



Annual Report

sapia | South African Petroleum
Industry Association



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Industry Association



Planning for tomorrow

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This year will be remembered for some milestone achievements in the history of our country such as being the centenary of the African National Congress and marking the 15th anniversary of the Constitution of the Republic. In the State of the Nation Address during this memorable year, President Jacob Zuma invited the nation to join government in a massive infrastructure development drive for the year 2012 and beyond. This provision of infrastructure is in pursuance of the country's strategic goals of job creation, poverty alleviation and broad all round socio-economic development.

The Department of Energy's mandate is to ensure secure and sustainable provision of energy for socio-economic development. The provision of the backbone energy infrastructure is critical in ensuring energy security through linking supply sources to demand sectors and markets.

Our progress in some key areas of work in the energy space aimed at fulfilling our mandate includes the following:

- We gazetted the amendment of regulations regarding Petroleum Products Specifications and Standards on 1 June 2012.
- The fuel margin was adjusted in line with the Regulatory Accounting System on 5 December 2012.
- The new multi-product pipeline was commissioned in January 2012 and is operational.
- We commenced with an audit into the state of our refineries.
- We improved the turnaround time for petroleum licensing down from 90 days to 60 days for new entrants in retail.
- The Liquid Fuels Charter compliance audit was completed and tabled in cabinet.
- We achieved significant progress with the development of the National Energy Regulator Amendment Bill.
- We are developing the Integrated Energy Plan which looks at the energy requirements of the entire sector, including liquid fuels.
- We are also developing a 20-year liquid fuels infrastructure roadmap which will focus more on logistics and infrastructure such as the need for improved liquid fuels storage and distribution infrastructure.
- Work is in progress to determine the break-even price for biofuels manufacturers and the blending value for refinery operators in order to estimate the level of support that biofuels manufacturers would require from government.
- We promulgated a draft mandatory blending regulation to solicit public comment in the Government Gazette.

Whilst we are achieving our strategic role in the economy, the Department of Energy faces a challenging operational environment. Tensions in the Middle East (our traditional source of crude oil) are having a negative impact in the supply and cost of crude oil. Fuel prices are very high as a result of geopolitical unrest. Average crude oil prices in 2012 were at historically high levels for the second year in a row. Brent crude oil averaged \$111.67 per barrel, slightly above the 2011 average of \$111.26.

We have embarked on a diversification strategy that will ensure that we reduce our susceptibility to these political upheavals. The Strategic Fuels Fund (SFF), a subsidiary of CEF, is being strengthened as a further response to the global situation and domestic development requirements. The SFF will be positioned to improve our strategic petroleum reserves and enable the country to respond to catastrophic global events that impact on the petroleum industry.

Integrated Energy Plan

We are developing the Integrated Energy Plan (IEP) which will provide a long-term roadmap for the energy sector. With regard to liquid fuels, the IEP will provide an



Dipuo Peters

Foreword by the
Minister of Energy

The Department of Energy's mandate is to ensure secure and sustainable provision of energy for socio-economic development.

indication of the required liquid fuel production capacity as well as the choice of liquid fuel production technology which will best ensure that South Africa's liquid fuel needs are met in the most sustainable and environmentally aware manner. The IEP considers the effects of exogenous factors such as crude oil and natural gas import prices, climate change and technology prices in evaluating the more viable options.

20-Year Liquid Fuels Infrastructure Roadmap

As a result of constraints in the fuel supply chain, the Department began developing a Liquid Fuels Infrastructure Roadmap to ensure that South Africa has access to reliable, affordable, clean and sustainable sources of energy to meet the country's liquid fuel demand. In addressing the supply challenges of refineries, we embarked on an audit of our refineries to obtain an understanding of their current capacity. The initial results show that our refineries are experiencing reduced production levels which is a threat to liquid fuels security of supply. The 20-year liquid fuels infrastructure plan will form the basis for the PICC Strategic Implementation Project with regard to refinery upgrades and development and we will make recommendations on the future of the refinery infrastructure in the country.

Energy data

Good quality energy data is critical for energy planning. For this reason, we promulgated the Regulations on the Provisions of Energy Data which make it mandatory for certain categories of data providers across the energy value chain to submit energy data to the Department when requested. The objective of this is to enable the Department to collect essential data about the energy sector, which will enable us to conduct evidence-based analysis for better policy formulation and planning. It will also enable us to provide more reliable information and statistics to citizens, investors and key decision-makers. We are also looking at continuous ways to improve the statistics that we publish; the department's website now has a dedicated link to all our statistics which is a continual work in progress.

Liquid Fuels Charter

Since the release of the audit report in July 2012, I have met with each of the oil companies to discuss the results and seek

commitment to implement the recommendations. I must commend most of the companies for the manner in which they have constructively engaged the audit outcomes. Most companies showed a positive commitment by identifying a course of action that can be undertaken quickly in order to comply with the Charter. Following engagements with the oil companies, I also met HDSA companies to solicit their views and input regarding impediments in the transformation of the industry, as well as to hear their recommendations about the Liquid Fuels Charter audit findings.

The audit focused on 13 strategic focus areas, with 34 sub-elements. Ownership and management control are the two areas where the audit revealed that companies are making strides, however supportive culture; capacity building; employment equity and retailing being areas that regressed in comparison to the 2006 audit. Since the Charter compliance audit, some of the companies have started procuring crude oil and finished products from HDSAs. There has also been progress in respect of enterprise development and initiating procurement programmes targeting HDSAs from 2013. Where there have been successes, I commend the progress.

The revision of the Broad-Based Black Economic Empowerment Codes of Good practice is almost finalised and the process of alignment of the Charter with revised codes will be embarked on in due course. The future empowerment framework still needs to be decided to see if it remains petroleum focused or is broadened to encompass the overall energy sector.

In closing, I would like to thank SAPIA for rising up to the occasion and opening up its membership to accommodate both existing and potential marketers in the petroleum and refinery market. I believe these new members will benefit from the experience of the old players. This is also a positive development in the transformation agenda within the sector. Congratulations to SAPIA on the publication of its 14th annual report and their 18th anniversary of representing the petroleum industry. Together we will work hard to realise the potential of our country in terms of energy as the driver of the economy and of the fundamental needs of our fellow citizens. Looking to the future, we will intensify our efforts towards developing and upgrading the country's liquid fuels infrastructure to accelerate service delivery and manage the resources of our people in a way that genuinely serves their interests.

Report by SAPIA Chairperson



Gérard Derbesy

During the past year, the operating environment has been challenging as a result of a volatile macro-economic environment; uncertainty in North Africa and the Middle East, the European financial crisis and fluctuating exchange rates. Average crude oil prices in 2012 were at historically-high levels for the second year in a row with Brent crude oil averaging \$111.67 per barrel. Crude prices showed an upward trend during the first quarter of 2012, followed by a drop during the second quarter, stabilising in the third quarter and increasing slightly in the fourth quarter. These price fluctuations were a reflection of many different factors including changes in global economic growth expectations, oil supply disruptions (such as those in Syria, Sudan and Yemen) Iran sanctions and rising oil production.

This year the Board of Governors embarked on a process to review and evaluate SAPIA's strategic initiatives and implement a structured project management framework. SAPIA's strategy is centred on planning for tomorrow, building robust partnerships and delivering service excellence. In order to execute this strategy, we are focusing on industry transformation, working towards a fair regulatory framework and ensuring a sustainable industry for all citizens, facilitating security of supply, promoting environmental leadership within the industry and making the transition to cleaner fuels.

The crux of SAPIA's strategic programme will be the formal execution of these five focus areas, which begun on 25 May 2012 with a final completion date of 30 November 2017. Spanning across the five focus areas are a number of committees comprising of technical and operational experts from the member companies who are responsible for learning the approach and doing the work. The Minister of Energy and the Director General will be provided with status updates on the execution of initiatives on a quarterly basis and the closing phase of each initiative will include meeting the milestones and performing post-project activities. We believe this approach will reinvigorate our shared sense of purpose and further increase the effectiveness of SAPIA.

In South Africa, petrol prices reached a high of R12.22 (95 ULP – Gauteng) in May 2012 and diesel prices reached a high of R11.44 (wholesale price: 0.05% – Gauteng) in November 2012. The demand for petrol decreased by about 2 per cent in 2012 compared with the previous year, while demand for diesel increased by about 0.3 per cent.

SAPIA's strategy is centred on planning for tomorrow, building robust partnerships and delivering service excellence.

New members

We are pleased to welcome our five newest members – all licensed wholesalers of petroleum products. The new member companies are AEMCOR, Easigas, KZN Oils, Makwande Energy Trading and Royale Energy. The SAPIA constitution was amended during 2012 to make provision for admission of members that are licensed wholesalers or manufacturers. The elected representatives of these new members attended their first Board of Governors meeting in November 2012. We are currently processing other membership applications and hope to add further new members during 2013.

Competition Commission investigation

The Competition Commission referred a case of price fixing and market division against SAPIA and some of its members. The case was referred to the Competition Tribunal for adjudication and pertains to the supply of diesel – the case against SAPIA relates to information exchange. SAPIA has a strong competition law compliance policy which is enforced regarding its conduct and activities. The association will continue to co-operate with the Competition Commission throughout its investigation.

Training and development

Many issues in the petroleum industry such as safety, reliability and environmental performance of critical process plants are driven by the skills of people. For this reason, SAPIA conducted research four years ago across its member companies to quantify and understand the extent of scarce and critical skills gaps and required learning interventions to breach these industry-identified skills shortages. The findings indicated that petroleum industry employers have a need for a high level of technical skills. A robust learning infrastructure, with appropriate petroleum industry learning interventions, is required to ensure the sustainability of skills into the future.

To address the current skills shortage of engineers and technical operators in the sector, various interventions and development programs

are being explored. During 2012 we launched the Women in Leadership Programme which you will read more about in this report.

We will continue to collaborate with government, Further Education and Training (FET) colleges, CHIETA, as well as universities to address this skills shortage; an action which is absolutely imperative for the future growth of the industry. In November 2012, the Board of Governors approved a petroleum industry skills development framework that will allow SAPIA to partner with its members, CHIETA, National Petroleum Employers Association (NPEA), government departments, institutions of higher learning and other partners to develop a framework for greater industry engagement with educational institutions to meet the requirements of the petroleum industry and to maximise available resources, respond to the skills development issue collectively and generate a common labour pool.

Acknowledgements

On behalf of the Board of Governors, I would like to take this opportunity to thank Minister Peters and the Department of Energy for their guidance and continued support. Strengthening the relationship between SAPIA and the government remains a key objective going forward, given the strategic nature of the petroleum industry and its significance to the South African economy.

It gives me pleasure to welcome my successor as chairperson, Christian des Closières, Total South Africa's Managing Director and Chief Executive Officer. We also welcome Pat Mdoda (interim) and William Solliez, representatives of non-integrated members, to the Board of Governors. We bid farewell to Benny Mokaba, James Seutloadi and Jean-Denis-Royère and thank them for their contribution to SAPIA.

I would also like to take this opportunity to thank our dedicated Board of Governors and the SAPIA staff for their ongoing support and look forward to the year ahead. I am confident that we will continue creating value for all stakeholders.

Introduction by SAPIA Executive Director



Avhaphani Tshifularo

Welcome to the 2012 edition of the SAPIA Annual Report. This publication offers a broad overview of the South African petroleum industry and aims to keep our stakeholders informed about our strategy implementation and key issues affecting the industry. In line with our current strategy which was reviewed during 2012, we have structured this report according to our five main focus areas: security of supply, environment, transformation, Clean Fuels II and regulated price elements. Within these focus areas, we have reported on the key developments, general progress and challenges experienced during the year, as well as priorities for the following year.

The report also features information about:

- communication activities during the year;
- new SAPIA members;
- financial position;
- 20-year liquid fuels infrastructure roadmap project;
- feedstock and products import facilities risk mitigation plan;
- refinery performance audit;
- Competition Commission referral case;
- national strategic fuel stock policy;
- SAPIA's input into new environmental regulatory instruments;
- finalisation of minimum emission standards;
- biofuels regulations;
- new liquid fuels empowerment framework;
- Women in Leadership Programme;
- skills shortage and skills development framework;
- Transnet National Ports Authority terminal operator licences;
- Clean Fuels II progress; and
- regulated price elements.

Every year we include a statistical review of the industry showing the evolution of demand and supply of petroleum products which is a useful reference point for anyone wanting to know more about the South African petroleum industry.

I would like to record my appreciation for the significant support of the Board of Governors as we have worked together to ensure that SAPIA is best placed to serve the interests of our members. These industry captains from member companies contribute their specialist skills and experience through SAPIA and together, we are able to achieve far more benefits than we could individually.

I extend my most sincere thanks to the SAPIA team and various committees comprising of individuals from member companies, our partners in government, and members of the media, who have helped us accomplish what is set out in this report. I appreciate your efforts and look forward to working with you over the coming year.



SAPIA overview

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, depicted in figure 1, which will enable SAPIA to achieve its vision:

- **Planning for tomorrow** 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** 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** entails increasing efficiency and effectiveness, measuring and managing performance to make effective service delivery improvements, proactively identifying opportunities and improving decision-making processes.

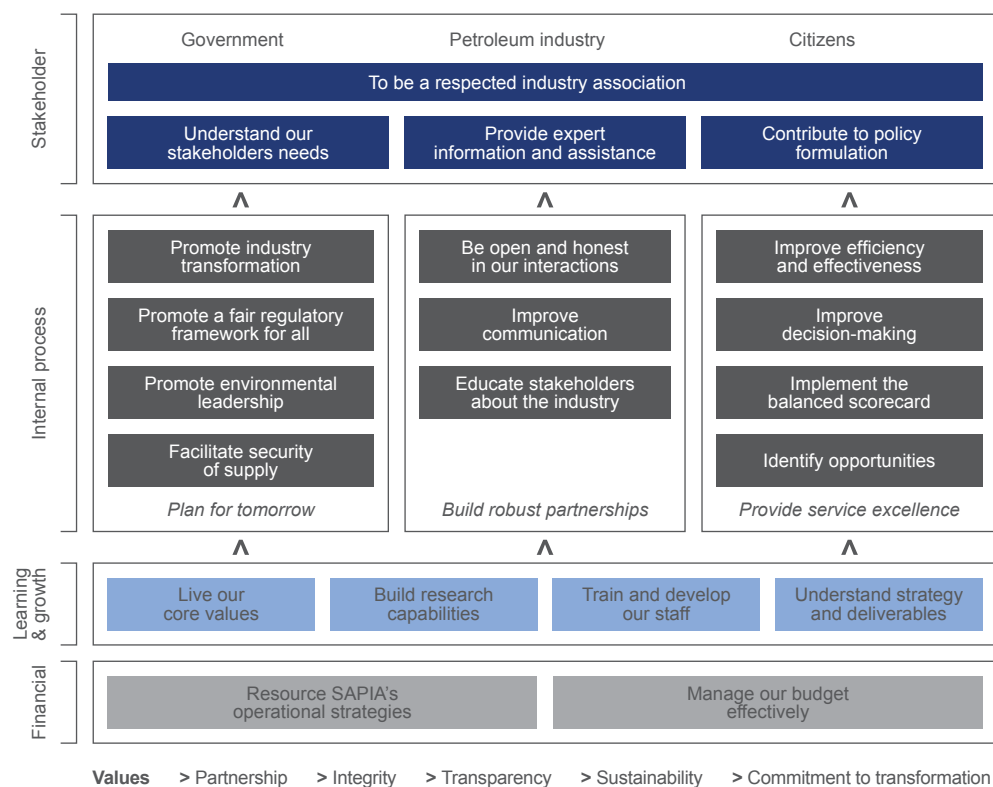


Figure 1 SAPIA strategy

During the year under review, the Board of Governors reviewed the current strategy and put in place a project plan aimed at achieving the five key industry objectives which are as follows:

- Making the transition to cleaner fuels and confirmation of the role played by the different industry players.
- Promoting industry transformation.
- Promoting a fair regulatory framework for all.
- Promoting environmental leadership.
- Facilitating the security of supply.

This structured project management approach monitors and reports project progress against key milestones; identifies and resolves project risks and issues; defines and drives accountability for key activities and decisions; and monitors project resourcing and project investment. The formal execution of the five key objectives began on 25 May 2012 with a final completion date of 30 November 2017.

There are a number of committees comprising of technical and operational experts from the member companies who are responsible for learning the approach and executing the strategy. The Minister of Energy and the Director General are provided with status updates on the execution of initiatives on a quarterly basis and the closing phase of each initiative will include meeting the milestones and performing post project activities.

Communication activities

The graph below shows the number of communication activities and media coverage received in 2012 in comparison with previous years. The 2009 – 2011 data was provided by News Clip and the 2012 data was provided by Meltwater News.

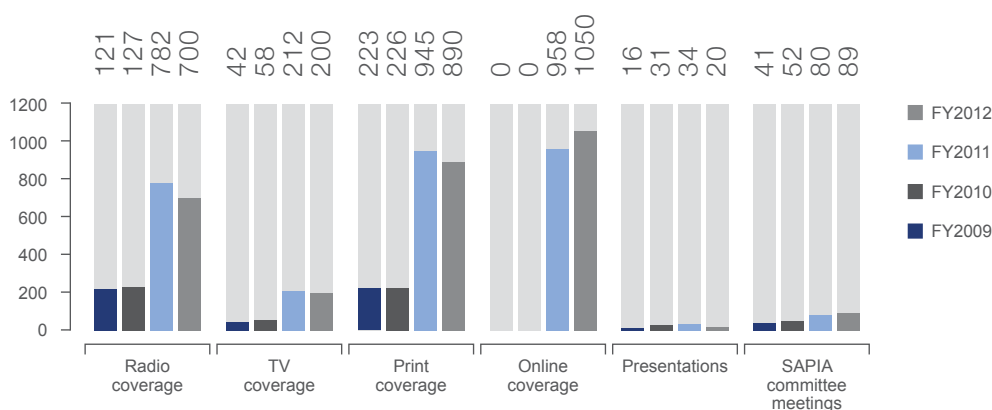


Figure 2 SAPIA's communication activities and media coverage

Membership

The current SAPIA members are:

- AEMCOR
- Chevron South Africa (Pty) Limited
- Engen Petroleum Limited
- Makwande Energy Trading (Pty) Ltd
- Sasol Limited
- The Petroleum Oil and Gas Corporation of South Africa (Pty) Limited ('PetroSA')
- BP Southern Africa (Pty) Limited
- Easigas(Pty) Limited
- KZN Oils (Pty) Ltd
- Royale Energy Limited
- Shell South Africa Marketing (Pty) Limited
- Total South Africa (Pty) Limited

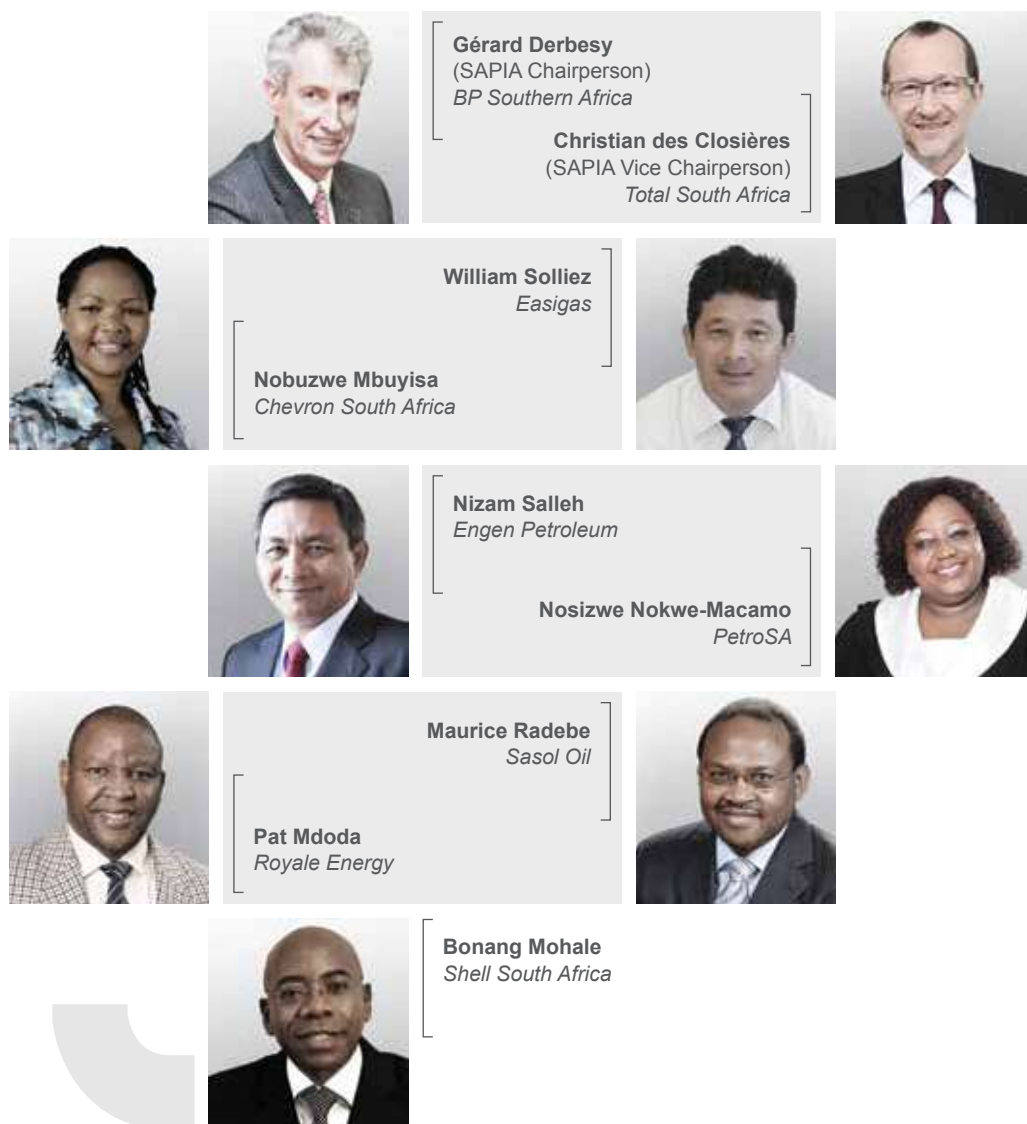
Organisation structure

SAPIA operates under a Board of Governors comprising of nine 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 2012 Board of Governors

Gérard Derbesy, CEO of BP Southern Africa, has been elected as the Chairperson of SAPIA for the year 2012. He is the 18th 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 2012 Board of Governors comprises of the following individuals:



Attendance at board meetings

Board member	30/03/2012	06/06/2012	05/09/2012	28/11/2012
Gérard Derbesy	Y	Y	Y	Y
Vincent Raseroka	Y	Y	Y	R
Nobuzwe Mbuyisa	-	-	-	Y
Nizam Salleh	A	A	A	A
Benny Mokaba	Y	R	R	R
Nosizwe Nokwe-Macamo	-	Y	A	A
Maurice Radebe	Y	N	Y	Y
Bonang Mohale	Y	A	Y	A
Jean-Denis Royère	A	A	R	R
Christian des Closières	-	-	Y	Y
Pat Mdoda	-	-	-	Y
William Solliez	-	-	-	N

Y Attended meeting
N Apology received
- Not yet appointed
R Resigned from the Board
A Alternative attended meeting

SAPIA staff structure



Figure 3 SAPIA organisational chart

SAPIA committees

There are ten 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
Board of Governors	Gérard Derbesy	BP
Strategic Oversight Committee	Avhaphani Tshifularo	SAPIA
Legal Committee	Thabile Molokomme	Shell South Africa
Communications Committee	Avhaphani Tshifularo	SAPIA
Transformation Committee	Busi Sithole	BP
Petroleum Industry Engineering and Environment Committee	Jacques Kruger	Total South Africa
Refinery Managers' Environmental Forum	Anton Moldan	SAPIA
Technical Committee	Christo Cloete	PetroSA
Security Committee	Avhaphani Tshifularo	SAPIA
Advisory Committee on Climate Change	Stanford Mwakasonda	Engen

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.

Thousand rands	2007	2008	2009	2010	2011	2012
INCOME						
Membership subscriptions	5 790	5 413	6 206	6 366	6 366	6 415
Other income (including interest)	235	459	1 505	138	1 426	180
Total income	6 025	5 872	7 711	6 504	7 792	6 595
EXPENDITURE						
Personnel/payroll	3 352	3 382	3 113	3 663	4 009	4 259
Other expenditure (including interest)	2 673	3 059	3 231	2 782	3 321	2 931
Total expenditure	6 025	6 441	6 344	6 445	7 330	7 190

Working together
within the petroleum
industry to promote
social and economic
growth



2012: The year in review

Women in Leadership Programme launched in August 2012.

DOE commenced with an audit into the state of SA refineries.



Conducted environmental law training session to SAPIA members.

Established SAPIA Advisory Committee on **Climate Change** to work with government towards mitigating greenhouse gas emissions.

New multi-product pipeline became operational in January 2012.

Liquid Fuels Charter audit was completed and tabled in cabinet.

Amendment of regulations regarding Petroleum Products Specifications and Standards were gazetted on 1 June 2012.

Petrol prices reached a high of R12.22 (95 ULP – Gauteng) and diesel prices reached a high of R11.44 (wholesale price – 0.05% – Gauteng).

Brent crude oil averaged \$111.67 per barrel, slightly above the 2011 average of \$111.26.



The Regulatory Accounting System was completed and margins adjusted accordingly on **5 December 2012.**

Implementation of SAPIA's strategic project plan spanning from May 2012 until November 2017.

SAPIA welcomed **five new members:** AEMCOR, Easigas, KZN Oils, Makwande Energy Trading and Royale Energy.



Strategic focus areas

Strategic priority: Security of supply
 Our focus: Facilitate the security of supply of petroleum products

Key developments during 2012 : Challenges

Road freight sector strike	Low stock levels and some sites run dry of one or more grades of fuel.
O.R. Tambo International Airport (ORTIA) off-specification jet fuel	Low jet fuel stock levels at ORTIA and displacement of diesel and petrol from the Durban/Johannesburg pipelines.
Iranian oil sanctions	Affected members have to find new suppliers of crude oil.
Competition Commission referral case	Serious allegations are made against SAPIA and some of its members.

Progress in 2012

Feedstock and products import facilities risk mitigation plan

The industry started a process to review crude, gas and products import facilities to establish redundancy requirements in Cape Town, Durban and Mossel Bay with the intention to develop a supply risk mitigation plan.

20-year liquid fuels infrastructure roadmap project

The Department of Energy is developing the 20-year liquid fuels infrastructure roadmap to ensure continued security of supply of liquid fuels to enable South Africa's growth and development. SAPIA members have been co-operating with the DOE and have submitted requested data that is imperative to the development of the roadmap.

Refinery performance audit project

The refinery performance audit project is a small part of the 20-year liquid fuels infrastructure roadmap project. The audit seeks to establish the existing refineries reliability, availability and capacities. Initial audit findings have already been discussed with the individual refineries and it is expected that the final report will be completed during 2013.

Security of supply



Exemption appeal

Gas2Liquids appealed to the Competition Tribunal against an exemption granted by the Competition Commission to SAPIA and its members. The exemption relates to a set of agreements in the liquid fuels industry that require exemption to stabilise the supply of liquid fuels. Gas2Liquids seeks to have the exemption set aside. The Competition Tribunal's hearing into the merits of the exemption appeal took place on 26 November 2012 and a decision is expected early in 2013.

Competition Commission referral case

SAPIA is considering its position following an announcement on 24 October 2012 by the Competition Commission that it has referred a case of price fixing and market division. The case against SAPIA and some of its members was referred to the Competition Tribunal for adjudication and pertains to the supply of diesel – the case against SAPIA relates to information exchange. SAPIA is continuing to co-operate with the Competition Commission on this case.

New multi-product pipeline

The new multi-product pipeline (NMPP) constructed by Transnet Pipelines became operational in January 2012. Currently the NMPP only conveys diesel. Once the NMPP project is completed (reported to be 31 December 2013) the pipeline will transport petrol, diesel and jet fuel.

National strategic fuel stock policy

The Department of Energy has indicated that they plan to publish the National Strategic Fuel Stock Policy that will establish the framework for the storage of fuel stock by government and industry for public comments.

Looking forward

We aim to:

- develop a feedstock import facilities risk mitigation plan;
- ensure a smooth phase-in of refinery shutdowns; and
- schedule an industry discussion on planned shutdowns and minimise impact of the supply of fuel during planned shutdowns.

Factbox

South Africa is serviced by four crude oil refineries, namely:

- **Sapref refinery**, 180 000 bl/d, which is a joint venture between petroleum firms Shell and BP;
- **Engen-owned Enref refinery**, 125 000 bl/d, in Durban;
- **Natref refinery**, 108 000 bl/d, which is jointly owned by Sasol Oil (63.64% stake) and Total South Africa (36.36% stake); and
- **Chevron-owned Chevref refinery**, 100 000 bl/d, in Cape Town.

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Strategic priority: Environment

Our focus: Promote environmental leadership within the industry

2012 performance highlights

Submission of SAPIA comments and input into new environmental regulatory instruments. The regulatory instruments are listed on the following page.

Presented oil industry viewpoint on sound environmental management to the Department of Environmental Affairs (DEA) 'Green Scorpions' which initiated discussions about how to effectively manage the environmental issues relating to oil industry activities.

Introducing environmental law training sessions to SAPIA members to increase awareness of environmental legislation and the need to comply with this legislation.

Successfully guiding remediation strategies at contaminated sites and bulk storage sites facing closure so as to minimise impact on the environment.

Establish SAPIA advisory committee on climate change to co-ordinate SAPIA input into government's efforts to mitigate greenhouse gas emissions.

Ongoing challenges

- Co-ordination of requirements of different regulatory instruments so that investment strategies can be optimised and supply disruptions avoided.
- Need for optimised process for finalising new regulatory instruments.
- The need to receive feedback from the regulators on their position regarding comments received on draft legislation and to be given an understanding of the rationale behind proposed legislation.

Maintaining a co-operative approach to environmental protection.

Maintaining a high level of awareness among members on environmental regulatory requirements.

Dealing with long regulatory approval processes which can ultimately result in greater harm to the environment.

Environment



Progress in 2012

Finalisation of Minimum Emission Standards

The DEA promulgated a list of activities in terms of the National Environmental Management: Air Quality Act, 2004, which result in atmospheric emissions or may have a significant detrimental effect on the environment, including health, social conditions, economic conditions, ecological conditions or cultural. This covered, among other things, both emissions from refineries and fuel bulk storage and handling facilities.

It was apparent from the beginning that errors were contained in this legislation and that certain provisions were particularly onerous, and in some cases, virtually impossible to implement. The DEA agreed to amend the legislation at a meeting with Business Unity South Africa (BUSA) in July 2010. This process has been ongoing since that time, with a number of different iterations being issued for public comment. SAPIA has been actively involved throughout the process, particularly during 2012 when a number of presentations were made to the DEA and very specific comments submitted during the year. It is hoped that a workable amended piece of legislation will be finalised during 2013.

Co-ordination of government departments

There are certain new pieces of legislation that require major process changes and investments at oil industry facilities, such as refineries. A number of these regulatory instruments which affect the oil industry are promulgated by different government departments, such as the DOE, DEA, DTI, DoT and National Treasury (NT). An example of this is the implementation of the Minimum Emission Standards (DEA) and the introduction of cleaner fuels (DOE & NT), both of which require major capital investment and shutdown time at the refineries. During 2012, it was suggested to the Minister of Energy that a petroleum industry regulatory co-ordination group be established, comprising representatives from the relevant government departments and SAPIA. This group would co-ordinate the introduction of new legislation which impacts on the interests of more than one department so that the benefits can be maximised and unforeseen negative impacts can be avoided.

Input into development of climate change policy and regulations

The DEA has during the year, commissioned a number of studies and reviews and initiated a regulatory programme which will seek to introduce mitigation actions in order to reduce greenhouse gas emissions in the country. This requires collection of data from industry as well as input into the process of developing tools to effectively mitigate the release of these emissions. SAPIA established an Advisory Committee on Climate Change during the year to co-ordinate the petroleum industry's input into the process.

Input into new environmental regulatory instruments

SAPIA has provided input into the following:

- Draft regulations prescribing the format of atmospheric impact reports.
- Draft declaration of small boilers as controlled emitters.
- Amendment to the list of activities which result in atmospheric emissions which have, or may have, a significant detrimental effect on the environment, including health, social conditions, economic conditions, ecological conditions or cultural heritage.
- Regulations regarding the mandatory blending of biofuels with petrol and diesel.
- Amendment of regulations regarding petroleum products specifications and standards and correction notice.
- National Environment Management: Waste Act: Draft norms and standards for the remediation of contaminated land and soil quality.
- National Environment Management: Waste Act: Section 30: Reporting of emergency incidents.
- National Environment Management: Waste Act: Regulations for site assessments and reports.
- Revision of the national framework for air quality management.
- The DEA contaminated land database.
- SANS 10131: The above-ground storage of petroleum products.
- SANS 1830, 2012: Flexible piping for underground use at service stations and consumer installations.

- SANS 1117, 2012: Plastics wrappings for the protection of steel pipelines.
- SANS 1164: Automotive fuels – requirements and specification for fuel ethanol as blending component with petrol.
- SANS 1414: Industrial fuel oil for burner applications.
- SANS 1598: Automotive fuels – requirements and test methods for petrol.
- SANS 342: Automotive fuel – requirements and test methods for diesel.
- Draft regulations regarding the mandatory blending of biofuels with petrol and diesel.
- Carbon tax discussion document.
- White Paper on climate change response.
- National Energy Efficiency Strategy.
- Development of regulations for vehicle emission testing.
- Merchant Shipping (International Oil Pollution Compensation Fund Contributions) Bill.
- Merchant Shipping (Civil Liability Convention) Bill.
- Environmental Impact Assessment Regulations.
- Major Hazardous Installation Regulations.

Biofuels

Regulations regarding the mandatory blending of biofuels with petrol and diesel have been published by the Department of Energy in Government Gazette No. 35623 on 23 August 2012.

A workshop was held by the Department of Energy on 16 March 2012 with regard to the break-even price and blending value of biofuels. The latter methodologies have not been released in final form by the Department. Also, other issues including duty at source implications, pipeline transportation, support mechanisms and licensing issues still need to be clarified and finalised.

Looking forward

Our priorities for 2013 will focus on:

- finalising the minimum emissions standards;
- commenting on the gazetted standards and standards that are practical;
- developing a climate change response mitigation plan; and
- providing input into the climate change regulatory process.

2013 strategic focus areas

Procedures for achieving goals

Continue to provide input into the process of developing new regulatory instruments in order to ensure that the regulations serve the best interests of the country as a whole. Particular attention will be given to the finalisation of the Norms and Standards for the Remediation of Contaminated Soil, the Merchant Shipping (International Oil Pollution Compensation Fund Contributions) Bill, Minimum Emission Standards and the integration of these requirements with the future fuels programme.

Liaison with the DOE, DoT and the DEA.

Determine the practical implications of blending and distributing biofuels in the market place.

Promoting and participating in a working group with DOE to facilitate the practical uptake of biofuels without negatively impacting the national fuel supply situation.

Continue to promote energy efficient practices among SAPIA members.

Distribution of information on practical means of achieving energy efficiency.

Continue to facilitate the prevention of fuel spills and leakages and, where these have occurred, to facilitate optimal response strategies.

Work closely with member companies in order to achieve this goal.

Finalise the introduction of the safety passport scheme whereby all member companies' contractors who work on service station forecourts are trained to a uniform and accredited safety standard.

Work with a training contractor to provide the service to all member companies.





Strategic priority: Transformation
Our focus: Promote industry transformation

Key developments during 2012 : Challenges

Findings of the Liquid Fuels Charter audit

Industry has not made significant progress in some elements of the Charter.

Opening the SAPIA membership to other industry players

The incorporation of new members into SAPIA structures.

Progress in 2012

New liquid fuels empowerment framework

The Department of Energy completed the compliance audit of the Liquid Fuels Charter. The audit focused on the extent of compliance by the industry in terms of commitments made in 2000. Following this audit the DOE indicated that the new empowerment framework will be developed and be incorporated into the Petroleum Products Amendment Bill.

Women in Leadership Programme

SAPIA launched the Women in Leadership Programme on 27 August 2012 in Johannesburg and 30 August 2012 in Cape Town. The programme, specifically targeted at women in the petroleum industry, aims to develop the skills of women in management positions. It provides a learning opportunity for women who want exposure to the necessary skills and experiences to navigate through a complex, competitive and changing global landscape within the petroleum industry. Approximately 40 industry women have enrolled in the programme.

Development of skills development framework

The petroleum industry is experiencing a shortage of critical skills which are typically gained over many years of work experience. SAPIA has previously identified scarce and critical skills gaps and the required learning interventions to address these skills shortages. The Association is in discussion with key stakeholders to explore the possibilities of the development of vocational and professional education and fit-for-purpose qualifications and future focused, standards-based qualifications that serve learners and lecturers training needs.

Transformation



Transnet National Ports Authority terminal operator licences

Industry is discussing lease transformation strategy with Transnet National Ports Authority (TNPA) to ensure that TNPA approach to terminal leases is aligned where possible to the Broad-Based Black Economic Empowerment Codes of Good Practice. It is important that TNPA ensures that the implementation of lease transformation strategy does not become a threat to security of supply.

Improve reputation and stakeholder management

SAPIA interacted with stakeholders such as members, government departments (Energy, Environment Affairs, National Treasury, South African Police Service, South African Revenue Service, Trade and Industry and Transport, etc), state-owned companies (Transnet, Airports Company of South Africa, etc), regulators (Competition Commission South Africa, National Energy Regulator of South Africa, etc), Parliament Portfolio Committee on Energy, business associations (Business Unity South Africa, Chemical and Allied Industries' Association, the National Association of Automobile Manufacturers of South Africa, etc), media and members of the public. The issues discussed with stakeholders related mainly to security of supply, environment, health and safety, air quality, greenhouse gases, skills development and transformation in general, products standards and specifications and regulated price elements.

Opening the SAPIA membership to other industry players

SAPIA welcomed five new members – all licensed wholesalers of petroleum products. The new member companies are AEMCOR, Easigas, KZN Oils, Makwande Energy Trading and Royale Energy. The SAPIA constitution was amended during 2012 to make provision for admission of members that are licensed wholesalers or manufacturers. The elected representatives of these new members attended their first Board of Governors meeting in November 2012.

Looking forward

During 2013 we aim to:

- develop the skills development framework implementation plan;
- engage with institutions of higher learning and other relevant stakeholders that meet industry training needs; and
- lobby for a favourable finalisation of Broad-Based Black Economic Empowerment Revised Codes, submit industry comments to DTI and assist with the development of Codes of Good Practice that recognise the unique nature of the industry.



Participants in SAPIA's 2012 Women in Leadership Programme

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Strategic priority: Clean Fuels II

Our focus: Make the transition to cleaner fuels and confirmation of the role played by the different fuel industry players

Key developments during 2012 : Challenges

Amendment of regulations regarding petroleum products specifications and standards.

Certain provisions in the amendment notice are contradictory and need to be addressed.

Progress in 2012

Finalisation of petroleum products specifications and standards

The DOE published the Amendment Regulations Regarding Petroleum Products Specifications and Standards on 1 June 2012. Further discussions have been held with the Department and it is hoped that it will be possible to finalise the regulated specifications during the year so that decisions on the required refinery process changes can be made swiftly. Without this certainty, there is concern that there will be difficulty in meeting the 2017 target date for the full implementation of the clean fuels programme.

Government decision on cost-recovery mechanism

A national cost estimate for the introduction of cleaner fuels was determined by an external refinery engineering contractor in 2009. It was clear at the time that different solutions to ensure compliance with the new fuel specifications would be required. The total aggregated costs were then estimated at US\$ 3.7 billion. Currently, these costs would be incurred by the refineries on a zero return basis. With this in mind, the SAPIA members approached the government with a view to agreeing on some cost-recovery mechanism to assist in the introduction of cleaner fuels and a resultant improvement in urban air quality.

During the year, the government discussed with oil companies the cost of upgrading refineries to obtain an update of the actual costs that the individual refineries would need to spend. It is hoped that a determination on a cost-recovery mechanism will be made during 2013 so that the refineries can make firm decisions on their capital commitments.

Clean Fuels II



Introduction of transitional fuel

The motor manufacturers, represented by the National Association of Automobile Manufacturers of South Africa (NAAMSA) have motivated for Clean Fuels II grades of petrol and diesel to be introduced into the market place earlier than the target date of July 2017 in order to support the introduction of vehicles with engine technology providing for Euro VI emission standards. SAPIA and NAAMSA are currently in discussions to find a way of introducing these 'transitional fuel grades'.

Finalisation of SABS standards

Only the most significant fuel specifications, such as sulphur, aromatics and benzene, are addressed in the regulated fuel specification standards. Other specifications are formulated under the auspices of SABS working groups and published as national standards which are made mandatory in terms of Petroleum Products Act Regulations. These additional specifications are currently under review and discussion by the working groups. It is hoped that they will be finalised by the end of 2013.

Looking forward

We aim to achieve the following in 2013:

- Obtain government decision on cost-recovery mechanism. Establish the finalisation of all regulated fuel specifications as soon as possible.
- Co-ordinate development of an industry-wide shutdown plan with DOE to ensure that there is no disruption to the fuel supply.

Factbox

New multi-product pipeline:

- The 555-km, 24-inch pipeline runs between Durban and Jameson Park, south of Johannesburg.
- It will replace the 12-inch Durban to Johannesburg Pipeline which was built in 1965.
- Pipeline has a price tag of R23.4 billion.
- Refined fuel products will be transported at a rate of about three million litres an hour.
- Capacity of the line will be 26.7 billion litres of fuel a year.
- Pipeline is expected to be active for the next 80 years.





Strategic priority: Regulated price elements
Our focus: Working towards a fair regulatory framework for all

Progress in 2012

Petroleum products price developments

The price of petrol and diesel are comprised of the Basic Fuel Price (BFP), wholesale margin, service differential (storage, handling, delivery and distribution costs), dealer margin, magisterial district zone (MDZ) differential, Fuel Levy, Customs and Excise Duty, Road Accidents Fund (RAF) Levy, Petroleum Products Levy, Slate Levy, Demand Side Management Levy (only applicable to 95 octane ULP) and 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 2012.

Increase in wholesale margin and service differential

The wholesale margin on petrol, diesel and illuminating paraffin was increased by 5.5 c/l to 58 c/l with effect from 5 December 2012. The service differential increased by 4.5 c/l to 25.5 c/l in petrol, diesel and IP with effect from 5 December 2012. The increase of 4.5 c/l comprises of an increase in the secondary storage element by 2.4 c/l from 12.6 c/l to 15.0 c/l; and an increase in the secondary distribution element by 2.1 c/l from 8.4 c/l to 10.5 c/l.

Increase in retail margin on petrol

The Minister of Energy approved an increase of 3.5 c/l to 95.3 c/l in the retail margin on all grades of petrol with effect from 5 September 2012. The press release at the time indicated that the increase was necessary to finance wage increases for service station pump attendants and cashiers agreed upon at the Motor Industry Bargaining Council (MIBCO) in September 2010. The press release further explained that the increase in the retail margin to accommodate wage increases is ring-fenced and should be excluded from determining rental fees between service station operators and service station investors.

A further increase of 3.9 c/l to 99.2 c/l in the retail margin was granted on all grades of petrol with effect from 5 December 2012.

Regulated price elements



Increase in fuel levy on petrol and diesel

The Minister of Finance, in his budget speech on 22 February 2012, announced that the fuel levy on petrol and diesel will increase by 20 c/l to 197.5 c/l in the case of petrol and 182.5 c/l in the case of diesel with effect from 4 April 2012.

Increase in the Road Accident Fund levy on petrol and diesel

The Minister of Finance announced in his budget speech on 22 February 2012 that the Road Accident Fund levy on petrol and diesel will increase by 8.0 c/l to 88 c/l with effect from 4 April 2012.

Magisterial district pricing zones

The magisterial district price 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 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 4 April 2012.

NERSA announced an increase of 31.58 per cent in allowable revenue of Transnet compared to the 2011/12 tariff period. The increase became effective on 4 April 2012 in the transport cost of petroleum transported by pipeline from Durban to the C-zones.

Regulatory accounting system

Good progress has been made during 2012 with regard to the regulatory accounting system (RAS), for example draft working rules were developed and companies are in the process of adjusting their businesses in line with the end-state implementation.

The transitional phase of the RAS is lasting for a period of two years with the end-state implementation envisaged to take place on 4 December 2013. The first and second stages of the transitional phase were implemented in December 2011 and December 2012 respectively with the adjustment of wholesale, retail and service differential margins based on the outcome of the RAS models.

The transitional phase is necessary to enable market players to prepare for the end-state implementation as this system will lead to substantial changes in the way business was done in the past in the fuel industry.

The finalisation of RAS 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 regulated.

Revised Liquefied Petroleum Gas maximum refinery gate price and maximum retail price

The Department of Energy has acknowledged the need to review the working rules pertaining to the retail price of liquefied petroleum gas (LPG) sold to residential customers as the majority of the price elements must be updated to today's values. It is envisaged that these reviews will be concluded by the end of April 2013.

A discussion document on the review of the maximum refinery gate price of LPG (Gazette No. 35818) was gazetted on 24 October 2012. SAPIA members have commented on this discussion document. This main purpose of the discussion document was to make proposals with regard to the elements of the maximum refinery gate price (MRGP) as some inadequacies have been identified in the pricing structure relating to suppliers not sufficiently recovering input costs and therefore not being incentivised to supply product. For this reason, it is important in view of security of supply objectives to ensure that the pricing mechanism is such that the product is not only affordable, but also available at all times.

Study into the Basic Fuels Price mechanism

SAPIA contracted KBC Process Technology Ltd to undertake a study into the current Basic Fuel Price (BFP) mechanism. This required a consideration of all elements in the current BFP and recommendations as to where adjustments are required based on the current global fuel market reality. The review will be concluded early in 2013.

Incremental inland transport cost recovery mechanism

In terms of Government Gazette no. 32292 of 2 June 2009 the Incremental Inland Transport Recovery levy (IITRCL) *'means a levy included into the price structures of products to finance incremental transport costs related to the alternative mode of transportation of regulated petroleum products and jet fuel from the coast to a set of nominated pipeline zones due to capacity constraints on the pipeline which transports these fuels from the coast to the inland region.'*

Since the multi-product pipeline became operational in January 2012 the DOE has indicated that industry will be served with a notice period for termination of the IITCR mechanism. The levy itself will still remain in the fuel price structure for the foreseeable future until all backlog claims in this regard have been reimbursed. Concerns are that even though the multi-product pipeline became operational there are still challenges with transportation of certain products, meaning that companies are still obliged to transport some products by either rail or road. Rail and road transport tariffs are much higher than pipeline tariffs which will have a detrimental effect in cases where product has to be transported via either of these modes.

Strategic stocks

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 on which SAPIA members have commented extensively at the time.

SAPIA made a presentation to the Portfolio Committee on Energy in January 2012 stating that strategic stocks are of great importance to South Africa in instances where supply of

product is disrupted due to unexpected events. It is therefore critical that the strategic stocks policy be finalised so that there is a clear set of mitigations for short to long-term interruptions. This also entails decisions on cost recovery required prior to the setting of obligations so that investment plans can be expedited. Implementation lead times must also be understood and finalised.

NERSA regulation of petroleum pipelines industry

The following matters took place during the year under review:

- NERSA is still in the process of rolling out the implementation of the petroleum pipelines regulatory reporting manual to all participating licencees. The regulatory reporting manuals provide guidelines to regulated entities in the petroleum pipeline industry for the submission of required information to NERSA.
- NERSA made its decision (with published reasons) on Transnet's pipeline tariff application for 2012/2013 on 15 March 2012. These maximum tariffs were effective from 4 April 2012 and enabled Transnet to realise an increase of 31.58% in its allowable revenue compared to the 2011/12 period.
- NERSA published Transnet Pipeline's tariff application for 2013/14 on 17 September 2012. SAPIA members have commented on the tariff application. Transnet applied for a 22.58% increase in revenue from the 2012/13 allowable revenue that was set by NERSA.
- In terms of the Petroleum Pipelines Act of 2003, licences for construction, operation and conversion of petroleum pipelines, storage and loading facilities are required. This is happening on a continuous basis.
- NERSA has developed and published for comment in 2012 the following paper: 'Benchmarking Transnet Limited's petroleum pipeline system.'
- NERSA has published a consultation paper called: 'Guidance on implementing a multi-year tariff dispensation within the petroleum pipelines industry.' The main purpose of this consultation document was to provide guidance on the application of NERSA tariff methodologies in a multi-year tariff dispensation.

National Ports Authority tariffs

The National Ports Authority (NPA) applied for an average tariff increase of 5.4% to the National Ports Regulator in August 2012. SAPIA has commented on the tariff application. The National Ports Regulator also held public hearings to obtain views from affected parties on the application.

- The need for a regulatory mechanism which can be easily communicated and administered and which is both transparent and equitable for all participants in the supply chain as well as for consumers.
- Effectiveness of regulations, such as implying effective policing methods and ongoing monitoring.

Factbox

The South African petroleum industry accounts for:

- **6.48%** contribution to the national GDP;
- more than **100 000** jobs (direct and indirect employment);
- **R267 billion** in turnover;
- **R54 billion** in duties and levies;
- **R6 billion** in capital expenditure;
- **R4 billion** in annual payroll;
- **R3 billion** in income tax; and
- **R99.5 million** spent by SAPIA member companies on corporate social investment projects during 2012.

Levy on the petroleum pipeline industry for 2012/13

In terms of Government Notice No. 35219, the Minister of Energy in concurrence with the Minister of Finance has approved a levy of 0.2728 c/l proposed by NERSA applicable from 1 April 2012 to 31 March 2013. This levy is *'in respect of the amount 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.'*

Data provision

In terms of Government Gazette No. 35053, certain sections of the National Energy Act, (Act No. 34 of 2008) commenced with effect from 14 February 2012. These are sections 1, 2, 3, 4, 5, 20 and 21 of the National Energy Act of 2008. These sections relate to access to data and also penalties for contravening any section of this Act.

Regulations on the mandatory provision of energy data were gazetted in Government Gazette No. 35069 of 24 February 2012. The main objectives of these 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 developing questionnaires for the collection of data. The regulations do not specify specific requirements and there are some concerns about handling company sensitive information.

Looking forward

Looking ahead, our priorities include:

- ensuring a smooth implementation of the regulatory accounting system by working closely with DOE and other stakeholders;
- concluding the BFP study; and
- initiating a review of the magisterial district zone differential mechanism.

Legislation

Retail margin on illuminating paraffin

A draft regulation dated 10 February 2012 was gazetted on the implementation of a fixed monetary retail margin on illuminating paraffin (IP) (Gazette No. 35006). SAPIA has commented on this document.

The main purpose of a fixed monetary retail margin appears to be to make IP affordable to the users. The concern is that this margin on its own (without sufficient enforcement) will not achieve the objective. Also, the following points need to be considered at all times:

- The need for continued economic incentives for supply to communities.
- Price regulation should not compromise consumer health and safety considerations.

Q&A with Avhaphani Tshifularo, Executive Director of SAPIA



Avhaphani Tshifularo

Spotlight on fuel specifications

Q

Why are fuels that would enable full Euro IV vehicle emission standards to be achieved not currently available in South Africa?

A. Generally, the air quality standards lead the vehicle technology requirements and the fuel specifications to enable this technology to work. Hence the vehicle technology and fuel specifications need to go hand-in-hand for the actual emission standards to be met. Currently the new passenger vehicles and light-duty vehicles need to meet a Euro 2 standard and the fuel quality enables this. However, the South African car parc currently consists of about 11% of passenger vehicles that are equipped with Euro IV/Euro V emission control systems. Up until now it has not been considered feasible to provide the whole of the South African liquid fuels market with the more expensive fuels to cater for such a small sector of the car parc. The much larger number of older cars on the road that are not equipped with the Euro IV technology will not benefit from these fuels. However, as the number of vehicles that are equipped with the more modern technology is increasing on our roads, the market will drive the need for fuels to match the requirements of the increasing number of these vehicles. That is the reason that the oil industry has been initiating studies to determine which fuels are most suited to the current and future car parc.

Q. Why are South African fuel specifications lagging behind those in other parts of the world, such as Europe?

A. There are a number of reasons for this. Regional and local differences need to be taken into account when determining the optimal fuel requirements for a region. The following differences between South Africa and certain other parts of the world can be considered as specific determinants for the different fuels and the timing of their introduction:

- The vehicle population is far smaller than in parts of the world where major air quality problems have been evident. The Los Angeles area has more cars than the whole of South Africa. Therefore, the pressures in South Africa to reduce the contribution of vehicle emissions to urban air quality degradation has not been as great as in other more heavily populated parts of the world.
- South Africa has a far greater average age of vehicles in the car parc (around 11 years) than areas like Europe. The technology of our more recent model vehicles also trails that of vehicles of the same vintage in certain other countries. The emissions from these older technology vehicles will not be significantly improved with use of more advanced fuels, for example a clean fuel will not make a dirty engine clean from an emissions perspective.
- There are also other regional differences in South Africa that need to be taken into account when planning fuel specification changes. These include the different feedstocks, and hence types of fuels, such as crude, coal and gas, the altitude differences across the country and the large distribution distances, to name a few.

Q. Why can't we change our fuels now to catch up with specifications in other countries?

A. *It is not possible to change over from one fuel type to another without making significant refinery process changes which require major capital expenditure. A recent independent review of the costs for the South African refineries to make the changes necessary to produce fuels to meet the Euro V vehicle emission standards would be in the order of US\$ 3.7 billion (40% accuracy). Getting shareholder approval, raising the required capital, finalising the engineering designs, ordering the required equipment (which cannot be bought off the shelf) and carrying out the process changes all take time. It has been estimated by the independent source that at least five years is needed from the time that the required fuel specifications have been determined by government to the time that the fuels can be marketed. Government needs to officially promulgate the future specifications before the process can start, as regulatory certainty is required before such large investments can be put in place.*

Additionally, it has been determined that a phase-in period of about 18 months will be required on top of the five years as the refineries will need to stagger the times that they shut down for the modifications. If all refineries shut down simultaneously for the modifications, it would result in security of supply problems.

Q. Is it possible to bring in transitional fuels, before the five-year full implementation period, that meet the most pressing requirements for the introduction of the latest vehicle technology?

A. *The main fuel specification that impacts on the latest engine technology is the sulphur level in petrol and diesel. Other specifications do have a bearing but not to such a significant degree as sulphur. At present, the introduction of a transitional fuel is already in place to a certain extent. A niche grade of diesel with a lower level of sulphur (50ppm) than the standard grade (500ppm) is available in certain parts*

of the country. However, full coverage of the whole country is not available. Low sulphur petrol (50ppm) is not available anywhere in the country at present.

In order to successfully introduce transitional fuels throughout the country at a level that will satisfy the car parc requirements, a number of issues need to be addressed, including:

- *The level of coverage that will meet the car parc requirements needs to be determined.*
- *A system would need to be put in place to ensure that Competition Law is not contravened by the fuel suppliers and distributors during the planning and discussions on how to introduce the transitional fuels.*
- *Increased costs for separate distribution and storage of the additional products need to be determined. Some kind of cost recovery system would need to be put in place to cover these additional costs.*
- *The additional costs that a dealer pumping low volumes would have to incur by providing additional facilities (if necessary), such as additional tankage, would need to be determined so that some kind of compensation can be offered.*
- *A demand side management system would need to be put in place to discourage those who do not need this fuel from using it, which would create excessive demand which would outstrip the supply situation.*

SAPIA and NAAMSA are currently working closely together to address these issues.

Statistics



Aggregate financial results of SAPIA members

Year ended 31 December	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating profit (R/m)	5 687	6 136	3 625	7 758	10 421	9 828	10 451	5 193	7 991	11 285	15 053
Interest paid (R/m)	(673)	(1 141)	(1 062)	(617)	2	(1 505)	(1 117)	(2 312)	(973)	(1 868)	(1 175)
Income tax (R/m)	(1 682)	(1 178)	(983)	(2 591)	(2 976)	(1 622)	(2 284)	(1 377)	(190)	(1 609)	(2 745)
Net income (R/m)	3 332	3 817	1 579	4 550	7 456	6 701	7 050	1 503	6 828	7 808	11 134
Total assets (R/m)	41 451	41 849	37 794	57 169	58 845	63 401	88 415	116 460	101 051	100 851	108 988
Capital expenditure (R/m)	2 627	2 877	1 812	2 555	3 154	4 494	4 958	6 070	5 573	5 091	5 855
Refinery shutdown	-	-	-	-	-	-	-	-	939	574	273
Other	-	-	-	-	-	-	-	-	4 634	4 518	5 582
After tax return on assets (%)	8	8	4	8	13	11	8	1	7	8	10
Sales volumes (bn litres)	27	31	30	31	29	32	32	35	29	22	20
Net income after tax (c/l)	12	12	5	15	26	21	22	4	24	36	55

Individual company financial data aggregated by SizweNtsalubaGobodo. 2012 data not available at the time of publication.

Value added statements

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Turnover (R/bn)	77	87	86	109	130	171	241	353	195	217	267
Net cost of products and services (R/bn)	53	57	55	72	86	126	179	279	144	164	187
Total value added (R/bn)	25	30	30	37	45	45	62	73	51	53	79
To pay employees gross salaries, wages and benefits (R/bn)	3	3	3	3	3	6	7	12	5	5	4
To pay the State tax in the form of:											
Income tax (R/bn)	2	1	1	3	3	2	2	1	0.2	1	3
Duties and levies (R/bn)	16	18	20	25	28	30	40	48	40	43	54
To pay providers of capital:											
Net finance expense (R/bn)	1	1	1	1	1	(0.2)	1	2	1	2	1
Dividends (R/bn)	2	3	1	1	2	4	4	4	2	(0.1)	4
Retained for future growth:											
Depreciation (R/bn)	1	2	3	2	2	3	2	2	4	3	3
Retained income for the year (R/bn)	1	2	2	4	5	1	6	4	0.4	(1)	10
Total value added (R/bn)	25	30	30	37	45	45	62	73	51	53	79

Individual company financial data aggregated by SizweNtsalubaGobodo. 2012 data not available at the time of publication.

Petrol wholesale margin (93 octane)

	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012
MPAR return (%)	1.9	9.72	21.22	0	0	0	0	0	0	0	0
Indicated margin increase (c/l)	8.97	3.21	(4.21)	0	0	0	0	0	0	0	0
Increase granted (in succeeding year)	6.93	8.97	2.0	0	0	0	5.37	6.2	3.0	(1.369)	5.5
Margin at year end (c/l)	28.3	37.3	39.3	39.3	39.3	39.3	44.67	50.87	53.87	52.5	58.0

*The Marketing of Petroleum Activities Return (MPAR) system was not in use from 2005.

The Minister of Energy approved a wholesale margin increase of 5.5 c/l from 5 December 2012 in line with the Regulatory Accounting System methodology.

Sources of crude oil for SAPIA members: 2000 to 2012

Country of origin	Thousand tonnes												
	2000	2001	2002	2003	2004	2005	2006	2007*	2008*	2009*	2010*	2011*	2012*
Algeria	0	0	0	0	0	0	0	0	66	0	0	0	0
Angola	48	382	138	116	654	404	1 144	3 054	3 598	3 817	3 409	1 948	3 356
Antigua and Barbuda	0	0	0	0	0	0	0	0	0	0	0	66	0
Argentina	0	0	0	0	0	0	0	0	0	516	297	0	0
Bermuda	0	0	0	0	0	0	0	0	115	0	0	0	0
Bolivia	0	0	0	0	0	0	0	36	0	0	0	0	0
Cameroon	0	0	0	271	106	0	53	0	0	0	0	0	0
Colombia	0	0	0	0	0	0	0	296	0	0	0	0	0
Côte d'Ivoire	0	0	0	0	0	0	0	0	0	0	88	0	0
Cuba	0	0	0	0	0	0	0	0	0	0	9	0	0
Egypt	292	0	0	135	0	0	0	0	150	0	0	0	0
Ecuador	0	0	0	0	0	0	0	149	0	0	0	76	67
Equatorial Guinea	0	0	0	0	0	0	0	0	0	0	35	38	76
France	0	0	0	0	0	0	0	0	0	0	0	0	0.00004
Gabon	0	373	0	0	191	270	0	0	0	90	0	0	0
Ghana	0	0	0	0	0	0	0	0	0	0	0	0	259
Indonesia	0	0	0	0	0	0	0	0	0	232	0	0	0
Iran	7 414	5 718	6 239	7 012	8 166	8 008	6 054	6 092	4 637	5 604	5 528	4 874	1 502
Iraq	0	343	0	0	0	107	322	519	0	545	244	0	0
Israel	0	0	0	0	0	0	0	0	0	1	0	0	0.007
Kuwait	858	431	342	0	0	0	0	0	0	0	0	0	0
Liberia	0	0	0	0	0	0	0	0	0	395	0	0	0
Libyan Arab Jamahiriya	0	0	0	0	0	0	0	133	0	0	0	0	0
Mexico	0	0	0	0	0	84	0	0	0	0	0	0	0
Mozambique	0	0	0	0	0	0	0	0	0	0	44	0	0
Nigeria	842	1 246	3 615	3 450	1 313	2 472	2 935	3 386	2 517	3 963	3 594	3 755	4 310
North Sea / U.K.	0	0	0	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0	76	35	74	37	0	0
Oman	0	610	8	0	0	330	16	712	178	141	72	862	0
Qatar	76	130	0	0	0	209	140	0	0	0	0	266	242
Russian Federation	0	0	267	0	0	0	0	971	89	839	0	0	0
Saudi Arabia	8 545	7 219	7 364	9 521	8 137	7 331	6 486	5 876	6 265	6 968	4 584	4 793	8 437
Singapore	0	0	0	0	0	0	0	0	267	0	0	0	0
South Africa	689	524	791	570	1 482	701	684	0	0	0	0	0	0
Spain	0	0	0	0	0	0	0	0	0	0	134	0	0
Switzerland	0	0	0	0	0	0	0	0	0	128	126	76	152
United Arab Emirates	758	734	70	106	109	779	514	332	855	553	1 018	598	538
United Kingdom	0	0	0	0	0	0	0	0	0	80	0	77	0
United States	0	0	0	0	0	0	0	0	282	0	36	262	0
Venezuela	0	0	0	0	0	0	0	153	424	277	-	0	0
Yemen	140	475	62	179	338	272	192	304	1 589	818	-	142	0.00005
Total	19 662	18 185	18 896	21 360	20 496	20 967	18 540	22 090	21 067	25 040	19 254	17 834	18 940

*Source: South African Revenue Service

Crude oil price movements: January 2006 to December 2012

Average monthly prices (US\$/bbl)

	2006		2007		2008		2009		2010		2011		2012	
	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai
January	63	58	54	52	92	87	43	44	76	77	97	93	110	110
February	60	58	57	56	95	90	43	43	74	73	104	100	120	116
March	62	58	62	59	104	97	47	46	79	77	115	109	125	122
April	70	64	68	64	109	103	51	50	85	84	123	116	120	117
May	70	65	67	65	123	119	57	57	75	77	115	108	110	108
June	69	65	71	66	132	128	69	69	75	74	114	108	95	94
July	74	69	77	69	133	131	65	65	76	72	117	110	103	99
August	73	69	71	67	113	113	73	71	77	74	110	105	113	109
September	62	60	77	73	98	96	67	68	78	75	113	106	113	111
October	58	56	82	77	72	67	73	73	83	80	109	104	112	109
November	59	57	93	87	53	50	77	78	85	84	111	109	109	107
December	62	59	91	86	40	41	74	75	91	89	108	106	109	106
12-month average	65	61	73	68	97	94	61	62	79	78	111	106	112	109



Figure 4 Crude oil prices

Brent crude prices

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average US\$ price	28.4	24.5	24.7	28.8	38.2	54.4	65.1	72.5	97.0	61.5	97.5	111.3	111.6
Average rand price/barrel	197.8	208.0	258.6	218.1	246.9	347.5	422.6	511.5	548.5	520.8	715.6	810.2	918.4

Consumption of petroleum products in South Africa

Millions of litres

Year	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*	11 321	9 437	551	2 349	724	554
2010*	11 455	10 170	545	2 308	468	612
2011*	11 963	11 225	581	2 434	477	717
2012*	11 714	11 262	537	2 367	568	656

*Source: Department of Energy website

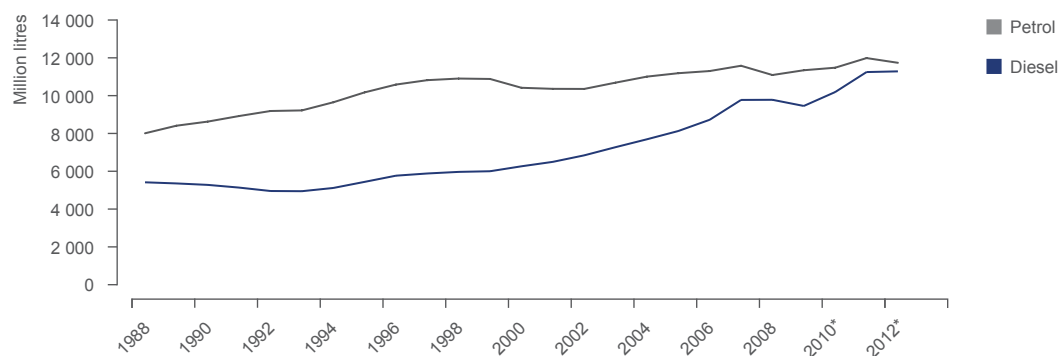


Figure 5 Petrol and diesel consumption

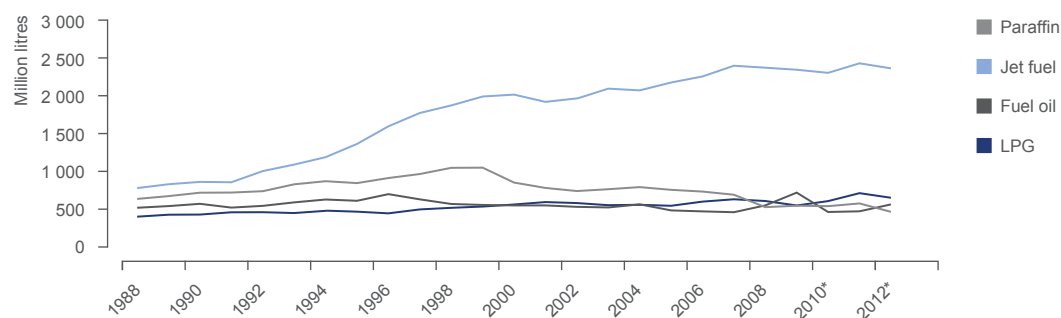


Figure 6 Petroleum products consumption

Petroleum products imports and exports

Thousand tonnes

Year	Imports				Exports			
	Petrol	Diesel	Jet fuel	LPG	Petrol	Diesel	Jet fuel	LPG
2012	1 370	3 247	231	9.78	202	504	62	14.3
2011	1 815	3 153	199	19.68	176	452	126	3.2
2010	1 571	2 163	213	3.75	329	618	53	2.6
2009	1 484	1 943	85	0.04	333	717	40	1.4
2008	956	2 108	60	0.03	363	744	83	1.2
2007	1 272	2 343	229	0.01	296	728	64	1.1

*Source: South African Revenue Service

Demand/refining capacity balance

Millions of litres

2012	Refining capacity**	Demand actual	Surplus/(shortfall)
Petrol	10 550	11 714	-1 164
Diesel	9 657	11 262	-1 605
Kerosene*	2 979	2 837	142

*Kerosene includes illuminating paraffin and jet fuel.

**Source: Joint Oil Data Initiative database. Available from www.jodidb.org (Accessed: February 2013).

Method of estimate:

1. Take the 2008 numbers.
2. Determine the % of each of the products to the total barrels of 2008.
3. Use those numbers as the % to determine the capacity of each product for 2009 (refining capacity).
4. 159 litres = 1 barrel.
5. Assume production – 365 days a year.

Capacity of South African refineries

Capacity (bbl/day)

Refineries	1992	1997	2007	2009	2010	2011	2012
Sapref	120 000	165 000	180 000	180 000	180 000	180 000	180 000
Enref	70 000	105 000	125 000	125 000	120 000	120 000	120 000
Chevref	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Natref	78 000	86 000	108 000	108 000	108 000	108 000	108 000
Sasol	150 000*	150 000*	150 000	150 000	150 000	150 000	150 000
PetroSA	45 000*	45 000*	45 000	45 000	45 000	45 000	45 000
Total	563 000	651 000	708 000	708 000	703 000	703 000	703 000

*Crude equivalent

Petrol/diesel consumption ratio

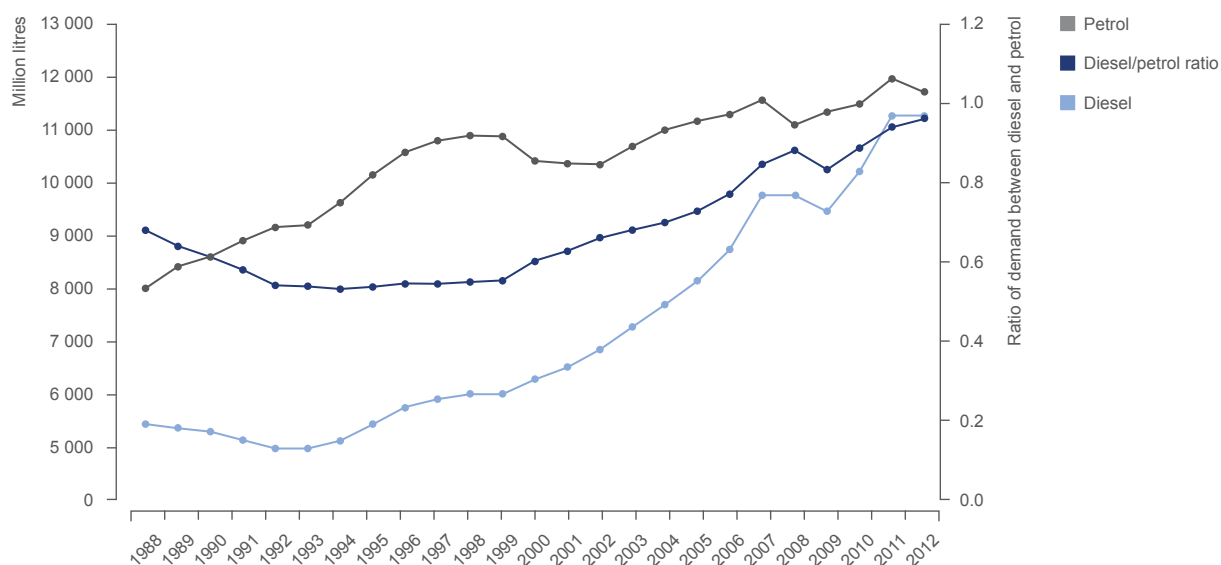


Figure 7 Petrol and diesel consumption

The ratio of demand between diesel and petrol in 2012 was about 11.3 parts diesel to 11.7 parts petrol which gives a ratio of 0.96. The ratio in 2011 was 0.94. Petrol consumption has thus decreased somewhat in relation to diesel consumption in 2012 than in 2011. The graph shows that there has been an upward trend in the diesel/petrol ratio from 1995 until 2012 with a slight decrease in 2009.

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)	Liquefied petroleum gas maximum retail price (c/kg)
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	1 080.3	1 186.0	-
2009	736.0	646.0	586.0	-
2010	827.0	766.5	723.0	0**
2011	1 007.0	926.5	918.0	2 068.0
2012	1 150.0	1 073.6	1 048.0	2 207.0

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

**Effective from 14 July 2010.

Source: Press release by DOE

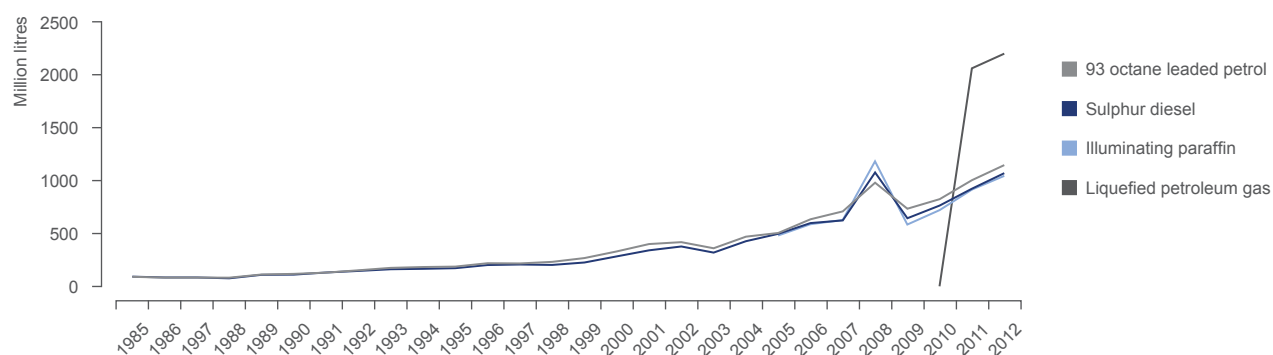


Figure 8 Prices in Gauteng: 30 June each year

Petrol and diesel price breakdown

93 octane petrol: Gauteng retail price 1 178.0 c/l in December 2012

■ Contribution to the basic fuel price	675.850 c/l*
■ Government duties and levies	289.650 c/l
■ Zone differential	26.800 c/l
■ Industry margin	58.000 c/l**
■ Service differential	25.500 c/l**
■ Dealer margin	99.200 c/l
■ Incremental inland transport recovery levy	3.000 c/l

Diesel (0.05% S): Gauteng wholesale price 1 138.95 c/l in December 2012

■ Contribution to the basic fuel price	750.990 c/l*
■ Government duties and levies	274.650 c/l
■ Zone differential	26.800 c/l
■ Industry margin	58.000 c/l**
■ Service differential	25.500 c/l**
■ Incremental inland transport recovery levy	3.000 c/l

*Including slate levy.

**The industry margin was increased by 5.5 c/l. The service differential was increased by 4.5 c/l. The total increase to the dealer margin in 2012 was 7.4 c/l. Source: Media release by Department of Energy.

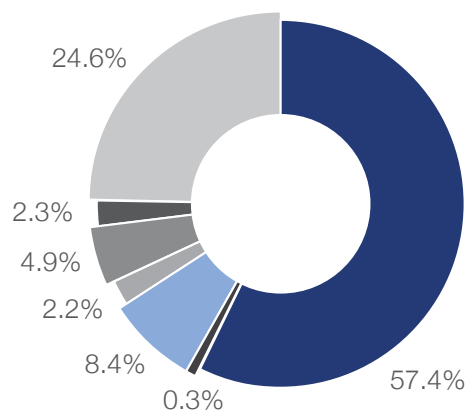


Figure 9 93 octane petrol: Gauteng retail price 1 178.0 c/l in December 2012

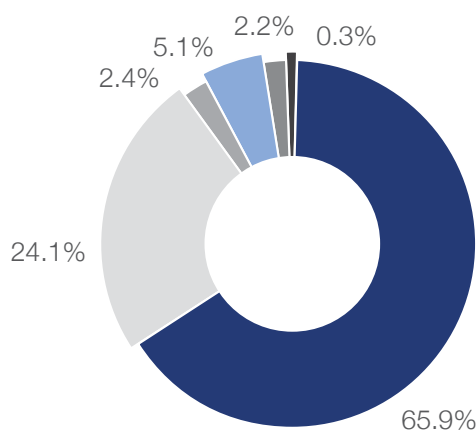


Figure 10 Diesel (0.05% S): Gauteng wholesale price 1 138.95 c/l in December 2012

Maximum retail price of liquefied petroleum gas price breakdown

■ Maximum refinery gate price	875.421 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%)	256.107 c/kg
■ Value added tax (14%)	274.888 c/kg

Source: Media release by Department of Energy.

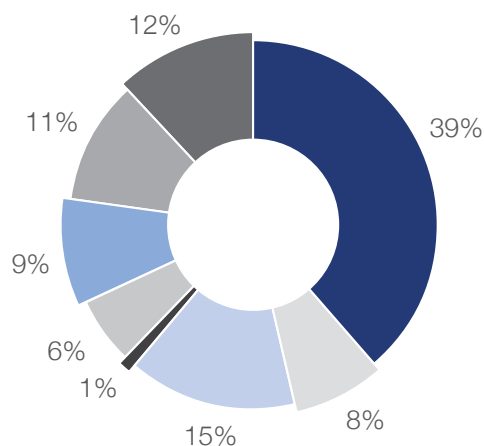


Figure 11 LPG maximum retail price: Gauteng retail price 2 238 c/kg in December 2012

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	37.5
1989	4.0	31.9	3.6	7.0	0	0	0	46.5
1990	4.0	31.9	4.2	7.0	0	0	0	47.1
1991	4.0	46.9	4.2	7.0	0	0	0	62.1
1992	4.0	54.9	6.2	7.0	0	0	0	72.1
1993	4.0	60.9	9.2	7.0	0	0	0	81.1
1994	4.0	60.9	9.2	9.4	0	0	0	83.5
1995	4.0	62.9	9.2	9.4	0	0	0	85.5
1996	4.0	71.6	10.5	5.4	0	0	0	91.5
1997	4.0	76.6	12.5	0.4	0	0	0	93.5
1998	4.0	86.6	14.5	8.0	0	0	0	113.1
1999	4.0	90.6	14.5	8.0	0	0	0	117.1
2000	4.0	95.6	14.5	0	0	0	0	114.1
2001	4.0	98.0	16.5	0	0	0	0	118.5
2002	4.0	98.0	18.5	0	0	0	0	120.5
2003	4.0	101.0	21.5	0	0	0	0	126.5
2004	4.0	111.0	26.5	0	0	0	0	141.5
2005	4.0	116.0	31.5	0	0	0	0	151.5
2006	4.0	116.0	36.5	0	0	10.0	0	166.5
2007	4.0	121.0	41.5	0	0.19	10.0	0	176.7
2008	4.0	127.0	46.5	0	0.15	10.0	1.5	189.2
2009	4.0	150.0	64.0	0	0.15	10.0	3.0	231.15
2010	4.0	167.5	72.0	0	0.15	10.0	3.0	256.65
2011	4.0	177.5	80.0	0	0.15	10.0	3.0	274.65
2012	4.0	197.5	88.0	0	0.15	10.0	3.0	302.65

*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.

Gauteng retail price of 93 octane was 1 178 c/l in December 2012. Taxes and levies as a % of this retail price: 25.69%.

Diesel

Illuminating Paraffin

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Petroleum Products Levy	IP Tracer Dye 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	33.0	5.3	12%
1989	4.0	31.4	2.1	7.0	-	0	0	44.5	7.0	12%
1990	4.0	31.4	2.1	7.0	-	0	0	44.5	7.0	12%
1991	4.0	33.4	2.4	7.0	-	0	0	46.8	7.0	10%
1992	4.0	47.4	4.0	7.0	-	0	0	62.4	7.0	10%
1993	4.0	47.4	4.0	7.0	-	0	0	62.4	7.0	14%
1994	4.0	53.4	6.0	8.0	-	0	0	71.4	7.0	14%
1995	4.0	53.4	6.0	8.0	-	0	0	71.4	7.0	14%
1996	4.0	61.6	5.8	5.0	-	0	0	76.4	0	14%
1997	4.0	63.6	6.8	3.0	-	0	0	77.4	0	14%
1998	4.0	76.1	10.3	8.0	-	0	0	98.4	0	14%
1999	4.0	76.1	10.3	8.0	-	0	0	98.4	0	14%
2000	4.0	79.1	10.3	0	-	0	0	93.4	0	14%
2001	4.0	81.0	16.5	0	-	0	0	101.5	0	0%
2002	4.0	81.0	18.5	0	-	0	0	103.5	0	0%
2003	4.0	85.0	21.5	0	-	0	0	110.5	0	0%
2004	4.0	95.0	26.5	0	-	0	0	125.5	0	0%
2005	4.0	100.0	31.5	0	-	0	0	135.5	0	0%
2006	4.0	100.0	36.5	0	-	0	0	140.5	0	0%
2007	4.0	105.0	41.5	0	0.19	0.01	0	150.7	0	0%
2008	4.0	127.0	46.5	0	0.15	0.01	1.5	179.2	0	0%
2009	4.0	135.0	64.0	0	0.15	0.01	3.0	206.2	0	0%
2010	4.0	152.5	72.0	0	0.15	0.01	3.0	231.7	0	0%
2011	4.0	162.5	80.0	0	0.15	0.01	3.0	249.7	0	0%
2012	4.0	182.5	88.0	0	0.15	0.01	3.0	277.7	0	0%

Gauteng wholesale price of 0.05% sulphur diesel was 1 138.95 c/l in December 2012.

Taxes and levies as a % of the wholesale price: 24.38%.

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2012 volumes at June 2012 rates)

	Petrol	Diesel	Illuminating paraffin	
Sales volumes (million litres)	11 714	10 170	545	
95 unleaded petrol in the DSML area (million litres)	1 519			
Customs and Excise Duty (c/l)	4	4	0	
Fuel Levy (c/l)	197.50	182.50	0	
Road Accident Fund Levy (c/l)	88	88	0	
Equalisation Fund Levy (c/l)	0	0	0	
Value Added Tax (VAT)	0	0	0	
Demand Side Management Levy (DSML) (c/l)	10	0	0	
IP Marker Levy (c/l)	0	0.01	0	
Petroleum Products Levy (c/l)	0.15	0.15	0	
	Million rands			Total
Customs/ Excise duty	469	407	0	875
Fuel Levy	23 135	18 560	0	41 695
Road Accident Fund Levy	10 308	8 950	0	19 258
Equalisation Fund Levy	0	0	0	0
Value Added Tax (VAT)	0	0	0	0
Demand Side Management Levy (DSML)*	152	-	-	152
IP Marker Levy	0	1	0	1
Petroleum Products Levy**	18	15	0	33
Total	34 082	27 933	0	62 014

*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.

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 2012. 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	7	2	3	3	1	16	0
	Male	9	10	5	25	15	64	1
Top management total		16	12	8	28	16	80	1
Senior management	Female	20	15	11	20	4	70	0
	Male	50	38	18	93	30	229	3
Senior management total		70	53	29	113	34	299	3
Specialists and mid-management	Female	314	201	116	234	13	878	7
	Male	530	351	312	634	53	1 880	31
Specialists and mid-management total		844	552	428	868	66	2 758	38
Skilled technical	Female	681	458	139	305	6	1 589	14
	Male	967	648	244	463	10	2 332	44
Skilled technical total		1 648	1 106	383	768	16	3 921	58
Semi-skilled	Female	220	99	9	47	0	375	12
	Male	1 313	351	114	78	1	1 857	9
Semi-skilled total		1 533	450	123	125	1	2 232	21

Health, safety and environment performance indicators covering distribution activities outside the refinery gate

Performance indicators	2004	2005	2006	2007	2008	2009	2010	2011	2012
(Not including refineries)									
Safety: staff and contractors									
Fatalities	25	35	18	7	17	7	27	8	10
Lost time injuries	66	68	73	49	70	64	51	44	43
Hours worked (million)	29.3	30.9	33.7	28.2	91.6	28.7	24.6	26.6	30.0
Total Recordable Rate (TRR), fatalities, lost time injuries and medical treatment cases per 200 000 hours worked.									
	0.6	0.9	0.9	0.8	1.1	0.8	0.4	0.5	0.4
Environment:									
Fires	41	67	2	24	25	16	33	16	13
Health:									
Occupational illnesses	5	1	1	1	1	1	2	1	2
Security:									
Hijackings: on retail forecourts	16	20	16	17	11	26	17	5	6
Cash-in-transit robberies	41	29	71	49	56	67	31	18	27
Retail robberies	297	358	376	651	782	611	430	156	222

Crude refineries' resource consumption and waste/emissions

Year		2006	2007	2008	2009	2010	2011
Water usage: litres		11 295 718	10 619 940	13 579 857	11 053 410	11 633 126	11 757 598
	Total						
	Municipal	7 702 188	7 439 088	9 740 503	7 495 492	6 794 633	6 702 822
Electricity consumption: Gwh		902	909	923	936	925	1 207
SO2 emissions: tons		26 369	19 741	22 823	38 024	30 246	19 440
PM emissions: tons		2 513	1 506	1 330	1 251	976	728
CO2 emissions: tons		3 556 373	3 494 681	3 462 715	3 383 713	3 183 018	2 734 124
Waste: tons		30 457	29 414	42 114	28 455	27 902	16 619
	Total						
	Hazardous	25 375	26 028	38 808	21 003	23 249	12 692
	Non-hazardous	5 082	3 386	3 306	7 442	4 653	3 927

Crude and coal/gas-to-liquids refineries' health and safety indicators

Indicator	2006	2007	2008	2009	2010	2011
Fatalities	0	2	1	4	3	3
Lost time injuries (LTI)	75	59	42	56	63	36
Exposure hours	65 147 117	63 846 087	63 210 984	73 093 285	70 971 882	76 971 672
Occupational illnesses	8	0	4	2	1	11
Total Recordable Rate (TRR)						
(fatalities, LTI and medical treatment cases per 200k hours worked).						
	0.64	0.62	0.43	0.61	0.57	0.43

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
DEA	Department of Environmental Affairs
DTI	Department of Trade and Industry
DOE	Department of Energy
DoT	Department of Transport
HDSAs	Historically Disadvantaged South Africans
HRD	Human resource development
IEA	International Energy Agency
IITRCL	Incremental inland transport recovery levy
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
MIBCO	Motor Industry Bargaining Council
MTT	Ministerial Task Team
NAAMSA	National Association of Automobile Manufacturers of South Africa
NERSA	National Energy Regulator of South Africa
NPA	National Ports Authority
NPEA	National Petroleum Employers Association
NSDS	National Skills Development Strategy
NSDS III	National Skills Development Strategy III
NT	National Treasury
PPC	Parliamentary Portfolio Committee
RAF	Road Accident Fund
RAS	Regulatory accounting system
RFA	Road Freight Association
SAPIA	South African Petroleum Industry Association
SETA	Sector Education and Training Authority
SSP	Sector Skills Plan
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
TOR	Terms of reference
TPL	Transnet Pipelines

List of acronyms



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