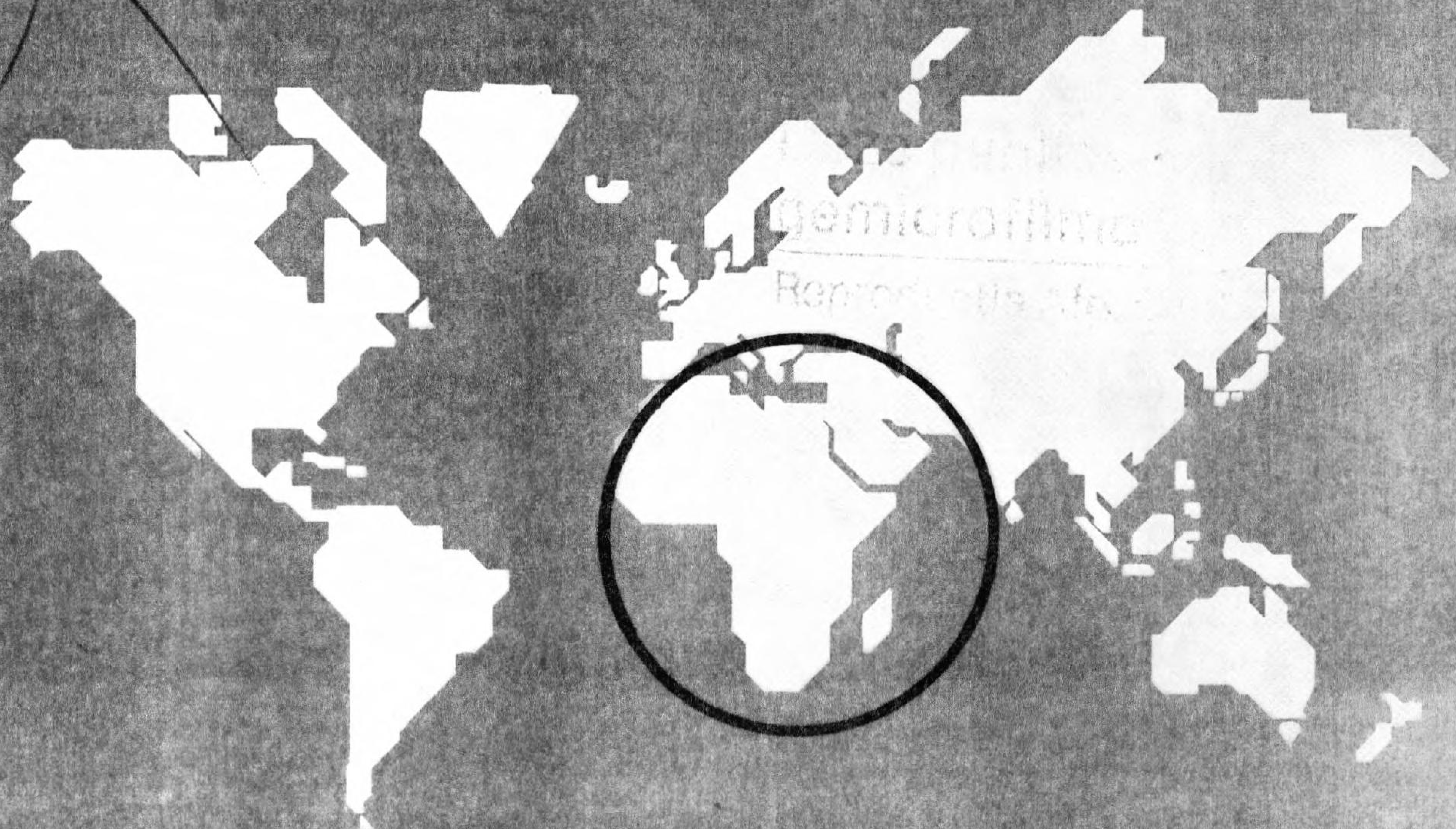
The Economist Intelligence Unit

Quarterly Energy Review

Africa



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covering oil, coal, gas
and other energy

SEYCHELLES

electricity

Seychelles: Electricity Production, Jan-Sep 1985
(gwh)

	1985 1 Qtr	2 Qtr	3 Qtr
Mahe	14.7	14.9	14.5
Praslin	0.6	0.6	0.7
Total[a]	15.3	15.5	15.2

a Includes generation on St Anne island which started in September 1984 and La Digue island in June 1985.

Source: Statistical Bulletin.

SOUTH AFRICA

ENERGY PRICING

Electricity tariffs were increased again -

Escom's electricity tariffs were increased by an average 10 per cent from January 1 and it was announced that a further 10 per cent increase would come into effect in July 1986. These increases follow two 10 per cent hikes in 1985 - the most recent being in September. Escom urged consumers to shift electricity consumption to offpeak periods in order to enable it to avoid further price hikes of this magnitude later.

- together with petroleum fuel prices

On November 11 petroleum fuel prices were increased for the third time in 1985. The main increases were as follows.

South Africa: Price Increases of Liquid Fuels, Nov 11, 1985
(SA cents/litre)

Gasoline		Diesel		Kerosene	
87 octane	5.4	Marine	6.5	Domestic	8.3
93 octane	5.9	Industrial	4.8	Industrial	5.1
98 octane	6.6	Public transport	4.7		
		Agriculture	6.5		
		General use (from pumps)	9.5		

With this increase the inland price of 93 octane petrol, the most widely used liquid fuel, rose to 100.5 SA cents/litre. According to the minister of mineral and energy affairs, Danie Steyn, the increases compensated for only half the decline in the value of the rand. He warned that if the rand did not quickly recover to about $0.42 further increases of a similar magnitude would be required at the end of January. As the rand did stage such a recovery at the beginning of the year the price hike may not be necessary. The Department of Mineral and Energy Affairs will review the situation at the end of January before taking a decision. The minister also indicated that frequent fuel price adjustments were likely in the twelve to 18 months ahead.

On January 3 there was another petrol price hike applicable to some parts of the country only. This was not related to the anticipated increase mentioned above, and there was some confusion as to why prices had been increased. Some spokesmen, including one from the Department of Mineral and Energy Affairs, claimed that the increases were necessitated by rail tariff increases: areas remote from the ports faced the largest increases. The Department of Transport denied that higher rail tariffs were responsible. The increases ranged from zero at the coast to 4 SA cents per litre in some parts of Botswana. The important Witwatersrand area faced an increase of 1.5 SA cents per litre on 93 octane petrol. This brought its price up to R1.02/litre.

Self-service petrol sales banned

The government exercised its right to stop petrol discounting by refusing to allow Trek Petroleum to continue supplying petrol to the discount retailer, Pick 'n Pay, without a minimum price maintenance clause in the contract after the previous contract expired in November. Pick 'n Pay retaliated by "paying" motorists 4 SA cents per litre (the amount of its previous discount) to draw their own petrol through self-service pumps. It announced that it would spread this scheme countrywide as soon as possible. Government soon stepped in again and forced the company to stop all self-service petrol sales. Such sales were then banned completely on the grounds that the jobs of 45,000 petrol attendants country wide would be jeopardised if self-service petrol selling became a widespread practice. Pick 'n Pay was then allowed to resume discounting until February 1986. A meeting on petrol retail price maintenance is to be held at the end of January to decide whether to allow discounting to continue thereafter. This was hailed as a major breakthrough in the light of the government's previous uncompromising stance on this issue.

THE COAL INDUSTRY

Production and sales rose in the third quarter

Coal output rose by 6.7 per cent between the second and third quarters to a level almost 9 per cent higher than in 1984. There was also an improvement in tonnages sold in the quarter, but not as large as the increase in output. Total sales amounted to only 95.1 per cent of output in the third quarter of 1985, compared with 97.9 per cent in the corresponding period of 1984.

South Africa: Coal Statistics, 1984-85

	1984		1985		
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Production ('000 tons)					
Anthracite	997	1,096	1,066	1,224	1,316
Bituminous	40,047	38,495	39,764	40,664	43,397
Total	41,044	39,591	40,830	41,888	44,713
Domestic sales ('000 tons)					
Anthracite	284	332	368	365	588
Bituminous	29,768	29,203	27,813	30,863	31,501
Total	30,052	29,535	28,181	31,228	32,089
Export sales ('000 tons)					
Anthracite	859	850	696	608	977
Bituminous	9,297	8,518	9,424	8,938	9,421
Total	10,156	9,368	10,120	9,546	10,398
Value of sales (R mn)					
Domestic:					
anthracite	10.0	10.6	10.2	13.5	13.2
bituminous	416.7	429.4	407.8	463.7	495.4
Export:					
anthracite	45.9	46.8	49.1	37.6	65.5
bituminous	426.1	447.3	605.1	559.6	644.5
Total	898.7	934.1	1,072.2	1,074.4	1,218.6
Unit value of sales (R/ton)					
Domestic:					
anthracite	35.01	32.00	27.81	36.97	22.47
bituminous	14.00	14.71	14.66	15.03	15.73
Export:					
anthracite	53.44	55.09	70.52	61.82	67.07
bituminous	45.83	52.51	64.21	62.61	68.41

Source: Minerals Bureau, Department of Mineral and Energy Affairs.

Domestic sales increased by 2.8 per cent between the second and third quarters to a level 6.8 per cent up on a year earlier. This was the second successive quarter to experience increased sales after four successive quarters of decline. Export sales recovered after their drop in the second quarter. The third quarter fixture was a new record high but was only 2.4 per cent above the sales achieved in the same quarter of 1984. The unit value of export sales in rand terms was up by 9.2 per cent in the third quarter but lower in hard currency terms as the value of the rand deteriorated in this period. The average depreciation of the rand compared with the dollar was, for example, about 15 per cent between the second and third quarters.

Exports threatened by boycotts in France -

Towards the end of 1985 there were further developments in the boycott moves which have been threatening the industry for some time. In November the French prime minister, Laurent Fabius, personally intervened to prevent the state controlled coal buying agency, Atic, from renewing its South African coal purchasing contracts. He also "requested" the country's state owned energy companies to stop using South African coal. Energy industry sources believe that these moves will result in a drop in South African coal sales to France of about 2 mn tons in 1986 and further similar cuts thereafter until sales are stopped altogether by about 1987-88. In 1985 South Africa sold about 5 mn tons of coal to France (see also QEnR Western Europe No 4 - 1985, page 22).

- and Denmark -

In December Danish unions began an eleven week ban on the handling of South African coal consigned to the Elsam electricity company, thus forcing the company to seek alternative short term coal supplies. At the end of the year, no doubt influenced by this and other moves to boycott South Africa, the Danes decided to stop South African coal imports altogether by the end of 1986 instead of 1990 as had previously been decided; 6.2 mn tons of coal covered by existing contracts will be affected by this move.

- but markets growing in Pacific Asia

South African coal industry sources were agreed that these moves posed a serious threat to the industry and that there was a danger that other countries may institute similar bans. EC countries took just over half of all South African coal exports in 1984 with France and Italy the largest individual customers. However, South African exporters have been diversifying their markets and there have been no signs of any discrimination against South African coal in the important and growing markets of South East Asia. Sales to Japan, for example, were up 14 per cent in the first half of 1985 compared with the corresponding period of 1984. Further, the Japanese market is increasing rapidly, whereas the French market had

already been declining for some time and will continue to decline as nuclear fuel increasingly takes over from coal in power generation. Nevertheless, South African coal can only be sold at a discount and exporters have taken a new look at the long term export development programme which called for exports to increase continuously to 80 mn t/y by the mid-1990s. The expansion of capacity at the Richards Bay coal terminal to enable it to handle 44 mn tons which was scheduled to take place in 1986 has been postponed, thus putting back the whole programme by an unspecified period.

South Africa and the International Coal Development Institute

Three South African companies, Trans-Natal Coal Corporation, Apex Mines and Douglas Collieries, together with twelve other Western coal producers, founded the International Coal Development Institute (ICDI) in October. The ICDI is intended to promote coal sales throughout the world so as to enlarge the market for the benefit of all exporters. All three South African companies are represented on the ICDI board. This provoked some UK opposition politicians to begin a campaign to have them removed. They consider it is their business because the UK National Coal Board is also a member and is temporarily housing the ICDI offices.

1986 began with a strike at Duvha Colliery

Labour problems eased in the last quarter of 1985 and the September strikes were not resumed as had been feared. However, 1986 began with a four day strike at the Rand Mines Duvha Colliery. This strike was not related to previous disputes but centred on the arrest of a number of trade unionists who had allegedly been intimidating non-union mineworkers. The offenders were found guilty by the local court and fined and management apparently agreed not to discipline them further in exchange for a return to work by the approximately 1,200 strikers.

ELECTRICITY SUPPLY

Output growth continued to slow -

Electricity output in the third quarter of 1985 was only 4.3 per cent higher than in 1984. The rate of growth in output, in fact, slowed every quarter since the fourth quarter of 1984. October and November statistics indicated that this deceleration continued.

South Africa: Electricity Production and Trade, 1984-85
(gwh)

	1984		1985		
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Production					
Escom	32,425	30,891	30,494	32,595	33,795
Others	3,442	2,664	2,986	3,257	3,608
Total	35,867	33,555	33,480	35,852	37,403
% change[a]	14.6	7.8	5.5	5.2	4.3
Imports	92	57	323	191	48
% change[a]	-96.0	-92.1	49.8	-6.8	-47.8
Exports	752	729	677	832	863
% change[a]	-9.0	-1.8	2.9	19.5	14.8

a Compared with same period of previous year.

Source: Central Statistical Services.

- and imports fell to virtually zero

Imports of electricity fell to negligible proportions in the third quarter, thanks to sabotage of links from Cabora Bassa (see MOZAMBIQUE). South Africa is reported to have written off the idea of obtaining power supplies from Cabora Bassa in future. The scheme had originally been intended to supply about 8 per cent of South Africa's electricity needs but now has no part in Escom's forward planning, according to a newspaper report. Presumably this position would be reviewed if there was a possibility of reliable supplies as the hydro based Cabora Bassa electricity would still be cheaper than South Africa's own coal based power.

Koeberg fully on stream

Commissioning of the Koeberg nuclear power station was satisfactorily completed in November. Since then both reactors have been operating commercially.

SYNFUEL PROJECTS

Mossel Bay is to go ahead -

The long awaited go ahead for the Mossel Bay gas project was given in November. The scheme as announced calls for about R3.5 bn to be spent on a project to bring offshore natural gas to an onshore terminal in which it will be converted into approximately 25,000 b/d of liquid fuel. This is about 80 per cent of the maximum capacity of Sasol 3 and would save about R800 mn/y in foreign exchange at November 1985 prices. No final decisions have yet been taken on either the process or the location of the facilities. It is, however, intended to construct a plant which will deliver approximately equal volumes of petrol and diesel but with

the flexibility to shift the output in either direction if necessary to meet changing demand conditions.

The new plant is likely to begin production in 1990 with sales of petrol and diesel beginning in 1991 and full commissioning taking place in 1992. Proven gas reserves give the project a projected viable life of 20 years but a further drilling programme is under way and it is hoped that the project's life will be able to be extended to 30 years as further reserves are proved in the near vicinity.

Initially the project is to be funded through the Central Energy Fund but the "maximum amount" of private sector participation in the project is to be sought from early in the project's planning stage, according to the minister of mineral and energy affairs. It was reported that the project had only become economically viable because the rand had depreciated so much in 1985. It will apparently remain economically viable only if the rand remains worth less than 63 US cents.

- and so may other synfuel projects

When he announced the go ahead for the Mossel Bay scheme, President Botha said the government would be making further announcements on synfuel developments in the near future. Newspaper reports took this to be a reference to the AECI/Amcoal coal gasification project and the Gencor torbanite gasification project, both of which have been widely aired in public on previous occasions. Sasol is planning a fourth plant but will not be ready to launch this for several years according to the company's latest annual report. The heavy financial commitments in respect of the acquisition of Sasol 2 and the intended acquisition of Sasol 3 will absorb all of the company's resources during the next few years. Technical planning is, however, continuing.

OIL EMBARGO

Oil supplies may be disrupted

Towards the end of 1985 further steps were taken towards enforcing the oil embargo against South Africa which, up to now, has been relatively ineffectual. The new steps were taken, not by governments, but by seamen's and dockers' unions worldwide and by anti-apartheid groups in the USA. Maritime unions from more than 30 countries agreed in November to "take action" against vessels belonging to companies involved in shipping oil to South Africa. The actions contemplated could include a refusal of union members to man the vessels and/or to handle them in ports. Many of the vessels involved in the transport of oil to South Africa in the period 1979 to 1983 were publicly identified by the Amsterdam based Shipping Research Bureau and the names of these vessels and the shipping lines owning them were circulated worldwide to maritime unions. At the time of writing this new initiative has had no visible impact on South African oil supplies but even the director general of mineral and energy affairs, Dr Louw Alberts, admitted that "this appears to be the most organised effort so far" at disruption. In a move closely related to this trade union initiative, anti-apartheid activists in the USA selected Shell Oil as the target of boycotts, pickets and civil disobedience in protest against its alleged role in supplying oil to South Africa.

The mayor of Rotterdam announced in November that all major ports in Western Europe would cooperate to ban oil shipments to South Africa. No date for the commencement of the proposed ban was publicised.

PF

Witbank Colliery to expand

coal

Witbank Colliery announced that it would begin shaft sinking in January 1986 to develop the Welverdiend section in the eastern portion of the Douglas coal reserves. This will enable it to increase output of low ash blend coking coal.

Okuku Colliery into production

Trans-Natal Coal Corporation's Okuku Colliery in KwaZulu completed its first five months of operation in December with an output of about 300,000 tons in the period. Production will continue to build up during 1986 to the targeted output of 850,000 t/y. At this stage the mine's development costs seem likely to be below the original estimate. Gencor has announced that it is mapping other coal reserves in KwaZulu with a view to new underground mining there.

Gold Fields Coal finally established

The Apex Mines/Clydesdale Collieries merger, which was stalled in March 1985, took effect from January 1, 1986, following the Apex shareholders' acceptance of a revised offer. The new company is known as Gold Fields Coal.

Carolina Collieries wound up

The Concor Construction subsidiary, Carolina Collieries, was provisionally wound up in January. This was brought about after the colliery was sued for R2.4 mn damages by Boland Bank because of the colliery's repudiation of a verbal contract in 1980 to sell coal to the bank for export. The rail allocations and export permits being used by the colliery were said to belong to its parent Concor and thus will not be

disposed of to satisfy Carolina creditors.

Output still low

uranium

Uranium output increased in the third quarter of 1985 for the second successive quarter, but was still 8.4 per cent lower than in 1984. Spot market prices, which had been falling steadily until May 1985, picked up marginally and stabilised in the $15 to $16 price range in the third quarter. In the fourth quarter they improved again to about $16.50.

South Africa: Uranium Oxide Production, 1984-85
(tons)

	1984		1985		
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Production	1,649	1,593	1,011	1,266	1,510
% change[a]	-8.8	-10.8	-43.4	-27.0	-8.4

a Compared with same period of previous year.

Source: Minerals Bureau, Department of Mineral & Energy Affairs.

Johannesburg's gas department is expanding

town gas

Johannesburg's municipal gas department completed extensions to its distribution network towards the end of 1985 and is increasing the capacity of its production plant while refurbishing it. The additional capacity is expected to come on stream in 1987 but will not obviate the need for importing substantial volumes of gas from Sasol.

Lead content of petrol reduced

petroleum fuels

The maximum permitted lead content of fuel was reduced from 0.836 gm/litre to 0.60 gm/litre with effect from January 1986 following a study by the oil and motor industries and the Departments of Mineral and Energy Affairs and Health. Industry sources said the cost of this adjustment would be absorbed by the oil companies.

SUDAN

OIL EXPLORATION

Sun Oil begins drilling

After three years of seismic activity on its central Sudanese production sharing block, Sun Oil has drawn up a drilling programme. The first well, Hurriya 1, was begun at the end of September and is to be drilled to 9,000 ft. It is located some 160 miles south of Khartoum near Duayn. A second well was planned for spudding in November slightly further south west. The start of the first well triggered a