

Project Reference: 723.18034.00003/4/5

File Ref. SLR letter to PASA on issues raised during Rhino PPP

26 November 2015

Acting Chief Executive Officer
Petroleum Agency of South Africa
Typerpoort Building
7 Mispel Street
Bellville, 7530

ATTENTION: MS LINDIWE MEKWE

Dear Madam

RHINO OIL AND GAS EXPLORATION SOUTH AFRICA - APPLICATIONS FOR ENVIRONMENTAL AUTHORISATION IN SUPPORT OF EXPLORATION RIGHTS FOR PETROLEUM ON VARIOUS FARMS IN THE KWAZULU-NATAL, FREE STATE, MPUMALANGA AND EASTERN CAPE PROVINCES (12/3/291 ER, 12/3/294 ER, 12/3/295 ER)

Rhino Oil and Gas has appointed SLR Consulting to undertake the Environmental Impact Assessment (EIA) process as required in terms of National Environmental Management Act, 1998 for the Exploration Right applications 12/3/291 ER, 12/3/294 ER and 12/3/295 ER.

SLR has commenced with the Scoping and EIA process for these projects and the initial public consultation has been undertaken. Public information sharing meetings were held for the three Exploration Right application areas over the course of late October and early November 2015. This included two meetings in the Eastern Cape, eight meetings in the Free State and 11 meetings in KwaZulu-Natal.

As was discussed at the meeting with representatives of PASA on 19 November 2015, the public participation process to date has elicited significant objections to the exploration right applications. In this regard, there are five (5) key issues that have been raised consistently by the majority of the IAPs, generally across all three of the projects. The IAPs have tasked SLR, as the independent environmental assessment practitioner, to present these to PASA for a response. The issues are summarised below:

Issue 1: Most IAPs have objected to the exploration right applications in the strongest possible way (including threats of violence) because exploration may lead to a gas discovery and this may lead to an application for a production right, which may include the possibility of fracking as a production method.

The objections are made even though the current work programme in the ER application does not cover production or fracking.

Most persons attending the public meetings and/or responding to SLR have stated their opposition or lodged an objection on this basis. Many of the objections are made without further reason or with reasons relating to production/fracking but nonetheless they have objected. It is clear that the EIA will not be able to resolve many objections and these will thus end up with PASA.

Question: What mechanisms exist for these objections to be addressed?

Issue 2: In accordance with Issue 1 above, most IAPs have demanded that the current EIA process presents details on production and undertakes an assessment of potential production (including fracking) related impacts even though current ER application does not cover production or fracking.

Question: What is PASA's instruction with regards the scope of the current EIA?

Issue 3: Many IAPs have asked why the current Karoo Strategic Environmental Assessment (SEA) is not applicable to all areas of South Africa where gas might occur, particularly where the resource could be shale gas. These IAPs have demanded that the Karoo SEA be expanded to include other areas of the country so that there is a consistent framework for oil and gas applications. Moreover, the IAPs have demanded that all ER applications and related EIA processes be stopped until the SEA is complete.

Question: What is PASA's response in this regard?

Issue 4: Most IAPs have argued that the time available in the current EIA schedule is insufficient to allow for the required public consultation for application areas of such large extent. There is also a related argument that the method of consultation has not been adequate given the demographic and cultural diversity of potentially interested and/or affected parties that are resident in the large application areas.

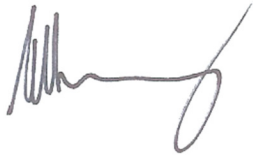
Question: Will PASA grant an extension of time within the EIA process to allow the project to respond to these issues and adjust the public participation process accordingly?

Issue 5: Most IAPs have raised the concern that many sites within the application areas are either protected outright or incompatible with exploration and/or the production of oil and gas and that legislation prevents such work from taking place in these areas. The question has been asked "why undertake an EIA to obtain exploration rights in areas where any gas, if it were to be found, would not be able to be extracted because of the restrictions imposed by protected area legislation and Regulation 122 of the Petroleum Regulations (GN R 466 of 2015) relating to the location of wells?". It has also been stated that these restrictions make it unlawful to apply for a right, even for exploration, in the restricted areas. The related demand is that the ER applications be stopped, all of the future non-compatible/unlawful areas removed and then new EIAs commenced for these revised areas.

Question: What is PASA's response in this regard?

SLR would be grateful for your urgent consideration and written response to these issues and questions.

Yours faithfully

A handwritten signature in black ink, consisting of several vertical strokes on the left and a large, sweeping loop on the right.

Matthew Hemming

MSc (Conservation Biology)

Environmental Assessment Practitioner