INSIGHTS
BY AFRICA INTERNATIONAL ADVISORS

CAN LOCAL REFINING CUT SOUTH AFRICA'S FUEL PRICES?

THE TRUTH ABOUT FUEL PRICES REFINING VS. IMPORTS

Sources: AIA Insights, FIASA Webinar (supplied template); research updated 29 October 2026.

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AGENDA

Source: AIA Insights, FIASA Webinar (supplied)

1. The question
Would a new South African refinery lower fuel price?

2. Context and background
What a refinery can and cannot do in a small, import-dependent market

3. The global market
Demand, electrification and new mega-refineries are moving against new entrants

4. The investment case
Can SA build a competitive refinery and will it reduce the price?

Refinery expansion in South Africa lowering fuel prices – ambition meets competitive and market reality

The ambition	**Restore refining capacity and strengthen supply resilience.**	A refinery can reduce reliance on imported finished products, however does not obviate need for crude imports. The degree of economic value is dependent on the financial viability of the facility.
The commercial test	**Compete with large international refining systems.**	Configuration, scale, financing, delivery and utilisation determine the cost of each saleable litre.
The consumer test	**Demonstrate how savings reach the pump.**	Petrol follows a regulated import-parity benchmark plus domestic charges; local costs are not the price-setting formula.

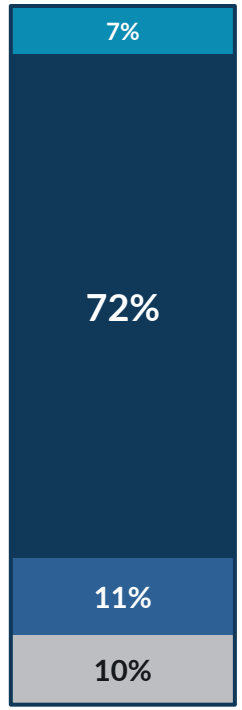
Sources: DMPR, Fuel Price Structure; IEA, Oil 2025, refining chapter; SARB, Petrol Price (2023).

Crude oil refining involves making various trade-offs between cost, product range and flexibility to cope with changing market conditions

Simple to complex: what changes, and why it matters

Configuration	What the refinery does	Investment implication
Topping Simple	Separates crude into fractions by boiling point. Leaves heavy residue largely unprocessed.	Fewer units limit investment, but more output remains lower-value heavy material.
Hydroskimming Simple with treatment	Removes sulphur and improves petrol quality. Converts little of the heavy residue.	Extra units improve fuel quality, but give limited flexibility to change the product mix.
Conversion Complex	Uses cracking units to turn heavier oils into petrol, diesel and other lighter products.	More valuable fuel output can support higher revenue, but requires more capital and energy.
Deep conversion Highly complex	Processes the heaviest residue using additional units, including cokers.	More residue becomes useful products, with higher construction and maintenance demands.

Refineries need buyers for their product mix



One barrel of crude, % of output

LPG and naphtha
Heating fuel and chemical feedstocks.

Petrol and diesel
Road transport and industrial fuel.

Jet fuel and kerosene
Aircraft, heating and other uses.

Heavy and specialist
Fuel oil, bitumen, coke and lubricants.

Sources: Kaiser, review of refinery complexity (2017); Al-Samhan et al., Fuel (2022); Alhassan et al., Chemical Record (2025). Barrel split: EIA, US refinery yields 2024, approximate shares of output.



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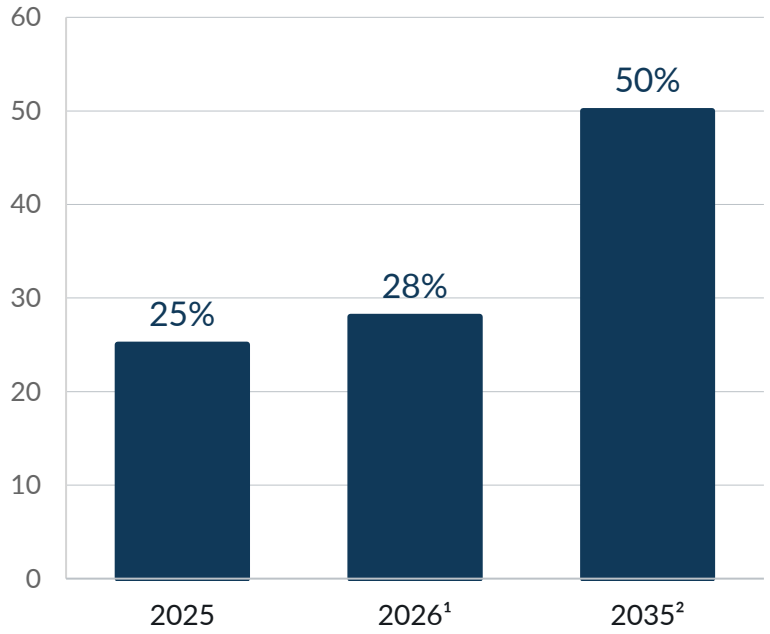
Global demand and new supply are changing refinery economics

Electrification	Demand growth is slowing	EVs reduce road-fuel growth and widen uncertainty around future utilisation.
Scale	New plants are much larger	Large new sites compete with an existing fleet that has consolidated over time.
Geography	Capacity is shifting to new geographies	New capacity is being built in close proximity to large crude production and markets

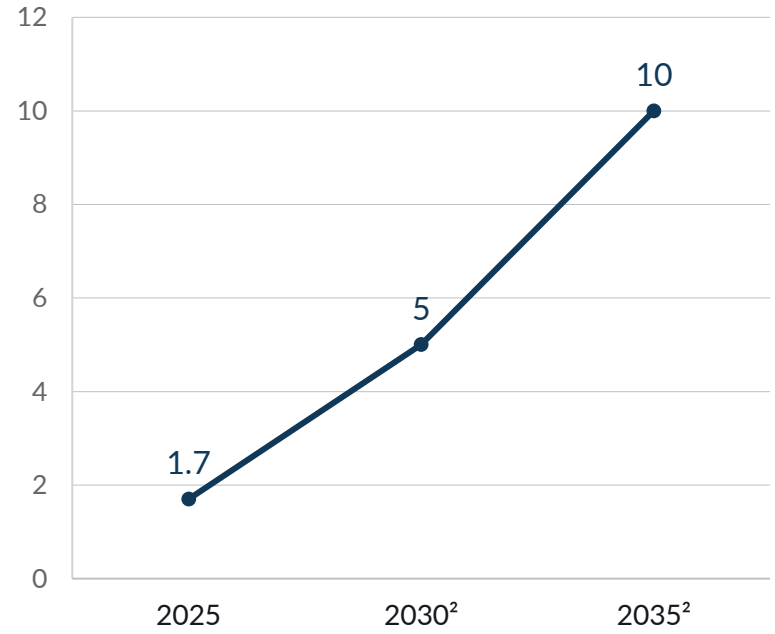
Sources: IEA, Global EV Outlook 2026; IEA, Oil 2025; EIA, Refinery Capacity Report 2026.

Electrification is likely to impact on the transportation fuel market, although its impact will be uneven

Global electric-car sales share (%)



Oil displaced by EVs (million b/d)



Key insights

EV growth reduces road-fuel demand

As more vehicles run on electricity, they use less petrol and diesel than equivalent combustion vehicles.

Other product markets remain important

Middle distillate (diesel & jet fuel) demand expected to be more resilient than petrol

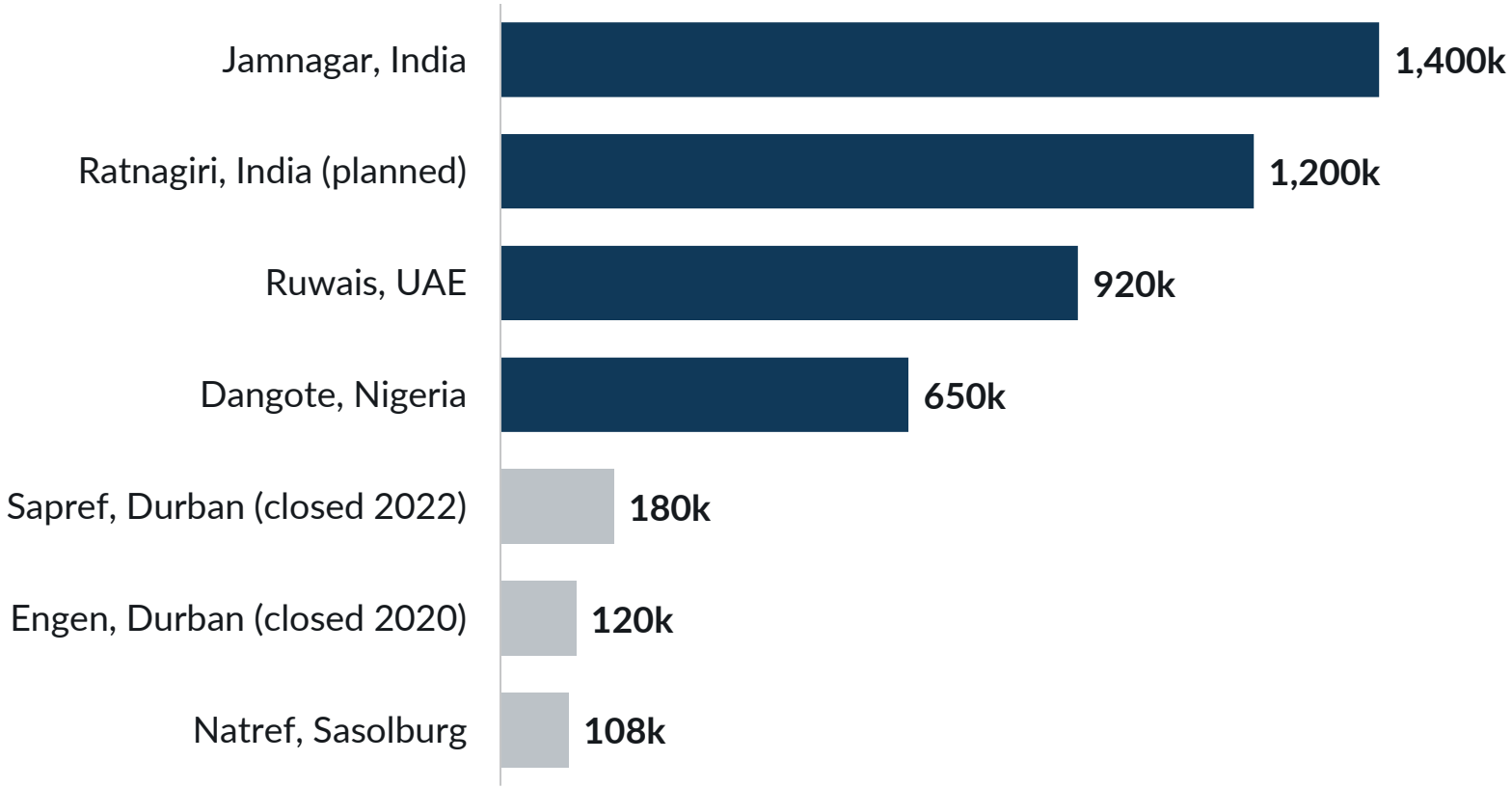
Flexibility important to meet changing product mix

Refineries will have to meet market demand that is changing and a product mix that is becoming more unpredictable

Sources: IEA, Global EV Outlook 2026, pp. 10–12 and 259–260. [1]2026 forecast. [2]Scenario values, approximate.

A South African refinery would compete with plants 4 to 13 times the size of its largest former refinery

Refinery capacity, thousand barrels per day (nameplate)



Key insights

Named competitors, not averages

Jamnagar, Ruwais and Dangote already supply the basins that ship fuel to South Africa.

Sapref, SA's largest, was 180k b/d

Dangote is 3.6 times Sapref; Jamnagar nearly eight times, close to the whole former SA fleet.

Scale needs a market to match

A competitive plant would exceed domestic demand, so exports and utilisation set its unit cost.

Sources: Company nameplate capacities (Reliance, ADNOC, Dangote Group, Sasol/Natref); RRPCL for Ratnagiri (planned); SAPIA for Sapref and Engen capacities before closure. Figures rounded.



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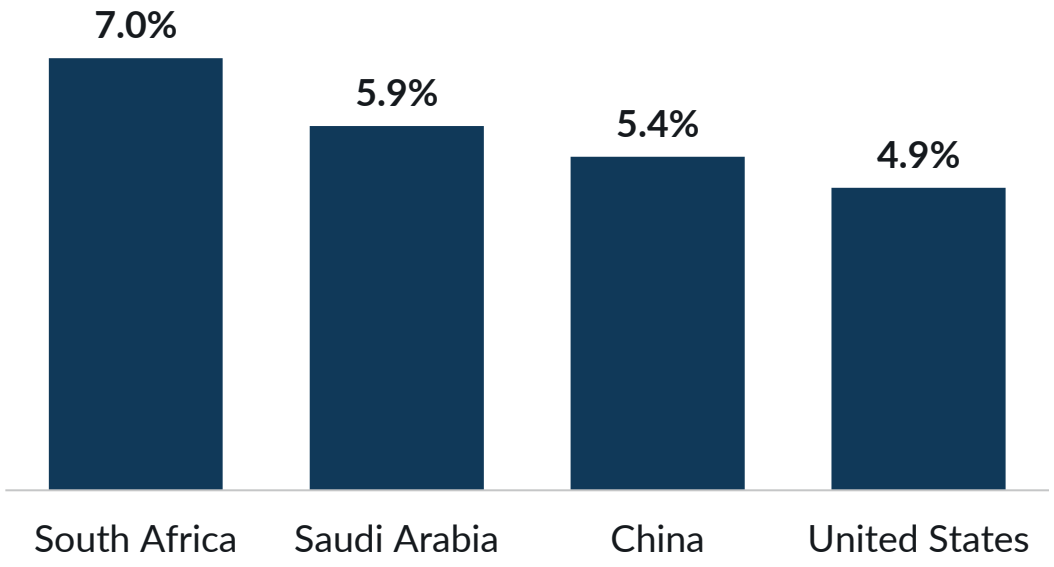
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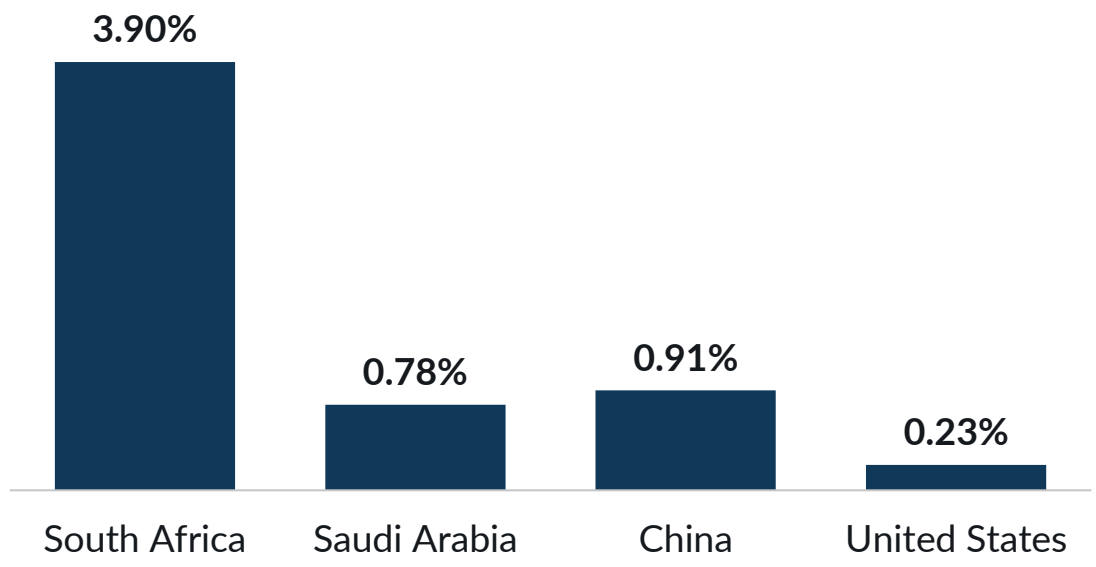
South Africa's first challenge is that investors tend to require higher returns for investing in South Africa…

10-year US-dollar sovereign bond yields, October 2026 (%)



All in US dollars, so the gap is credit risk, not currency risk.
South Africa still pays about 2 points more than the US.

Country risk premium, 2026 update (%)

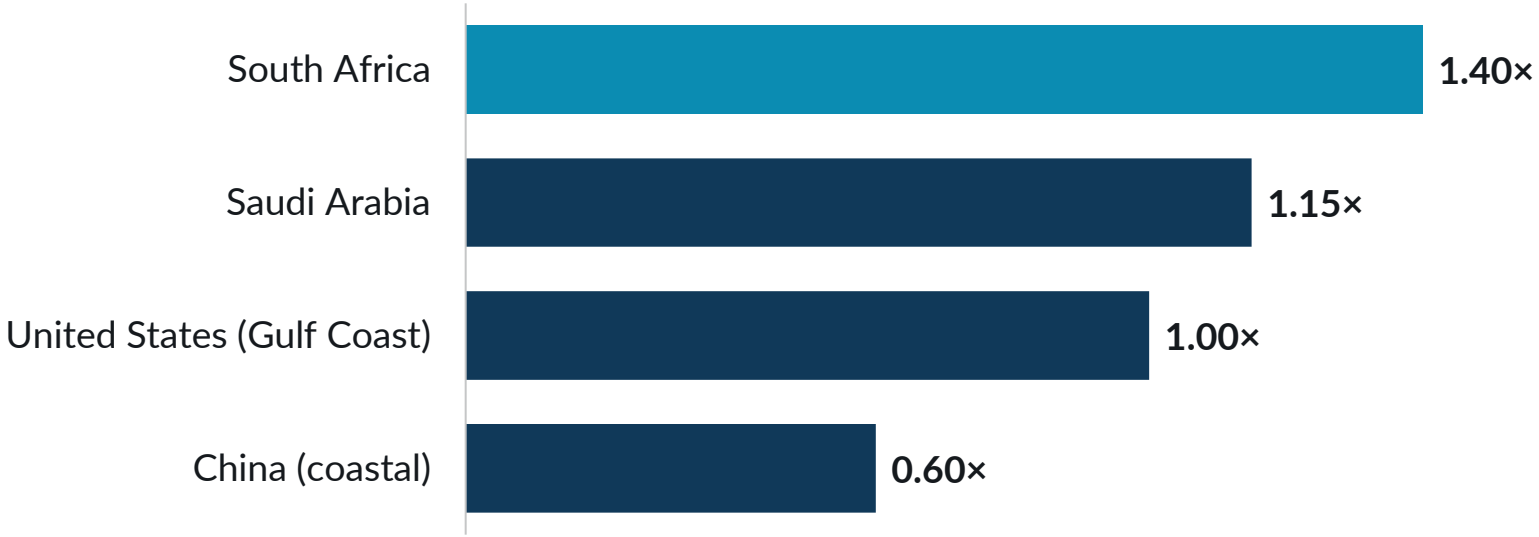


A higher premium indicates greater compensation for investor risk.
A refinery needs its own financing-cost estimate.

Sources: Bondscovery fitted USD sovereign curves (SA 9 Oct, US 23 Oct 2026); Cbonds Saudi sovereign USD index (6 Oct 2026); China from 10-year USD CDS spread; Damodaran, ctryprem.xlsx (supplied).

...while construction costs for chemical and refining infrastructure tends to be higher in SA, both increasing the cost of refining in SA

Refinery and process-plant capital cost location factor (US Gulf Coast = 1.00)



Indicative factors for a complex, equipment-heavy plant built to the same design.
South Africa range 1.3–1.6: site productivity ~1.6× USGC hours; most major equipment imported.
Saudi Arabia can fall below 0.9 with offshore procurement; China reflects domestic fabrication.

Key insights

Plants cost more to build in SA

The same refinery costs 30–60% more in South Africa than on the US Gulf Coast, and about double the Chinese cost.

Buildings are cheap, plants are not

SA building costs are low, but a refinery is mostly imported equipment and specialist labour, where SA has no advantage.

Delays raise the cost further

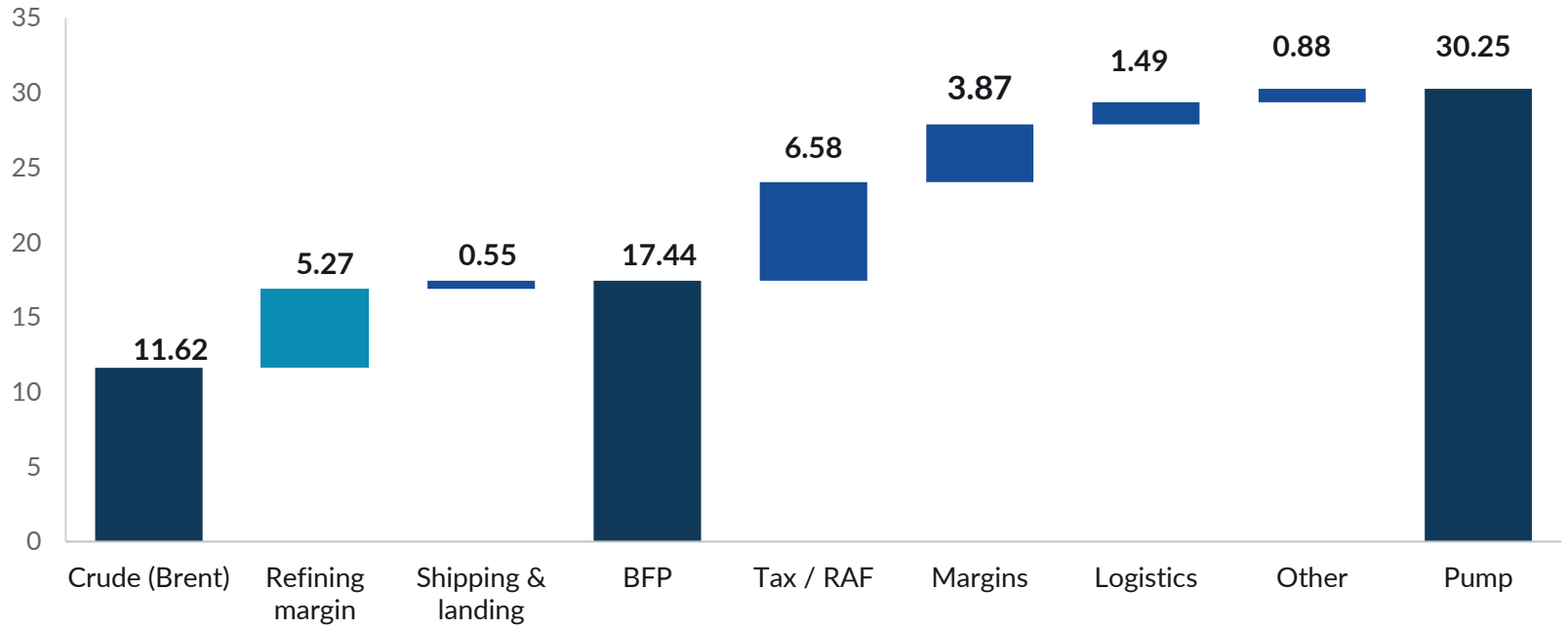
Late completion postpones revenue while interest and construction costs keep running.

Conclusion: To ensure that new refinery investment is competitive and reduces prices, not increase them, the country will have to overcome distinct structural disadvantages

Sources: Compass International (2022); S&P Global/IHS Markit, Construction Location Factors (2019, 2024); World Bank/ESMAP; Aspen Richardson (2003); Turner & Townsend GCMI 2026.

Even if South Africa were able to develop a highly competitive refining industry, the refining margin only accounts for 5-10% of the final regulated pump price

Inland 95 petrol, October 2026: from crude to pump (R/litre)



Key insights

Crude is two-thirds of the BFP

Brent at ~$114/bbl and R16.21/$ equals R11.62/l of the R17.44 BFP. The Med/Singapore product quotation sets the rest.

Refining margin is about R5/l

The ~R5.27/l gap between crude and the finished-petrol quotation is the international crack. A local refinery earns inside it.

Downstream cost adds ~75%

Taxes, logistics & marketing adds the largest portion of pump price

The kicker: because the pump price is set by the regulated import-parity formula, not by local cost, a competitive refinery changes nothing for the consumer unless price regulation changes to pass the saving through.

Sources: CEF/DMPR fuel price media statement, 2 Oct 2026 (BFP 1 743.51 c/l; R16.21/$); DMPR BFP Working Rules; EIA Brent spot, Sep 2026; SARB (2023). Refining margin and shipping/landing are derived estimates.



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Refinery investment must firstly be economically viable before other economic value aspects can be realized, while reducing pump prices has multiple other drivers

Supply security has value	Supply resilience	Local refining reduces reliance on imported downstream products, but increases the need for crude imports.
Refinery must stay viable as markets change	Commercial viability	SA petrol demand has declined and is likely to fall further with EV penetration. Global refining keeps gaining efficiency and scale.
Lower consumer costs need competitive investment	Cost of capital	Higher cost of capital and a constrained market must be overcome; success requires high utilisation, efficient logistics and flexibility.
Consumer savings require pass-through	Pump price	Refining typically accounts for ~5 - 10% of the pump price; the remaining 90-95%+ is set by crude cost, taxes, levies and margins beyond the refinery gate.

Sources: Synthesis of IEA/EIA; DMPR; SARB; FIASA; Vopak; academic and construction inputs cited on preceding slides.



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