



Transnet signs a cost-sharing agreement with IFC to facilitate investment in natural gas infrastructure

[Johannesburg; 23 July 2019] Transnet SOC Ltd is pleased to announce that it has entered into a cost-sharing agreement with IFC, a member of the World Bank Group, to conclude a feasibility study for the development of a liquefied natural gas (LNG) storage and regasification terminal at the Port of Richards Bay and the re-purposing of Transnet pipelines for natural gas transmission to inland markets.

In keeping with its mandate to provide freight logistics infrastructure for economic growth, Transnet has identified significant 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.

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. The aim is to facilitate private sector investment and partnerships with other state-owned companies (SOCs) for the development of South Africa's natural gas infrastructure.

The Richards Bay Natural Gas Network (NGN) project will complement the delivery of LNG to new markets in the Eastern Cape and Western Cape provinces through the ports of Ngqura and Saldanha Bay respectively, and will support government's future gas-to-power projects.

The LNG terminal will be developed by private investors that will be selected through a competitive process to own a majority stake in a planned special purpose vehicle (SPV). Transnet and other SOCs will also participate in the SPV. The facilities are expected to be operational by 2024. The target timeline is dependent on Transnet being able to secure the necessary regulatory approvals.

The expected expansion of South Africa's natural gas networks will help modernize the energy usage in the region and increase access to cleaner, reliable and affordable natural gas for end consumers.

The NGN project incorporates the LNG storage and regasification terminal in the Port of Richards Bay, plans for the re-purposing of Transnet's Lily Pipeline and Durban-Johannesburg Pipeline for the transmission of natural gas, and the establishment of virtual pipelines for LNG to be transported to various markets by rail and road by 2024.

IFC has committed US\$2 million as part of the cost-sharing agreement. This will help Transnet conclude the feasibility study, establish the SPV, and inform the market of the transparent and public process to select the private investor. The competitive process for partner selection will commence after Transnet has approved the NGN investment case and received the required regulatory approvals from Government.

The cost-sharing agreement allows the parties to leverage on Transnet's existing infrastructure and IFC's track record of providing innovative advisory for infrastructure projects that improve access to energy. IFC has financed eight LNG terminals globally and brings unmatched expertise in this sector.

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ABOUT TRANSNET

Transnet SOC Ltd (Transnet) is wholly-owned by the Government of the Republic of South Africa. The Company is uniquely positioned to provide integrated transport solutions for its customers in the bulk and manufacturing sectors in its drive to improve the efficiency and competitiveness of the South African economy. Transnet has five operating divisions:

Transnet Freight Rail transports bulk, break-bulk and containerised freight along 30 400 kilometres of rail track.

Transnet Engineering manufactures and maintains rolling stock. It consists of eight product-focused business units which provide services ranging from rolling stock refurbishment, conversion and upgrades, to the manufacturing of locomotives, coaches and wagons.

Transnet National Ports Authority is responsible for the safe, efficient and effective functioning of the national ports system, which it manages in a landlord capacity. The National Ports Authority is also a provider of port infrastructure and marine services at all commercial ports in South Africa.

Transnet Port Terminals owns and operates 16 cargo terminal operations situated at seven South African ports. It provides cargo-handling services for the container, bulk, automotive and break-bulk sectors.

Transnet Pipelines transports a range of petroleum products and gas through 3 800 kilometres of underground pipelines, which traverse five provinces, thereby ensuring the security of supply of petroleum products to the inland market, especially Gauteng.

Specialist units:

Transnet Group Capital manages the Company's largest capital projects.

Transnet Property manages the Company's property portfolio.