sapia | South African Petroleum Industry Association

2009 Annual Report

Contents page

Foreword by the Minister of Energy Dipuo Peters

The past year will be remembered, most notably, as the year during which the South African economy entered its first recession in 17 years after more than 48 quarters of continuous positive economic growth. The effects are being seen in our economy and it is more important now than ever that we work together to ensure that the economy is ready to take advantage of the impending economic upturn and to attract the investment we need for future growth from 2010 onwards.

2010 FIFA World Cup

As we move into 2010, the global spotlight will be on South Africa as the 2010 FIFA World Cup draws near. According to the National Energy Regulator, petrol demand during the event is likely to increase by 22-million litres, while jet fuel demand will increase by 39-million litres. The increase in demand and subsequent pressure on logistical infrastructure requires detailed forecasting and co-ordination among stakeholders. A task team, chaired by Director General of Energy Nelisiwe Magubane, has been established to ensure that South Africa has sufficient fuel available to cope with an influx of soccer supporters for the 2010 FIFA World Cup.

The task team consists of officials from the Department of Energy, the director of SAPIA, representatives from SAPIA member companies, representatives from Transnet Freight Rail, Transnet Pipelines and Transnet National Port Authority, general manager of OR Tambo International Airport and a representative from the Airports Company of South Africa.

The team is responsible for identifying key risks, designing a co-ordinated approach to planning for the 2010 FIFA World Cup South Africa, developing a consolidated liquid fuel supply and logistics plan as well as contingency measures for high risk areas. In addition, my department will continue to work closely with the Department of Transport to ensure that all planning for liquid fuels is aligned with the national transport plan.

New fuel specifications

The whole world is moving towards cleaner fuels. In South Africa, specifications for petrol and diesel were first promulgated in terms of the Petroleum Products Amendment Act in June 2006. The new fuel specifications and standards will assist in ensuring that the South African economy benefits from the latest engine technologies, with a significant improvement in fuel efficiency. The new specifications will also reduce the maximum allowable amounts of benzene and sulphur in fuel thereby contributing to a reduction of pollution in the atmosphere.

My department, together with the Departments of Environmental and Water Affairs, Transport and Trade and Industry, will focus on developing a roadmap for the new fuel standards and specifications, as well as completing the stakeholder engagement process by June 2010. The new fuel specifications will then be promulgated to enable companies to make refinery investment decisions in line with these specifications.

The introduction of cleaner fuels is not without challenges: namely the R20-billion to R40-billion cost of infrastructure investment required by oil companies; the South African vehicle fleet is relatively old and not adapted to low sulphur fuel; and the logistics of refinery shutdowns during infrastructure upgrades need to be carefully

planned. A successful transition to cleaner fuels will require close collaboration among government, SAPIA and its member companies, South African motor manufacturers and vehicle importers. Numerous initiatives on this front are already underway.

Climate change

As climate change moves to the top of the global agenda and in light of the United Nations climate conference in Copenhagen in December 2009, one of the most daunting challenges facing the petroleum industry currently is the need to mitigate the environmental impact of our activities by reducing harmful emissions.

Whilst South Africa is a developing country and our focus is on evolving our economy and meeting the millennium development goals of halving extreme poverty and hunger, it is also our duty to safeguard the planet for future generations. We will undertake actions that address climate change matters, but these will be balanced with the need to develop our poorer communities.

Although South Africa has no binding obligations under the Kyoto Protocol to decrease greenhouse gas emissions, South Africa is currently involved in the following:

- Investigating carbon capture and storage as a greenhouse gas emission mitigation measure.
- Establishment of a centre for carbon capture and storage in March 2009 and an initiative which is aimed at identifying potential sites for future storage of carbon dioxide.
- Engaging with the Clinton Foundation whose objective is climate change mitigation.
- Exploration of renewable energies as a long-term mitigation measure and implementation of a few renewable energy projects.

On the issue of energy efficiency, my department has implemented a programme to increase energy efficiency in South Africa with a target of 12% by 2015. In addition, the recently enacted National Energy Act makes provision for a South African Energy Development Institute that will undertake energy efficiency activities.

As I told delegates at the Africa Energy Week Conference in 2009, for the sake of the planet and as inheritance for future generations - we need to learn to do more with less - in as far as energy use is concerned. We believe that the demand-side options present the best opportunity for our country to correct the supply/demand imbalance.

The liquid fuels industry is making significant process in many areas of climate change mitigation and I urge industry to continue and accelerate their endeavours in this regard.

Broad-based black economic empowerment

2010 will mark 10 years since the inception of the Liquid Fuels Charter. The industry has reached many milestones since signing the Charter in November 2000. An example of this is the completion of 25% ownership equity deals by all private sector members. This was a central objective of the Charter. In addition, the majority of the heads of oil companies are black leaders. This is a significant achievement as 10 years ago all heads of oil companies were white males. There has also been good progress in procurement, excluding the procurement of crude oil.

It is important to remember that procurement benefits are immediate and can assist far more people than equity deals which only benefit a few people. For this reason, it is imperative that industry continues to work together with the South African Supplier Development Agency to improve crude oil procurement and supplier development.

I would like to commend the excellent progress that has been made in the human resource development pillar of the charter, especially skills development and employment equity. However, transformation in the employment sector needs to focus more on women as this group remains consistently under-represented across all occupational levels. Government and other stakeholders have implemented programmes to affirm women so this should reflect in the demographics of senior management positions within the industry. While the Charter has not stipulated a percentage representation based on gender, it is equally important as women have a critical role to play in growing our economy.

I thank the industry for the progress made this far and encourage further action in the areas of women empowerment and crude procurement to ensure compliance with the charter. Transformation is a process that we can use to achieve economic growth, reduce poverty and create an inclusive economy. We are well aware of the dangers of inequality in society. For this reason, we need to work together to ensure that the charter is meaningfully implemented so that we can all enjoy the benefits of a transformed society.

I would like to take this opportunity to congratulate SAPIA on the publication of their 11th annual report and their 15th anniversary of representing the petroleum industry. Together with the Department of Energy, the industry plays a vital role in facilitating a secure supply of fuels, mitigating climate change, bridging the economic divide through transformation and finding solutions to the many other challenges we face as a nation. In the words of our President Jacob Zuma in his State of the Nation address: 'Working together we can do more to realise our common vision of a better and more prosperous nation'.

Report by SAPIA Chairperson James Seutloadi

During October 2009 the Board of Governors embarked on a process to redefine SAPIA's vision, mission and strategy. The new strategy will enable the association to create consensus and focus on a shared purpose that will increase the success of the association as a whole. First and foremost, SAPIA aspires to be a respected industry association which enhances the reputation of the petroleum sector and adds value to its member companies and all stakeholders. We will achieve this by working together with the petroleum industry to promote social and economic growth for the broader good of all South Africans.

The new strategy focuses on three key pillars which will enable SAPIA to achieve its vision: planning for tomorrow, building robust partnerships and delivering service excellence. All SAPIA's activities will fall within these three pillars. In 2010, SAPIA will focus on partnering with government to promote industry transformation, developing a fair regulatory framework, encouraging environmental leadership and facilitating security of fuel supply. Whilst doing so the industry will also encourage dialogue among stakeholders and keep the general public informed about industry developments. This is not an easy feat, but we firmly believe that positive outcomes will be achieved through building strong partnerships with government, our industry, the media and South African citizens.

Impact of the global economic crisis

With the past two years characterised by worldwide price hikes for food and fuel, followed by a global financial crisis and a recession, 2010 will be a year for focusing on economic recovery. The International Monetary Fund expects to see countries around the world recovering at different rates in the various regions. Growth in Africa has slowed significantly, but is expected to regain momentum as the global economy improves. Real GDP in South Africa, according to Statistics South Africa, is estimated at -1.8 per cent for the 3 quarters of 2009 compared with the same period in 2008.

The crude oil price reached an approximate high of US$81/barrel and an approximate low of US$34/barrel during 2009. Global oil demand declined in 2009 for the second consecutive year - the first time this has happened in the past 26 years.

The world economy appears to have begun to recover in the last half of 2009. In South Africa, the demand for petrol increased by 2.2 per cent in 2009 compared with the previous year, while demand for diesel decreased by 6.6 per cent. The Energy Information Administration expects the economic recovery to continue in 2010 and 2011, contributing to global oil demand growth of 1.1 million barrels per day (bbl/d) in 2010 and 1.5 million bbl/d in 2011.

Due to the global economic slowdown, oil companies are experiencing a decrease in cash flow and significant erosion in profitability. The local industry members have responded with efficiency measures to reduce costs, but despite the global capital constraints have continued to invest, particularly in logistics and refinery reliability. Indeed, a return to growth in demand - particularly for higher specification products - will ensure an ongoing need for investment. A particular concern for the oil industry is that although it is highly regulated, there is no defined mechanism to replace the previous MPAR system for providing returns on current or future investments.

On the issue of climate change, whilst the global financial crisis and decreased profitability of the industry threatens to shift our focus, we cannot afford to rest on our laurels. The time to act is now. We should take cognisance of US President Barack Obama's words when he said: 'Ultimately, the challenges of the 21st century can't be met without collective action. Agreement will almost never be easy, and results won't always come quickly.'

The efficient use of energy makes sense because it helps protect global energy reserves, reduces emissions and lowers operating costs. Industry will continue finding solutions to mitigate the effects of climate change through support of government's Energy Efficiency Strategy, seeking ways to reduce emissions, expanding the use of renewable energies, and developing cleaner fuels, to name a few. These initiatives require intensive collaboration across multiple sectors and government departments, but it is imperative that while we combat today's challenges, we apply our minds to find solutions that will secure our children's future.

Competition Act exemption

Following the designation of the petroleum industry by the Minister of Trade and Industry in June 2009 and the jet fuel shortage at OR Tambo International Airport in August 2009, SAPIA and its member companies filed an exemption application with the Competition Commission on 4 December 2009.

The petroleum industry is requesting that it be exempted from some aspects of current competition legislation so that interaction between key role players can take place with regard to supply issues, logistics planning and pipeline operations to avoid potential future fuel shortages and ensure supply security. The exemption is required only to permit industry players to discuss supply issues around volume and capacity. It has no impact on the competitive environment or on the price of fuel. It is imperative, particularly during the 2010 FIFA World Cup, that industry players are able to hold regular discussions on supply security issues and rapidly implement contingency plans to prevent potential stockouts. Earliest granting of the exemption is essential for both short and long term security of supply of petroleum fuels – the lifeblood of the nation's economy.

Acknowledgements

On behalf of the Board of Governors of the South African Petroleum Industry Association, I thank Minister Peters and her team at the DoE for their leadership and continued support of our industry.
As we approach a defining year for South Africa, SAPIA welcomes the opportunity to address the challenges that lie ahead and looks forward to making a constructive contribution to the social and economic growth of our nation.

Introduction by SAPIA Executive Director Avhapfani Tshifularo

Welcome to the 2009 edition of the SAPIA Annual Report. I am pleased to be writing this introduction to the report in the year that we are celebrating SAPIA's 15th anniversary.

Formed in 1994, SAPIA's core objectives are to provide expert information and assistance to government, the petroleum industry and all South African citizens; understand the needs of its stakeholders; contribute to policy formulation; and enhance the reputation of the industry by communicating its contribution to economic and social progress. To ensure that we remain focused towards achieving these objectives, the Association's vision, mission and strategy was reviewed in the last quarter of 2009. I believe we are now properly aligned towards achieving our strategic imperatives and delivering further value to our member companies with a renewed sense of purpose.

Despite the global economic crisis and the resultant decrease in the demand for oil, petroleum products will remain pivotal to South Africa's energy needs for decades to come. The economy is already starting to recover and in light of the upcoming 2010 FIFA World Cup, South Africa needs to be ready to meet the demand that will arise from the influx of tourists to our shores. For this reason, SAPIA believes that open dialogue, engagement and sharing of information are key to equipping decision makers and industry players with the necessary knowledge to develop solutions and plan for the years ahead. An example of this is the recently commissioned research, contained in this report, about the impact of the global economic crisis on the South African petroleum industry. In addition, this annual report aims to offer a holistic overview of the South African petroleum industry and to provide a useful reference for member companies, consumers, media and members of government who wish to know more about the industry. The annual report also received a fresh design and format this year, in keeping with SAPIA's new corporate identity, which I hope you will find appealing, engaging and informative.

The report:

- provides an overview of the South African petroleum industry;
- sheds some light on what we see as the main challenges facing the petroleum industry;
- identifies key changes in economic regulation and legislation during the year under review;
- highlights SAPIA's environmental, social and economic progress during 2009;
- shares the findings of research into the impact of the global economic crisis on the South African petroleum industry; and
- presents a statistical review of the industry showing the evolution of demand and supply of petroleum products.

In closing, I express my gratitude to the Department of Energy for their valued efforts at creating an open working relationship. My appreciation also goes to the SAPIA Board of Governors for their commitment and sound governance of the Association. Finally, we would not be in a position to fulfil our role without the teamwork and dedication of the SAPIA staff members and the various SAPIA committees which are comprised of individuals from member companies. I sincerely believe that with all the support available, SAPIA will achieve its vision of becoming a respected industry association which enhances the reputation of the petroleum sector and adds value to its member companies and stakeholders.

SAPIA overview

- Vision, mission and strategy
- Membership
- Organisation structure
- Financial statement

About SAPIA

SAPIA represents the collective interests of the South African petroleum industry. The Association plays a strategic role in addressing a range of common issues relating to the refining, distribution and marketing of petroleum products, as well as promoting the industry's environmental and socio-economic progress. SAPIA fulfils this role by proactively engaging with key stakeholders, providing research information, expert advice and communicating the industry's views to government, members of the public and media.

In the year under review, SAPIA refined its vision, mission and strategy to ensure that it remains efficient, effective and focused towards achieving its objectives, thereby adding value to the member companies. SAPIA is confident that the new strategy will invigorate its thinking and fuel its passion to deliver on the organisation's strategic imperatives.

Vision

SAPIA aspires to be a respected industry association which enhances the reputation of the petroleum sector and adds value to its member companies and all stakeholders.

Mission

Working together within the petroleum industry to promote social and economic growth for the broader good of all South Africans and industry.

Objectives

SAPIA's objectives are to:

- understand the needs of its stakeholders;
- provide expert information and assistance to government, the petroleum industry and all South African citizens;
- contribute to policy formulation;
- promote transformation, environmental leadership and a fair regulatory framework for all;
- facilitate security of supply; and
- enhance the reputation of the industry by communicating its contribution to economic and social progress.

Strategic agenda

There are three strategic focus areas which will enable SAPIA to achieve its vision.

- *Planning for tomorrow*
  This means focusing on industry transformation, working towards a fair regulatory framework for all citizens, facilitating security of supply and promoting environmental leadership within the industry.
- *Building robust partnerships*
  This involves educating stakeholders about the industry's aims and activities, improving communication, ensuring there is transparency within the industry and that SAPIA is open and honest in all of its dealings.
- *Providing service excellence*
  This entails increasing efficiency and effectiveness, measuring and managing performance to make effective service delivery improvements, proactively identifying opportunities and improving decision-making processes.

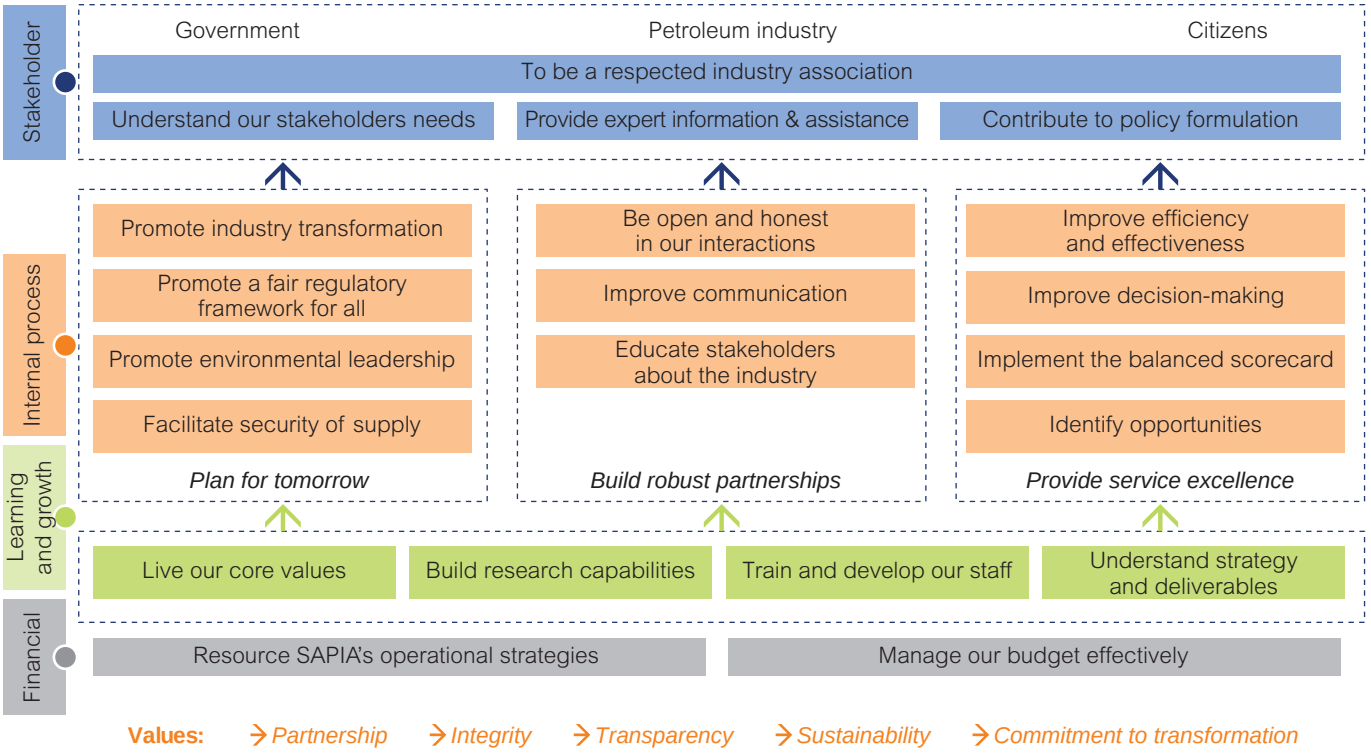


Figure 1 *The SAPIA strategy*

Membership

The current SAPIA members are:

- BP Southern Africa (Pty) Limited
- Chevron South Africa (Pty) Limited
- Engen Petroleum Limited
- PetroSA (Pty) Limited
- Sasol Limited
- Shell SA (Pty) Limited
- Total South Africa (Pty) Limited

Organisation structure

SAPIA operates under a Board of Governors comprising of seven members from member companies. The Chairman and Vice Chairman revolve annually. The Association has a small and highly skilled staff complement, led by an Executive Director. SAPIA staff are independent of the member companies.

The 2009 Board of Governors comprises of the following individuals:

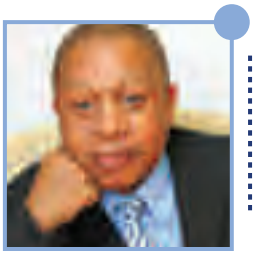
James Seutloadi
(SAPIA Chairman)
Chevron South Africa

Bonang Mohale
Shell South Africa

Sipho Mkhize
PetroSA

Maurice Radebe
(SAPIA
Vice Chairman)
Sasol Oil

Jean-Denis Royère
Total South Africa



Advocate Rams Ramashia
BP Southern Africa

Rashid Yusof
Engen Petroleum

Board of Governors

The Board of Governors convenes at least four times per year and more often should circumstances require it. The primary function of the Board is to identify key issues facing the industry, agree on solutions in respect of each issue and ensure that resources are available to address the matters at hand.

James Seutloadi, Chairman of Chevron South Africa, was elected Chairman of SAPIA for the year 2009. Maurice Radebe, Managing Director of Sasol Oil, is the Vice Chairman of SAPIA.

Figure 2 *SAPIA organisational chart*

SAPIA committees

SAPIA reviewed its committees during 2009 and there are now eight active standing committees. All committees comprise of individuals from member companies and SAPIA staff members.

These committees engage on non-competitive issues and are fully aware of competition laws and the risks of anti-competitive behaviour.

The following SAPIA committees exist to address strategic issues facing the industry:

SAPIA committee	Chairperson	Company
1. Board of Governors	James Seutloadi	Chevron South Africa
2. Strategic Oversight Committee	Avhapfani Tshifularo	SAPIA
3. Communications Committee	Bulelwa Payi	Engen Petroleum
4. Transformation Committee	Petrus Mokoena	Chevron South Africa
5. Petroleum Industry Engineering and Environment Committee	Federico de Gregorio	Sasol Oil
6. Refinery Managers' Environmental Forum	Oscar Volkwyn	NATREF
7. Technical Committee	Cassim Dawood	BP Southern Africa
8. Legal Committee	Katleho Sethabela	Engen Petroleum

Table 1 *SAPIA committees*

Financial statement

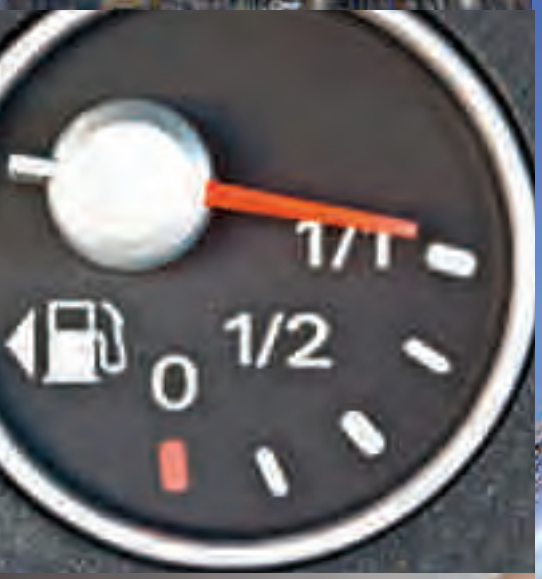
SAPIA's expenditures are essentially funded by the annual contributions of its members. Personnel costs represent the biggest share of SAPIA's expenditure. Other expenditures cover office accommodation, representation and travel, consultants, lawyers and auditors.

Income (thousand rands)	**2007**	**2008**	**2009**
Membership subscriptions	5 790	5 413	6 206
Other income (including interest)	235	459	1 505
Total income	**6 025**	**5 872**	**7 711**
Expenditure (thousand rands)	**2007**	**2008**	**2009**
Personnel/payroll	3 352	3 382	3 113
Other expenditure (including interest)	2 673	3 059	3 231
Total expenditure	**6 025**	**6 441**	**6 344**

Table 2 *2009 financial statement*

Industry overview

- The South African fuel market
- 2009 timeline



The South African fuel market

South Africa consumed approximately 11.3-billion litres of petrol and 9.1-billion litres of diesel during 2009, showing a 2.2% increase in petrol and a 6.6% decrease in diesel from the previous year. During 2008 there was a 4.2% decrease in petrol consumption and a 0.1% increase in diesel consumption from 2007. Detailed consumption statistics for petrol, diesel, paraffin, jet fuel, fuel oil and liquefied petroleum gas (LPG) are listed in the statistics section of this annual report.

Government regulates wholesale margins and controls the retail price of petrol. The petrol price in South Africa is linked to the price of petrol in United States (US) dollars in certain international petrol markets. This means that the domestic price is influenced by supply and demand for petroleum products in international markets, combined with the rand/dollar exchange rate (Source: *South Africa Yearbook 2008/09*[1]).

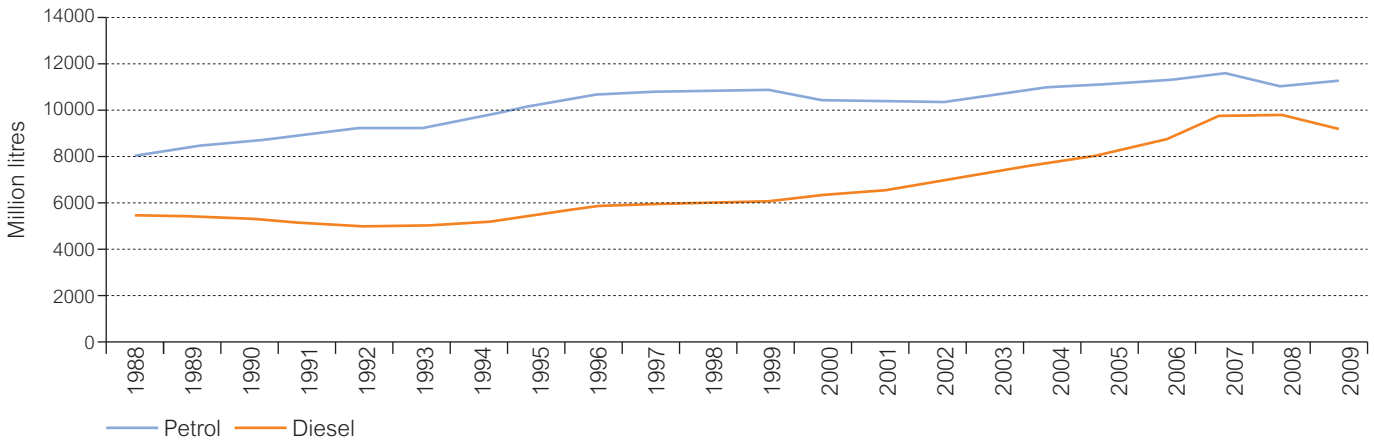


Figure 3 *Consumption of petrol and diesel in South Africa from 1988 – 2009*

Refining

South Africa has very limited oil reserves and about 95% of its crude oil requirements are met by imports from the Middle East and Africa (Source: *South Africa Yearbook 2008/09*[1]). Refined petroleum products such as petrol, diesel, fuel oil, paraffin, jet fuel and LPG are produced by the following methods:

- crude oil refining;
- coal to liquid fuels and gas to liquid fuels; and
- natural gas to liquid fuels.

There are six refineries in the country; four of the refineries are on the coast and two are inland.

South African refinery ownership and crude throughput		
Crude oil refined at the following refineries:		
Name	Crude throughput	Ownership
Chevref	100 000 bpsd	Chevron South Africa
Enref	125 000 bpsd	Engen Petroleum
Natref	92 000 bpsd	Sasol/Total South Africa (64/36%)
Sapref	180 000 bpsd	Shell South Africa/BP Southern Africa (50/50%)
Coal and gas processed and refined at:		
Sasol Secunda	150 000 bpsd	Sasol
(crude equivalent @ average yield)		
Gas processed and refined at:		
PetroSA	45 000 bpsd	PetroSA
(crude equivalent @ average yield)		

bpsd: barrels per stream day

Table 3 *South African refineries, crude throughput and ownership*

1 South African Government. *South Africa Yearbook 2008/09*. South Africa: Government Communication and Information System department, 2008.

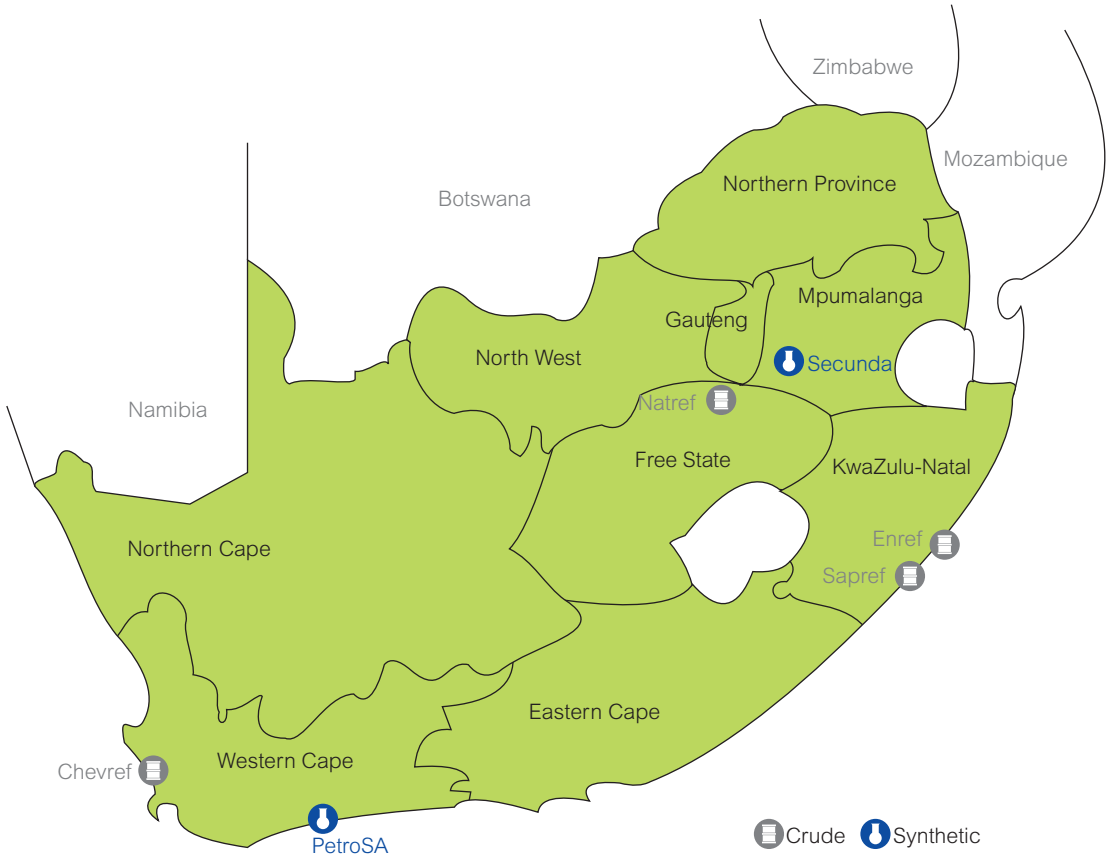


Figure 4 *South African refinery locations*

Distribution

Petroleum products are moved from refineries by pipelines, rail, sea and road to approximately 200 depots, 4 600 service stations and 100 000 direct consumers who are mostly farmers.

Figure 5 and *Figure 6* show South Africa's petrol and diesel usage by region in 2008. Gauteng consumes the largest amount of petrol and diesel in the country.

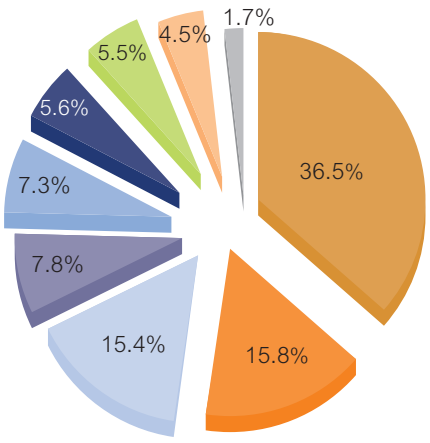


Figure 5 *Petrol usage in South Africa by region*

- Gauteng (4 035 021 959 litres)
- Western Cape (1 743 873 686 litres)
- KwaZulu-Natal (1 709 220 420 litres)
- Mpumalanga (858 903 725 litres)
- Eastern Cape (806 555 074 litres)
- Free State (623 943 041 litres)
- North West (606 171 691 litres)
- Limpopo (494 183 987 litres)
- Northern Cape (191 992 363 litres)

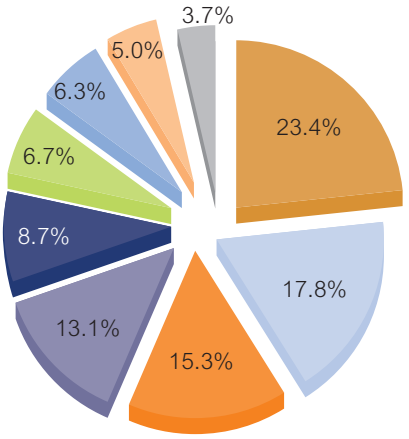


Figure 6 *Diesel usage in South Africa by region*

- Gauteng (2 288 314 281 litres)
- KwaZulu-Natal (1 733 867 818 litres)
- Western Cape (1 488 850 645 litres)
- Mpumalanga (1 280 977 162 litres)
- Free State (848 918 694 litres)
- North West (651 722 433 litres)
- Eastern Cape (617 616 189 litres)
- Limpopo (486 852 771 litres)
- Northern Cape (365 245 898 litres)

Source: Department of Energy, 2008

Figure 7 and *Figure 8* show South Africa's pattern of consumption of petrol and diesel for the year 2008. 95% of petrol consumed was sold through retail outlets. By comparison, only 39% of diesel consumed was sold through retail outlets.

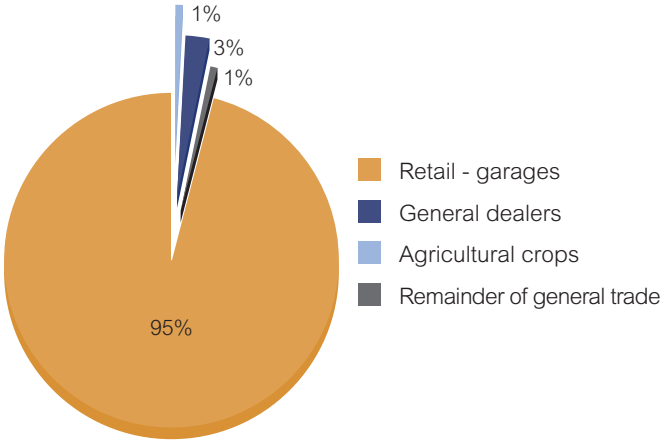


Figure 7 *Petrol usage in South Africa by sector*

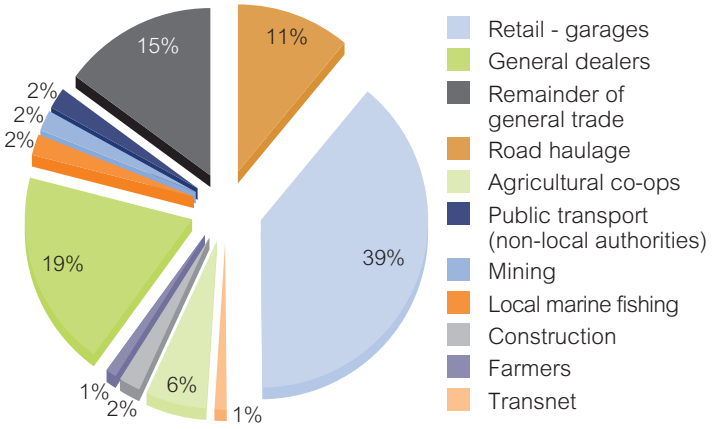


Figure 8 *Diesel usage in South Africa by sector*

Source: Department of Energy, 2008

Wholesaling

The majors in the South African oil industry are BP Southern Africa, Chevron South Africa, Engen Petroleum, PetroSA, Sasol Oil, Shell South Africa and Total South Africa. They operate storage terminals and distribution facilities throughout South Africa. Until recently, there were very few non-refining wholesalers supplying petrol and diesel in South Africa. Today, there are a number that are registered with the Department of Energy.

Retailing

There are approximately 4 600 service stations (forecourts, company owned and dealer owned) in South Africa. The petroleum industry was licensed for the first time in 2005, in terms of the Petroleum Products Amendment Act, 2003. Government limits the number of licences allocated. Manufacturers and wholesalers are prohibited from holding a retail licence except for training purposes. SAPIA members are therefore restricted to a limited number of retail licences.

SAPIA members do have the option to franchise a station to an independent dealer and directly supply it with petroleum products. There are also stations that are independently operated and unbranded.

2009 timeline: industry developments

January 2009

- The Competition Commission initiates an investigation into anti-competitive conduct in relation to a range of products in the petroleum value chain, citing the past and present members of the South African Petroleum Industry Association and the Southern African Bitumen and Tar Association.
- The 2008 Leadership in Oil and Energy Programme graduation ceremonies take place in Cape Town and Johannesburg. Fifty-three industry employees graduate from the 2008 programme.

February 2009

- The 10-month 2009 Leadership in Oil and Energy Programme commences.

March 2009

- Renewable Energy Summit, focusing on creating a sustainable renewable energy sector in South Africa, takes place in Gauteng.

May 2009

- President Zuma announces that the Department of Minerals and Energy will be split into two separate departments of Mineral Resources and Energy, each with a Minister.
- Dipuo Peters is announced as the new Minister of Energy.
- SAPIA hosts an exhibition stand at the Petro.Tex Africa 2009 conference in Gauteng.

June 2009

- The Minister of Trade and Industry, after consultation with the Minister of Minerals and Energy, publishes a notice in the Government Gazette designating the petroleum industry for the purpose of economic stability within the petroleum industry.

July 2009

- Department of Energy (DoE) publishes new regulations regarding the use of payment cards to purchase petroleum products at all retail sites in South Africa.

August 2009

- DoE starts publishing industry's fuel sales volume data on its own website instead of the SAPIA website.
- Jet fuel shortage occurs at the OR Tambo International Airport.
- SAPIA and member companies hold the 'Celebrating Women in the Petroleum Industry' event in Johannesburg, in partnership with the Businesswomen's Association.

October 2009

- Future Fuels Seminar is held for government departments with an interest in vehicle emissions and fuels. The seminar is aimed at deciding the most appropriate manner in which to determine South Africa's requirements.
- NERSA publishes allocation mechanism guideline discussion document regarding third party access to uncommitted capacity in petroleum storage facilities.
- SAPIA and member companies hold the 'Celebrating Women in the Petroleum Industry' event in Cape Town, in partnership with the Businesswomen's Association.
- Second issue of *The Petroleum Professional* journal published and distributed to readers. The issue focuses on celebrating women in the petroleum industry.

November 2009

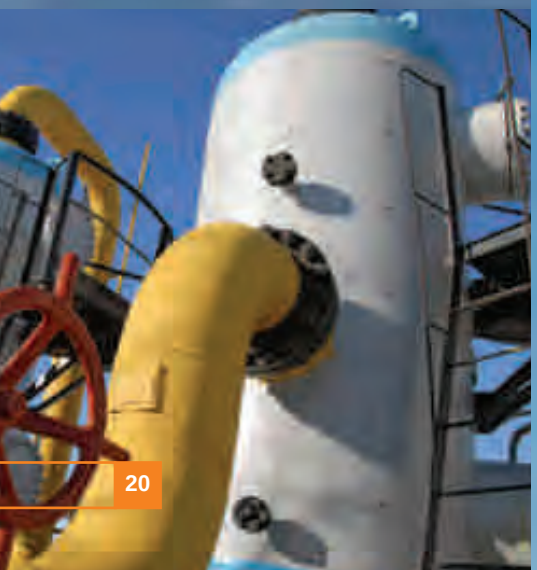
- Liquefied Petroleum Gas Safety Association of Southern Africa holds the Liquid Petroleum Gas Conference, themed 'Safe energy for 2010', in Gauteng.
- SARS releases the draft Customs Control Bill and the draft Customs Duty Bill for public comment.
- NERSA publishes new rules regarding licence applications in terms of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
- DoE publishes draft regulations for public comment in respect of the maximum retail price of Liquefied Petroleum Gas (LPG) for residential customers.
- NERSA publishes a draft tariff methodology for Petroleum Loading and Storage Facilities for public comment.

December 2009

- SAPIA files an application with the Competition Commission of South Africa for an exemption from the provisions of the Competition Act, 1998 (Act No. 89 of 1998).
- SAPIA, member companies and the Wits Business School begin work on the 2010 Leadership Oil and Energy Programme intake.

Issues update

- Economic regulation
- Legislation
- 2010 FIFA World Cup
- Competition Commission investigation
- Security of supply
- Impact of the global economic crisis



Economic regulation

Given the strategic nature of the liquid fuels industry, it is subject to varying degrees of government regulation. This ranges from environmental, health and safety issues, through to economic regulation and other aspects of the industry. Regulatory standards and guidance are necessary to protect the interests of consumers and to allow for the required investment in the refining industry, in the best interest of the country.

Economic regulation and legislation	
Progress in 2009	**Priorities for 2010**
• General support and compliance with regulatory requirements and continuous monitoring of any legislative occurrences that impact SAPIA members.	• Facilitating security of supply during the 2010 FIFA World Cup South Africa.
• Execution of the Department of Energy's (DoE) regulatory accounts project.	• Finalisation of the exemption application filed with the Competition Commission in terms of certain sections of the Competition Act.
• Providing DoE with the industry's sales volume data for publishing on DoE's website.	• Compliance and adherence with regulatory requirements that are placed on SAPIA members.
	• Providing support to DoE for the successful implementation of the regulatory accounts project.
	• Participating in the rewrite of the Customs and Excise Act of 1964.
	• Submission of allocation mechanisms as required in terms of the Petroleum Pipelines Regulations of 2008.

Table 4 *Progress in 2009 and priorities for 2010*

Petroleum products prices

The petrol retail price is regulated by government, and changed every month on the first Wednesday of the month. The diesel price is unregulated. The petrol and diesel pump prices are composed of a number of price elements and these can be divided into international and domestic elements. The following sections will provide more detail on the elements of petroleum prices in which adjustments have been made during 2009.

Increase in wholesale margin and service differential

On 7 October 2009 the wholesale margin increased by 6.2c/l to 51.09c/l for 95 ULP, 50.86c/l for diesel and 51.07c/l for illuminating paraffin (IP). The service differential increased by 1.3c/l to 10.8c/l in petrol and diesel, and 18.2c/l in IP.

Increase in retail margin on petrol

The Minister of Energy approved an increase of 5.4c/l to 72.7c/l in the retail margin on all grades of petrol with effect from 5 August 2009.

Increase in fuel levy on petrol and diesel

Former Minister of Finance Trevor Manuel announced in his 2009 budget speech on 11 February 2009 that the fuel levy on petrol and diesel will respectively increase by 23.0c/l to 150c/l and 24.0c/l to 135c/l with effect from 1 April 2009. The fuel levy will contribute towards government spending on road maintenance and construction.

Increase in the road accident fund levy

The road accident fund levy increased by 17.5c/l to 64c/l with effect from 1 April 2009.

Magisterial district pricing zones

The magisterial district price zones are based on the cost of moving fuel from coastal refineries to the inland distribution centres by pipeline, rail, road or by private bulk petroleum product transporters. Transport tariffs are adjusted annually subject to approval by the Minister of Energy. The Department of Energy was reviewing price zones because, over the years, road transport has been taking over from rail.

A revision of the magisterial district zone (MDZ) system was completed by the DoE in consultation with SAPIA and Transnet. This MDZ system is used to determine transport tariffs in the regulated fuel price structures. The Minister of Energy approved the implementation of the revised MDZ system with effect from 7 January 2009. The effect of this system is that transport tariffs were increased in the prices of petrol, diesel and illuminating paraffin in all the fuel pricing zones. The magnitude of the tariff increases differed among the fuel pricing zones.

On 30 April 2009, NERSA announced an average tariff reduction of 10.38% in the transport cost of petroleum transported by pipeline from Durban to the C-zones. These decreases ranged from 0.5c/l to 1.4c/l across the different C-zones.

Department of Energy regulatory accounts

DoE is continuing to develop methodologies for setting margins for the different activities in the petroleum industry supply chain. The purpose of this is to remove hidden costs and cross subsidies between regulated and unregulated activities and between rural and urban retail sites. It will also prepare the sector for eventual deregulation.

DoE signed a contract with the Institute for Policy and Social Research (IPSR) in this regard on 25 January 2009. IPSR will be required to deliver the following:

- Determine an appropriate margin for each of the ring-fenced activities, namely: coastal storage/handling, wholesaling, secondary storage/handling and secondary distribution activities of the oil industry and the benchmark service station. The benchmark service station is identified by an analysis of a representative sample of retail service stations.
- Determine an appropriate rate of return for assets associated with coastal storage/handling, wholesaling, secondary storage/handling and secondary distribution activities of the oil industry and the benchmark service station.
- Define rules to determine margins for each of the activities.
- Provide computer-based programs that will be utilised by the DoE to determine the margins and tariffs to be included in fuel price structures.

The successful completion of this project is crucial in order to provide a transparent, justifiable and predictable mechanism that will provide acceptable returns to current and future investors in petroleum marketing activities in South Africa during the period in which parts of this activity remain profit controlled.

Regulatory accounts will be used to set the appropriate margins. Regulatory accounts are generally applied in the transportation of energy in industries such as electricity, gas and petroleum pipelines. But in South Africa, regulatory accounts are about to be applied in the petroleum industry's regulated activities.

Petroleum wholesalers are currently completing regulatory account templates for submission to the DoE in order for IPSR to develop models, regulatory accounting manuals, allocation rules and the capital asset pricing model methodology. Normally accounting manuals, allocation rules and pricing methodologies are developed prior to requesting data since it assists in ensuring clarity on the rules of the game, as well as consistency in data submissions. The project was due for completion by the end of 2009.

Legislation

Purchasing with payment cards at retail sites

Minister of Energy Dipuo Peters published regulations on 10 July 2009 under section two of the Petroleum Products Act, 1977 (Act No.120 of 1977), regarding the use of payment cards[2] to purchase petrol and diesel at every retail site in South Africa.

The regulation prescribes that a retailer must accept payment in the form of cash and payment cards. In addition, the retailer must prominently display a notice about the type of payment card that is acceptable. If no type of payment card is acceptable to the retailer then a notice to that effect must be prominently displayed.

Removing cash from retailing operations is the primary objective for this change. It should result in improving safety conditions at retail outlets across the country.

Displaying prices of petroleum products

The 'Draft Display of Prices of Petroleum Products Regulations' was published for public comment by DoE in the Government Gazette on 3 April 2009. This draft regulation was made in terms of the Petroleum Products Act, 1977 (Act No. 120 of 1977), which makes provision for the display of prices of petroleum products.

The draft regulation entails that any person who sells petroleum products to an end consumer must prominently display prices where such products are available for sale. It further prescribes that the display of prices must be done electronically or manually at all points of entrance to a retail or business site and where applicable, at prices as determined in section 2(1)(c) of the Petroleum Products Act and gazetted by the DoE monthly.

SAPIA's view on this matter is that since the South African petrol market which represents approximately 80% of petroleum fuel sold through retail outlets, is fully price controlled, it is questionable whether the significant capital expenditure required to comply with the draft legislation is justified in terms of consumer benefits. In addition, the price of petrol and diesel is displayed at point-of-sale on each forecourt dispenser and can easily be verified by customers before a sale takes place. As the retail price of diesel is not controlled, SAPIA believes it should be the prerogative of individual retailers as to whether they wish to overtly display, for competitive reasons, the price at which they sell diesel.

This regulation has not yet been promulgated.

Retail price regulation of Liquefied Petroleum Gas

The 'Draft Regulations in respect of the maximum Retail Price of Liquefied Petroleum Gas supplied to Residential Customers' was published for public comment by DoE in the Government Gazette (No. 32717) on 12 November 2009. This draft regulation was made in terms of section 2(1)(c) of the Petroleum Products Act of 1977.

Rewrite of Customs and Excise Act

Finance Minister Pravin Gordhan published the draft Customs Control Bill and the draft Customs Duty Bill for public comment on 30 October 2009. The existing legislation, the Customs and Excise Act, had become outdated in terms of modern customs control methods.

The draft Customs Control Bill seeks to control the import and export of goods into and out of South Africa. The proposed legislation will aim to ensure that any taxes imposed by other pieces of legislation will be collected. It will also ensure compliance with all relevant laws pertaining to the import and export of specific goods. The draft Customs Duty Bill focuses on the levying, payment and recovery of customs duties on goods imported or exported from South Africa.

The draft Customs Control Bill and the draft Customs Duty Bill will be followed by the drafting of the Excise Bill.

2 A payment card includes a debit card, credit card, cheque card, fleet card, garage card or petrol card.

Fuel sales volume data reporting

Data on the total fuel sales, in terms of total litres sold per province per quarter, was previously published on SAPIA's website. Since July 2009, DoE has been publishing the sales volume data on its own website. The DoE is best placed to publish the data because it is responsible for the regulation of the petroleum industry.

Jet fuel shortage and 2010 FIFA World Cup task team

Minister of Energy Dipuo Peters convened an urgent meeting on 6 August 2009 with SAPIA and its member companies, Transnet, as well as the Airports Company of South Africa wherein an agreement was reached on a roadmap to restore the normal supply of jet fuel at OR Tambo International Airport (ORTIA). This intervention was precipitated by the jet fuel shortages at ORTIA where the stock level had fallen below the acceptable benchmark of five days.

At this meeting the Minister established a task team, led by acting Director-General Nelisiwe Magubane, to investigate the jet fuel shortages at the ORTIA and to ensure liquid fuels supply sufficiency for the 2010 FIFA World Cup South Africa.

Competition Commission investigation

On 19 January 2009, the Competition Commission announced that it was initiating an investigation into anti-competitive conduct in relation to a range of products in the petroleum value chain, citing the past and present members of SAPIA and the Southern African Bitumen and Tar Association. The Commissioner of the Competition Commission initiated this investigation. As part of its investigations into the petroleum industry, the Commission is looking into information exchange by petroleum companies through SAPIA as a possible contravention of the Competition Act. SAPIA submitted information about the alleged prohibited practice to the Commission in August 2009.

Competition Commission exemption

On 5 June 2009, the Minister of Trade and Industry published a notice in the Government Gazette designating the petroleum industry for the purpose of the economic stability of the petroleum industry. The designation period ends on 31 December 2015.

The designation by the Minister of Trade and Industry enabled SAPIA to file an exemption application with the Competition Commission on 4 December 2009. The petroleum industry is requesting that it be exempted from current competition legislation so that interaction between key role players can take place with regard to supply issues, logistics planning and pipeline operations to avoid future fuel shortages and facilitate security of supply. The application is currently under consideration.

Security of supply

The term 'security of supply' refers to the development of supply chain solutions to South Africa's liquid fuels supply challenges, management of liquid fuels demand and emergency response as identified in government's 2007 Energy Security Master Plan.

The supply of refined products (petrol, diesel and jet fuel) from Durban to the inland region will remain tight until the New Multi-Products Pipeline (NMPP) is installed and commissioned in 2011. In the interim, there are several interventions needed to secure the supply of petroleum products until 2011 and beyond, such as improvements in rail, pipelines, ports and storage depots.

Currently, rail, pipelines, ports and storage depots capacity is constrained. Roads are being damaged by the number of road tankers that are on the roads because rail is unable to displace road freight. The Durban to Johannesburg Transnet pipelines are full despite the impact of the global economic crisis on the South African petroleum industry. As a result, there are still many road tankers transporting fuel between Durban and Johannesburg.

It is not possible to co-ordinate supply chain planning and investments without an exemption of certain practices and agreements by the Competition Commission. This is particularly pertinent in light of the upcoming 2010 FIFA World Cup South Africa. In this regard, SAPIA submitted an exemption application to the Competition Commission on 4 December 2009.

Once the Competition Commission exempts the practices and agreements required for the co-ordination of rail, pipelines, ports and storage depots infrastructure, it will provide an opportunity for DoE to be able to implement initiatives in the Energy Security Master Plan. This will go a long way towards addressing the petroleum products supply chain constraints.

Impact of the global economic crisis

SAPIA commissioned a consultant to research the impact of the global economic crisis on the oil industry from an international and South African perspective. The research focused on the impact of supply

and demand on crude prices; the impact of crude prices; the impact of supply and demand on refinery margins; exchange rate impacts; global credit and liquidity issues. From a South African perspective, the research addressed the direct implications for the local oil industry; implications for the provision of supply infrastructure and regulatory issues. SAPIA presented the research findings to the Minister of Energy in September 2009.

Impact of supply and demand on crude prices

Crude prices have fallen significantly since 2008 and although they have increased recently, they are still below what many consider the long-term trend. Lower crude prices have a significant impact on the global oil companies who have operations in South Africa since the cash flow from upstream, crude production and operations has deteriorated substantially. As a result, this has affected the allocation of capital to subsidiary operations and oil majors endeavoured to improve balance sheets and preserve profitability.

Projections for crude price movements over the next five years are uncertain, but the wide range of projections among South African industry players are significantly lower than expectations of future crude prices made before the global economic downturn. Projections range from $63/Bbl to $101/Bbl.

On the demand side, one starts to see price elasticity above $80/Bbl. At this price level, alternative sources of energy become viable options and investments will be made, subject to environmental issues being resolved in some of these alternatives.

As a result of the large amount of upgrading capacity built over the last few years, there is a fairly widely held view that the price differential between heavy and light crude oils may narrow. This has implications for the design and economics of any new refinery, or expansion of existing refinery capacity, with a potentially large impact on the economic viability of sophisticated upgrading configurations.

Impact of supply and demand on refinery margins

The global economic crisis and resultant decrease in global demand for white products, together with the completion of many refinery capacity building projects, has led to a situation where there is an overhang of refining capacity globally. This has led to a tightening of refinery margins. It is uncertain how long the refining capacity overhangs and lower refinery margins will last. Industry has widely differing views, ranging from 2015 – 2020.

In an environment where local refinery margins are linked directly to global trends, through the basic fuel price (BFP) mechanism, this global squeeze on refinery margins has had a direct impact on the profitability of all refiners, both crude and synfuels based, in South Africa.

Expectations of future refining margin movements are the single most critical factor in determining the commercial viability of crude oil refinery capacity builds in South Africa, together with crude price changes.

Exchange rate impacts

A strengthening rand has lowered the rand value of import parity and refinery margins. This impacts crude oil refineries as the refinery margin in rand terms has declined even further than in US dollar terms. This directly impacts on the revenue of the entire industry in South Africa.

Global credit and liquidity issues

Globally, financing for major capital projects, irrespective of industry, is proving extraordinarily difficult to obtain due to the global economic crisis and changes in bank lending practices. Oil companies are experiencing a decrease in cash flow due to falling crude income and as a result there is widespread focus on minimising costs and reducing capital expenditure.

South Africa, with a well funded banking system and as a primary commodity exporter, has been less affected, but not immune to the global recession.

Current views are that global recessionary conditions will start to return to growth, although at a relatively low level, late in 2009 and early into 2010. However, recovery in the global economy after 2010 is expected to be relatively slow. Funding of corporations is expected to remain tight and expensive for a few years.

Direct implications for the South African oil industry

Industry cash flow and profitability have been significantly impacted because of lower crude prices, constrained refinery margins and the currently strong rand against the US dollar. This is a particular concern for the oil industry as although it is highly regulated, there is no defined mechanism to replace the defunct MPAR system for obtaining necessary margin increases. Decreased demand for products has further impacted on profitability for the industry as revenue is under pressure.

Industry's response to the global economic crisis includes the following:

- Capital expenditure is being postponed or cancelled.
- Expenses are being curtailed.
- Working capital, particularly inventory levels and credit, is being carefully managed.
- General trend is to freeze new hiring.

Implications for the provision of supply infrastructure in South Africa

Major capital programmes including refinery investments, both in crude and coal-based facilities, are going to be difficult to justify economically and more difficult to fund than before the economic crisis. Whilst the lower demand in South Africa impacts the amount of additional capacity needed and timing of such facilities, South Africa is still projected to require significant additional manufacturing capacity over the next decade.

Regulatory issues in South Africa

The current uncertainty in the South African regulatory environment is inhibiting the provision of much needed infrastructure investment. The research findings showed that there is a need for a consistent, overarching regulatory framework strategy which is clear to all stakeholders.

Oil industry members propose that a forum be convened between industry CEOs and key government stakeholders to obtain a common understanding of the strategic issues and regulatory environment necessary to achieve government's objectives effectively. A discussion around the issues highlighted in the research findings will be beneficial to finding successful resolutions.

Environmental performance

- New fuel specifications
- Environmental regulations
- Hydrocarbon vapour management

The environment in which we operate

The cycle of developing, producing, transporting, refining and delivering oil to end-users presents significant environmental challenges. In response to these challenges, the industry has embarked on a number of initiatives to ensure that it will continue reducing its environmental impact into the future.

Environmental considerations and the principles of sustainable development have become central to the industry's activities. The most common definition[3] of sustainable development is to 'meet the needs of the present without compromising the ability of future generations to meet their own needs.' With this in mind and from an environmental perspective, industry considers its long-term business performance, tries to manage its risks more effectively and aims to leave a lighter carbon footprint on the planet.

This section of the annual report provides a brief summary of SAPIA's activities and performance relating to environmental issues that could have a significant impact on its business activities.

2009 performance highlights	Ongoing challenges
• Collection of suitable material for the development of a long-term roadmap for new fuel specifications.	• Reaching agreement on what will be the most appropriate new fuel specifications for the conditions found in South Africa.
• Providing effective input into regulatory developments which enables rational management of environmental issues.	• Ensuring that new regulatory mechanisms are cost-effective and do not unnecessarily hinder economic and social development.
• Devising suitable remediation strategies for contaminated sites.	• Length of time taken to conduct full assessment of contaminated sites before remediation can begin.

Table 5 *2009 performance highlights and challenges*

3 World Commission on Environment and Development. *Our Common Future*. Oxford: Oxford University Press, 1987.

Progress in 2009

New fuel specifications

SAPIA established the Future Fuels Working Group, an oil industry body which has spent the year collecting information that can be used in the development of a long-term roadmap for the determination of fuel specifications over the next 20 years. The roadmap draws on the lessons learned in Australia and Europe, but is tailored to South African conditions. It is also designed within a timeframe that will, to a certain degree, allow vehicle manufacturers to keep up with the required changes in vehicle technology. While clean fuel specifications are vital for addressing environmental concerns, it is very costly. It will cost oil refiners in South Africa between R20-billion and R40-billion to implement the changes. Presently, the oil refineries in South Africa are not equipped to meet the requirements commensurate with the envisaged changes and developments in fuel and vehicle technology.

Environmental regulations

During the year under review, SAPIA has been engaging with government on the development of new regulatory instruments such as:

- Amendments to the Environmental Impact Assessment Regulations;
- Minimum Emissions Standards;
- Major Hazardous Installations Regulations;
- Waste Management Act;
- Standards for the management of leaks from underground storage tanks; and
- Framework for the Management of Contaminated Land.

Hydrocarbon vapour management

SAPIA has been undertaking studies and using dispersion modelling to determine the most appropriate hydrocarbon vapour management protocols for the oil industry. Hydrocarbons are released into the atmosphere, among other things, as a result of fuel evaporation during the storage and handling of fuel products. Hydrocarbons can cause ground-level ozone, a serious air pollutant and key component of smog. SAPIA's research will contribute towards managing and curtailing these harmful emissions.

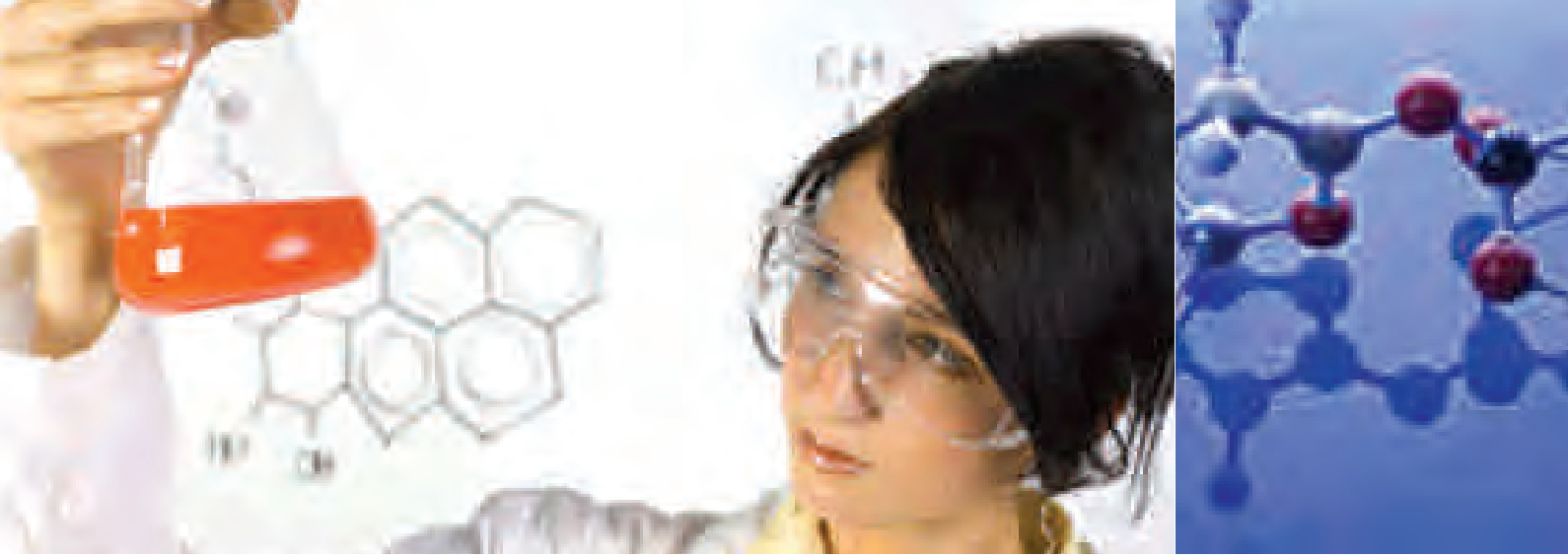
Managing environmental risks

The nature of the petroleum industry entails significant environmental risks which need to be properly managed throughout the value chain. This is achieved through SAPIA's Petroleum Industry Engineering and Environment Committee and the Refinery Managers' Environmental Forum. Both of these committees manage the industry's environmental efforts. SAPIA is an associate member of the International Petroleum Industry Environmental Conservation Association (IPIECA), based in London, which enables the activities of the industry committees to be benchmarked against best international environmental practice.

This table identifies the petroleum industry's most significant environmental risks and briefly describes the measures in place to mitigate these risks:

Environmental risks	Measures taken to address risks
Oil spillage in the marine and freshwater environment.	• Provision of oil spill response equipment to contain and recover any oil spillage. • Preparation of oil spill contingency plans and training staff to ensure readiness in case of an emergency. • Providing oil spill response equipment to the port (Transnet) and national authorities (Department of Environmental Affairs) that can be used in the event of an oil spill.
Fuel leakage from underground storage tanks.	• Development of facility standards to prevent leaks, such as the installation of double-walled tanks with interstitial monitoring, fitment of automatic tank gauging and fitment of double-walled piping. • The underground storage tanks have been coated in fibre glass and the pipework made of plastic to stop corrosion. • South African National Specifications have been developed to ensure strict tank and installation standards. • Development of a failure prediction index which predicts the potential for corrosion in older tanks and a national groundwater vulnerability map which are both used to prioritise the replacement of older tanks. • Development of a response agreement that provides for the company owning a storage facility closest to a site of contamination to manage the remediation whether they are responsible or not. This ensures that timely action is taken.
Fuel spillages from road and rail transportation.	• Provision of 41 oil spill response trailers positioned on major transport routes for early response to any spillages. Oil spill response contractors have also been appointed. • Drivers receive regular training to improve safety performance during the transportation of products.
Release of vapour emissions from the storage and handling of hydrocarbons.	• SAPIA is undertaking studies to quantify risks and develop appropriate protocol to effectively manage these risks. • The Refinery Managers' Environmental Forum (RMEF) has developed a common emission management strategy, common emission reporting protocol and common flaring report protocol to manage the environmental implications of their activities. Individual refineries have invested heavily in the installation of new emission control technology. These are a few of the initiatives that have resulted in the significant improvement in emission releases.
Release of harmful vehicle emissions into the environment.	• The Future Fuels Working Group is formulating a long-term roadmap to determine the most suitable fuel specifications for South Africa that, together with improved vehicle technology, will result in a reduction of harmful vehicle emissions.
Water and soil contamination from inappropriate disposal of used lubricating oil.	• SAPIA members, together with other lubricating oil marketing companies, founded the ROSE (Recycling Oil Saves the Environment) Foundation to manage the environmentally acceptable collection, storage and recycling of used lubricating oils in South Africa. The ROSE Foundation has collected more than 400-million litres of used oil since its formation in April 1994.
Fires and poisonings related to paraffin usage.	• SAPIA members established the Paraffin Safety Association of Southern Africa (PSASA) in 1995 and launched a multi-million rand programme to minimise the incidence of fires, burns and poisonings.
Soil and groundwater contamination related to fuel loss.	• SAPIA has designed appropriate contamination assessment and remediation strategies and put plans in place to manage these risks.

Table 6 *Environmental risks and measures taken to address risks*



The way forward

According to the Organisation of the Petroleum Exporting Countries' (OPEC) *World Oil Outlook 2009* [4] publication, the world will continue to rely on fossil fuels for many decades to come, so it is essential to ensure that the early development and use of cleaner fossil-fuels technologies continues. The need to adapt to a carbon-constrained environment will make the use of these cleaner technologies even greater.

SAPIA's focus areas for 2010 include the following:

- Contribute to the finalisation of environmental regulation so that it is promulgated in a form that will provide the required level of environmental protection without negatively affecting development.
- Finalise the Future Fuels Road Map and engagement with stakeholders to determine the most suitable clean fuel specifications for South Africa over the long term.
- Complete the protocol for effectively managing hydrocarbon vapours.
- Continue to identify and remediate any contaminated land. SAPIA's goal is to prevent future contamination.

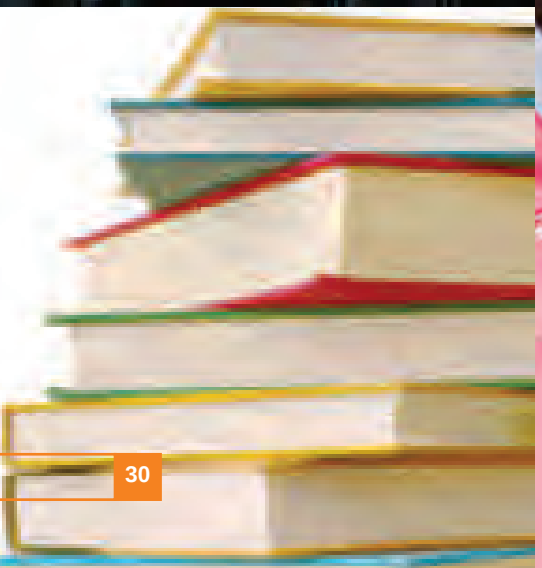
Strategic focus areas	Procedures for achieving goals
Address soil and groundwater contamination with minimum delay.	• Implement industry protocol whereby the owner of the fuel storage facility closest to the area of contamination initiates assessment and remediation of the contaminated site. This ensures that timely action is taken and prevents any further environmental damage.
Effective management of vapours from fuel storage facilities.	• Collect scientific data on risks posed by vapours and develop protocol to effectively manage these risks.
Long-term planning for new fuel specification requirements.	• Development of a long-term roadmap for South Africa's new fuel specification requirements and agreement among all relevant stakeholders.

Table 7 *Strategic focus areas and procedures for achieving goals*

4 Organisation of the Petroleum Exporting Countries. *World Oil Outlook 2009*. Austria: OPEC Secretariat, 2009.

Socio-economic performance

- Women empowerment
- Skills development
- Human resource development journal
- Corporate social investment
- Crime and security



The environment in which we operate

Socio-economic empowerment is vital for the country's future prosperity. In South Africa, it is essentially aimed at redressing the results of past or present discrimination based on race, gender or disability of historically disadvantaged persons, among other things. This section of the annual report shows how the industry is contributing towards the social and economic development of society.

Unfortunately consolidated, audited 2009 industry transformation statistics were unavailable at the time of printing this annual report, but the statistics will be available at www.sapia.co.za by August 2010.

2009 performance highlights	Ongoing challenges

• 'Celebrating Women in the Petroleum Industry' events in Johannesburg and Cape Town.
• Addressing skills shortage of process plant operators by assisting the Department of Education with industry learning programmes.
• Graduation of 55 employees from the 2009 Leadership in Oil and Energy Certificate Programme of which 89.4% are black and 77.3% are women employees.
• Growing readership of *The Petroleum Professional*.
• Spent more than R115-million on corporate social investment initiatives.
• Robberies at South Africa's service stations decreased 21.8% in 2009, in comparison with 2008.
	• Liquid Fuels Charter
	  • Ensuring gender equity and women empowerment, especially representation of women and in particular, African women, within the industry.
	  • Addressing petroleum scarce skills and aging workforce.
	  • Availability of local South African industry-specific learning programmes.
	  • Defining the way forward beyond the first ten years of the Liquid Fuels Charter.
	• Preventing service station crime such as ATM robberies, attacks on forecourts, cash-in-transit robberies, bulk fuel theft and fraud.

Table 8 *2009 performance highlights and ongoing challenges*

Progress in 2009

Women empowerment

In support of the Liquid Fuels Charter objectives to further women empowerment in the industry, SAPIA and the Businesswomen's Association joined forces, for the second consecutive year, to celebrate women in the petroleum industry. The 'Celebrating Women in the Petroleum Industry' event took place at The Forum in Johannesburg on 14 August 2009 and at the One&Only Cape Town resort on 21 October 2009.

In an effort to create a supportive culture for transformation, specifically gender transformation, the event provided a platform for women to share success stories, discuss challenges, explore the professional and economic development of women in the industry and broaden the delegates' understanding of the industry.

Industry and guest speakers delivered presentations that focused on gender differences in the brain and related implications for the workplace environment, entrepreneurship, creating a supportive culture for women, and industry-specific topics such as the price of oil and environmental issues. In addition to presentations from each company and robust panel discussions, member companies set up exhibits where participants could network with company representatives.

Skills development

Process plant operator qualification

The petroleum industry has a skills shortage of process plant operators. To address this skills shortage, SAPIA worked with the Department of Education to direct curriculum content for technical students to qualify as process plant operators at National Vocational Certificate Levels 2, 3 and 4. The industry will also plan to develop a petroleum, oil and gas module that will help those seeking to qualify as process plant operators to understand process operations in the manufacturing and refining areas.

Leadership in Oil and Energy Certificate Programme

The Leadership in Oil and Energy Certificate Programme (National Qualifications Framework Level 7), accredited and delivered by Wits Business School, is an industry-wide intervention designed to create a pool of diverse and highly skilled employees with petroleum industry knowledge and excellent business management skills. Through the programme, industry is ensuring a representative talent pipeline into senior management positions.

Since the programme's inception in 2006, a total of 263 industry employees have graduated. In 2009, 66 participants enrolled in the programme of which 89.4% are black and 77.3% are women employees.

Human resource development journal

The bi-annual industry human resource development journal, *The Petroleum Professional*, is in its second year of publication and growing in readership. The second issue focused on celebrating women in the petroleum industry. Additional regular features in the journal include a focus on gender relations in the workplace, a work-life balance column, book reviews, petroleum education and a travel tales column written by South African petroleum professionals seconded abroad. Mary Ovenstone, an executive coach, joined the editorial team as the gender relations columnist.

The total circulation of 12 000 copies is distributed to member companies, refineries, blending plants and black empowerment companies. Subscription information is available at www.sapia.co.za

The petroleum industry contributes to the South African economy by:

- contributing 2% of South Africa's gross domestic product;
- supplying about 18% of South Africa's primary energy;
- manufacturing more than 90% of South Africa's petroleum products;
- supporting employment for over 100 000 people directly or indirectly;
- selling approximately 24.9-billion litres of petroleum products annually;
- investing R30-billion in refinery technology for the production of unleaded petrol and low sulphur diesel;
- spending more than R115-million on corporate social investment initiatives in 2009; and
- collecting over R35-billion in fuel taxes on petrol, diesel and paraffin which is an important source of revenue for the government.

Corporate social investment

Through SAPIA member companies' corporate social investment programmes, more than R115-million has been committed to social development during 2009. These investments have been directed into seven main areas: education; health and welfare; environment; community development/skills development; arts, culture and sport development; road safety; and job creation.

Situated throughout South Africa, many of the projects are in partnership with government and communities to encourage stakeholder engagement. Through these initiatives which improve the lives of people in disadvantaged communities, our member companies make a significant contribution towards local social and economic development.

Crime and security

SAPIA has taken many steps to prevent crime, such as establishing the Oil Industry Security Forum whose main focus is to address security issues and manage crime fighting projects. The industry has also united with government, the business sector, and representative associations to fight crime and make South Africa a safer country. SAPIA maintains an active, industry-wide security and crime prevention programme aimed at maximising the security and well-being of customers, employees, service station forecourts and assets.

Robberies at South Africa's service stations decreased from 782 incidents in 2008 to 611 incidents in 2009, showing a 21.8% decrease in crime. However, the number of hijackings at service stations and cash-in-transit incidents increased over the past year. Crime statistics are listed in the statistics section of this annual report.

The petroleum industry has implemented a number of initiatives to further minimise crime, such as improved cash-handling procedures by retailers and enhanced service station design which includes the addition of bullet-proof glass, panic buttons and closed circuit television systems at forecourts.

Service station staff members are being empowered through specialised training programmes in the areas of robbery prevention and survival techniques. Staff members also receive regular information about crime pertinent to their operations in the form of newsletters and alerts. In addition, close liaison is being maintained with the South African Police Service (SAPS) to ensure a full investigation into every crime and to incorporate the findings into enhanced security measures.

Whilst there has been a decrease in the number of robberies at service stations in 2009, crime is still a major problem. The constant increase in the fuel price is a concerning factor as it results in larger cash amounts on forecourts which attracts perpetrators. However, the new regulations regarding the use of payment cards to purchase petrol and diesel at retail sites should result in improving safety conditions because it will alleviate the amount of cash on forecourts.

The way forward

Besides ongoing efforts to accelerate social and economic development, priorities for 2010 include:

- Conducting research for the development of petroleum industry qualifications.
- Implementing the Leadership in Oil and Energy Programme for the fifth year in succession against industry targets.
- Participating in the review of Liquid Fuels Charter and conducting the industry transformation assessment.
- Ensuring that there is no fuel supply disruption during the 2010 FIFA World Cup.
- Working together with DoE to complete the development of methodologies for setting margins for the different activities in the petroleum industry supply chain.
- Collaborating with DoE to develop and finalise the roadmap for the new fuel standards and specifications.
- Working in partnership with the Competition Commission on the exemption application and industry investigation.
- Improving communication with stakeholders.

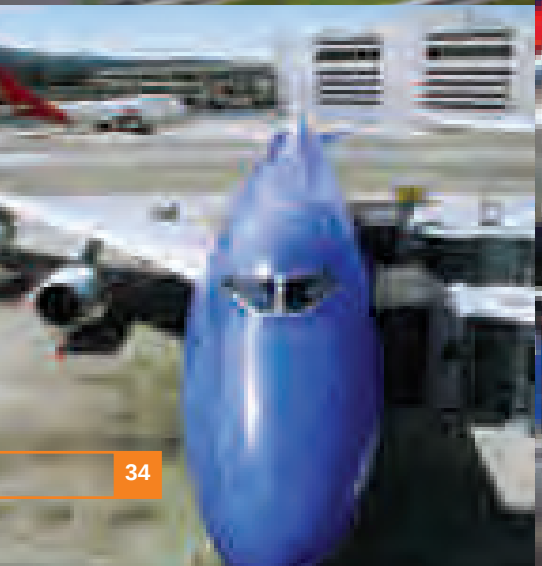
Socio-economic strategic focus areas:

Strategic focus areas	Procedures for achieving goals
• Broad-based black economic empowerment and Liquid Fuels Charter compliance	• Assess industry's transformation progress. • Review the SAPIA Human Resource Development Strategy 2005 – 2010 and plan way forward.
• Crime and security	• Enhancing communication among the various stakeholders without compromising competitive issues. • Implementing best practices in the areas of crime, security and safety. • Improved liaison with the SAPS and other government sectors. • Ensuring participation and buy-in of all members.

Table 9 *Socio-economic strategic focus areas and procedures for achieving goals*

Statistics

- Aggregate financial results of SAPIA members
- Value added statements
- Sources of crude oil for SAPIA members:1995 to 2008
- Petrol wholesale margin
- Crude oil price movements: January 1997 to December 2009
- Brent crude prices
- Consumption of petroleum products in South Africa
- Petroleum products imports and exports
- Demand/refining capacity balance
- Capacity of South African refineries
- Petrol/diesel consumption ratio
- Prices in Gauteng: 30 June each year
- Petrol and diesel price breakdown
- Fuels taxation history - South Africa
- The total annual amounts of fuel taxes collected on petrol, diesel and paraffin
- Health, safety and environment performance indicators
- Workforce profile



Aggregate financial results of SAPIA members

Year ended 31 December

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating profit (R/m)	1 649	2 402	2 229	1 987	2 965	5 704	5 687	6 136	3 625	7 758	10 421	9 828	10 451	5 193
Interest paid (R/m)	(323)	(447)	(454)	(683)	(389)	(789)	(673)	(1 141)	(1 062)	(617)	2	(1 505)	(1 117)	(2 312)
Income tax (R/m)	(402)	(568)	(474)	(419)	(667)	(1 249)	(1 682)	(1 178)	(983)	(2 591)	(2 976)	(1 622)	(2 284)	(1 377)
Net income (R/m)	924	1 387	1 301	885	1 909	3 666	3 332	3 817	1 579	4 550	7 456	6 701	7 050	1 503
Total assets (R/m)	14 466	17 634	18 597	19 546	20 492	34 157	41 451	41 849	37 794	57 169	58 845	63 401	88 415	116 460
Capital expenditure (R/m)	1 389	1 377	1 455	1 511	1 542	1 763	2 627	2 877	1 812	2 555	3 154	4 494	4 958	6 070
After tax return on assets (%)	6.4	7.9	7.0	4.5	9.3	10.7	8.0	8.4	4.2	8.0	12.7	10.6	8.0	1.3
Sales volumes (bn litres)	28.0	29.4	33.8	31.0	26.6	26.7	26.9	31.4	30.2	30.6	29.2	32.0	32.3	35.3
Net income after tax (c/l)	3.3	4.7	3.8	2.9	7.2	13.7	12.4	12.2	5.2	14.9	25.5	20.9	21.8	4.3

SizweNtsaluba VSP aggregated the above data.

Value added statements

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Turnover (R/bn)	30.3	37.5	40.7	39.6	45.5	67.3	77.4	86.9	85.5	109.0	130,2	171	241	353
Net cost of products and services (R/bn)	15.5	20.3	22.5	19.8	23.6	43.9	52.6	57.0	55.1	72.0	85,6	126	179	279
Total value added (R/bn)	**14.8**	**17.2**	**18.2**	**19.8**	**21.9**	**23.4**	**24.8**	**29.9**	**30.4**	**37.0**	**44.6**	**44.6**	**62**	**73**
To pay employees gross salaries														
- Wages and benefits (R/bn)	1.1	1.2	1.2	1.3	1.4	1.7	2.5	2.8	3.1	3.3	3.4	5.6	7	12
To pay the State tax in the form of														
- Income tax (R/bn)	0.4	0.6	0.5	0.4	0.7	1.4	1.7	1.2	1.0	2.6	3.0	1.6	2	1
- Duties and levies (R/bn)	11.5	13.0	13.7	15.7	16.6	16.4	15.6	18.3	20.3	24.5	28.0	29.9	40	48
To pay providers of capital														
- Net finance expense (R/bn)	0.3	0.5	0.5	0.4	0.4	0.6	0.6	1.1	1.0	0.6	1.0	(0.2)	1	2
- Dividends (R/bn)	0.3	0.7	0.8	0.7	0.5	0.9	2.0	2.6	0.5	0.6	2.1	4.2	4	4
Retained for future growth														
- Depreciation (R/bn)	0.6	0.6	0.7	0.7	0.8	1.0	1.3	1.6	2.6	1.8	2.2	2.8	2	2
- Retained income for the year (R/bn)	0.6	0.6	0.8	0.6	1.5	1.4	1.1	2.3	1.9	3.6	4.9	0.7	6	4
Total value added (R/bn)	**14.8**	**17.2**	**18.2**	**19.8**	**21.9**	**23.4**	**24.8**	**29.9**	**30.4**	**37.0**	**44.6**	**44.6**	**62**	**73**

SizweNtsaluba VSP aggregated the above data.

Sources of crude oil for SAPIA members: 1995 to 2008

Country of origin	Thousands of metric tons											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Algeria												
Angola	127	–	389	48	382	138	116	654	404	1 144	3 303	3 820
Cameroon	–	–	–	–	–	–	271	106	–	53		
Chad												
Egypt	343	–	–	292	–	–	135	–	–	–		
Equatorial Guinea												
Gabon	–	–	–	–	373	–	–	191	270	–		
Iran	9 238	6 757	5 824	7 414	5 718	6 239	7 012	8 166	8 008	6 054	5 686	5 107
Iraq	943	413	137	–	343	–	–	–	107	322		
Kuwait	2 589	2 094	833	858	431	342	–	–	–	–		
Libya												
Mexico	589	633	244	–	–	–	–	–	84	–		
Nigeria	971	287	1 286	842	1 246	3 615	3 450	1 313	2 472	2 935	2 655	3 143
North Sea / U.K.	327	–	18	–	–	–	–	–	–	–		
Oman	91	313	71	–	610	8	–	–	330	16	635	261
Qatar	137	345	–	76	130	–	–	–	209	140		144
Republic of Congo (Brazzaville)												
Russia	255	305	–	–	–	267	–	–	–	–		
Saudi Arabia	1 810	3 346	8 042	8 545	7 219	7 364	9 521	8 137	7 331	6 486	5 717	6 141
South Africa	403	649	493	689	524	791	570	1 482	701	684	234	257
Sudan												
Syria												
Tunisia												
United Arab Emirates	387	897	300	758	734	70	106	109	779	514	256	348
Venezuela	127	787	–	–	–	–	–	–	–	–		
Yemen	216	354	–	140	475	62	179	338	272	192	606	1 246
Other	–	–	–	–	–	–	–	–	–	–	74	549
Total	**18 553**	**17 180**	**17 637**	**19 662**	**18 185**	**18 896**	**21 360**	**20 496**	**20 967**	**18 540**	**19 167**	**21 015**

The above figures are unverified.

Petrol wholesale margin

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 **	2006	2007	2008	2009 ***
MPAR return (%)	(1.6)	3.4	8.7	13.9	12.0	9.2	6.8	8.8	9.7	7.3	4.0	3.8	1.9	9.72	21.22	–	–	–	–	
Indicated margin increase (c/l)	4.0	4.0	2.3	0.0	0.0	2.7	4.9	3.6	2.5	3.81	6.75	6.93	8.97	3.21	(4.21)	–	–	–	–	
Increase granted (in succeeding year)	–	4.0	4.0	0.5	0.0	0.0	0.0	2.0	1.0	0.5	1.23	2.58	6.93	8.97	2.0	–	–	–	5.4	6.2
Margin at year end (c/l)*	5.6	9.6	13.6	14.1	14.1	14.1	14.1	16.1	17.1	17.6	18.8	21.4	28.3	37.3	39.3	39.3	39.3	39.3	44.668	50.868

*93 octane petrol.

**The Marketing of Petroleum Activities Return (MPAR) system was no longer in use from 2005. A new system is being developed.

***The Minister of Energy approved a wholesale margin increase of 6.2c/l from 7 October 2009.

Crude oil price movements: January 1997 to December 2009

Average monthly prices (US$/bbl)

	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai
January	23.5	21.4	15.1	13.4	11.1	10.7	25.6	23.4	25.7	22.9	19.5	18.5	31.3	28.0	31.2	28.9	44.2	37.9	63.0	58.4	53.7	51.7	92.0	87.4	43.3	43.6
February	20.8	18.7	13.9	12.3	10.2	10.0	27.9	24.7	27.5	24.8	20.2	19.0	32.6	30.0	30.8	28.6	45.5	39.9	60.1	57.6	57.4	55.8	95.0	90.0	43.1	43.1
March	19.1	18.1	13.1	11.5	12.5	12.4	27.3	25.1	24.4	23.4	23.7	23.0	30.5	27.4	33.8	30.8	52.9	45.8	62.1	57.8	62.1	58.8	103.7	96.8	46.5	45.6
April	17.5	16.7	13.4	12.2	15.3	15.0	22.7	22.1	25.7	24.2	25.7	24.5	24.9	23.5	33.2	31.7	51.8	47.2	70.3	64.1	67.5	64.0	109.0	103.4	50.5	50.2
May	19.1	18.6	14.4	12.8	15.3	15.4	27.6	25.6	28.5	25.6	25.3	24.7	25.7	24.4	37.8	34.7	48.6	45.4	69.9	65.0	67.2	64.6	122.7	119.5	57.3	57.5
June	17.6	17.3	12.0	11.8	15.8	15.5	29.8	27.2	27.8	25.7	24.1	23.9	27.5	25.5	35.0	33.4	54.5	51.2	68.7	65.2	71.4	65.7	132.4	127.8	68.6	69.4
July	18.6	17.4	12.0	12.1	19.0	17.9	28.5	26.1	24.6	23.4	25.8	24.7	28.3	26.0	38.3	34.7	57.6	52.8	73.7	69.2	77.0	69.5	133.2	131.3	64.6	64.8
August	18.7	17.8	12.0	12.3	20.3	19.5	30.1	27.0	25.7	24.5	25.8	24.7	29.8	26.7	43.0	38.5	64.1	56.6	73.1	68.8	70.7	67.4	113.0	112.9	72.8	71.4
September	18.5	18.0	13.4	13.1	22.5	21.9	32.7	30.0	25.6	24.1	25.8	24.7	27.1	25.4	43.3	35.6	62.9	56.5	61.7	59.8	76.9	73.4	98.1	95.9	67.4	67.7
October	19.9	19.2	12.6	12.8	22.0	21.5	30.9	30.5	20.5	19.6	27.6	26.3	29.7	27.3	49.6	37.5	58.6	54.0	57.8	56.4	82.5	77.1	71.9	67.4	72.8	73.2
November	19.2	18.5	11.0	11.7	24.7	23.1	32.6	30.1	19.0	17.7	24.1	23.3	28.7	27.7	42.8	34.8	55.2	51.4	58.9	56.7	92.6	86.9	52.5	49.8	76.7	77.7
December	17.1	16.3	9.9	10.1	25.6	23.6	25.1	21.7	18.7	17.8	28.7	25.7	29.8	28.1	39.5	34.1	56.9	53.2	62.3	58.7	91.0	85.6	40.3	40.5	74.3	75.4
12-month average	**19.1**	**18.2**	**12.7**	**12.2**	**17.9**	**17.2**	**28.4**	**26.1**	**24.5**	**22.8**	**24.7**	**23.6**	**28.8**	**26.7**	**38.2**	**33.6**	**54.4**	**49.3**	**65.1**	**61.5**	**72.5**	**68.4**	**97.0**	**93.6**	**61.5**	**61.6**

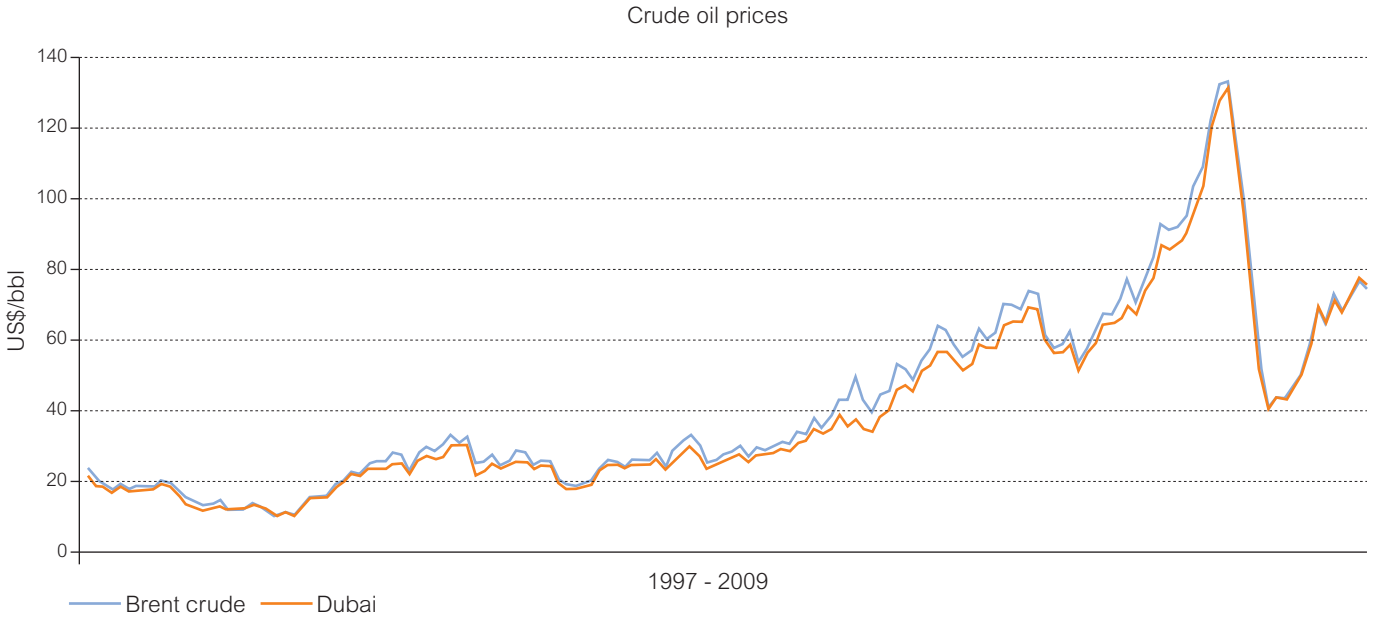


Figure 9 *Crude oil prices from 1997 – 2009*

Consumption of petroleum products in South Africa

Year	Millions of litres					
	Petrol	Diesel	Paraffin	Jet Fuel	Fuel Oil	LPG
1988	7 995	5 409	641	784	524	406
1989	8 395	5 350	678	835	546	432
1990	8 612	5 273	723	866	576	434
1991	8 906	5 130	725	861	526	464
1992	9 171	4 950	743	1 009	549	465
1993	9 202	4 940	834	1 095	595	454
1994	9 630	5 110	875	1 193	633	485
1995	10 153	5 432	850	1 368	616	472
1996	10 566	5 759	917	1 601	704	450
1997	10 798	5 875	970	1 777	635	502
1998	10 883	5 959	1 052	1 877	574	523
1999	10 861	5 993	1 054	1 995	561	540
2000	10 396	6 254	857	2 020	555	567
2001	10 340	6 488	786	1 924	555	599
2002	10 335	6 831	745	1 967	536	586
2003	10 667	7 263	769	2 099	528	558
2004	10 985	7 679	797	2 076	569	563
2005	11 165	8 115	761	2 180	489	550
2006	11 279	8 708	738	2 260	476	605
2007	11 558	9 755	696	2 402	465	636
2008	11 069	9 762	532	2 376	555	613
2009*	11 313	9 116	545	2 186	593	548

*Provisional data.

Brent crude prices

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Brent												
Average US$ price	19.1	12.7	17.9	28.4	24.5	24.7	28.8	38.2	54.4	65.1	72.5	97.0	61.5
Average rand price/barrel	88.08	69.90	109.37	197.76	208.02	258.60	218.05	246.85	347.52	422.61	511.49	548.53	520.79

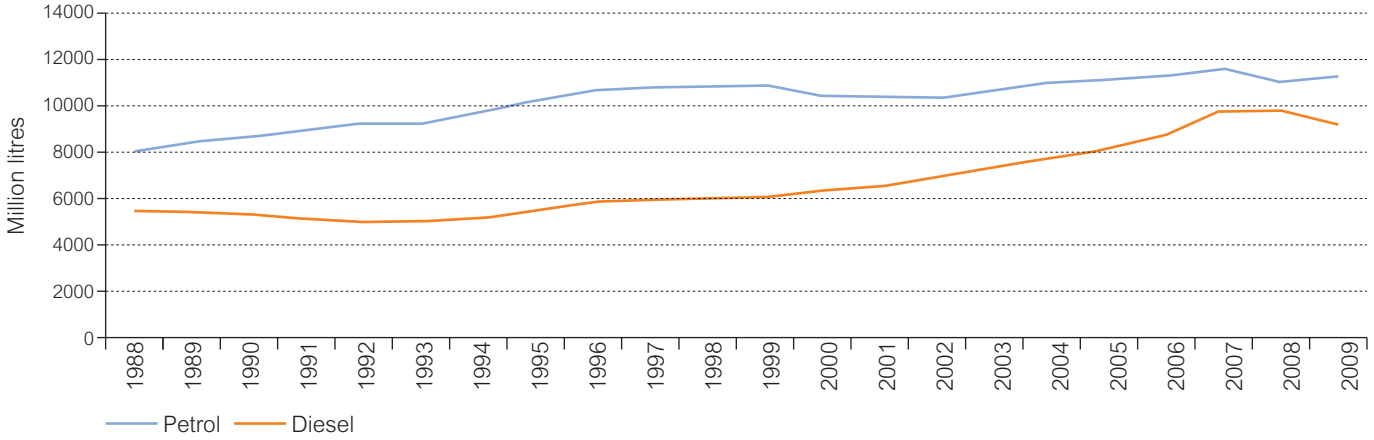


Figure 10 *Consumption of petrol and diesel in South Africa*

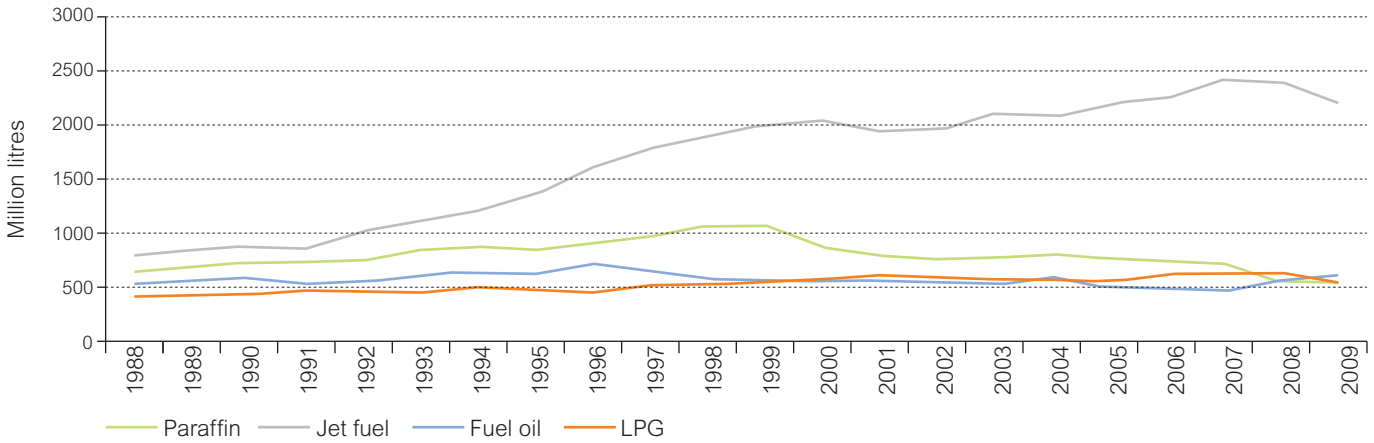


Figure 11 *Consumption of petroleum products in South Africa*

Petroleum products imports and exports

Millions of litres

Year	Imports				Exports			
	Petrol	Diesel	Jet Fuel	LPG	Petrol	Diesel	Jet Fuel	LPG
2007	1 963	2 924	368	14	1 078	653	68	37
2008	1 432	2 322	148	11	835	788	103	63

The above figures are unverified.

Demand/refining capacity balance

Millions of litres

	2008**	2009	2009
	Refining capacity actual	Demand actual	Surplus/(shortfall) actual
Petrol	10 571	11 313	(742)
Diesel	9 205	9 116	89
Kerosene*	3 261	2 731	530

*Kerosene includes illuminating paraffin and jet fuel.
**The Joint Oil Data Initiative (Jodi) database was not updated in 2009, hence the use of 2008 data.
Source: www.jodidb.org (Retrieved: June 2009).

Capacity of South African refineries

Capacity (bbl/day)

Refineries	1992	1997	2007	2009
Sapref	120 000	165 000	180 000	180 000
Enref	70 000	105 000	125 000	125 000
Chevref	100 000	100 000	100 000	100 000
Natref	78 000	86 000	108 000	92 000**
Sasol	150 000*	150 000*	150 000	150 000
PetroSA	45 000*	45 000*	45 000	45 000
Total	**513 000**	**651 000**	**708 000**	**692 000**

*Crude equivalent.
**In 2008 Natref disinvested capacity from 108kb/d to 92kb/d in order to downscale for clean fuels and for the required electricity consumption reduction.

Petrol/diesel consumption ratio

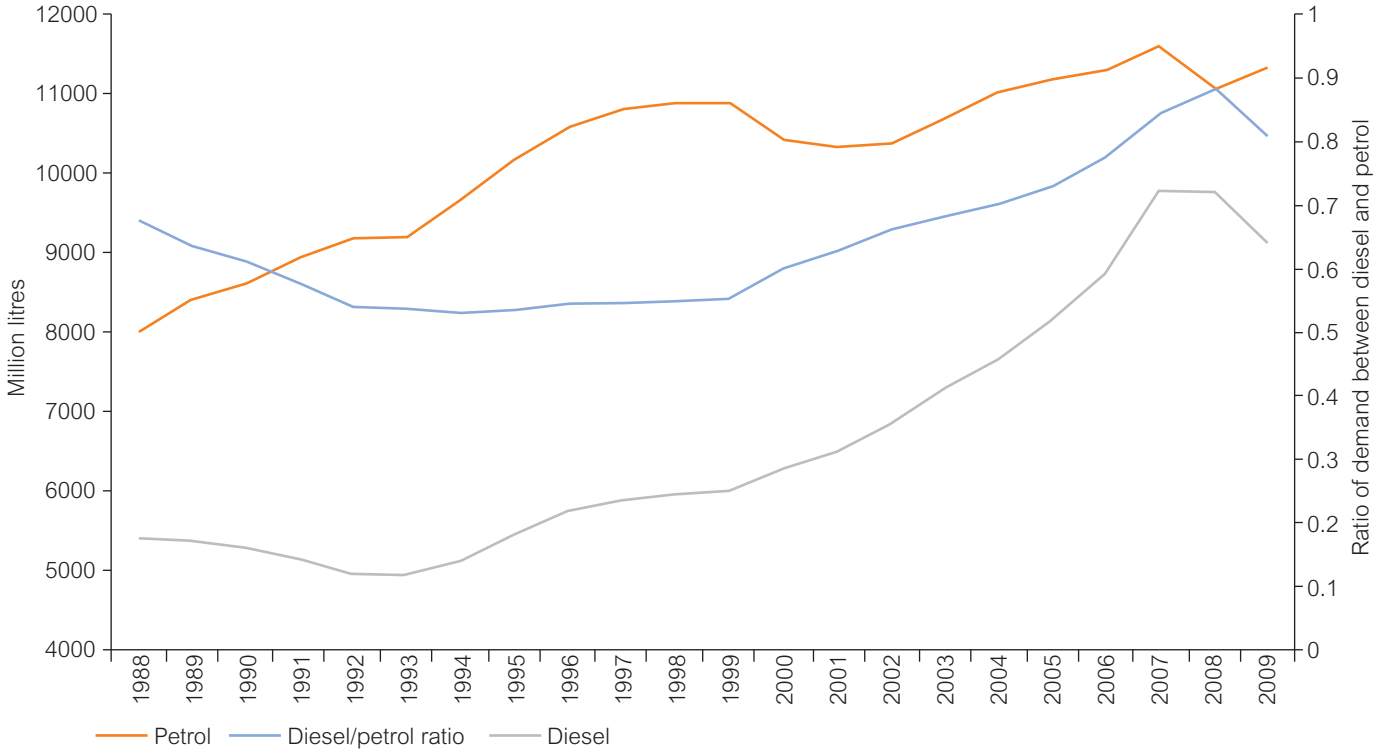


Figure 12 *Petrol/diesel consumption ratio*

The ratio of demand between diesel and petrol in 2009 was about 9.1 parts diesel to 11.3 parts petrol which gives a ratio of 0.81. The ratio in 2008 was 0.88. Petrol consumption has thus increased more in relation to diesel consumption in 2009 than in 2008. The graph shows that there has been an upward trend in the diesel/petrol ratio from 1995 until 2008.

Prices in Gauteng: 30 June each year

Year	93 octane leaded petrol retail price (c/l)	0.05% sulphur diesel wholesale price (c/l)
1985	90.1	91.7
1986	83.0	84.0
1987	83.0	84.0
1988	82.0	76.0
1989	112.0	109.0
1990	118.0	111.0
1991	130.0	131.0
1992	152.0	146.0
1993	175.0	162.0
1994	183.0	166.0
1995	187.0	172.0
1996	219.0	202.0
1997	217.0	207.0
1998	232.0	203.0
1999	268.0	226.0
2000	331.0	284.0
2001	401.0	341.5
2002	419.0	378.0
2003	361.0	320.0
2004	471.0	428.0
2005	506.0	498.0
2006	636.0	600.1
2007	711.0	625.3
2008	983.0	1080.3
2009	736.0	645.95

Source: Department of Energy.

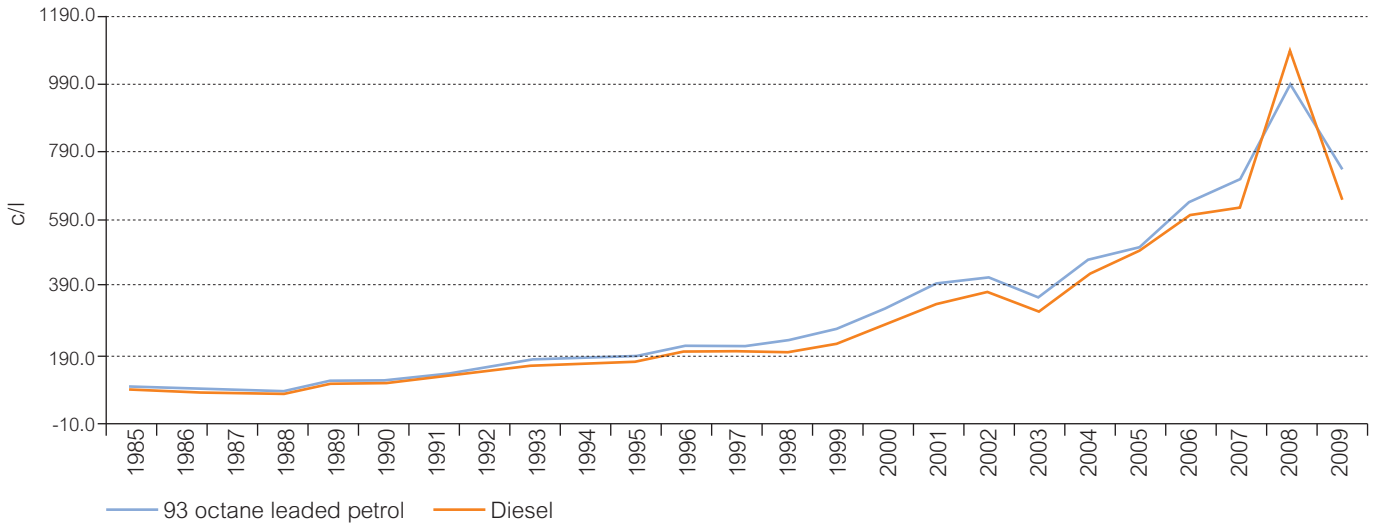


Figure 13 *Prices in Gauteng: 30 June each year*

Petrol and diesel price breakdown

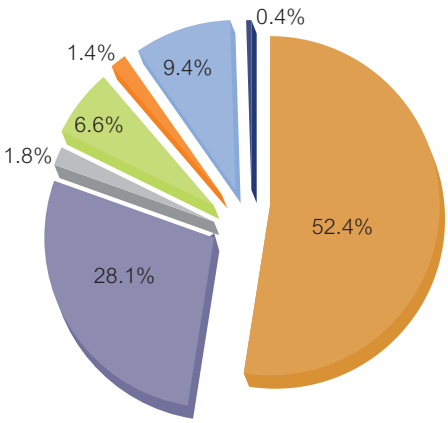


Figure 14 *93 octane petrol: Gauteng retail price 776.0c/l in December 2009*

- Contribution to the Basic Fuel Price* 406.482c/l
- Government duties and levies 218.150c/l
- Zone differential 14.000c/l
- Industry margin 50.868c/l
- Service differential 10.800c/l
- Dealer margin 72.700c/l
- Incremental Inland Transport Cost Recovery Levy 3.000c/l

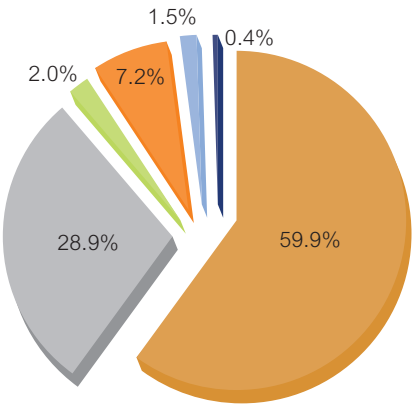


Figure 15 *Diesel (0.05% sulphur diesel): Gauteng wholesale price 703.450c/l in December 2009*

- Contribution to the Basic Fuel Price* 421.630c/l
- Government duties and levies 203.160c/l
- Zone differential 14.000c/l
- Industry margin 50.860c/l
- Service differential 10.800c/l
- Incremental Inland Transport Cost Recovery Levy 3.000c/l

*Including slate levy.
Source: Department of Energy.

Fuels taxation history - South Africa (rates at 31 December each year)

Petrol

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Petroleum Products Levy	Demand Side Management Levy	Incremental Inland Transport Cost Recovery Levy	Total Imposts
1988	4.0	22.9	3.6	7.0	0.0	0.0	0.0	37.5
1989	4.0	31.9	3.6	7.0	0.0	0.0	0.0	46.5
1990	4.0	31.9	4.2	7.0	0.0	0.0	0.0	47.1
1991	4.0	46.9	4.2	7.0	0.0	0.0	0.0	62.1
1992	4.0	54.9	6.2	7.0	0.0	0.0	0.0	72.1
1993	4.0	60.9	9.2	7.0	0.0	0.0	0.0	81.1
1994	4.0	60.9	9.2	9.4	0.0	0.0	0.0	83.5
1995	4.0	62.9	9.2	9.4	0.0	0.0	0.0	85.5
1996	4.0	71.6	10.5	5.4	0.0	0.0	0.0	91.5
1997	4.0	76.6	12.5	0.4	0.0	0.0	0.0	93.5
1998	4.0	86.6	14.5	8.0	0.0	0.0	0.0	113.1
1999	4.0	90.6	14.5	8.0	0.0	0.0	0.0	117.1
2000	4.0	95.6	14.5	0.0	0.0	0.0	0.0	114.1
2001	4.0	98.0	16.5	0.0	0.0	0.0	0.0	118.5
2002	4.0	98.0	18.5	0.0	0.0	0.0	0.0	120.5
2003	4.0	101.0	21.5	0.0	0.0	0.0	0.0	126.5
2004	4.0	111.0	26.5	0.0	0.0	0.0	0.0	141.5
2005	4.0	116.0	31.5	0.0	0.0	0.0	0.0	151.5
2006	4.0	116.0	36.5	0.0	0.0	10.0	0.0	166.5
2007	4.0	121.0	41.5	0.0	0.19	10.0	0.0	176.7
2008	4.0	127.0	46.5	0.0	0.15	10.0	1.5	189.2
2009	4.0	150.0	64.0	0.0	0.15	10.0	3.0	231.15

Gauteng retail price of 93 octane in December 2009 was 776c/l. Taxes and levies as a % of this retail price - 29.79%.
Source: Department of Energy.

Diesel / Illuminating Paraffin

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Petroleum Products Levy	IP Tracer Levy	Incremental Inland Transport Cost Recovery Levy	Total Imposts	Equalisation Fund Levy	GST VAT%
1988	4.0	19.9	2.1	7.0	0.0	0.0	0.0	33.0	5.3	12%
1989	4.0	31.4	2.1	7.0	0.0	0.0	0.0	44.5	7.0	12%
1990	4.0	31.4	2.1	7.0	0.0	0.0	0.0	44.5	7.0	12%
1991	4.0	33.4	2.4	7.0	0.0	0.0	0.0	46.8	7.0	10%
1992	4.0	47.4	4.0	7.0	0.0	0.0	0.0	62.4	7.0	10%
1993	4.0	47.4	4.0	7.0	0.0	0.0	0.0	62.4	7.0	14%
1994	4.0	53.4	6.0	8.0	0.0	0.0	0.0	71.4	7.0	14%
1995	4.0	53.4	6.0	8.0	0.0	0.0	0.0	71.4	7.0	14%
1996	4.0	61.6	5.8	5.00	0.0	0.0	0.0	76.4	0.0	14%
1997	4.0	63.6	6.8	3.00	0.0	0.0	0.0	77.4	0.0	14%
1998	4.0	76.1	10.3	8.00	0.0	0.0	0.0	98.4	0.0	14%
1999	4.0	76.1	10.3	8.00	0.0	0.0	0.0	98.4	0.0	14%
2000	4.0	79.1	10.3	0.00	0.0	0.0	0.0	93.4	0.0	14%
2001	4.0	81.0	16.5	0.00	0.0	0.0	0.0	101.5	0.0	0.0
2002	4.0	81.0	18.5	0.00	0.0	0.0	0.0	103.5	0.0	0.0
2003	4.0	85.0	21.5	0.00	0.0	0.0	0.0	110.5	0.0	0.0
2004	4.0	95.0	26.5	0.00	0.0	0.0	0.0	125.5	0.0	0.0
2005	4.0	100.0	31.5	0.00	0.0	0.0	0.0	135.5	0.0	0.0
2006	4.0	100.0	36.5	0.00	0.0	0.0	0.0	140.5	0.0	0.0
2007	4.0	105.00	41.50	0.00	0.19	0.010	0.0	150.7	0.0	0.0
2008	4.0	127.0	46.5	0.00	0.15	0.010	1.5	179.2	0.0	0.0
2009	4.0	135.0	64.0	0.00	0.15	0.010	3.0	206.16	0.0	0.0

Gauteng wholesale price of 0.05% sulphur diesel in December 2009 was 703.45c/l. Taxes and levies as a % of the wholesale price - 29.31%.
Source: Department of Energy.

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2009 volumes at June 2009 rates)

	Petrol	Diesel	Illuminating Paraffin		
Sales volumes (million litres)	11 313	9 116	545		
95 unleaded petrol in the DSML area (million litres)*	509				
Customs and Excise Duty (c/l)	4.000	4.000	0.000		
Fuel Levy (c/l)	150.000	135.000	0.000		
Road Accident Fund Levy (c/l)	64.000	64.000	0.000		
Equalisation Fund Levy (c/l)	0.000	0.000	0.000		
Value Added Tax (VAT)	0.000	0.000	0.000		
Demand Side Management Levy (DSML) (c/l)	10.000	0.000	0.000		
IP Marker Levy (c/l)	0.000	0.010	0.000		
Petroleum Products Levy (c/l)	0.150	0.150	0.000		
				Total	
	Million rands				
Customs and Excise Duty	453	365	0	**817**	
Fuel Levy	16 969	12 307	0	**29 276**	
Road Accident Fund Levy	7 240	5 834	0	**13 075**	
Equalisation Fund Levy	0	0	0	**0**	
Value Added Tax (VAT)	0	0	0	**0**	
Demand Side Management Levy** (DSML)	51	0	0	**51**	
IP Marker Levy	0	1	0	**1**	
Petroleum Products Levy***	17	14	0	**31**	
Total	**24 729**	**18 521**	**0**	**43 250**	

* Provisional data.
** Only applicable to 95 octane unleaded petrol sold in the inland zones.
***The levy is used to cover the cost of the National Energy Regulator for regulating the petroleum pipelines industry.

Health, safety and environment performance indicators

Performance Indicators	2004	2005	2006	2007	2008
(Not including refineries)					
Safety: staff and contractors					
Fatalities	25	35	18	7	17
Lost time injuries	66	68	73	49	70
Hours worked (million)	29.3	30.9	33.7	28.15	91.59
Total recordable rate (TRR), fatalities	0.62	0.92	0.943	0.81	1.06
plus lost time injuries per 200 000 hours worked					
Environment:					
Fires	41	67	2	24	25
Health:					
Occupational illnesses	5	1	1	1	1
Security:					
Hijackings: on retail forecourts	16	20	16	17	11
Cash-in-transit robberies	41	29	71	49	56
Retail robberies	297	358	376	651	782

Workforce profile

The table below reflects the combined workforce profile for direct employees of SAPIA member companies and its refineries as reported to the Department of Labour in October 2007. The last column lists employees with disabilities. It should be noted that the petroleum industry supports direct and indirect employment for over 100 000 people.

Occupational Level	Gender	African	Coloured	Indian	White	Foreign National	Total	People with Disabilities
Top management	Female	1	0	1	1	1	4	0
	Male	10	5	5	24	20	64	0
Top management total		**11**	**5**	**6**	**25**	**21**	**68**	**0**
Senior management	Female	15	10	5	31	11	72	1
	Male	38	44	29	153	40	304	3
Senior management total		**53**	**54**	**34**	**184**	**51**	**376**	**4**
Specialists & mid-management	Female	220	155	102	268	16	761	5
	Male	475	315	296	919	55	2 060	17
Specialists & mid-management total		**695**	**470**	**398**	**1 187**	**71**	**2 821**	**22**
Skilled technical	Female	546	445	157	474	6	1 628	10
	Male	1 132	703	508	941	17	3 301	18
Skilled technical total		**1 678**	**1 148**	**665**	**1 415**	**23**	**4 929**	**28**
Semi-skilled	Female	243	151	38	119	1	552	8
	Male	1 408	387	124	152	1	2 072	3
Semi-skilled total		**1 651**	**538**	**162**	**271**	**2**	**2 624**	**11**

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