

The Mossgas Legacy – P.W. Botha's last laugh

The South African Minister of Defence, General Magnus Malan, perhaps best summed up the contribution of P.W. Botha to his white subjects, when in 1981 he stated in Parliament: (1)

“The hon. the Prime Minister constantly pursued two requirements, two main objectives, long before anyone else realised how absolutely essential they were. The first was that the SA Defence Force should not only be operationally efficient, but that it should be able to take successful action at any time and at any place in southern Africa. The second was that Armscor was required to render the Republic self-sufficient in the military sphere as rapidly as possible”.

However, whilst Botha has most often been appraised in this manner, in years to come he might best be remembered for his intractability in the face of outside pressure. The Mossgas oil-from-gas project provides a most pertinent example of this characteristic. This article seeks to examine this scheme and its implications amidst the wider security policies adopted by the Botha government.

The build-up of the SADF and Armscor (The Armaments Corporation of South Africa) were part and parcel of the so-called Total National Strategy (TNS) developed by Botha in conjunction with the military minds of Malan and other senior officers. Facing a vastly altered regional milieu following the collapse of Portuguese rule in the mid-1970s and under pressure both at home and abroad principally as a result of the Soweto unrest, Pretoria deemed it necessary to develop an integrated plan in which all functions of the state apparatus were geared towards white survival. This single security consideration was moulded around the perceived menace of a Marxist Total Onslaught. Drawing its inspiration from a number of theoretical and empirical works, and from a range of relevant counter-insurgency campaigns, the TNS brought changes in the security policy-making machinery, in the size and structure of the security establishment, and in the development of the burgeoning military-industrial complex. This extended militaristic influences well into the public domain.

The assembling of a more streamlined and centralised decision-making apparatus, dubbed the National Security Management System (NSMS), facilitated unprecedented access in this area to the security forces. Whilst this increasingly brought Botha's administration to see security ramifications in virtually all policy areas, the structure of the NSMS permitted the security agencies, in the words of Kenneth Grundy, to operate “vigorously in policy-making and in policy co-ordination and implementation”. (2) In some ways then it was ironic that the man who had elevated the state security structure to a powerbase of his own with which to sidestep the tra-

ditional processes of government, was 'deposed' by the concerted and unified actions of the Cabinet who had been bypassed through Botha's restructuring. For on 15 August 1989 Botha resigned as State President the day after clashing with his Cabinet over F.W. de Klerk's proposed meeting with President Kenneth Kaunda in Zambia. Not only did he accuse members of the Cabinet of trying to deceive the public over the reasons for his resignation, but in effect denounced the foreign policy initiatives of De Klerk and the Foreign Minister, 'Pik' Botha. It was an extraordinary end to over fifty years of loyal service to the National Party and nearly eleven years of continuous rule. More recently, he has refused to renew his party membership and has come out strongly against the significant reforms of his successor.

The need to develop a domestic armaments industry was made more urgent after the imposition of the mandatory UN Arms Embargo in 1977. South Africa became a major manufacturer and exporter of sophisticated armaments in its own right, often being at the centre of an international web of covert technology transactions needed to remain a step ahead of her regional opponents who, particularly Angola, were rearming on a massive scale. The 'Blowpipe' arms-for-technology deal between Armscor and Northern Ireland loyalists which was revealed in 1989 provides the most recent example of this. Thus it was not surprising that Armscor had an unusually wide brief in its methods of armaments acquisition. In this regard, Defence Minister Malan stated openly that: (3) “It (the government) has a policy to say to Armscor you must see to it we are represented in matters of arms and weaponry however you choose to go about it. These men are there to ensure that in matters of security, South Africa survives this struggle. Thus, he who does not dare, shall not win”.

A similar policy was pursued, as part and parcel of the TNS, *vis-a-vis* the purchase and production of petroleum products. South African research into synthetic fuel production can be traced back to the 1950s with the opening of the Satmar and, in 1955, the first Sasol (SA Coal, Oil and Gas Corporation) oil-from-coal plant. Only the previous year had the first crude oil refinery been commissioned by Mobil in Durban. And although the state-financed Soekor (Southern Oil Exploration Corporation) search for viable fields had begun in 1965, it seems apparent that through the implementation of the TNS and concomitant spread of a security mindset, the strategic benefits of self-sufficiency now outweighed the enormous financial costs. A second Sasol plant started production in 1980, this being followed by the third two years later. Never cost-effective, the financial drain of these prestige schemes was partially offset by a rising gold price in the early 1980s. And it was the energy-intensive mining sector which gave the RSA one of the most unfavourable energy-consumed-per-unit-of-GDP

ratios in the world.

The need to acquire domestic self-sufficiency was made more imperative by the voluntary ban on oil sales to the Republic by OPEC countries from 1973. There were signs that Pretoria had long expected such a move. As F.W. de Klerk pointed out as Minister of Mineral and Energy Affairs in 1980, "Long before the words 'energy crisis' became fashionable, South Africa embarked on a strategic programme of oil stockpiling to weather possible disruptions of oil supplies to the country, whether politically inspired or otherwise". (4) A Strategic Fuel Fund was created through legislation to co-ordinate the purchase and storage of crude. For this purpose, massive tanks were constructed at numerous sites around the country. There was even talk that disused mine-shafts might be filled with strategic reserves. By the late 1970s, the RSA was importing about 400,000 barrels of oil and oil products per day, of which some 70,000 were intended for the stockpiles. Even so, the situation in the late 1970s was acute. President Botha was later to say: (5) "There were times when it was reported to me that we had enough oil for only a week". During the 1980s South Africa's reserves improved to be six to seven months worth.

With the OPEC ban, and following the fall of the Shah of Iran who in addition to providing around 95 percent of the Republic's oil had partially financed the state Natref refinery, Pretoria had to resort to a variety of, often illegal, methods to maintain its stock. Of these, the 'Salem' affair is perhaps the best example. This involved the purchase of stolen crude by the Strategic Fuel Fund for stockpiling, the tanker transporting the oil later being scuttled in an insurance operation. It was, as one author noted, the "Fraud of the Century". (6) In its efforts to procure sufficient energy supplies, Pretoria had fallen victim to its obsessive secrecy in counter-sanction operations. After all, concealment and economic chicanery provided an excellent cover for illegality. Fearful that the whole episode might prove damaging to its domestic political interests, the government tried to prevent publication of parliamentary debate on the Salem; this while the rest of the world could read openly of the whole fraud.

However, under the TNS the country was virtually on a war footing; oil being a munition of war. As such, a mass of legislation prevented debate of these issues; reporting on strategic matters being restricted either under the National Key Points Act (which covered the Sasol plants and other similar installations), the Petroleum Products Act, the National Supplies Procurement Act or their various amendments. These prevent oil companies or their employees from commenting, *inter alia*, on the source of South African crude. It is apparent that the RSA does, however, have to pay in the region of 20 percent commission to 'middle-men' for the purchase of oil, though during the late 1970s this premium was at times as high as 70 percent over the normal world price. Indeed, one analysis puts the cost of the embargo-through Sasol, the 'pariah' premium, stockpiling and the search for oil – almost as great as the cost of the crude itself. (7)

The importance attached by both the government and opposition to the domestic oil industry can be gauged from the attacks by the African National Congress'

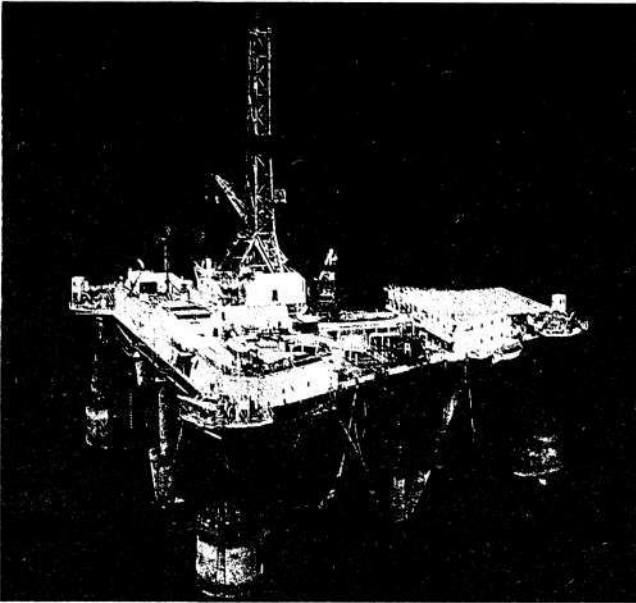
guerrillas on the Sasol and Natref facilities in June 1980. This heralded the start of Pretoria's 'forward-defence' regional strategy with which to wipe out the liberation movement's presence from the neighbouring states.

Soekor concentrated its search for oil and gas to offshore only after 1978. Between 1965 and 1987 it had drilled 150 boreholes at a cost of R800 million. The first strike of gas and condensate off the south coast near Mossel Bay in 1980 illustrates the relatively short time span in which the Mossgas project has come to fruition. In 1985 the government announced approval for the first phase feasibility study of a gas to synthetic fuels project, and in February 1987, at a time when mandatory international sanctions seemed likely, gave the green light for the entire project. This decision to go-ahead was made the year **after** the oil price had dropped. Indeed, whilst the Republic paid some R120 (at its 1990 value) for a barrel of crude in 1980, this had dropped to R42 by 1990.

The project comprises of both onshore and offshore elements. A refinery, under construction about 10kms from Mossel Bay, is fed by pipeline from two sophisticated platforms 85kms from the shore. Gas and condensate are then produced via, what an opposition Democratic Party spokesman has described as, "a hugely expensive and complicated method" of synthetic fuel reclamation.(8) This involves a process many times the cost of ordinary crude oil refinery of equivalent capacity. Indeed, the DP spokesman added, no government in a normal society enjoying normal international relations would consider investing in such an uneconomic project.

Estimated to require some R5,5 billion of investment (at January 1987 prices) it appears that in real terms this forecasting was wildly inaccurate. Some 80 percent of the finance has been put up by the government and 20 percent by the mining giant Gencor. Gencor, who are the project managers, have an option to take another 10 percent in the scheme. However, they have both publicly and privately stated that they will not do so unless the government offers more support. By mid-1990 it was reported that Pretoria had already committed over R8 billion; this pattern of overspending adopting the precedent set by another of Botha's 'siege projects', the Koeberg nuclear power station. For this money, the South African public will receive an estimated 25-29 years oil, with no guarantee that this supply will be extended. Sources in the oil industry put spending ultimately as high as R15 billion.

Mossgas has stressed that these costs have to be partly offset by the resultant job opportunities: some 7,500 to 8,000 at the onshore site during the construction period, 500 to 600 during the hook-up period, with an estimated 1,100 during full production. In addition, it is predicted that the scheme will be responsible for 8,000 offsite jobs; Mossel Bay being only 35kms from P.W. Botha's former constituency at George. With a "New approach devised to avoid spending valuable foreign currency on labour" Mossgas lists among its objectives to increase the "productivity and quality" of workers to a "Western European" level, aiming to produce 30,000 skilled workers by the year 2000.(9) An initial R75 million was earmarked for the training of contract workers. In reality, however, the project is dependent on foreign workers and



foreign-based companies both in the design and management and construction phases. Furthermore, the predominance of Turks, Spaniards, Yugoslavs, Americans and British on both the pipe-laying and on-site projects undermines Mossgas' self-sufficiency rationale. A member of the Gencor team admitted that Pretoria could have found a multitude of more efficient ways in which to create job opportunities.

And although the refinery is scheduled to start production in early 1992, as with the initial costing it seems that this was more than a little optimistic. Recent on-site labour grievances have further exacerbated this problem.

With the political outlook having changed radically, Mossgas is now less viable and necessary than ever. Pretoria's concern has warranted a thorough reappraisal of the scheme. Mineral and Energy Affairs Minister Dr Dawie de Villiers commissioned an in-depth study which in essence reportedly found that "Mossgas might well prove to have been neither a good decision nor a good investment, but that too much has been spent to stop now". (10) It seems unlikely that any normal business would have made such a ludicrous investment; this being backed up by the fact that the oil industry have so far declined to take up significant shares in the scheme. The Chief Executive of Sasol, Mr Paul Kruger, said at a recent meeting of the SA Institute of International Affairs that Mossgas will probably make a modest profit.(11) However, for the project to make a profit, one estimate contends that the oil price would have to rise in price by at least 2 percent a year in real terms from its current US\$18 per barrel, roughly 17 percent at the current rate of South African inflation.(12)

Two questions stand out in connection with the scheme. The first is concerned with why Pretoria decided to go ahead at a time when the oil price had dropped. It certainly was not concerned with the coal supply in South Africa, there being an estimated 65 to 70 years left in the fields adjacent to Sasol alone. Mr Kruger noted that the rationale was, in his opinion, related to "strategic reasons". For Sasol had told the government that the timing "was not appropriate". For the same reasons he did not

foresee a fourth Sasol plant because of a lack of demand, the oil price not expected to rise enough above the US\$23 per barrel it costs Sasol to produce.

However, if it was a 'siege' decision, why then had the government not allowed the local AECI conglomerate to embark on a planned oil-from-coal scheme of its own? If Pretoria was concerned with the strategic implications of South Africa's isolation, it would have made more sense to utilise every available source to combat this, at the same time making the local oil industry more competitive in the face of a privately owned rival. After all, Sasol still requires government protection of some 8,5c per litre. Moreover, this lack of open competition runs the risk of personal aggrandizement among government officials, something the NP have not been immune from. There is little doubt, though, that the refusal of AECI's proposal was linked to the Mossgas decision; the latter's viability in turn related to the country's isolation.

So paramount were these strategic interests to Botha he ignored the pleas of members of his Cabinet that these could not be justified by the costs involved, especially in light of the country's perilous economic position and the demand for social spending. After all, he gave the go ahead to the scheme at a time when the international oil price had reached its lowest level since the 1973 crisis. Indeed, in his final days in office he is reputed to have curtly, even for a man noted for his frequent display of hubris, dismissed a Cabinet delegation calling for the project to be scrapped.

This raises the second query: what will be the final cost of a barrel of Mossgas oil? When asked this, Mr Kruger and Gencor acknowledged that they simply "did not know", and that it "was impossible to tell at this stage". The current estimate doing the rounds in the oil companies is US\$25 per barrel, though as with the final cost of the project, this is likely to rise. As the price of crude, barring the outbreak of hostilities in the Middle-East, is not expected to reach even Sasol's US\$23 level before the turn of the century, it seems inconceivable that Mossgas will ever make a profit out of the production of petrol, diesel or kerosene, though there are highly-profitable spin-offs in plastics and other areas. Perhaps the final comment should be left to the Chief of Sasol. When pressed as to the reasons behind the scheme, he stated openly: "If the decision of Mossgas had to be made today, there would not be a Mossgas". □

1. Republic of South Africa, **House of Assembly Debates**, 16 February 1981, Col. 1058.
2. Grundy, K.W., "South Africa: Coercion and Demands for Change", **Current History** (May 1987): p. 224.
3. **BBC Panorama**, 12 December 1989.
4. Republic of South Africa, **House of Assembly Debates**, 26 February 1980, Col. 1434.
5. **Windhoek Advertiser**, 25 April 1986.
6. Klinghoffer, J., 1981: **Fraud of the Century: The Salem Affair**. Routledge, London.
7. See **Oil to South Africa: Apartheid's friends and partners**. Shipping Research Bureau, Amsterdam, 1988.
8. **Cape Times**, 9 May 1990.
9. **Mossgas Fact Sheet 7**, Public Affairs Department of Mossgas, Sandton, Johannesburg (March 1989).
10. **Cape Times**, 10 May 1990.
11. Kruger, P.D.P., "The South African Synthetics Fuel Industry and the World Oil Supply Situation". Address given at the Cape Town Branch of the SA Institute of International Affairs, University of Cape Town, 10 May 1990.
12. **Cape Times**, 10 May 1990.