

MEDIA RELEASE

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Draft Biofuels Industry Strategy

Cabinet has approved the Draft Biofuels Industry Strategy, to be released for broader stakeholder consultations. This will involve workshops and meetings at both national and provincial level, and consultations with organised industry, farmers, communities, non governmental organizations and provincial government departments. The Draft Strategy was developed through a consultative intergovernmental Biofuels Task Team, which comprised of 12 national government departments, which are the National Treasury, Science and technology, Trade and Industry, Land Affairs, Agriculture, Water Affairs and Forestry, Public Works, Provincial and Local Government, Presidency, Transport, Environmental Affairs and Tourism and Chaired by the Department of Minerals and Energy, .

The Draft Strategy, informed by a detailed feasibility study, proposes a 4,5% biofuels industry development in South Africa and this will achieve 75% of the country's renewable energy target. The strategy is based on the national blending specifications of 8% for ethanol (E8) and 2 % for Biodiesel (B2). The following existing crops were confirmed as potential crops to satisfy the country's biofuels production, namely, Maize and Sugar (Ethanol), as well as Soya bean and Sunflower (Biodiesel). This is based on the existing crop production and proven crops, but the strategy acknowledges that South Africa has to conduct research to develop other crop varieties which will further increase the country's production levels. There is no intention in the draft strategy to exclude any crops or to plan variety for development of the biofuels industry.

The draft strategy proposes a mandatory blending of biofuels with petroleum-based fuels, by fuel producers and refiners, to allow for market development. Whilst in some provinces the biofuels industry has huge potential, it is acknowledged that in other provinces much work will have to be done, to grow crops best suited for their respective environment.

The draft strategy proposes that the existing fuel levy exemption for Biodiesel be extended to Bioethanol, and this be based on the energy content. A hedge fund similar to the Equalisation Fund is proposed to deal with situation of low and high crude oil prices. The proposal is that during periods of high international crude prices the biofuels producers will pay some money back to the National Treasury and during times of low crude prices the biofuels producers will then receive some government protection.

The biofuels task team will report back to cabinet in May 2007 on the outcomes of their consultations. The Draft strategy is available from the DME and will be available on the Departmental website (www.dme.gov.za) from Friday 15 December 2006.

End.

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