

New LNG terminal kicks off SA's gas plans

State-owned freight logistics firm, Transnet has signed a cost-sharing agreement with the World Bank's International Finance Corporation (IFC) to conduct a feasibility study to develop a liquified natural gas (LNG) storage and regasification terminal at the Port of Richards Bay, in the KwaZulu-Natal.



Port of Richards Bay

“This ground-breaking initiative is intended to unlock a backbone of the country’s natural gas network infrastructure to serve existing and growing gas markets, consisting largely of industrial and commercial off-takers located in KwaZulu-Natal, Mpumalanga, Free State and Gauteng provinces,” Transnet said.

The aim is to facilitate private sector investment and partnerships with other state-owned companies for South Africa’s natural gas infrastructure.

This news follows government’s intention to diversify the country’s energy mix expressed in the draft Integrated Resource Plan (IRP), which is yet to be finalized. According to the draft IRP, the country will see a shift from coal-generated electricity to renewables and gas, with the latter accounting for 8,100MW leading up to 2030.

Although globally considered one of the cleanest, safest and most reliable sources of energy, natural gas accounts for just 3% of South Africa’s energy mix. The LNG project is expected to rejuvenate South Africa’s energy infrastructure and, meet the increasing demand for a sustainable energy source.

Transnet has set a mandate to “provide freight logistics infrastructure for economic growth” since identifying the “industrial demand for natural gas and opportunities to leverage its ports, pipelines and rail assets to facilitate private investment in gas infrastructure for South Africa.”

“The IFC has committed \$2m as part of the cost-sharing agreement. This will help Transnet conclude the feasibility study, establish a SPV [Special Purpose Vehicle], and inform the market of the transparent and public process to select the private investor,” Transnet said.

Transnet will lead the project while the IFC assists with the design, finance, construction and operation plans.

Natural gas projects are increasingly becoming more popular on the African continent, with countries such as Mozambique, Nigeria, Equatorial Guinea and Senegal developing world-class LNG projects.

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