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Karoo gas may be a vital store as reserves run out

BUSINESS WATCH

ESTIMATES put the possible stored natural gas in the Karoo at anywhere up to 485 trillion cubic feet (tcf). When Mineral Resources Minister Susan Shabangu lifted the 18-month moratorium on exploration for shale gas in the semi-desert area, she spoke about the possible vast reservoir of untapped resources.

She mentioned at the time that Mossgas, the apartheid-era project which is now housed in PetroSA, had only tapped into 1 tcf. Now Energy Minister Dipuo Peters has released some statistics about PetroSA's gas reserves. In reply to Jacques Smalle, a DA MP who asked what was the total gas basin volume under the control of PetroSA, she said the latest reserve audit report stated that the total amount of gas reserves at a 3P – proved, probable and possible – level of confidence "is about 770 billion standard cubic feet". This was at March 1 this year.

The total amount of contingent gas resources at a 3P level of confidence was about 1 020 billion standard cubic feet. This was also at March 1. "These gas volumes are in Block 9 of the Bredasdorp Basin and are under PetroSA's control."

She also provided the definition of reserves and contingent resources.

Reserves were those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward "under defined conditions". Reserves must further satisfy four criteria – they must be discovered, recoverable and commercial, and remaining applied. Reserves were further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity "and characterised by development production status".

Contingent resources were those quantities of petroleum estimated "as of a given date, to be potentially recoverable from known accumulations", but the applied projects were not yet considered mature enough for commercial development due to one or more contingencies.

It sounds as if hydraulic fracturing for Karoo gas may be sorely needed.

> The latest reserve audit report says the sum total of PetroSA's proved, probable and possible gas reserves is about 770 billion standard cubic feet.

Building jobs

It appears that it will still be a while before the government's planned R4 trillion infrastructure expenditure programme over the next 10 years will provide a boost to the almost stagnant domestic construction sector and employment in the country.

Group Five was full of praise for the National Development Plan, stressing it was a good guide to future policy and an extremely good template for infrastructure development. The listed construction and engineering firm said it endorsed the plan but stressed the need to see its adoption by the cabinet and evidence of its implementation at ministerial level.

Turning to the presidential infrastructure co-co-ordinating committee, which has been designated to maximise the benefits from the infrastructure expenditure programme, Group Five highlighted that 17 strategic investment projects had been identified to stimulate the economy and employment through a focus on local procurement.

It added that the committee had a mandate to develop a 20-year infrastructure pipeline and move away from the stop-start nature of infrastructure building.

However, Group Five stressed that most strategic infrastructure projects were still in a pre-feasibility stage.

While few could fault the nature of the work being done on the plan and by the committee, the length of time it is taking for any projects to be put out for tender is a concern. This is particularly so because of the announcement this week by Statistics SA that gross domestic product grew only 1.2 percent in the third quarter. Prospects are that growth next year will remain meagre without any improvement in the global economy. This means the prospects for the millions of jobless South Africa is extremely bleak. page 3

ArcelorMittal

It seems the South African authorities are not the only ones who feel a tad disappointed about what their country has got out of its involvement with Lakshmi Mittal's steel-making behemoth, ArcelorMittal.

In France this week Arnaud Montebourg, described by the Financial Times as the "left-wing" industry minister, accused ArcelorMittal of engaging in "blackmail" and "lies" and said it should quit France.

While senior French politicians are distancing themselves from Montebourg's comments, there appears to be growing support from across the political spectrum for Montebourg's threat of a "temporary nationalisation" of the site of the two blast furnaces that ArcelorMittal plans to close at the cost of thousands of jobs.

While mention of the "N" word has caused a lot of jitters, there is considerable anger about unkept promises to guarantee jobs made by Mittal at the time of the controversial hostile takeover of Arcelor in 2006 and repeated in 2009. ArcelorMittal argues that the promise to protect the jobs was made on the proviso that economic conditions remained favourable.

South Africans who have tracked Mittal's involvement in this country since the Industrial Development Corporation backed its acquisition of Iscor, and who similarly feel disappointment about the relationship with ArcelorMittal, reckon there is little chance that Mittal committed himself to such a guarantee.

"He is too shrewd to make that sort of commitment, especially to a politician. If the French look closely at what he said, it probably involved a lot of conditional undertakings, but no commitments," remarked an analyst familiar with the deal.

Ahead of that transaction, you may recall, there was a lot of talk about creating a "developmental pricing model" for steel that would assist the growth of the South African economy. It only subsequently become very apparent that the guys at the Department of Trade and Industry did not realise that for Mittal a "developmental pricing model" was translated as, "we'll charge whatever we like".

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