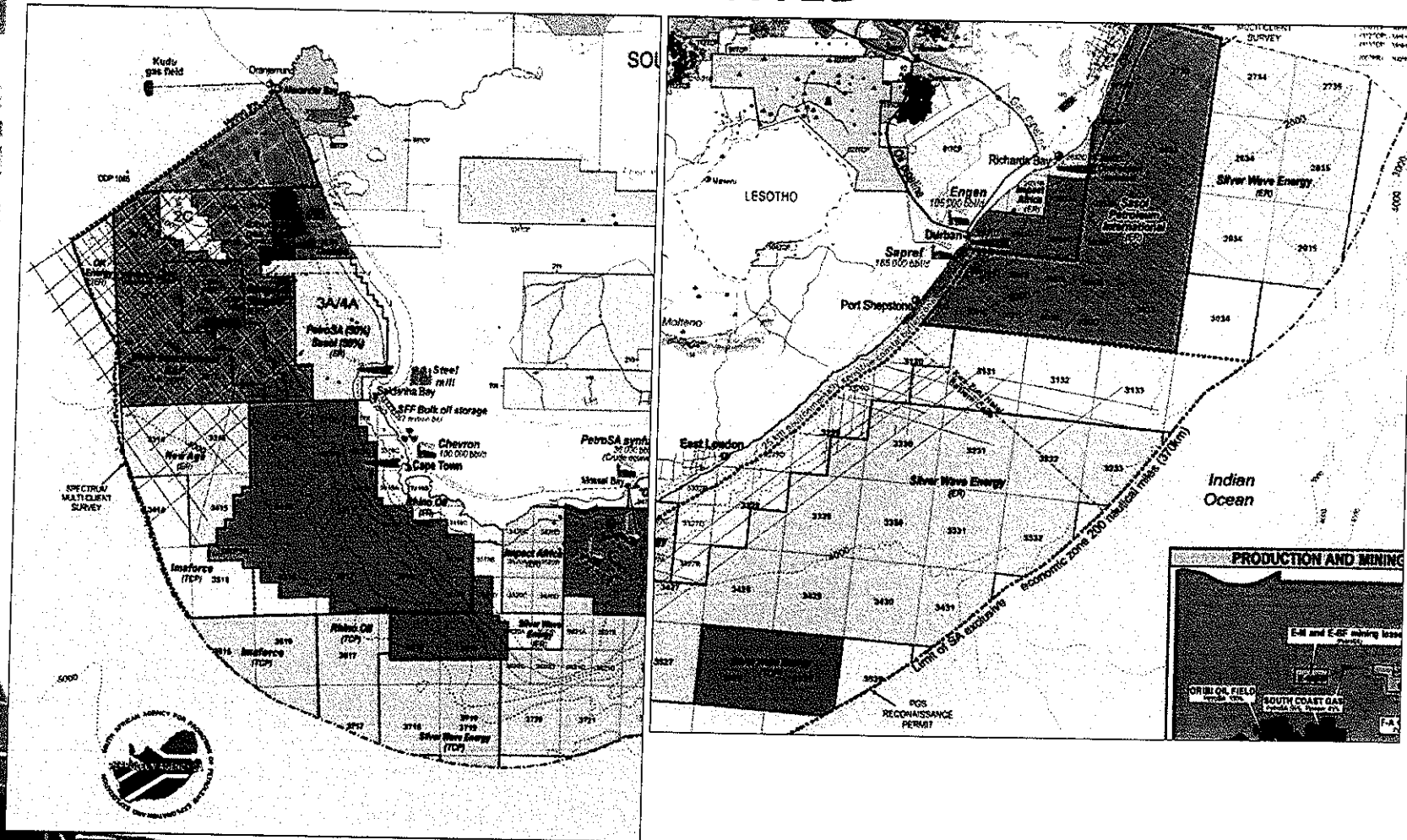
- Sector is not well developed.
- Shallower water zones fairly well explored, particularly off south coast, where moderate amounts of oil and gas have been produced over the past few decades.
- Deep water areas are almost entirely untested.
- SA is in the process of creating a favourable enabling environment for investment
- Most offshore acreage is under licence or permit



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CURRENT SITUATION: EXPLORATION RIGHTS GRANTED



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WHAT SA NEEDS TO GET THERE

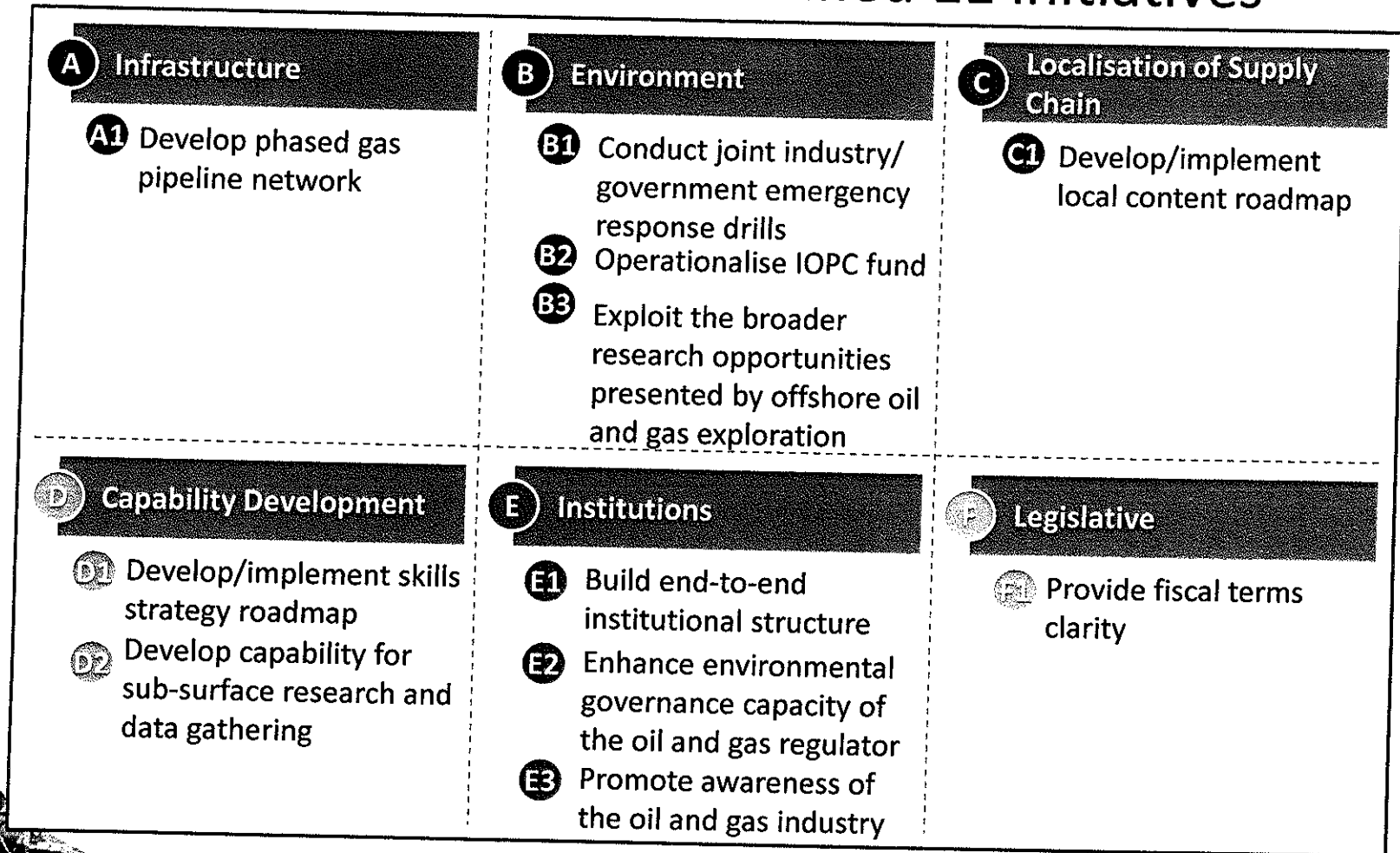
- A-infrastructure,
- B-the environment
- C- local supply content development
- D- Capability and capacity development
- E- institutional arrangements and
- F-legislative certainty.



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Based on these needs the Offshore Oil & Gas Exploration lab has identified 11 initiatives



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INITIATIVES CONTINUE...

- The initiatives were broken into activities and sub-activities
- Each with specific deadlines
- Initiative Owners or Phakisa Implementing agencies (PIA) were identified for each initiative
- This detail was captured in the 3-ft plans



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INITIATIVES CONTINUE...

- To implement the 3-ft plans:
 - Delivery Unit has been established to drive delivery
 - All Working Groups were established to work on each initiative in the 3 ft plans led by relevant PIA
 - Weekly reports are provided to the Presidency
 - Most initiatives are up to date while minor challenges have been experienced
- Engagements take place with relevant stakeholders as and when challenges are encountered.



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PROGRESS

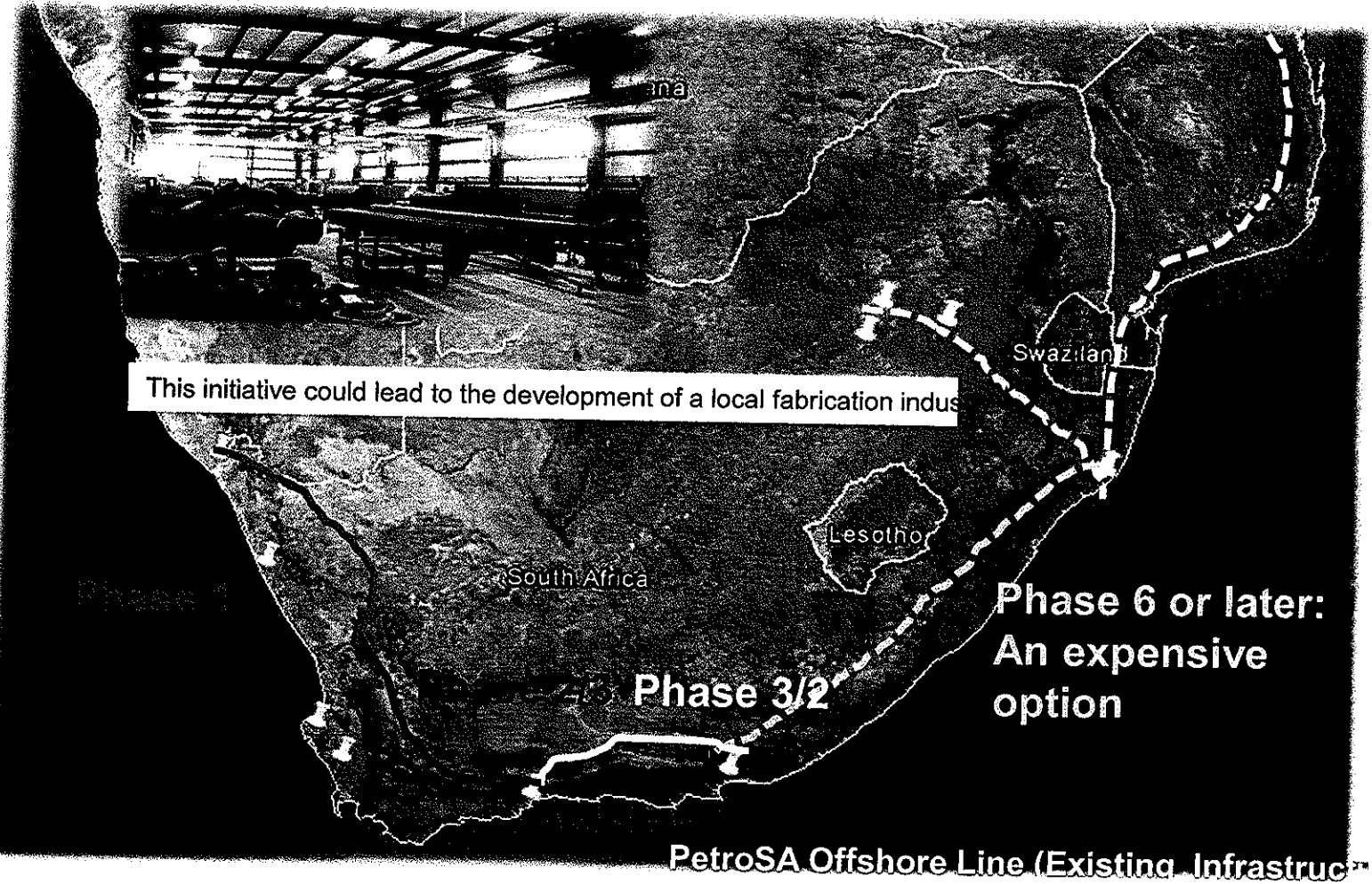
INITIATIVE	PROGRESS ON KEY DELIVERABLE
A1: Develop a phased gas pipeline (This is to provide for gas distribution)	<ul style="list-style-type: none">• Establish indicative pipeline costs is 67% ahead of schedule
B1: Joint industry-government emergency response drills	<ul style="list-style-type: none">• International Oil Company Participation has been formalised• Gap Analysis of Existing Capacity has been done• Oil spill response team purpose and scope in progress due for completion• Pre-emergency Planning: Incident management Organisation has been established



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PROGRESS



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PROGRESS

INITIATIVE	PROGRESS ON KEY DELIVERABLE
B2: Operationalise the International Oil Pollution Compensation (IOPC) Fund (To ensure in event of major disaster SA is able to compensate accordingly)	<ul style="list-style-type: none"> • Agreement between SA and IOPC Fund on disputed payment arrears is complete • Fully operational IOPC Fund partially achieved (awaiting DOT payment and press release statement)
B3: Exploiting Broader Marine Research Opportunities presented by Offshore oil and gas exploration	<ul style="list-style-type: none"> • Project Design has been done • Stakeholder Analyses and Database complete • Multi-stakeholder project management team (PMT) established and maintained • Service provider (National Research Foundation-NRF) has been contracted • Kick-start workshop held last week.



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PROGRESS

INITIATIVE

PROGRESS ON KEY DELIVERABLE

C1 :Local Content Roadmap
(this is meant to ensure the
localisation of supply chains)

- Financial Analysis of SA offshore oil and gas procurement is being undertaken.
- Initiative is 33% ahead of schedule

D1 :Skills Strategy Roadmap
(To provide for the
development of skills to
service the sector)

- Formation of a working group complete
- Develop skills strategy Roadmap is in progress

D2: Develop capability for
sub-surface research and
data gathering

- Technical Capability built programmes for sub-surface information activities has been identified
- Mechanism to formalise the Reservoir Technical Capability has been reviewed and assessed
- Sub-surface Information acquisition Hard Infrastructure is being developed
- Market analysis to confirm utilisation arrangements has been done
- Establishment of a multi agency Ocean R&D Strategy and implementation programme in progress



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PROGRESS

INITIATIVE	PROGRESS ON KEY DELIVERABLE
E1 End to end Institutional Structure	<ul style="list-style-type: none"> • Business case has been done • Migration Plan has been done
E2: Enhance environmental governance of the regulator	<ul style="list-style-type: none"> • Project Design has been done • Skills need analysis complete • Service Provider has been identified • International Benchmarking is complete • Stakeholder Engagement in progress
E3: Promote awareness of O&G industry	<ul style="list-style-type: none"> • Design the outreach component of the regulator in progress and on schedule
F1: Provide Fiscal Terms Clarity	<ul style="list-style-type: none"> • MPRDA Bill referred back to Parliament • Discussions with stakeholders to achieve convergence of major issues identified in the Lab continue



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THANK YOU



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