

A large, curved, metallic industrial tank, likely a storage vessel for oil or gas, dominates the background. It has a spiral staircase on the left side. In the foreground, two workers wearing blue uniforms, white hard hats, and safety glasses are looking at a clipboard. The sky is clear blue.

2010 Annual Report

‘Coming together is a beginning.
Keeping together is progress.
Working together is success.’

Henry Ford



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Introduction

- Foreword by the Minister of Energy
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Foreword by the Minister of Energy

Dipuo Peters



As a constitutionally mandated servant of the South African people on energy matters of the Republic, it is an honour to write a foreword to the 12th South African Petroleum Industry Association's Annual Report. Given the historical, diverse documentary evidence, and the continuously evolving regulatory environment under which the SA petroleum industry's value chain operates, I can, with authority, pronounce on the industry's metamorphosis since inception to date.

There can be no doubt in the importance of SAPIA's role as essential providers of transportation fuel to the economy of the Republic, and to the economies of our immediate neighbouring countries, as well as the positive socio-economic spin-offs related thereto. It then also becomes very important to mention that as regulated the industry may be, shareholders of the industry continuously receive a positive return on their investment.

Out of this symbiotic and mutually beneficial relationship between the Government and SAPIA, there was recognition that political emancipation alone by the previously oppressed and dispossessed Black masses of SA without economic emancipation, was never to be a sustainable and mutually beneficial co-existence. Thus in 2002 saw the inaugural signing of the Liquid Fuels Charter (LFC) by all major industry players and stakeholders, committing themselves that by 2010, at least 25% of the equity in the various entities that have operating assets in the South African liquid fuels industry should be held by historically disadvantaged South Africans.

That deadline has come and gone, though the LFC's objectives in their entirety have not been comprehensively and meaningfully met. That is, however, being looked into by an independent audit I commissioned which is expected to table its findings in the next few months. I hasten to add that, even without the LFC audit, we know that the industry has not performed well with regard to gender and local procurement.

If we look into the developments affecting the industry post 1994, and particularly the integration of SA into the global economy with all its vagaries, necessitated to an extent, the evolvement of the regulatory and policy environment affecting the industry. With these developments, the Department of Energy, in what has become the defining character of the incumbent Government, constantly engages and consults with the industry on issues of mutual benefit specific to the petroleum sector.

These engagements, premised on the interests of the Government and the industry, as well as the global realities to which SA is not divorced, resulted in a number of policy considerations by the Department of Energy.

We can count among these the development of a relevant Regulatory Accounting System for the downstream liquid fuels sector. The ultimate is for an efficient and effective regulation system of accounts which aims to clearly define costs of regulated and unregulated activities so as to link pricing to explicit cost drivers.

The Strategic Stocks Policy is also an important component of the Government's policy package aimed at coping with severe fuel supply disruptions that exceed the level of commercial stocks coverage. For the 1973-1974 oil embargo created by the Organisation of Petroleum Exporting Countries (OPEC) which

resulted in the global supply of petroleum products being drastically reduced is a lesson well documented. I would never want to be in that situation by not doing anything as history will judge me harshly for generations to come. Linked to this are various but strategic studies and intentions to ensure sustainable and affordable supply of energy products.

Our connectedness to the global economy and people dictates that we are on par with major developments that tie us as humanity. The issues of the environment, health and climate change among others forced our hand to move in tandem with the world in developing and introducing cleaner fuels. This started way back in 2006 when lead was completely phased out from petroleum products, as well as the reduction of sulphur content in diesel. We are forging ahead with the second round of clean fuels which will see South Africa having Clean Fuels Two specifications and standards by the end of 2017.

As an integral part of the global community, let alone for our own forecasts and decision making processes, regulations are being developed to make it mandatory for industry players to submit

energy data. This will go a long way in assisting the Department in carrying out its constitutionally mandated obligations. All these processes and objectives have set deadlines that will demand justification of my continued service should they not be met.

It would be a great injustice not to mention the successful hosting of the 2010 Soccer World Cup in our country. From a fuel supply point of view, I would like to thank the sterling work put in by the industry and Government officials who set up committees to ensure that there was no shortage of supply during that period. Bravo!

Let us look forward to a challenging but hopeful future, particularly since we as South Africans have to an extent managed to weather the global financial crisis that left so many out of pocket and jobs. This in no way attempts to downplay our own experiences with job losses and financial difficulty experienced by many of our people, and particularly the growing number of jobless and destitute compatriots.

It is however my strong resolve that together with SAPIA, we can do much more in realising the dreams of a better South Africa for all.

Report by SAPIA Chairperson

Maurice Radebe



The global economic recession that began in 2008 and continued into 2009 has had a great impact on world energy demand. Total world market energy consumption contracted by 1.2 per cent in 2008 and by an estimated 2.2 per cent in 2009, according to the Energy Information Administration's *International Energy Outlook 2010*. The pace at which the global economy recovers holds the key to energy forecasts for the next several years. However, the economic situation has improved considerably over the past 12 months.

The Brent crude oil price reached an approximate high of US\$94/barrel and an approximate low of US\$68/barrel during 2010. After two years of declining demand, world liquid fuels consumption is expected to increase in 2010 and strengthen thereafter as the world economies recover fully from the effects of the recession (Energy Information Administration: *International Energy Outlook 2010*). In South Africa, the demand for petrol increased by approximately 1.1% per cent in 2010

compared with the previous year, while demand for diesel increased by 4.6% per cent.

Competition Commission exemption and 2010 FIFA World Cup

SAPIA filed 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) during 2009. On 17 March 2010, the Competition Commission granted SAPIA, its members and affiliated companies and subsidiaries an unconditional exemption covering all categories of agreements or practices in the petroleum and refinery industry until 31 August 2010. This exemption was granted solely for the purposes of the 2010 FIFA World Cup to allow for joint planning by players for the supply of petroleum products. As a result of the exemption and the effective collaboration among all stakeholders, there were no disruptions to fuel supply during the event.

SAPIA filed another application to the Competition Commission on 7 April 2010 requesting a further exemption from 1 September 2010 to 31 December 2015. The exemption from the relevant sections of the Competition Act is critical in enabling the oil industry to operate collaboratively within the highly constrained supply chain to ensure security of fuel supply in South Africa. It is imperative that the process of granting the exemption is expedited.

Clean fuels roadmap

SAPIA's Board of Governors presented Minister Peters with a proposal on 29 January 2010 for new, cleaner fuel specifications that will be in the best interests of the country. The document contains information on the experiences of other countries that have already been through this process, as well as background information that will be required by the regulators to identify the fuel specifications that will be best suited to South Africa's local conditions. This document contains the results of work conducted over an 18-month period by independent consultants and an oil industry team.

During 2011, we will seek finalisation of the long-term roadmap for new fuel specifications with DOE and relevant stakeholders. This will include agreement on timelines for the new fuel specifications, agreement on some form of cost recovery system to facilitate the large capital investments required and hopefully receiving an exemption from the Competition Commission to facilitate the earlier introduction of cleaner fuels.

Transformation

A decade has passed since the industry signed the Petroleum and Liquid Fuels Charter in 2000. It is now time to review the progress that has been made over this period. The Department of Energy's audit results will be available by the end of April 2011. We have succeeded in many areas of the charter, such as ownership, skills development and employment equity, but it is my feeling that there are many areas where we need to improve. The assessment will tell us exactly which areas need improvement. I am confident that the industry will respond positively to the audit and that we will rise to the challenge of transforming the sector.

Acknowledgements

On behalf of the Board of Governors, I thank Minister Peters and the Department of Energy for their constant support and leadership. It gives me great pleasure to welcome my successor as chairperson for 2011, PetroSA's Vice President for Trading, Supply and Logistics, Dr Nompumelelo Siswana. I hope her tenure is successful and gratifying. We bid farewell to Advocate Rams Ramashia of BP Southern Africa, Rashid Yusof of Engen Petroleum and Siphso Mkhize of PetroSA who left the Board of Governors in 2010. We thank them for their many years of service to SAPIA and invaluable contribution. We also welcome Siphso Maseko of BP Southern Africa, Nizam Salleh of Engen Petroleum and Dr Nompumelelo Siswana of PetroSA to the Board of Governors.

Introduction by SAPIA Executive Director Avhapfani Tshifularo



Welcome to the 2010 edition of the SAPIA Annual Report. This publication gives interesting insight into the South African petroleum industry and aims to be a useful reference for member companies, consumers, media and members of government who wish to know more about the industry.

In this report we identify the major developments that took place in the industry during 2010. We highlight our main achievements, challenges and identify the way forward on a number of key issues.

This report:

- outlines the SAPIA vision, mission and five-year strategy (2010-2014);
- identifies key changes in economic regulation and legislation;
- communicates industry's success towards ensuring security of supply during the 2010 FIFA World Cup;
- outlines the status of the Competition Commission investigation and exemption;
- communicates industry's performance highlights, challenges, progress, strategic focus areas and the way forward with regards to transformation;
- presents an environmental review showing how industry contributes to protecting the environment;
- highlights some of the benefits of the petroleum industry; and
- provides a statistical review of the industry showing the evolution of demand and supply of petroleum products.

I express my gratitude to the SAPIA Board of Governors, SAPIA Committees and SAPIA staff members for their commitment, constant support and wise counsel throughout the past year. I also would like to thank the Department of Energy under the leadership of Nelisiwe Magubane, the Director General for their willingness to engage the industry on issues of national interest. I firmly believe that by working together within the petroleum industry, we will deliver upon our mission which is to promote social and economic growth for the broader good of all South Africans and industry.

SAPIA overview

- Vision, mission and objectives
- Strategy
- Membership
- Structure of SAPIA
- Board of Governors
- 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.

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.

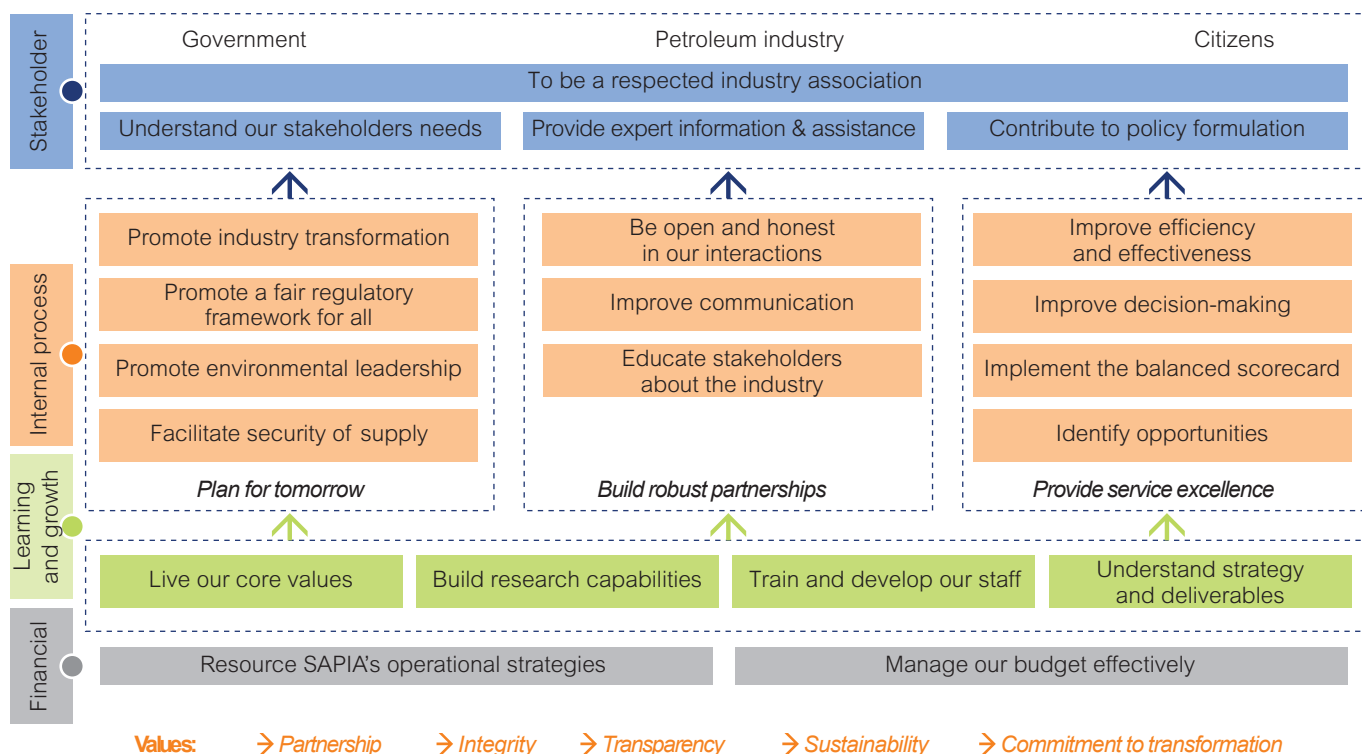


Figure 1 The SAPIA strategy

The SAPIA Board of Governors approved SAPIA's five-year strategy and implementation plan (2010 – 2014) during March 2010. The seven priority areas for 2010 are communication; transformation; security of supply; regulatory accounts; competition exemption application process and the investigation; fuel specifications and standards; and fuel efficiency.

During the year under review, SAPIA focused on implementing the following initiatives which fall within the strategic focus areas of its five-year strategy:

Strategic focus area	Procedure for achieving goals
Improve communication	<ul style="list-style-type: none"> Develop and implement an effective and efficient SAPIA communications strategy to promote the SAPIA point of view and to position SAPIA appropriately.
Transformation	<ul style="list-style-type: none"> Develop a SAPIA position and approach to continue implementing transformation to meet all stakeholders' expectations.
Security of supply	<ul style="list-style-type: none"> Implementation of the 2010 FIFA World Cup fuel supply plan which entailed stretching all available logistics to ensure that the country was kept wet with no supply disruption of diesel, jet fuel and petrol. Contribute to the establishment of a process to ensure long-term security of supply of all petroleum products.
Regulatory accounts	<ul style="list-style-type: none"> Engage and work with government to develop and implement a simple, transparent regulatory system for calculating controlled industry margins and cost recoveries that fairly compensate investors for their investments, commensurate with the risk involved.
Competition exemption application and investigation	<ul style="list-style-type: none"> Continuously engage the Competition Commission on the progress of the exemption application. Co-operate with the Competition Commission on the investigation of SAPIA by furnishing the requested info timeously.
Fuel specifications and standards	<ul style="list-style-type: none"> Promote the government to take a decision on the way forward through representation of all SAPIA member views.
Fuel efficiency	<ul style="list-style-type: none"> Partner with government to develop and implement programmes to promote the efficient use of petroleum fuels by motorists and taxis.

Table 1 SAPIA's strategic focus areas

Communication activities

SAPIA expanded its communication efforts in 2010. The graph below shows the number of communication activities and media coverage received in 2010 in comparison with 2009.

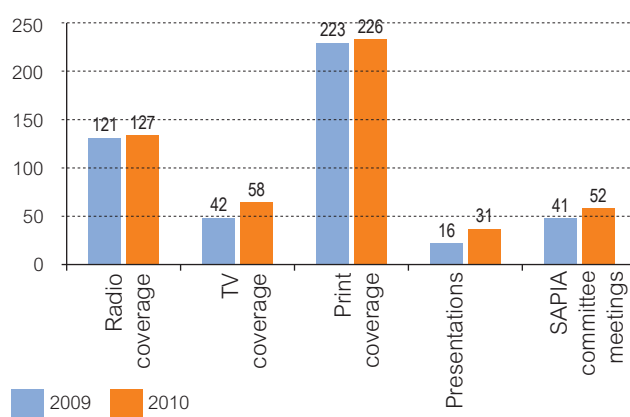


Figure 2 SAPIA's communication activities and media coverage in 2009 and 2010

Membership

The current SAPIA members are:

- BP Southern Africa (Pty) Limited
- Chevron South Africa (Pty) Limited
- Engen Petroleum Limited
- Sasol Limited
- Shell South Africa Marketing (Pty) Limited
- The Petroleum Oil and Gas Corporation of South Africa (Pty) Limited ('PetroSA')
- Total South Africa (Pty) Limited

Organisation structure

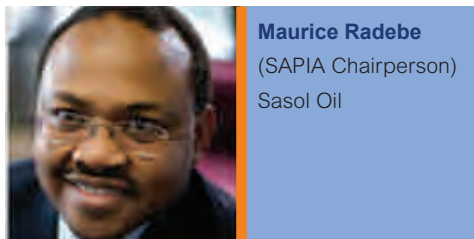
SAPIA operates under a Board of Governors comprising of seven members from member companies. The Chairperson and Vice Chairperson rotate annually. The association has a small and highly skilled staff complement, led by an Executive Director. SAPIA staff are independent of the member companies.

The 2010 Board of Governors:

Maurice Radebe, Chairman of Sasol Oil, has been elected as the Chairperson of SAPIA for the year 2010. He is the 16th industry leader to chair the association since its establishment in July 1994. 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.

The 2010 Board of Governors comprises of the following individuals:

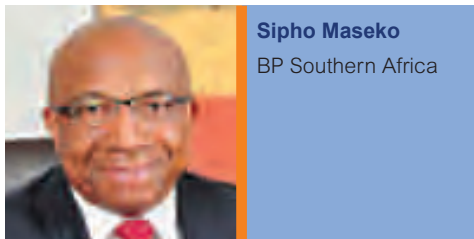
Maurice Radebe (SAPIA Chairperson), Sasol Oil
Sipho Maseko, BP Southern Africa
James Seutloadi, Chevron South Africa
Nizam Salleh, Engen Petroleum
Bonang Mohale, Shell South Africa
Dr Nompumelelo Siswana (SAPIA Vice Chairperson), PetroSA
Jean-Denis Royère, Total South Africa



Maurice Radebe
(SAPIA Chairperson)
Sasol Oil



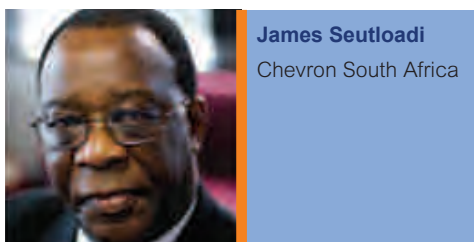
Bonang Mohale
Shell South Africa



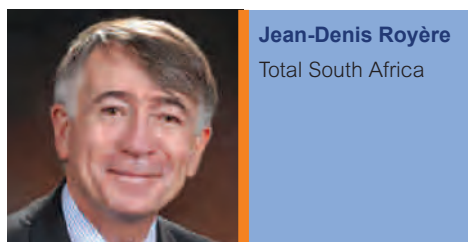
Sipho Maseko
BP Southern Africa



**Dr Nompumelelo
Siswana**
(SAPIA Vice
Chairperson)
PetroSA



James Seutloadi
Chevron South Africa



Jean-Denis Royère
Total South Africa



Nizam Salleh
Engen Petroleum

Figure 3 SAPIA Board of Governors

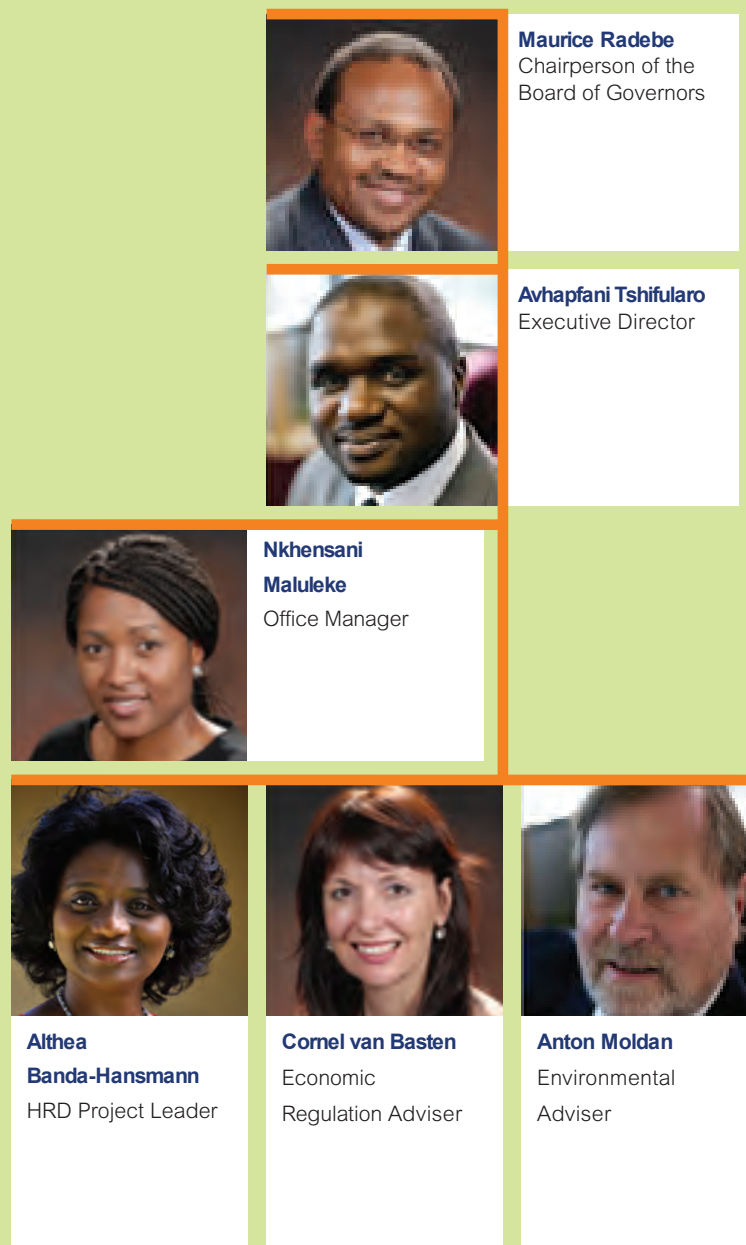


Figure 4 SAPIA organisational chart



SAPIA committees

There are eight active committees which 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	Maurice Radebe	Sasol Oil
2. Strategic Oversight Committee	Avhaphani Tshifularo	SAPIA
3. Communications Committee	Russel Mamabolo	PetroSA
4. Transformation Committee	Zwelakhe Mkhasibe	Sasol Oil
5. Petroleum Industry Engineering and Environment Committee	Fatima Shaik	Shell South Africa
6. Refinery Managers' Environmental Forum	Oscar Volkwyn	NATREF/ Sasol Oil
7. Technical Committee	Tim Blegenhout	Chevron South Africa
8. Legal Committee	Nancy Cairncross-Chinnapye	PetroSA

Table 2 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	2010	
Membership subscriptions	5 790	5 413	6 206	6 366	
Other income (including interest)	235	459	1 505	138	
Total income	6 025	5 872	7 711	6 504	
Expenditure (thousand rands)	2007	2008	2009	2010	
Personnel/payroll	3 352	3 382	3 113	3 663	
Other expenditure (including interest)	2 673	3 059	3 231	2 782	
Total expenditure	6 025	6 441	6 344	6 446	

Table 3 2010 financial statement



Highlights of the year 2010



Proposed South African roadmap for the introduction of **cleaner fuels** was presented to the Minister of Energy.



Member companies ensured a successful supply of petroleum products during the FIFA World Cup 2010 in South Africa.

R158-million

spent by SAPIA member companies on corporate social investment projects.



Competition Commission granted an exemption from certain provisions of the Competition Act to allow for joint planning by member companies for the supply of petroleum products during the **2010 FIFA World Cup** in South Africa.

Liquid Fuels Charter public hearings took place in Parliament.

Department of Energy launched the Liquid Fuels Charter compliance audit.





Oil and Gas Indaba provided an information-sharing platform for black entrepreneurs and aimed to identify new opportunities in the industry.

SAPIA spearheaded and sponsored an **eco-driving training** pilot project in the Western Cape which focused on training metered-taxi drivers in eco-driving techniques.



Studies on petroleum hydrocarbon vapour dispersion at service stations were completed and requirements for vapour recovery in the vicinity of service stations were identified.

1 215

artisans and process operators qualified from the Oil, Gas and Chemical Manufacturing Companies Artisan Skills Training Project by the end of 2010.



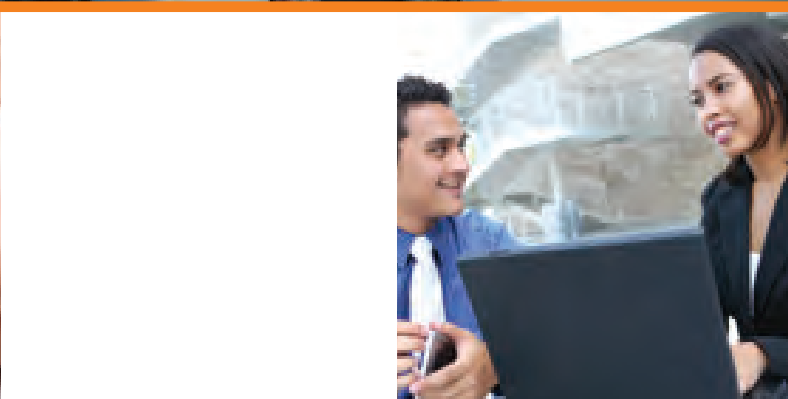
72 industry employees graduated from the 2010 Leadership in Oil and Energy Certificate Programme.

R263-million invested by the industry towards increasing the availability of skilled/qualified artisans and process operators since 2007.

R60-million invested by the Chemical Industry Education and Training Authority into training artisans and process operators in the petroleum industry.

The year in **review**

- Economic regulation and legislation
- Security of supply
- Transformation review
- Environmental review
- Benefits of the South African petroleum industry



Economic regulation and legislation

Given the strategic nature of the liquid fuels industry, it is subject to varying degrees of government regulation and legislation. 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 petroleum industry, in the best interest of the country.

Petroleum products price developments

The price of petrol and diesel are comprised of the following elements:

- Basic Fuel Price (BFP)
- Wholesale margin
- Service cost recoveries (storage, handling, delivery and distribution costs)
- Dealer margin
- Zone differential
- Fuel Levy
- Customs and Excise Duty
- Road Accident Fund (RAF) Levy
- Petroleum Products Levy
- Slate Levy
- Demand Side Management Levy (only applicable to 95 octane ULP)
- Incremental Inland Transport Recovery Levy

The following section will provide more detail on the elements of petroleum prices in which adjustments have been made during 2010.

Increase in wholesale margin and service differential

The wholesale margin for 93 octane increased by 3.001 c/l to 53.869 c/l; for 95 octane it increased by 3.014 c/l to 54.101 c/l, for diesel it increased by 3.001 c/l to 53.861 c/l and for illuminating paraffin (IP) the increase was 3.013 c/l to 54.085 c/l. The increases were effective from 1 December 2010.

The service differential increased by 0.6 c/l to 11.4 c/l in petrol, diesel and IP.

Increase in retail margin on petrol

The Minister of Energy approved an increase of 8.5 c/l to 81.2 c/l in the retail margin on all grades of petrol with effect from 6 October 2010.

Increase in fuel levy on petrol and diesel

The Minister of Finance, in his budget speech on 17 February 2010, announced that the fuel levy on petrol and diesel will increase by 17.5 c/l to 167.5 c/l in the case of petrol and 152.5 c/l in the case of diesel with effect from 1 April 2010. This includes a 7.5 c/l contribution towards the funding of the New Multi-Products Pipeline (NMPP) between Durban and Gauteng.

Increase in the Road Accident Fund levy on petrol and diesel

The Minister of Finance announced in his budget speech on 17 February 2010 that the Road Accident Fund levy on petrol and diesel will increase by 8 c/l to 72 c/l with effect from 1 April 2010.

Magisterial district pricing zones

The magisterial district pricing zones are based on the cost of moving fuels 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 magisterial district zone (MDZ) system is based on standard costs for road transport as supplied by the Road Freight Association (RFA) and actual pipeline rates as set by the National Energy Regulator (NERSA) for Transnet Pipelines.

Revised road and pipeline transport tariffs became applicable in petrol, diesel and illuminating paraffin price structures with effect from 5 May 2010.

NERSA announced an average tariff increase of 6.09% on 25 March 2010 with effect from 1 April 2010 in the transport cost of petroleum transported by pipeline from Durban to the C-zones.

It is expected that the DOE will conduct a review of the MDZ system during 2011.

Maximum retail price for Liquefied Petroleum Gas

The Minister of Energy approved the setting of maximum retail prices for Liquefied Petroleum Gas (LPG) with effect from 14 July 2010. The main reason for regulation of maximum retail prices is to make LPG more affordable and accessible to the lower income portion of society. The working rules to determine the maximum retail prices for LPG are available on the DOE website. It is important to note that these prices will differ from one MDZ to the next because of the different transport tariffs applicable in each MDZ.

The maximum retail price consists of the following components:

- Maximum refinery gate price
- Primary transport cost
- Operating expenses
- Working capital
- Depreciation
- Gross margin
- Retail margin (15%)
- Value Added Tax (14%)

Tariff setting and margin determination

Department of Energy regulatory accounts

The DOE is in the final stage of completing the development of the methodology for the setting of margins for the different activities in the petroleum industry value 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.

The outcome of this methodology should be:

- 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.
- 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.
- Rules to determine margins for each of the activities.
- Computer-based programs/models which 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.

The implementation of this project needs to be managed carefully as it is a significant change from the current way in which margins are being set. It is therefore imperative for DOE to consider all potential policy and implementation issues that will impact the industry and the country as a whole as a result of this change.

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.

The intention expressed by DOE was to implement this project in 2011.

NERSA regulation of petroleum pipelines industry

The following occurred during the year under review:

- The fourth Amendment of the Tariff Methodology for Petroleum Pipelines Industry was approved by NERSA on 26 November 2009. This methodology is used to set tariffs for petroleum pipelines. NERSA also published draft minimum information requirements for petroleum pipeline tariff applications and conducted a public hearing in this regard on 12 August 2010.
- The Tariff Methodology for Petroleum Loading Facilities and Petroleum Storage Facilities was approved by NERSA on 25 March 2010. This methodology is used by NERSA to evaluate tariff applications for loading and storage facilities. Licensees have to apply for approval of storage and loading tariffs as per their licence conditions.
- Allocation mechanism guidelines for third party access to petroleum storage facilities were approved by NERSA on 26 November 2009. Licensees have to develop their allocation mechanisms (which must be submitted to NERSA within six months of receipt of a storage licence or within three months if the licence was granted prior to the commencement of the regulations) as is required by the Petroleum Pipelines Regulations published under GNR342 Government Gazette No. 30905 of 4 April 2008 in terms of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
- NERSA published a Discussion Document on certain matters pertaining to the application by Transnet Limited for the setting of its 2010/11 petroleum pipeline tariffs on 2 February 2010 for public comment. The Discussion Document focused on the Regulatory Asset Base, BETA and tariff design matters, among other things. SAPIA members commented on these issues. In NERSA's decision on Transnet Pipelines' tariff application it was stated that stakeholders



have different and opposing views on the issue of tariff structures. NERSA will therefore continue its investigations into this matter in order to develop an informed position for the next tariff period.

- Relating to the Transnet pipeline tariff application for 2011/2012, NERSA received Transnet Pipelines' application for an increase in allowable revenue on 1 October 2010. SAPIA members have commented on this application.
- In terms of the Petroleum Pipelines Act of 2003, licences for construction, operation and conversion of petroleum pipelines, storage and loading facilities are required. Applications for these activities are happening on a continuous basis.
- On 16 November 2010 NERSA approved the Draft Guidelines For Annual Assessment of Storage and Loading Facilities Tariff Applications. These guidelines were published for public comment which is due by 31 January 2011. SAPIA members will comment on this.

National Ports Authority tariffs

SAPIA has lodged a complaint to the National Ports Regulator regarding Transnet National Ports Authority (TNPA) tariffs effective from 1 April 2010. The National Ports Regulator approved an increase of 4.42% to tariffs charged by the National Ports Authority (NPA). However for the category 'Liquid Bulk – Crude & Petroleum Products' the NPA implemented an 80% increase from 1 April 2010. The increase in this tariff is counter to the decision by the National Ports Regulator to increase tariffs by 4.42%. In terms of section 11 (h) of the National Ports Act, 2005 (Act No. 12 of 2005) the National Ports Authority (NPA) has to 'ensure that adequate, affordable and efficient port services and facilities are provided.'

This increase has a negative impact on SAPIA members. The National Ports Regulator has not yet made a decision on this complaint.

Legislation

Display of price regulations

The Display of Prices of Petroleum Products Regulations (Gazette No. 33171) was gazetted on 14 May 2010. These regulations were made in terms of section 2(1)(f) of the Petroleum Products Act, 1977 (Act No. 120 of 1977) which makes provision for the display of prices of petroleum products.

In addition to compliance to the provisions of the Petroleum Products Act, DOE's main objectives for these regulations are understood to be:

- promotion of price transparency with regard to prices of petroleum products (petrol, diesel, IP and LPG);
- enhance competitiveness in the sector;
- promote consumer awareness of prices; and
- enable consumers to make an informed choice when purchasing petroleum products.

The regulations entail 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 such 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.

In general, 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 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.

Liquefied Petroleum Gas retail price regulations

The setting of maximum retail prices for Liquefied Petroleum Gas (LPG) was approved by the Minister of Energy and came into effect on 14 July 2010. Working Rules to determine the maximum retail prices for LPG were published on the DOE's website.

The maximum retail prices for LPG in the different MDZs are adjusted on the first Wednesday of each month, similar to petrol, diesel and illuminating paraffin (IP) prices. DOE's view is that the regulations of the retail maximum price of LPG will make the product more



affordable to residential customers while fairly compensating LPG suppliers for their capital investments and operating costs.

NERSA proposed levy on the piped-gas and petroleum pipeline industries for 2011/12

A notice in terms of section 2(3)(a) of both the Gas Regulator Levies Act 2002 (Act no. 75 of 2002) and of the Petroleum Pipelines Levies Act 2004 (Act No. 28 of 2004) was gazetted on 12 November 2010 for public comment. This levy is 'in respect of petroleum, measured in litres, delivered by importers, refiners and producers to the inlet flanges of petroleum pipelines and will be paid by the person holding the title to the petroleum immediately after it has entered the inlet flange.'

In terms of this notice NERSA is proposing a decrease in the levy to be imposed on the petroleum pipeline industry. The proposed levy is 0.19 c/l and will be applicable from 1 April 2011 to 31 March 2012 if and when approved.

Strategic stocks regulation

DOE has published draft regulations (Government Gazette no. 33567) for public comment on 23 September 2010 regarding strategic stocks to be held by oil companies. The draft regulations apply to all grades of petrol, as well as diesel, jet fuel, paraffin and LPG. In terms of the draft regulations, each oil company will be required to hold an equivalent of 14 days' strategic stocks of all petroleum products based on market share during the preceding financial year. It is proposed that these stocks should be held in storage facilities within reasonable proximity to its market. These regulations will have a major financial impact on oil companies in terms of investments required. SAPIA members have commented extensively on these draft regulations.

Biofuels

Following the South African Biofuels Industrial Strategy that was published in December 2007, an inter-departmental task team was established to implement the strategy. In this regard the DOE has invited tenders to:

- Appoint a service provider to assess the blending value of bio-ethanol with locally manufactured/imported petrol at local refineries and depots.
- Appoint a service provider to determine an appropriate levy of return on assets for a bio-ethanol and bio-diesel manufacturing plan, assess the operational costs of a bio-ethanol and bio-diesel manufacturing plant, determine the break-even point of each manufacturing plan, develop subsidy mechanisms for bio-ethanol and bio-diesel and conclude working rules to implement monthly and annual adjustments.

It is understood that DOE has appointed service providers during December 2010 and that the appointed service providers will rely heavily on SAPIA members for input into these projects.

Data provision

In terms of the National Energy Act, 2008 (Act No. 34 of 2008) the Minister of Energy published draft Provision of Energy Data Regulations in the Government Gazette (Gazette no. 33136 of 23 April 2010). The main objectives of these draft regulations are to enable the DOE to collect data and to specify the type and form of the data. The DOE is in the process of gazetting the final regulations and will then develop questionnaires for the collection of data. The draft regulations are vague and of a general nature and do not specify specific requirements. It also raises some concerns in terms of handling company sensitive information. The view from DOE is that the questionnaires will contain the specific requirements. SAPIA has commented extensively on these regulations.

SAPIA members participated in the DOE workshop on 30 April 2010 to finalise their 2007 Energy Balances report. The delay in publishing this report is a concern.

DOE in conjunction with the International Energy Agency (EIA) have hosted training on energy data and statistics. The training provided an overview of energy statistics, particularly on energy balances. SAPIA members participated in this process. The event was useful and highlighted the importance of data to enable adequate planning, monitor progress, report on outcomes and design interventions if needed.

It also emphasised that collection of data has a cost associated to it and care should be taken not to collect data for the sake of collecting it; a proper legal basis is not negotiable; an appropriate reporting mechanism is of crucial importance; as well as proper resources; and a suitable dissemination mechanism.



Export permits for bunkers

SAPIA applied to the International Trade Commission of South Africa (ITAC) for an exemption for export permit requirements on 21 October 2010 for bunkers (ships), aviation kerosene (aircrafts) and fuel tanks of vehicles leaving the country. In terms of ITAC's Export Control Regulations (Government Gazette no. 31145 of 20 June 2008) export permits are required to export bunkering fuel used for ships, aviation kerosene used for aircrafts and fuel tanks of vehicles leaving the country. While in terms of the South African Revenue Service's External Policy applying to the Exports of Bunkering Fuel, there are no specified export permit requirements.

This requirement for export permits for bunkering fuel, aviation kerosene and fuel tanks of vehicles leaving the country creates a challenge because of many administrative and timing impediments. For example, it is impossible to obtain an export permit timeously in the case where a foreign-going ship urgently requires bunkering fuel from a local company and has to leave within a few hours.

SAPIA requested ITAC to consider granting an exemption for the requirement of export permits for bunkering fuel, aviation kerosene and fuel tanks of vehicles leaving the country. Should this not be feasible SAPIA requested that a 'blanket' permit for a predetermined volume, from which the SAPIA members will draw down from for the individual exports, be issued to the SAPIA members.

ITAC has denied the application by SAPIA. SAPIA will appeal this decision as this requirement creates impossible challenges for SAPIA members.

External standard operating procedure for aviation kerosene supply

The South African Revenue Service (SARS) has developed an 'External Standard Operating Procedure (SOP) for the storage, use and disposal of Aviation Kerosene'. The main purpose of this SOP is to assist entities to control the storage, use and / or disposal of aviation kerosene, also known as jet fuel, as it is theoretically the same product as unmarked illuminating kerosene (IK) because technical specifications are the same. SAPIA members have commented extensively on this SOP. It is expected that the implementation date for this SOP will be January 2011.

20-year liquid fuels roadmap

The DOE has published a terms of reference (TOR) inviting tenders to develop a 20-year liquid fuels roadmap. The TOR stated that this roadmap should provide a framework to ensure security of supply in the short, medium and long term in a cost effective manner and supporting South Africa's growth and development goals. A compulsory briefing session took place on 18 November 2010 with prospective bidders. It is expected that SAPIA members will play a large role in the development of this roadmap.

Customs and Excise

SAPIA has commented on the draft Customs Control Bill and the draft Customs Duty Bill on 26 February 2010 and is awaiting the publication of the draft rules by SARS.

Competition Commission investigation

As reported in the SAPIA 2009 Annual Report, the Competition Commission announced on 19 January 2009 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. There is little progress to report on this matter except a few enquiries by the Commission.

Competition Commission exemption

SAPIA filed 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) during 2009.

On 17 March 2010, the Competition Commission granted the South African Petroleum Industry Association, its members and affiliated companies and subsidiaries an unconditional exemption covering all categories of agreements or practices in the petroleum and refinery industry until 31 August 2010. This exemption was granted solely for the purposes of the 2010 FIFA World Cup to allow for joint planning by players for the supply of petroleum products.

As the exemption expires on 31 August 2010, SAPIA filed another application to the Competition Commission on 7 April 2010 requesting a further exemption from 1 September 2010 to 31 December 2015. The exemption will allow for interaction to take place between key role players with regard to supply issues, logistics planning and pipeline operations to avoid future fuel shortages and facilitate security of supply. The Competition Commission has not yet made a decision on this application.

Fuel sales volume data reporting

In light of concerns raised by the Competition Commission regarding the publication of fuel sales volume data, SAPIA's Board of Governors decided to terminate any involvement in the collection of sales volume data to mitigate against any perceived competition

compliance risk. The DOE is currently considering taking over the collection of sales volume data.

Ensuring 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. During the year under review, security of supply during the 2010 FIFA World Cup was a key priority.

Progress in 2010

In August 2009, the Minister of Energy established a Ministerial Task Team (MTT) to focus on developing and executing plans to ensure security of fuel supply during the period of the 2010 FIFA World Cup.

The MTT was comprised of a core group of representatives from the Department of Energy, SAPIA and its member companies, Transnet Freight Rail (TFR), Transnet Pipelines (TPL) and Airports Company of South Africa (ACSA).

The scope of the MTT focused specifically on the security of jet fuel supply at all primary airports and the security of diesel and petrol supply nationally during the period of the 2010 FIFA World Cup. Special focus was placed on ensuring security of supply in the inland market due to the highly constrained supply logistics. More particularly, due to the significant increase in the demand for jet fuel which was anticipated at OR Tambo International Airport, most of the planning efforts were directed to ensuring security of supply in this area.



The overall objectives of the MTT were met and no shortages were experienced during the 2010 FIFA World Cup. The granting of the temporary exemption by the Competition Commission was a key factor in enabling the MTT participants to work effectively with the Department of Energy to develop a joint industry plan. It also created an enabling environment for the industry to respond to situations that, had they not been effectively addressed, could have resulted in supply disruptions. Most importantly, co-ordination and co-operation between all relevant parties (oil industry, Transnet, ACSA and the various airports) contributed to the overall success.

The way forward

The exemption from the relevant sections of the Competition Act is critical in enabling the oil industry to operate collaboratively within the highly constrained supply chain to ensure security of fuel supply in South Africa. The process of granting the exemption should be expedited. An exemption will still be required in the long term in instances where the supply chain is disrupted or unusually high demand occurs.

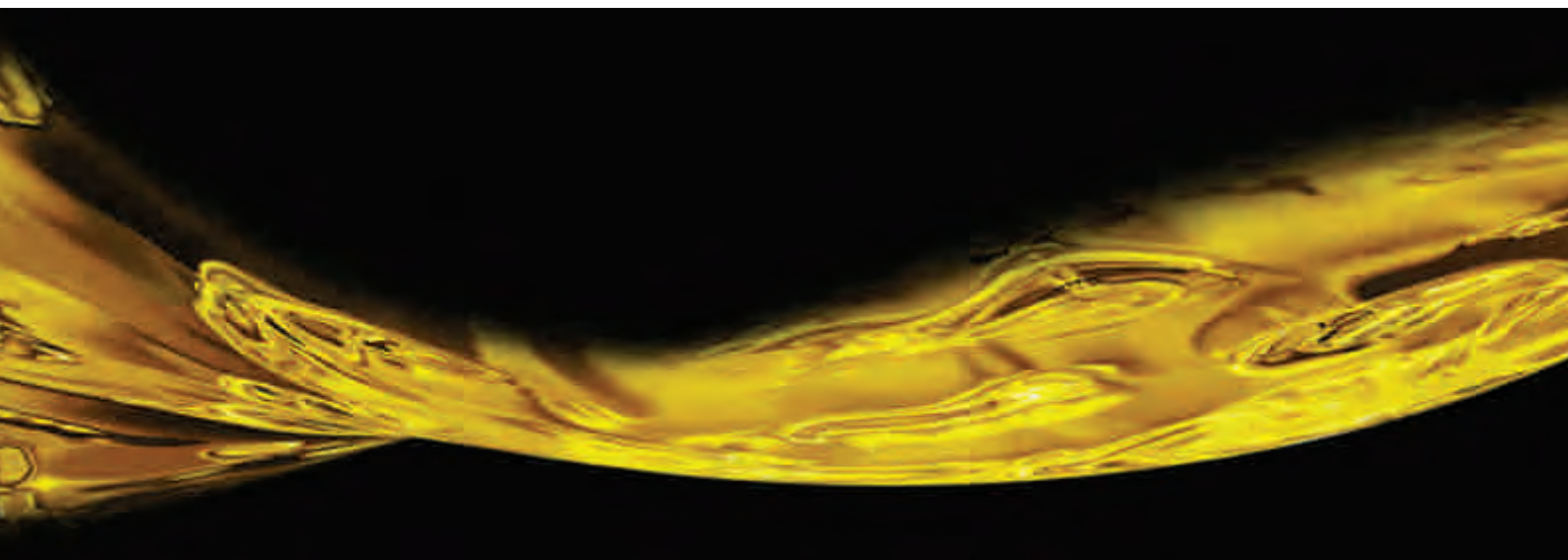
It is important that neutral parties are allowed to manage those areas where there is common infrastructure or when multiple industry participants share the same facilities. This is because industry-specific information needs to be shared and individual companies are requested to take certain actions in order to correct their supply or stock situation.

The exemption lapsed on 31 August 2010. Thereafter relevant information will be submitted to the DOE, who will then consolidate and distribute as and when necessary. Discussion between DOE and industry should continue to monitor security of supply. The DOE should also continue

to convene meetings in the case of emergency situations. However, this would need to be cleared with the Competition Commission.

Transformation review

The Liquid Fuels Charter, signed by industry in November 2000, aimed to transfer at least 25% ownership and control of all facets of the industry over a period of ten years to Historically Disadvantaged South Africans (HDSAs). This target was primarily focused on ownership of assets and procurement. The industry recognised and prioritised the critical need to correct the imbalances of the past, long before the Broad-Based Black Economic Empowerment (BBBEE) Act of 2003 was enacted. The Charter, and subsequently the BBBEE Act, created the industry's transformation roadmap.



2010 performance highlights	Ongoing challenges
<ul style="list-style-type: none"> Implemented the fifth Leadership in Oil and Energy (LOE) Certificate Programme. 	<ul style="list-style-type: none"> 2010 heralded the largest annual LOE programme intake to date since the inception of the programme in 2006. 91% of enrolment was black and 65% were women. By the end of the year, 72 industry employees graduated from the 2010 programme.
<ul style="list-style-type: none"> Participation of industry in DOE's transformation audit. 	<ul style="list-style-type: none"> Dual transformation reporting to DOE and Department of Trade and Industry. Require a common and shared industry transformation measurement that addresses the Liquid Fuels Charter and Broad-Based Black Economic Empowerment legislation.
<ul style="list-style-type: none"> Developed partnership with the National Petroleum Employers Association (NPEA) on skills development and representation in CHIETA. 	<ul style="list-style-type: none"> First SAPIA-NPEA formal meeting held on 23 September 2010 cemented ongoing partnership on common skills development issues in the sector and building a shared relationship with CHIETA on industry skills priorities.
<ul style="list-style-type: none"> Participation in the Liquid Fuels Charter and energy industry transformation public hearings in Parliament on 14 and 15 September 2010. 	<ul style="list-style-type: none"> Need to work in partnership with government on strategic transformation measurement.
<ul style="list-style-type: none"> Participation in the development of the National Skills Development Strategy (NSDS) III 2010/11-2015/16. 	<ul style="list-style-type: none"> Minister of Higher Education and Training (DoHET) Dr Blade Nzimande called a National Skills Summit to consult on the finalisation of NSDS III on 9 and 10 September 2010. SAPIA participated in the NSDS III national consultation process through Business Unity South Africa (BUSA). NSDS III implementation is guided by, and measured against, several key developmental and transformation imperatives such as race, class, gender, geographic considerations, and age differences, as well as disability and the HIV and AIDS pandemic. The DoHET will monitor and evaluate the role of all institutions in the skills development system, guided by these key transformational priorities.
<ul style="list-style-type: none"> Participation in the development of the CHIETA Sector Skills Plan (SSP) 2011-2015/16. 	<ul style="list-style-type: none"> SAPIA facilitated the petroleum industry's input and consultation into the CHIETA SSP during August – December 2010. The SSP is a strategic outline of sector skills development priorities which are incorporated in the DoHET's strategic plan.
<ul style="list-style-type: none"> Participation in the Oil and Gas Indaba from 9 - 11 August 2010. 	<ul style="list-style-type: none"> Facilitating ongoing stakeholder communication on transformation opportunities and progress in the industry.

Table 4 2010 performance highlights and ongoing challenges



Progress in 2010

Liquid Fuels Charter: progress and evaluation

It should be noted that the 2010 SAPIA transformation report is not a reflection of the progress made against the BBBEE Codes of Good Practice measurement, but more so an annual SAPIA review on major industry developments against the LFC for the period under review.

Ten years after the signing of the Liquid Fuels Charter (LFC), all SAPIA member companies have completed ownership deals and made strides in other areas despite the challenges that persist; most notably the inclusion of women across the value chain and workforce development through several human resource development

initiatives. The Charter contained only one target which is the 25% ownership target. All other elements were inspirational or policy-related goals with no specific measurement. In 2007, the Department of Trade and Industry (DTI) promulgated a Broad-Based Black Economic Empowerment (BBBEE) measurement framework. The current challenge remains the need for a common transformation measurement framework that reduces the complexities of dual reporting under the LFC and BBBEE.

The Department of Energy is currently conducting an audit into the progress made on the LFC while also considering national transformation developments, trends and measurements since 2000. The Department of Energy will release these audited results by the end of March 2011 and will engage the industry on the way forward.

Member company	Empowerment partners	Total % BEE partnership
BP Southern Africa (Pty) Limited	The Mineworkers Investment Company	25%
	WDB Investment Holdings	
	Masana Management	
	Masana staff	
Chevron South Africa (Pty) Limited	African Legend	25%
	SANTACO: National Taxi Industry	
	Lithemba and Ditekeni	
	Employees Share scheme	
Engen Petroleum Limited	Worldwide African Investment Holding	20%
Sasol Oil (Pty) Limited	TSHWARISANO	25%
Shell South Africa Marketing (Pty) Limited	Thebe Investment Holdings	25%
The Petroleum Oil and Gas Corporation of South Africa (Pty) Limited	No empowerment partnership. 100% state-owned entity.	
Total South Africa (Pty) Limited	Tosaco (Pty) Limited	25%

Table 5 Black ownership deals to date across SAPIA members

The audit, which marks the 10th anniversary of the charter, will also help identify bottlenecks in the implementation of the charter and hopefully provide workable solutions for areas that require improvement. In addition, the audit will contribute towards the development of standardised criteria to assess and monitor transformation and compliance throughout the value chain. It will also provide the industry with clarity on identifying transformation outcomes that are specific, measurable and sustainable, beyond the 25% ownership target of the last ten years.

The industry, including SAPIA member companies, also made specific presentations on transformation progress to the Parliamentary Portfolio Committee (PPC) on Energy during September 2010. The outcome of this engagement resulted in increased synergy between industry and the PPC on Energy to better understand transformation progress in the sector and produce input for the future transformation dispensation.

Oil and Gas Indaba

The Oil and Gas Indaba, which took place from 9 – 11 August 2010 in Bloemfontein, provided an information-sharing platform for black entrepreneurs on new opportunities in the industry. The Indaba also provided stakeholders in the oil and gas sector the space to deliberate on the following topics, among others:

- Oil and gas upstream value chain
- Refining, crude and product trading

- Development of the LPG business and opportunities
- Licensing in the sector
- Challenges facing black entrepreneurs in the sector

Minister of Energy Dipuo Peters opened the Indaba with a gala dinner to celebrate Women's Day on 9 August, and Deputy President Kgalema Motlanthe delivered the keynote address the following day.

Human resource development

The industry continued its implementation of two strategic skills development projects geared to address scarce skills, ensure sustained diversity and work with the Chemical Industry Education and Training Authority (CHIETA) to align people development with industry transformation objectives.

Oil, Gas and Chemical Manufacturing Companies Artisan Skills Training Project

Artisans and process operators represent scarce occupations in the petroleum sector. Since 2007, the Oil, Gas and Chemical Manufacturing Companies Artisan Skills Training Project aimed to train artisans and process operators needed by the industry through learnerships.

At the end of 2010, 1 215 artisans and process operators qualified and another 106 were completing training for qualification in mid 2011. To date, the industry's contribution to increasing the availability

of skilled and qualified artisans and process operators, resulted in a R263-million investment. In addition to the classroom training, the artisans received mentorship, workplace experience training and resources to manage all levels of implementation. The CHIETA also invested an additional R60-million into training artisans and process operators in the petroleum industry.

Leadership in Oil and Energy Certificate Programme

2010 saw the highest enrolment of industry employees into the Leadership in Oil and Energy (LOE) Certificate Programme (NQF Level 7). In February, 72 new professionals and managers started the ten-month intensive leadership development programme. The CHIETA provided a R3 334 500 discretionary grant for tuition costs and member companies supplemented a further R936 631 investment. SAPIA member companies selected new enrolments against both the National Skills Development Strategy (NSDS) targets and a further industry stretch target for women onto the programme. The industry exceeded in achieving the 85% NSDS target for the enrolment of black people on the programme and the 54% NSDS target for women entrants. The enrolment target achieved for women was 65%. This matched the industry defined stretch target, beyond that of the NSDS women target. One percent of learners enrolled fell under the people with disability target category. Similar results were maintained in the final graduating group. Enrolling people with disabilities into the industry remains a challenge and the 4% target was not achieved.

Number of learners

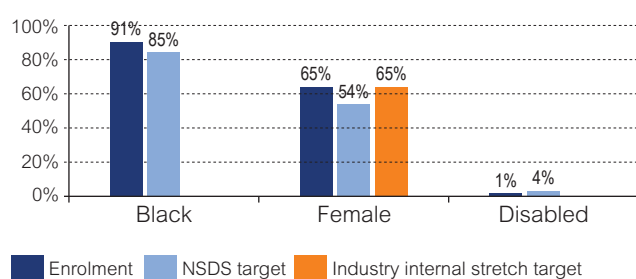


Figure 5 Learner enrolment percentages versus targets for black people, females and people with disabilities in 2010

Number of learners

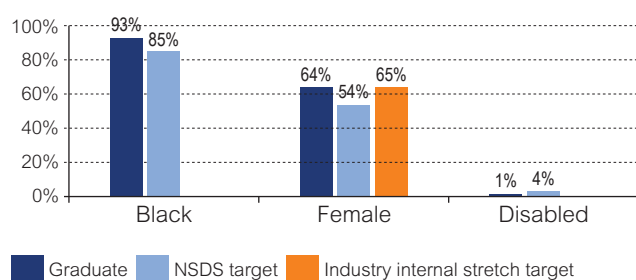


Figure 6 Learner graduate percentages versus targets for black people, females and learners with disabilities in 2010

Partnership with the National Petroleum Employers Association and the Chemical Industry Education and Training Authority

The heralding of the new National Skills Development Strategy III under the Department of Higher Education and Training brought SAPIA, the National Petroleum Employers Association (NPEA) and CHIETA together to articulate the petroleum sector's priorities into a five-year Sector Skills Plan (SSP) and a review of the impact of National Skills Development Strategy III on the industry from 2011 – 2016. To this extent, SAPIA and NPEA participated in a one-day Sector Skills Plan Workshop held by CHIETA and was also very active in CHIETA's Petroleum and Base Chemicals Chamber to define industry scarce skills and finalise the SSP.

The way forward

SAPIA sees a need for a clear transformation measurement framework and tool to be agreed with DOE and implemented consistently across the industry value chain. Without this, discussing real progress and measurement will be a challenge and almost impossible.

In this regard, transformation measurement within the petroleum industry needs to have:

- an agreed transformation scorecard for the industry;
- specific measurement criteria and staggered timelines;
- any new areas or changes highlighted, based on the last ten years of the Charter;
- time reduced on dual reporting to DOE and DTI;
- consistent measurement over time with clarity on agreed reporting timeframes and timelines;
- monitoring mechanisms and body; and
- consolidation of development initiatives, where appropriate.

On the human resource development front, SAPIA will be focusing on developing programmes that address industry scarce skills and labour market shortages, particularly artisans, process plant operators, leadership and petroleum technical skills shortages. SAPIA will also work with CHIETA to prioritise and develop industry qualifications across the petroleum value chain, within the Sector Skills Plan.

2011 strategic focus areas	Procedures for achieving goals
<ul style="list-style-type: none"> Develop industry position on the way forward for transformation after the first ten years of the Liquid Fuels Charter and facilitate transformation assessments. 	<ul style="list-style-type: none"> Review LFC audit, negotiate the new transformation dispensation and measurement framework to meet all stakeholders' expectations. Conduct the 2009 Transformation Assessment.
<ul style="list-style-type: none"> Facilitate and encourage human resource development within the industry. 	<ul style="list-style-type: none"> Secure HRD project funding, manage skills development grants and talent management reporting. Implement the 2011 LOE programme. Conduct the 2006-2010 LOE Impact Assessment and obtain industry decision on the LOE programme on the way forward, after the first five years of implementation. Facilitate the tri-party relationship among the National Petroleum Employers Association, the Chemical Industry Education and Training Authority, and SAPIA. Establish the process and the way forward on industry qualification development. Develop a new five-year Memorandum of Understanding with SAPIA, CHIETA and NPEA.

Table 6 2011 strategic focus areas and procedures for achieving goals

Environmental review

Through a multitude of initiatives, SAPIA fully assumes its environmental responsibilities. SAPIA contributes to environmental protection in a number of ways, including by reducing harmful

emissions and greenhouse gases, preventing spills, rehabilitating contaminated sites, reducing and recycling waste, and promoting initiatives that enable customers to use less fuel, more efficiently.

2010 performance highlights	Ongoing challenges
<ul style="list-style-type: none"> Presenting the South African roadmap for the introduction of cleaner fuels to the Minister of Energy which will contribute to an improvement in urban air quality. 	<ul style="list-style-type: none"> Assisting the DOE in formulating new fuel specifications which will contribute towards the goal of reducing vehicle emissions and improving urban air quality. Officially promulgating the new fuel specifications without undue delay in order to ensure that long-term regulatory certainty is obtained for the oil industry.
<ul style="list-style-type: none"> Spearheading and sponsoring an eco-driving training pilot project in the Western Cape province that focuses on training metered-taxi drivers in eco-driving techniques to enable them to optimise their fuel savings. 	<ul style="list-style-type: none"> Communicating the message on a wider scale so that fuel efficient driving will result in a greater improvement in urban air quality.
<ul style="list-style-type: none"> Providing effective input into regulatory developments which enable the rational management of environmental issues such as the promulgation of the new Environmental Impact Assessment Regulations. 	<ul style="list-style-type: none"> Ensuring that new regulatory instruments achieve the desired end goal of protecting the environment against real threats posed by industry without unnecessarily impacting growth in the industry.
<ul style="list-style-type: none"> Designing suitable remediation strategies that cost effectively address contaminated sites. 	<ul style="list-style-type: none"> Dealing with certain new regulatory mechanisms that are not workable in practice and involve long approval processes which ultimately result in greater harm to the environment.
<ul style="list-style-type: none"> Completing studies on petroleum hydrocarbon vapour dispersion at service stations and identifying requirements for vapour recovery to ensure that air quality is not compromised in the vicinity of service stations. 	<ul style="list-style-type: none"> Translating the study findings into rational regulatory management practices.

Table 7 2010 performance highlights and ongoing challenges

Progress in 2010

New fuel specifications

SAPIA's Board of Governors presented Minister Peters with a proposal on 29 January 2010 for new, cleaner fuel specifications that will be in the best interests of the country. The document contains information on the experiences of other countries that have already been through this process, as well as background information that will be required by the regulators to identify the fuel specifications that will be best suited to South Africa's local conditions. This document contains the results of work conducted over an 18-month period by independent consultants and an oil industry team.

Eco-driving training pilot project

SAPIA sponsored the development of a training package to train commercial drivers to drive in a more fuel efficient manner. This will reduce their operating costs and their exhaust emissions which will ultimately lead to an improvement in urban air quality. A pilot course was run in April, training metered-taxi drivers in Cape Town. The course has now been adopted by the City of Cape Town for the operators of their various fleets as well as other organisations, such as tourism operators. The course itself is currently being adapted to conform to the requirements of the Transport Education and Training Authority's (TETA) accredited qualification. Individual SAPIA members are also promoting the means of driving in a more fuel efficient manner among the general public.

Environmental Impact Assessment Regulations

SAPIA provided effective input into regulatory developments which enabled the rational management of environmental issues and ensured that these regulatory tools achieved their desired objectives. An example of this during the year under review is the promulgation of the new Environmental Impact Assessment Regulations in terms of the National Environmental Management Act which reflects the oil industry's input into the process and will result in a more workable framework for managing the environmental implications associated with fuel storage facilities.

Remediation strategies for contaminated sites

SAPIA designed and implemented suitable remediation strategies that cost effectively addressed contamination of soil and groundwater at sites where this occurred. An example of this is the management of historical contamination that has occurred at the bulk storage facilities in Port Elizabeth harbour. This has resulted in the contamination being effectively contained and recovered without having a negative impact on the environment.

Hydrocarbon vapour dispersion studies at service stations

SAPIA completed studies on petroleum hydrocarbon vapour dispersion at service stations. SAPIA members have identified requirements for vapour recovery to ensure that air quality is not compromised in the vicinity of service stations. A study to determine exposure levels of vapours to forecourt attendants has been initiated to ensure that human health is not compromised by these vapours.

The way forward

SAPIA's strategic focus areas for 2011 include the following:

- Seek finalisation of long-term roadmap for new fuel specifications with DOE and relevant stakeholders.
- Provide input into development of new regulatory instruments, particularly the Minimum Emissions Standards, Waste licensing, Soil and Groundwater Remediation Guidelines.
- Continue with proactive initiatives to minimise leaks and spills from storage tanks which result in soil and groundwater contamination.
- Promote energy efficient practices among SAPIA members.

Benefits of the South African petroleum industry

The petroleum industry is a significant source of jobs, income and taxes. Its economic significance is larger than suggested by direct measures, because it interacts with many other industries and has a wider effect than most industrial sectors.

The petroleum industry is also considered to be the back bone of the economy because it is the primary source of energy in the world. As petroleum is crucial to many industries it is therefore a critical concern for many nations. Petroleum is also the raw material for many chemical products, including pharmaceuticals, solvents, fertilisers, pesticides, paints, packaging, detergents and plastics.

Deputy President Kgalema Motlanthe said in his keynote speech at the Oil and Gas Indaba 2010, 'Energy is the engine room of a country's economy. Without energy the wheels of economic development and growth would grind to a halt. In the modern age, without energy productive and constructive human activity of any kind would cease.'

The Deputy President went on to say in his keynote address that while he understands and acknowledges that oil and gas are but a portion of the entire energy spectrum, he would equally concede to the strategic role played by these energy resources in the socio-economic development in our country.

This can be further attested to by SAPIA's analysis which finds that the petroleum industry accounts for:

- More than 100 000 jobs (direct and indirect employment);
- R195-billion in total sales;
- R5-billion in annual payroll;
- R40-billion in annual excise and sales taxes;
- R190- billion in income tax; and
- R158-million spent by SAPIA member companies on corporate social investment projects during 2010.

The member companies' corporate social investment programmes are directed towards seven main areas: education; health and welfare; environment; community development/skills development; arts, culture and sport development; road safety; and job creation. Situated throughout the country, many of the projects are in partnership with government and communities to encourage stakeholder engagement. Through these programmes, our member companies make a significant contribution towards local social and economic development.

Statistics

- Aggregate financial results of SAPIA members
- Value added statements
- Sources of crude oil for SAPIA members
- Petrol wholesale margin
- Crude oil price movements
- Consumption of petroleum products in South Africa
- Brent crude prices
- Petroleum products imports and exports
- Demand/refining capacity balance
- Capacity of South African refineries
- Petrol/diesel consumption ratio
- Prices in Gauteng
- 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
- Member contact information



Aggregate financial results of SAPIA members

Year ended 31 December

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
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	7 991	
Interest paid (R/m)	(323)	(447)	(454)	(683)	(389)	(789)	(673)	(1 141)	(1 062)	(617)	2	(1 505)	(1 117)	(2 312)	(973)	
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)	(190)	
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	6 828	
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	101 051	
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	5 573	
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	6.8	
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	28.70	
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	23.8	

Individual company financial data aggregated by Sizwe Ntsaluba Auditors.

2010 data not available at the time of publication.

Value added statements

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
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	195	
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	144	
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	51	
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	5	
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	0.2	
- 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	40	
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	1.0	
- 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	1.6	
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	4	
- 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	0.4	
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	51	

2010 data not available at the time of publication.

Petrol wholesale margin

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005**	2006	2007	2008	2009	2010***	
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	3.0	
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	53.868	

* 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 3.0 c/l from 1 December 2010.

Sources of crude oil for SAPIA members: 1997 to 2010

Country of origin	Thousand tonnes														
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*	2008*	2009*	2010*	
Algeria												66			
Angola	127	–	389	48	382	138	116	654	404	1 144	3 054	3 598	3 817	3 409	
Argentina													516	297	
Bermuda												115			
Bolivia											36				
Cameroon	–	–	–	–	–	–	271	106	–	53					
Colombia											296				
Côte d'Ivoire														88	
Cuba														9	
Egypt	343	–	–	292	–	–	135	–	–	–		150			
Equador											149				
Equatorial Guinea														35	
Gabon	–	–	–	–	373	–	–	191	270	–			90		
Indonesia													232		
Iran	9 238	6 757	5 824	7 414	5 718	6 239	7 012	8 166	8 008	6 054	6 092	4 637	5 604	5 528	
Iraq	943	413	137	–	343	–	–	–	107	322	519		545	244	
Israel													1		
Kuwait	2 589	2 094	833	858	431	342	–	–	–	–					
Liberia													395		
Libyan Arab Jamahiriya											133				
Mexico	589	633	244	–	–	–	–	–	84	–					
Mozambique														44	
Nigeria	971	287	1 286	842	1 246	3 615	3 450	1 313	2 472	2 935	3 386	2 517	3 963	3 594	
North Sea / U.K.	327	–	18	–	–	–	–	–	–	–					
Norway											76	35	74	37	
Oman	91	313	71	–	610	8	–	–	330	16	712	178	141	72	
Qatar	137	345	–	76	130	–	–	–	209	140		–			
Russian Federation	255	305	–	–	–	267	–	–	–	–	971	89	839		
Saudi Arabia	1 810	3 346	8 042	8 545	7 219	7 364	9 521	8 137	7 331	6 486	5 876	6 265	6 968	4 584	
Singapore												267			
South Africa	403	649	493	689	524	791	570	1 482	701	684	–	–			
Spain														134	
Switzerland													128	126	
United Arab Emirates	387	897	300	758	734	70	106	109	779	514	332	855	553	1 018	
United Kingdom													80		
United States												282		36	
Venezuela	127	787	–	–	–	–	–	–	–	–	153	424	277		
Yemen	216	354	–	140	475	62	179	338	272	192	304	1 589	818		
Total	18 553	17 180	17 637	19 662	18 185	18 896	21 360	20 496	20 967	18 540	22 090	21 067	25 040	19 254	

*Source: South African Revenue Service.

Crude oil price movements: January 1998 to December 2010

Average monthly prices (US\$/bbl)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010		
	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	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	76.2	76.7	
February	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	73.6	73.5	
March	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	78.9	77.3	
April	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	84.9	83.6	
May	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	75.2	76.8	
June	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	74.9	74.0	
July	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	75.6	72.5	
August	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	77.1	74.1	
September	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	77.8	75.1	
October	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	82.7	80.2	
November	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	85.3	83.7	
December	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	91.4	89.0	
12-month average	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	79.5	78.0	

Crude oil prices

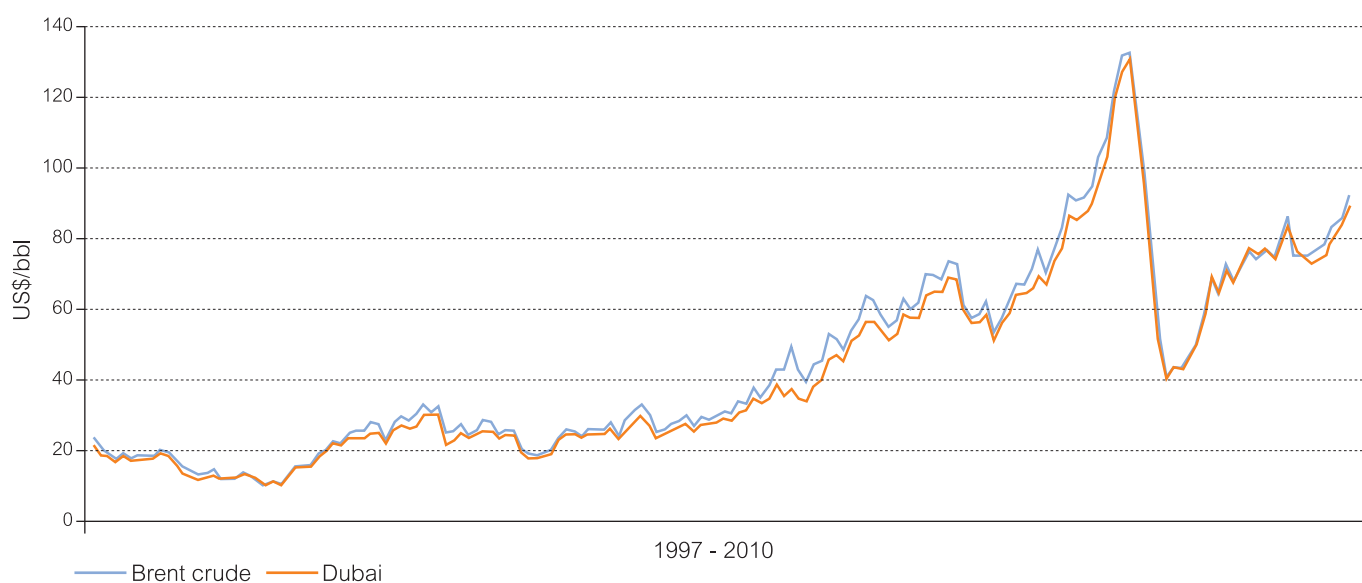


Figure 7 Crude oil prices from 1997 – 2010

Brent crude prices

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
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	97.5	
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	715.56	

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*	11 311	9 109	544	2 186	593	528	

*2009 sales data is unverified.

2010 volume data not available at the time of publication.

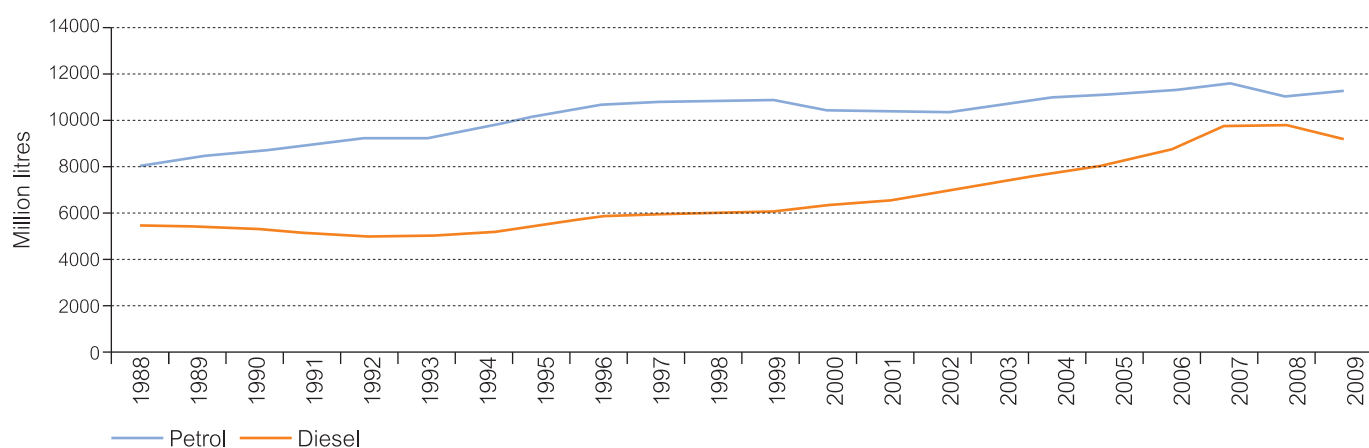


Figure 8 Consumption of petrol and diesel in South Africa

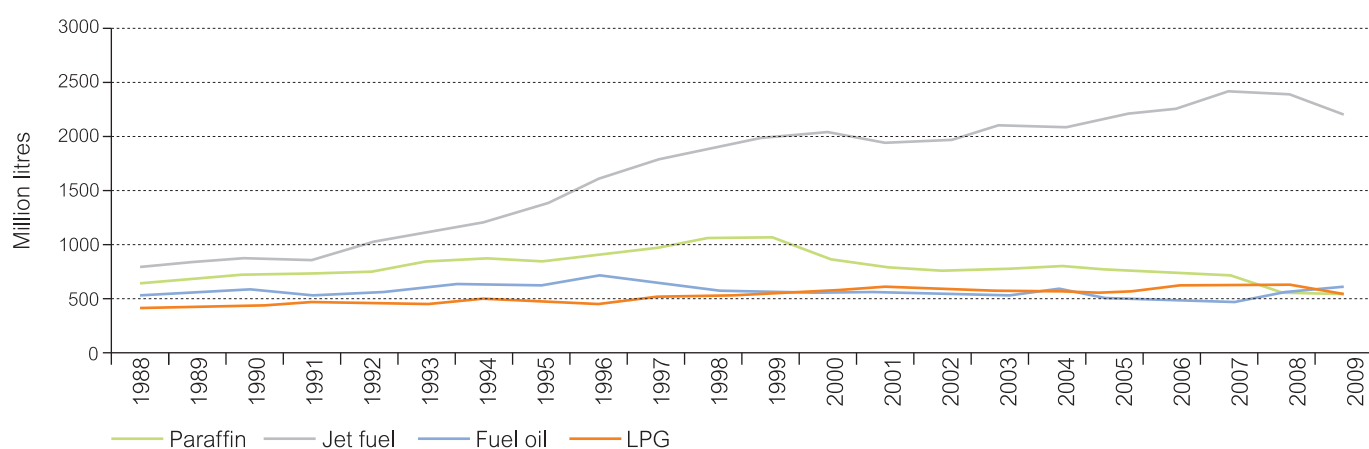


Figure 9 Consumption of petroleum products in South Africa

Petroleum products imports and exports

Thousand tonnes									
Year	Imports				Exports				
	Petrol	Diesel	Jet Fuel	LPG	Petrol	Diesel	Jet Fuel	LPG	
2010	1 571	2 163	213	2 200	329	618	53	0.83	
2009	1 484	1 943	85	1 924	333	717	40	0.14	
2008	956	2 108	60	2 152	363	744	83	0.3	
2007	1 272	2 343	229	1 745	296	728	64	0.29	

Source: South African Revenue Service.

Demand/refining capacity balance

Millions of litres

	2009	2009	2009	
	Refining capacity**	Demand actual	Surplus/(shortfall) actual	
Petrol	9 866	11 311	(1 445)	
Diesel	7 984	9 109	(1 126)	
Kerosene*	2 976	2 730	246	

* Kerosene includes illuminating paraffin and jet fuel.

** Source: Joint Oil Data Initiative database. Available from www.jodi.org (Accessed: 30 March 2011).

2010 volume data not available at the time of publication.

Capacity of South African refineries

Capacity (bbl/day)

Refineries	1992	1997	2007	2009	2010	
Sapref	120 000	165 000	180 000	180 000	180 000	
Enref	70 000	105 000	125 000	125 000	120 000	
Chevref	100 000	100 000	100 000	100 000	100 000	
Natref	78 000	86 000	108 000	108 000	108 000	
Sasol	150 000*	150 000*	150 000	150 000	150 000	
PetroSA	45 000*	45 000*	45 000	45 000	45 000	
Total	513 000	651 000	708 000	708 000	703 000	

* Crude equivalent.

Petrol/diesel consumption ratio

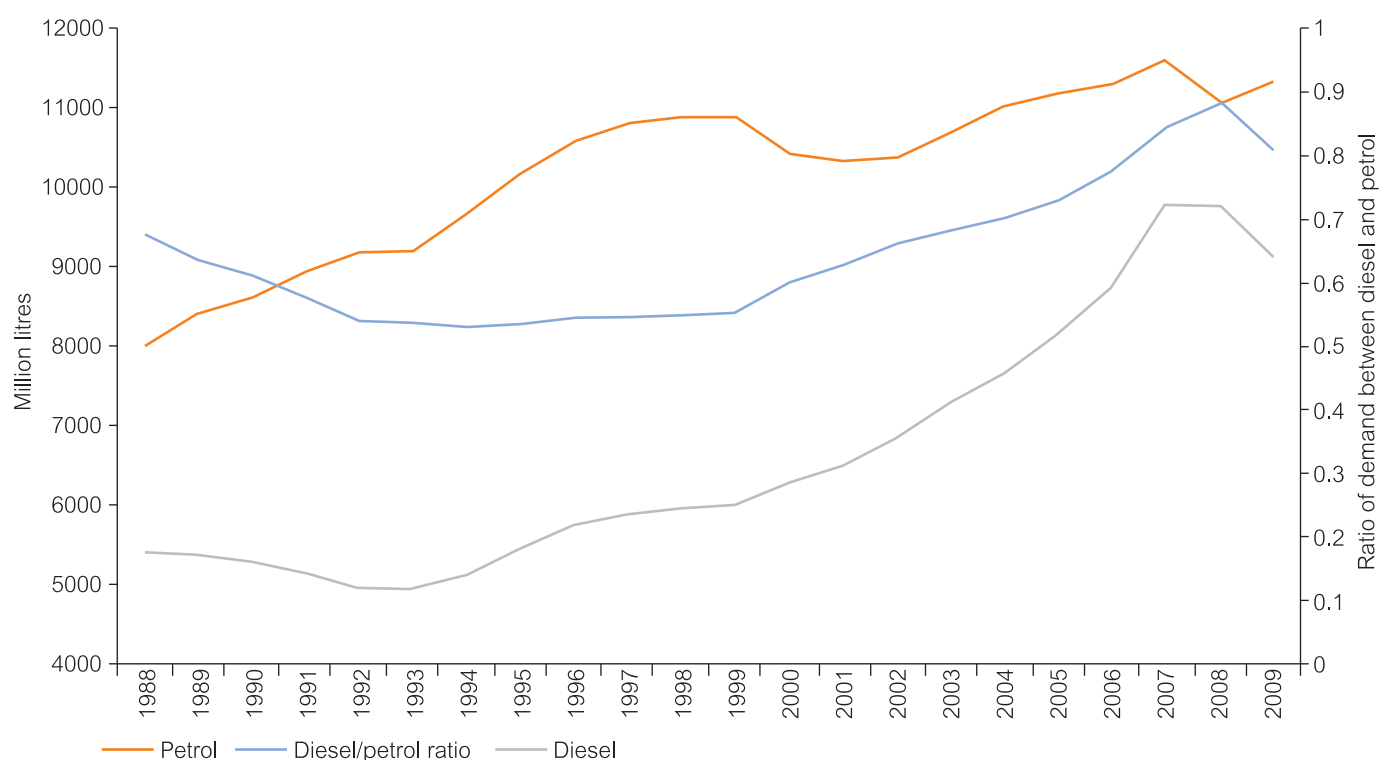


Figure 10 Petrol/diesel consumption ratio

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. 2010 volume data was not available at the time of publication.

Prices in Gauteng: 30 June each year

Year	93 Octane Leaded Petrol Retail Price (c/l)	0.05% Sulphur Diesel Wholesale Price (c/l)	Illuminating Paraffin Single Maximum National Retail 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	No data*
2004	471.0	428.0	No data
2005	506.0	498.0	482.0
2006	636.0	600.1	589.0
2007	711.0	625.3	629.0
2008	983.0	1080.3	1186.0
2009	736.0	645.95	586.0
2010	827.0	766.45	723.0

Source: Media release by DOE.

The maximum retail price for LPG was introduced on 14 July 2010.

* The single maximum national retail price for IP was introduced in 2003.

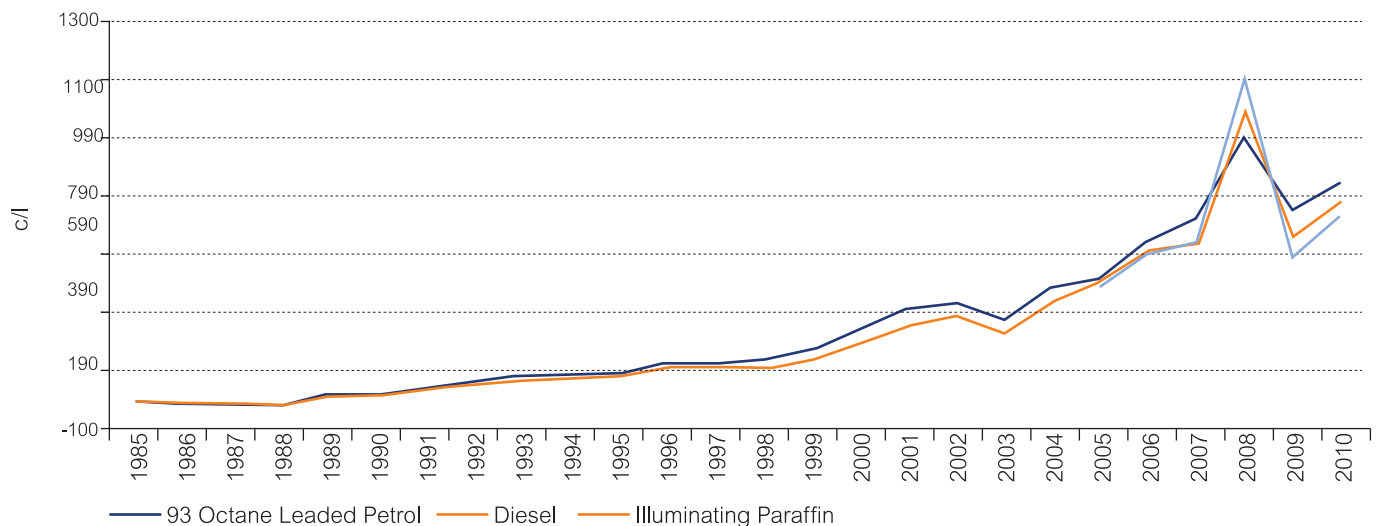


Figure 11 Prices in Gauteng: 30 June each year

Petrol and diesel price breakdown

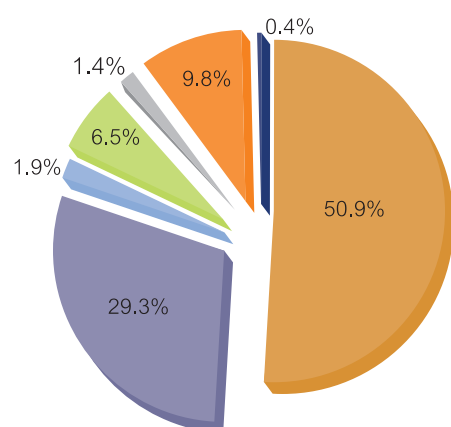


Figure 12 93 octane petrol: Gauteng retail price 829.0 c/l in December 2010

- Contribution to the Basic Fuel Price* 423.782 c/l
- Government Duties and Levies 243.650 c/l
- Zone Differential 15.500 c/l
- Industry Margin 53.868 c/l**
- Service Differential 11.400 c/l**
- Dealer Margin 81.200 c/l
- Incremental Inland Transport Recovery Levy 3.000 c/l

* Including slate levy

** The industry margin and service differential was increased by 3.0 c/l and 0.6 c/l respectively in January 2011 - backdated to December 2010 (the effective date)

Source: Media release by DOE.

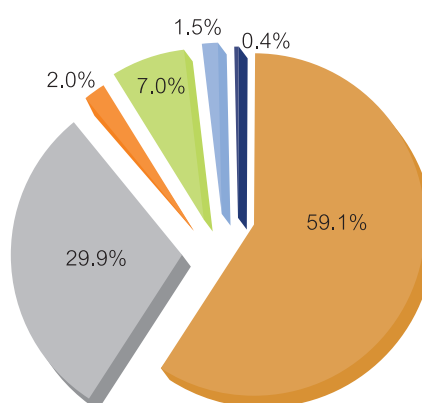
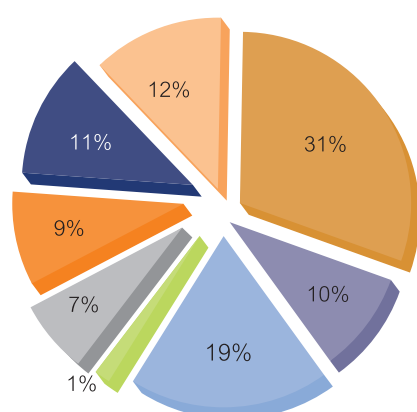


Figure 13 Diesel (0.05% S): Gauteng wholesale price 760.450 c/l in December 2010

- Contribution to the Basic Fuel Price* 451.63 c/l
- Government Duties and Levies 228.660 c/l
- Zone Differential 15.500 c/l
- Industry Margin 53.860 c/l**
- Service Differential 11.400 c/l**
- Incremental Inland Transport Recovery Levy 3.000

Maximum retail price of Liquefied Petroleum Gas price breakdown



- Maximum Refinery Gate Price 553.871 c/kg
- Primary transport costs 175.960 c/kg
- Operating expenses 343.000 c/kg
- Working capital 26.000 c/kg
- Depreciation 126.000 c/kg
- Gross margin: Cylinder-filling plant 161.000 c/kg
- Retail margin (15%) 207.875 c/kg
- Value Added Tax (14%) 223.119 c/kg

Figure 14 LPG Maximum retail price: Gauteng retail price 1 817 c/kg in December 2010

Source: Media release by DOE.

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
2010	4.0	167.5	72.0	0.0	0.15	10.0	3.0	256.65

Gauteng retail price of 93 octane was 829 c/l in December 2010. Taxes and levies as a % of this retail price: 30.96%.

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	5.0	0.0	0.0	0.0	76.4	0.0	14%
1997	4.0	63.6	6.8	3.0	0.0	0.0	0.0	77.4	0.0	14%
1998	4.0	76.1	10.3	8.0	0.0	0.0	0.0	98.4	0.0	14%
1999	4.0	76.1	10.3	8.0	0.0	0.0	0.0	98.4	0.0	14%
2000	4.0	79.1	10.3	0.0	0.0	0.0	0.0	93.4	0.0	14%
2001	4.0	81.0	16.5	0.0	0.0	0.0	0.0	101.5	0.0	0.0
2002	4.0	81.0	18.5	0.0	0.0	0.0	0.0	103.5	0.0	0.0
2003	4.0	85.0	21.5	0.0	0.0	0.0	0.0	110.5	0.0	0.0
2004	4.0	95.0	26.5	0.0	0.0	0.0	0.0	125.5	0.0	0.0
2005	4.0	100.0	31.5	0.0	0.0	0.0	0.0	135.5	0.0	0.0
2006	4.0	100.0	36.5	0.0	0.0	0.0	0.0	140.5	0.0	0.0
2007	4.0	105.0	41.5	0.0	0.19	0.01	0.0	150.7	0.0	0.0
2008	4.0	127.0	46.5	0.0	0.15	0.01	1.5	179.2	0.0	0.0
2009	4.0	135.0	64.0	0.0	0.15	0.01	3.0	206.16	0.0	0.0
2010	4.0	152.5	72.0	0.0	0.15	0.01	3.0	231.66	0.0	0.0

Gauteng wholesale price of 0.05% sulphur diesel was 760.45 c/l in December 2010. Taxes and levies as a % of the wholesale price: 30.46%.

DSML only on 95 ULP in zones 07A, 07C, 08A, 08C, 09A, 10A, 09C, 10C, 11A, 11C, 12C, 13A, 13C, 14C, 15C, 15A, 16C, 17A, 17C and 19A.

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2009 volumes at June 2010 rates)

	Petrol	Diesel	Illuminating Paraffin		
Sales volumes (million litres)	11 311	9 109	544		
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)	167.500	152.500	0.000		
Road Accident Fund Levy (c/l)	72.000	72.000	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/ Excise duty	452	364	0	817	
Fuel Levy	18 946	13 891	0	32 837	
Road Accident Fund Levy	8 144	6 558	0	14 702	
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	27 610	20 829	0	48 439	

* Volume assumption for 2009 - data not available at time of publication.

** 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	2009	2010
(Not including refineries)							
Safety: staff and contractors							
Fatalities		35	18	7	17	7	27
Lost time injuries	66	68	73	49	70	64	51
Hours worked (million)	29.3	30.9	33.7	28.15	91.59	28.68	24.56
Total Recordable Rate (TRR), fatalities, lost time injuries and medical treatment cases per 200 000 hours worked.	0.62	0.92	0.943	0.81	1.06	0.76	0.42
Environment:							
Fires	41	67	2	24	25	16	33
Health:							
Occupational illnesses	5	1	1	1	1	1	2
Security:							
Hijackings: on retail forecourts	16	20	16	17	11	26	17
Cash-in-transit robberies	41	29	71	49	56	67	31
Retail robberies	297	358	376	651	782	611	430

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	
Total: top management		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	
Total: senior management		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	
Total: specialists & mid-management		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	
Total: skilled technical		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	
Total: semi-skilled		1 651	538	162	271	2	2 624	11	



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List of acronyms

ACSA	→	Airports Company of South Africa
BBBEE	→	Broad-based black economic empowerment
Bbl/day	→	Barrels per day
BEE	→	Black economic empowerment
BUSA	→	Business Unity South Africa
CHIETA	→	Chemical Industry Education and Training Authority
CSI	→	Corporate social investment
DOE	→	Department of Energy
HDSAs	→	Historically Disadvantaged South Africans
HRD	→	Human resource development
IEA	→	International Energy Agency
IK	→	Illuminating kerosene
IP	→	Illuminating paraffin
Kb/day	→	Thousand barrels per day
LFC	→	Liquid Fuels Charter
LOE	→	Leadership in Oil and Energy Certificate Programme
LPG	→	Liquefied petroleum gas
MDZ	→	Magisterial district zones
MoU	→	Memorandum of Understanding
MTT	→	Ministerial Task Team
NPA	→	National Ports Authority
NPEA	→	National Petroleum Employers Association
NSDS	→	National Skills Development Strategy
NSDS III	→	National Skills Development Strategy III
PPA	→	Petroleum Products Amendment Act
PPC	→	Parliamentary Portfolio Committee
RAF	→	Road Accident Fund
SAPIA	→	South African Petroleum Industry Association
SETA	→	Sector Education and Training Authority
SSP	→	Sector Skills Plan
TFR	→	Transnet Freight Rail
TOR	→	Terms of reference
TPL	→	Transnet Pipelines

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