# The Paradox of Plenty. Oil & Gas Extraction Could Do More Harm Than Good?

**By FINSA reporter** 21 April 2021


TOTAL's withdrawal from additional offshore drilling near Mossel Bay and Cape St Francis is welcome news for the commercial and small-scale fishing sectors but whether this is long term or not remains to be seen. Meanwhile, some research findings have been shared on the socio-economic impact of offshore oil and gas activities on South Africa.

TOTAL E & P South Africa B.V's (TEPSA) recently announced it was postponing its application for additional drilling and associated activities in Block 11B/12B off South Africa's south coast. The Environmental and Social Impact Assessment (ESIA) process has also been terminated.

Instead it has chosen to focus on developing its two gas discoveries near Mossel Bay in 2019 and 2020.

Although TEPSA did not provide any reasons for its withdrawal from the project, it will have to submit a further Environmental Impact Assessment if it wants to try again.

https://thegreenconnection.org.za/doaction/wp-content/uploads/2021/04/2021-04-13_TEPSA-11B12B_Letter-to-IAPs_Withdrawal-of-EA-Application.pdf

Professor Rod Crompton, African Energy Leadership Centre – Wits Business School says this is a great loss for South Africa. "It's equivalent to the discovery of gold on the Witwatersrand over 100 years ago."

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## Socio-economic impact of offshore oil and gas activities

The environmental justice organisation, Green Connection, has been researching the socioeconomic impact of offshore oil and gas activities on South Africa. It is not good news.

In a statement on its website, the Green Connection's Strategic Lead Liz McDaid says, "Our research shows that the development of an oil and gas industry is likely to further entrench South Africa as a minerals resource-based exporter, exacerbating the negative features documented by the National Planning Commission (NPC).

“We find that there is little evidence from elsewhere in Africa that the exploitation of oil and gas resources naturally leads to improvements in the lives of those living and working in oil and gas rich areas.”

This is based on research into 12 Sub-Saharan African countries which had exploited oil and gas deposits between 2001 and 2020. All 12 countries forecasted benefits were not met, especially those relating to government revenues. The economic outlook of these countries has changed following these disappointments, with many of them facing a debt-repayment crisis.

Specific mention is made of Nigeria, Uganda and Mozambique as examples of this. “In fact, the report reveals that it normally leads to a wholesale deterioration in living conditions for the vast majority of citizens who live and work in such areas,” says McDaid.

The research forms part of the Green Connection’s #WhoStoleOurOceans Campaign.

The campaign aims to empower local ocean-dependent communities, to secure fisher livelihoods, while ensuring that their tools and knowledge are sustained

.Keep a Close Eye. Mixed Reaction to Latest Gas Find

Greenies Up the Anti on Oil and Gas Exploration

## Operation Phakisa

The Green Connection’s economic researcher Gillian Hamilton says Operation Phakisa was designed to boost economic growth and create jobs within the context of the government’s National Development Plan (NDP), but in fact it has been a failure.

Instead of the focus area being on stewardship of the ocean and the sustainable use of these resources, the establishment of an offshore oil and gas industry has been prioritised.

The government's so-called "fast results delivery programme" has neither contributed the R177-billion to GDP as predicted, nor will it create one million jobs by 2033. In fact, the Oceans Economy contribution to South Africa's GDP has declined as a percentage of GDP, from 4.4% (R110-billion) in 2010, to 4.2 % (R130-billion) in 2019, says Hamilton.

Pointing out that the gains are overstated as reflected by the research model [Wait et al (2015)] used, Hamilton says a 20% short or long-run increase in the production of crude oil, petroleum, and gas in the country will only increase real national GDP by 0.15% in the short run.

Conversely GDP will decrease by 0.12% in the long run which raises concerns around the economic viability of South Africa investing in an oil and gas industry.

"The model points out that investment in the country's oil and gas industry will not deliver significant tax revenue for the fiscus. In the short term, it may form a platform for job creation and employment, with minor wage increases, but only if the capital equipment necessary for extraction is produced in South Africa.

A report by Standard Bank, that assumes an oil price of $110/per barrel of oil, notes that 20 500 skilled and 33 000 unskilled jobs would be needed to service the oil and gas sector.

## Job creation

Hamilton says promises of job creation from the drilling of natural gas are also greatly exaggerated.

“Many of the jobs that are created are short-lived or have gone to out-of-area workers who have the necessary skills. In addition, up to 75% of workers will likely become redundant in the future due to automation.

“The gender-bias of the oil and gas industry – with only 3.6% female representation amongst the total offshore workforce – should also be noted.

“Between 2014 and 2019, while over R40 billion had been invested in targeted maritime sectors, less than 10000 of the 77000 direct jobs promised, were created,” says Hamilton.

## Other pitfalls for South Africa.

There are obvious pitfalls such as an accident occurring at drilling sites within the gas reserves found in South African waters, the difficult ‘deepwater environment’, the fast-moving Agulhas Current, etc,

But what economic analysts are also starting to realise is the substantial decline in demand for fossil fuels together with an excess in supply.

Moreover, the climate-related financial risks such as transition risk, stranded assets, and the negative impact on our trade and competitiveness, as well as the physical climate risks, should all be considered before investing in resource extraction.

McDaid also warns that apart from the issues of labour migration to oil producing areas and the related social issues that develop, growing populations need services which most municipalities will not be able to deal with.

“Evidence shows that, where they exist, non-renewable resource booms both entrench existing weak governance institutions and weaken effective governance institutions.

“These research findings do not bode well for South Africa, especially since we live in a country characterised by ‘looting, incompetence and malfeasance’ in recent years,” adds McDaid.

The research report concludes that it is time for South Africa to shift away from an extractive mindset. It acknowledges that an accelerated adoption of renewable energy, coupled with increased energy efficiency, could really be the real ‘game changer’.

In addition, the commodification of the ocean around South Africa, as a site for yet more capital accumulation, must be rejected in favour of a view of the ocean that sees it as an asset that provides immeasurable social, cultural and climate benefits to us all.

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