

## **SAPIA Position on Climate Change**

The South African Petroleum Industry Association (SAPIA) recognises the responsibility to transition towards a low carbon economy within a time frame that limits global average warming to well below 2<sup>0</sup> C above pre-industrial limits. This transition needs to be cognisant of the developmental nature of our economy so that it does not impede socio-economic development, the requirement to create sustainable jobs and contribute significantly to the reduction in energy poverty experienced by a large proportion of our population. It is therefore, that we as SAPIA are supportive of Government's Just Energy Transition programme.

Any transition thus needs to be cognisant of all UN Sustainable Development goals, but with a particular focus on;

- Goal 7 - The provision of affordable and clean energy;
- Goal 12 - Responsible consumption and production, and;
- Goal 13 - Climate Action;
- Goal 17 - Strengthen the means of implementation and revitalize the global partnership for sustainable development.

The energy transition that is underway is going to be challenging but possible and offers significant opportunities for re-shaping the energy mix. The future world will require almost double the amount of energy to meet its needs while reducing emissions in order to meet the aims of the Paris Agreement.

While there are many uncertainties and variables in order to meet this future, there are a number of elements in common to most of the pathways presently undertaken which include improvements in energy efficiency, the use of renewable energy, lower carbon energy sources and reducing emissions from end use sectors. But the achievement of these pathways will only be possible through increasing collaboration, providing the necessary finance and effective policies to drive the transition.

An effective policy environment enables markets to drive innovation, development and deployment of technologies as well as creating the necessary infrastructure to transform the energy system at least cost. This includes proper statutory reporting and verification of emissions, placing an appropriate price on carbon, avoiding carbon leakage as well as allowing for the use of appropriate carbon offsets in order to meet emission objectives.

It is clear that the world of 2050 is going to be strikingly different to what it is today with an energy mix supplied from a number of different sources and present in different forms in order to meet our requirements for industrial use, space heating, lighting and mobility.

In this context SAPIA;

- Recognises the scientific evidence that anthropogenic induced climate change represents a real and significant risk to South African society, the environment and the economy and effective actions are required to ensure that average global warming is kept well below 2<sup>0</sup> C above pre-industrial levels;
- Recognises and supports government efforts to address climate change and meet its emission targets as exemplified in its Nationally Determined Contribution while at the same time ensuring energy security, energy affordability and reduction in energy poverty levels;
- Support government efforts to provide for statutory reporting of emissions, emission reduction plans and mitigation actions in order to provide for better visibility of the country's GHG trajectory;
- Strongly advocates that government policy decisions arising out of the foregoing, together with sound scientific and economic analysis properly informs appropriate actions taking into account South Africa's developmental objectives;
- Strongly advocates that these policies need to include an appropriate price on carbon to provide a price signal to consumers and producers;
- Recognise that carbon offsets can play an immediate and invaluable role as a bridge to future decarbonisation and should be used to uplift communities and contribute positively towards the national imperatives of alleviating poverty, unemployment and inequality;
- Strongly supports government efforts to lobby for international funding, within the constraints of fiscal policy, to assist South Africa in its energy transition;
- Believe that petroleum products will form part of the energy transition of South Africa because of the developmental nature of the economy taking into account existing energy infrastructure; the structure, age and turnover of the vehicle population; and future changes related thereto;

- Advocates that South African refineries need to be appropriately incentivised to produce cleaner fuels to allow for the introduction of newer technologies that take advantage of cleaner fuels to reduce both noxious tail pipe emissions and fuel consumption which will reduce tail pipe GHG emissions and thus contribute to the fight against climate change as well as preserving the significant number of jobs employed in this sector of the economy;
- Advocates that climate change policy should not place South African refineries at a competitive disadvantage relative to its peers which inadvertently permit inappropriate carbon leakage through the imports of petroleum products from jurisdictions not subject to such policies;
- Strongly supports the drive of the Department of Mineral Resources and Energy to diversify the energy mix, which includes increasing the use of both liquefied petroleum gas (LPG), natural gas and liquefied natural gas (LNG) in the country as a means to reduce energy poverty, improve ambient air quality, reduce reliance on electricity for space heating and cooking and relieve the pressure on biomass as an energy source for domestic use. All of these actions will serve to improve the lives of people and contribute to the fight against climate change;
- Advocates for incentives to beneficiate waste materials within South Africa (rather than for export) for conversion to feedstock for Biofuel, Biomass to Fuel initiatives that can be employed by refineries to produce low carbon products
- Supports the development of standards for liquid fuel products derived from co-processing of fossil-fuels, sustainable carbon sources (e.g. biogenic sources, unavoidable CO<sub>2</sub> point sources) and green hydrogen;

SAPIA believes that all these efforts working in conjunction with one another will contribute to South Africa's Just Transition to a low carbon economy.

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