2013 Annual Report

sapia | South African Petroleum Industry Association | 20th ANNIVERSARY


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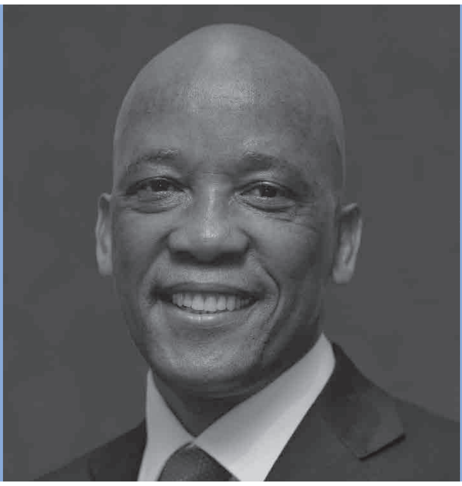


Foreword by the Minister of Energy Dikobe Ben Martins

The global environment over the past year serves as a reminder that from an energy perspective South Africa needs to ensure its own security of supply, especially within an uncertain geo-political environment. One of the key objectives of the Integrated Energy Plan is to look at multiple and alternative energy sources so as to diversify our energy mix. For those energy resources where we are not endowed with our own natural resources, we need to consider alternative options as well as reduce reliance on single or few sources of that supply. South Africa cannot afford to find its security of supply compromised by geo-political issues and decisions on which it has no say or control.

The Department of Energy, in its four years of existence, has made significant progress towards fulfilling its mandate of ensuring a sustainable and secure supply of energy, in various forms, to benefit all South Africans.

This year, there were no significant disruptions to the supply of petroleum products to the inland market as has been the case in other years. This could in part be attributed to the commissioning of the trunk line of the New Multi Product Pipeline. The enhanced monitoring of stock levels and engagements with oil companies has also contributed towards ensuring adequate stocks for liquid fuels. The lack of investments in the associated infrastructure, such as storage facilities, remains a concern as bottlenecks within the supply value chain still persist.

In a difficult economic environment, the Department of Energy worked even harder to become more resourceful to ensure we deliver upon the mandate which our people have given to us. Some key developments during the year under review:

- The end-state regulatory accounting system (RAS) applicable to retail petrol was implemented on 4 December 2013.
- The audit of the refineries has been completed and indicates the need for increased investment in the refineries. The facts gained from the audit will serve to inform the Liquid Fuels Infrastructure Roadmap.
- The Biofuels Mandatory Blending Regulations which make it mandatory for oil companies to blend biofuels into the main fuels, were finalised and promulgated. This will be effective from 1 October 2015.
- Promulgation of Regulations on Allowance of Energy Efficiency Savings in terms of the section 12l of the Income Tax Act and related taxation amendment laws and the launch of Private Sector Energy Efficiency programme.
- The draft updated IRP report was placed on the Department of Energy website on Friday 25 November 2013, to solicit written public comments before it is ultimately promulgated by March 2014.
- Cabinet approved the Draft Integrated Energy Planning Report for public release and comment on 24 July 2013.
- In partnership with Sasol, two Integrated Energy Centres (IEC) became operational during 2013, namely Ulundi IEC in KwaZulu-Natal and Makwane IEC in the Free State. The IECs deliver energy essentials such as petrol, diesel, lubricants, and LPG to the doorsteps of the rural poor. IECs also promote the development of small businesses through partnerships with key stakeholders.
- Income certainty has been achieved for retail and forecourt workers in the liquid fuels industry. Their wage increases are now provided for annually, through the fuel levy as administered by the National Treasury.

Skills development

Our country suffers from a chronic shortage of appropriately educated and skilled people, particularly in the energy sector and in areas of engineering and science. Partners in the private sector should collaborate with government in finding amicable solutions to address the skills shortage challenges, as agreed upon in the Skills Accord signed in 2011.

We encourage donor assistance for the pursuit of technical, artisan and energy-related studies. This can be championed through a number of programmes, including bursaries and scholarships for undergraduate and post-graduate energy related studies and international exchange programmes.

There is also a great need to unlock entrepreneurship opportunities in the energy sector. The sustainability of such ventures is largely reliant on mentoring and coaching provided by experts within the sector.

Women empowerment

The 25% ownership target of the Liquid Fuels Charter (LFC) is not only a minimum empowerment target in terms of ownership, but also in terms of employment equity, particularly of women as they were historically excluded in this sector.

In terms of ownership, the LFC audit revealed that exercisable voting rights by black women were a mere 7.31% and economic interest in the enterprises to which black women are entitled is 6.72%. Most of the black women ownership is as trust beneficiaries or junior consortium partners. We need to see more attendant participation as shareholders in the companies and more active exercising of women's ownership rights.

We will ensure that there are appropriate incentives for women appointments built into the future score card aligned to the Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice. As informed by the audit recommendations, the Department of Energy will align the LFC with the BBBEE framework and revised codes. One of the key changes in the BBBEE revised codes is the position of redefined enterprise and supplier development beneficiaries to only include black owned and black women owned qualifying small enterprises and exempted enterprises.

The petroleum sector needs to review the recruitment and retention strategies if women empowerment is to become a reality in this sector. Efforts aimed at ensuring that women flourish in decision making and management echelons as shareholders and other high level positions need to be enhanced.

Cleaner fuels

On 1 June 2012, the Department published Regulations regarding Petroleum Products Specifications and Standards that will come into effect by 2017. The changes in fuel specifications and standards to the equivalent of Euro 5 emission standards will require oil companies to invest in refinery infrastructure upgrades.

The estimated cost for refinery upgrades is in the order of $3.7 billion or R40 billion. The Department is collaborating with National Treasury in finding a workable solution, considering the prevailing and foreseeable high energy costs. Ensuring energy security and addressing climate change cost-effectively are key global challenges. Tackling these issues remains a task all of us need to address and will require efforts from stakeholders in all relevant sectors.

Blending of biofuels

The promulgated Mandatory Blending Regulations will come into operation on 1 October 2015. This effective date has taken into consideration the time required to finalise the Biofuels Pricing Framework as well as the development and installation of the requisite infrastructure for the manufacturing, supply and blending of biofuels.

A Biofuels Implementation Committee (BIC) has been established to ensure that all the practical or operational aspects pertaining to the blending of biofuels with mineral petrol and diesel are resolved well before the Mandatory Blending Regulations come into effect. The BIC, chaired by the Department of Energy, held its inaugural meeting on 30 August 2013.

The Cabinet-mandated interdepartmental Biofuels Task Team will proceed with its work to create an enabling environment for the implementation of the National Biofuels Strategy.

Conclusion

The accomplishments of the department over the past year show great dedication and commitment. We are determined to serve the needs of the people of South Africa, in a bid to safeguard our country's security of supply and to find solutions to the challenges we face.

Congratulations to SAPIA on the publication of its 15th annual report and 19th year of representing the petroleum industry. The public and private sectors must continue working together, sharing resources and multiplying results. The private sector must actively contribute to inclusive growth, investment, social development and economic transformation. The department will focus on energy projects, as well as ensuring a sound regulatory environment to stimulate investment in energy infrastructure. It is through the collaboration between the private and public sectors that we will be able to ensure a brighter future for our nation.

Report by SAPIA Chairperson Christian des Closières

During the year under review, international crude oil prices were relatively stable. The Brent crude oil price reached an approximate high of US$116/bbl and an approximate low of US$102/bbl during 2013. The U.S. Energy Information Administration (EIA) expects that the Brent crude oil price is projected to average $105/bbl and $101/bbl in 2014 and 2015, respectively.

Global liquid fuels consumption grew by 1.2 million bbl/d in 2013, averaging 90.4 million bbl/d for the year (EIA). EIA estimates that non-OPEC liquids production grew by 1.3 million bbl/d in 2013, averaging 54.0 million bbl/d for the year, and that OPEC crude oil production averaged 30.0 million bbl/d in 2013, a decline of 0.9 million bbl/d from the previous year.

In South Africa, the demand for petrol increased by approximately 5% in 2013 compared with the previous year, while demand for diesel increased by 6%. Petrol prices reached a high of R13.55 (95 ULP – Gauteng) in August 2013 and diesel prices reached a high of R12.62 (wholesale price: 500ppm - Gauteng) in September 2013.

Security of supply

There have been no significant shortages of petroleum products during the year. This is largely as a result of the 24 inch multi-product pipeline and the exemption granted by the Competition Commission which allows for interaction to take place between key role players with regard to supply issues, logistics planning and pipeline operations.

South Africa has limited oil reserves and the bulk of its crude oil requirements needed to produce petrol, diesel, residual fuel, oil, paraffin, jet fuel, aviation petrol, liquefied petroleum gas and refinery gas are met by imports from the Middle East and Africa.

National demand for refined fuels already exceeds South Africa's refining capacity and demand is set to increase. Diesel consumption is forecast to grow at 4.5% a year and petrol consumption at 1% a year between 2012 and 2020, states PetroSA, which also estimates that, by 2020, South Africa will have to import 180 000 bbl/d of petrol and diesel if there is no significant investment in local refining capacity.

Clean fuels

Regulations regarding the introduction of Clean Fuels II were gazetted in June 2012 which indicated that it would come into operation on 1 July 2017. These regulations, among other things, require that sulphur levels in both petrol and sulphur be reduced to 10ppm. The regulation also requires other specifications to conform to those contained in the national standards for petrol and diesel. These specifications are currently being finalised.

The target date of July 2017 has been postponed to a date to be determined in the future, once various aspects relating to the financial implications of producing the cleaner fuels have been finalised. In the meantime, in order to provide cleaner fuels for those new technology vehicles that require this fuel, initiatives are being investigated to determine whether it is possible to bring in fuels with certain upgraded specifications at an earlier date.

SAPIA held a number of discussions with DOE and National Treasury during the year in an attempt to finalise the cost-recovery mechanism for the refinery upgrades required for the production and distribution of clean fuels. South Africa's refineries will need to invest about R40 billion to meet the Clean Fuels II specifications.

National development plan

The NDP is a policy blueprint for eliminating poverty and reducing inequality in South Africa by 2030. It identifies issues such as economic infrastructure; environmental sustainability; integrating the rural economy; improved training and development and transformation in society.

SAPIA and its members have existing programmes and agreements in place that support the National Development Plan such as:

Economy infrastructure

SAPIA members have announced their investment initiatives in infrastructural areas related to the petroleum industry including storage, logistics and near ports. As members prepare to upgrade refineries to meet the new fuel standards, they are also preparing for investment in minimum emissions standards, as well as discussing requirements for increasing the volumes of strategic fuel stocks with the DOE. The association members continue to import refined fuels in order to meet national demand.

Environmental sustainability

SAPIA has been involved in the development of Environmental Impact Assessment Regulations, the formulation of effective Minimum Emissions Standards for refineries and the introduction of fuels of a quality that enable the reduction in harmful vehicles emissions.

SAPIA works closely with government on a number of measures to reduce greenhouse gases (GHG) from refineries as well as other energy efficiency initiatives, which will also result in a reduction of GHGs. This includes building energy efficient structures. SAPIA is engaging with government to determine the most practical carbon pricing and tax mechanisms.

An integrated rural economy

SAPIA members have invested in Integrated Energy Centres (IECs) around the country, which offer a one-stop service of a variety of energy goods close to local communities. This creates jobs and provides an opportunity for local communities to be part of an energy business venture and to take ownership of such initiatives.

SAPIA views education, training and innovation as key priorities and has embarked on an integrated vocational and professional education and training programme to address both present and fit for purpose qualifications.

Transforming society

SAPIA members support transformation by concluding empowerment transactions as set out by the Liquid Fuels Charter and complying with the Broad-Based Black Economic Empowerment Act and the Broad-Based Black Economic Empowerment Codes of Good Practice.

Acknowledgements

We were deeply saddened to learn of the untimely passing of former BP Southern Africa CEO, Gerard Derbesy, in August. We extend our thoughts to his wife, children and the BP staff worldwide. Derbesy was appointed as chairperson of the South African Industry Association in 2012. He was an exceptional leader, who took on the responsibility of representing the South African petroleum industry with humility and wisdom. He will be missed by his peers in the petroleum industry.

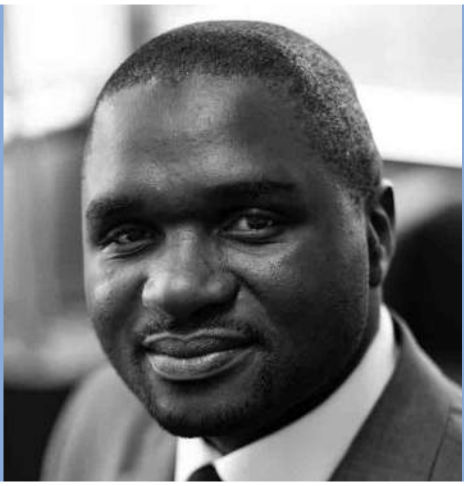
On behalf of the Board of Governors I would like to thank Minister Peters for her support and leadership over the past few years. The industry has made great strides during her time as Minister and we wish her further success as Minister of Transport.

During the year, we welcomed the appointment of Dikobe Ben Martins as the Minister of Energy, effective 10 July 2013. We have always enjoyed working closely with the Department of Energy and look forward to working together with Minister Martins to deliver on their vision to build a transformed and sustainable energy sector with universal access to modern energy carriers for all by 2014.

We will continue in our efforts to work in partnership with the Department of Energy to ensure security of fuel supply, addressing skills development in the petroleum sector and providing cleaner fuels to motorists.

It gives me pleasure to welcome my successor as Chairperson of SAPIA, Chairman of Shell South Africa Bonang Mohale, who will be the 20th oil company leader to chair the industry association since its inception in 1994.

To conclude, I can say that SAPIA is proud that its membership has grown from 7 members in 2011 to 23 members in 2013. Encouraging the active participation of these new members in the Association's programmes has been a focus all along this year.



Introduction by SAPIA Executive Director Avhapfani Tshifularo

The publication of SAPIA's 2013 Annual Report aims to share SAPIA's views on South Africa's liquid fuels scenario. SAPIA 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. With this in mind, the 2013 Annual Report – the publication's15th edition – provides an update on SAPIA's key focus areas and highlights the main issues that will shape the South African liquid fuels industry going forward.

Our aim is for the annual reports to be a useful reference point for member companies, consumers, media and members of government who wish to know more about our industry. As usual, we identify the main developments that took place in the industry during the year under review and highlight our achievements, improvements, general progress and challenges.

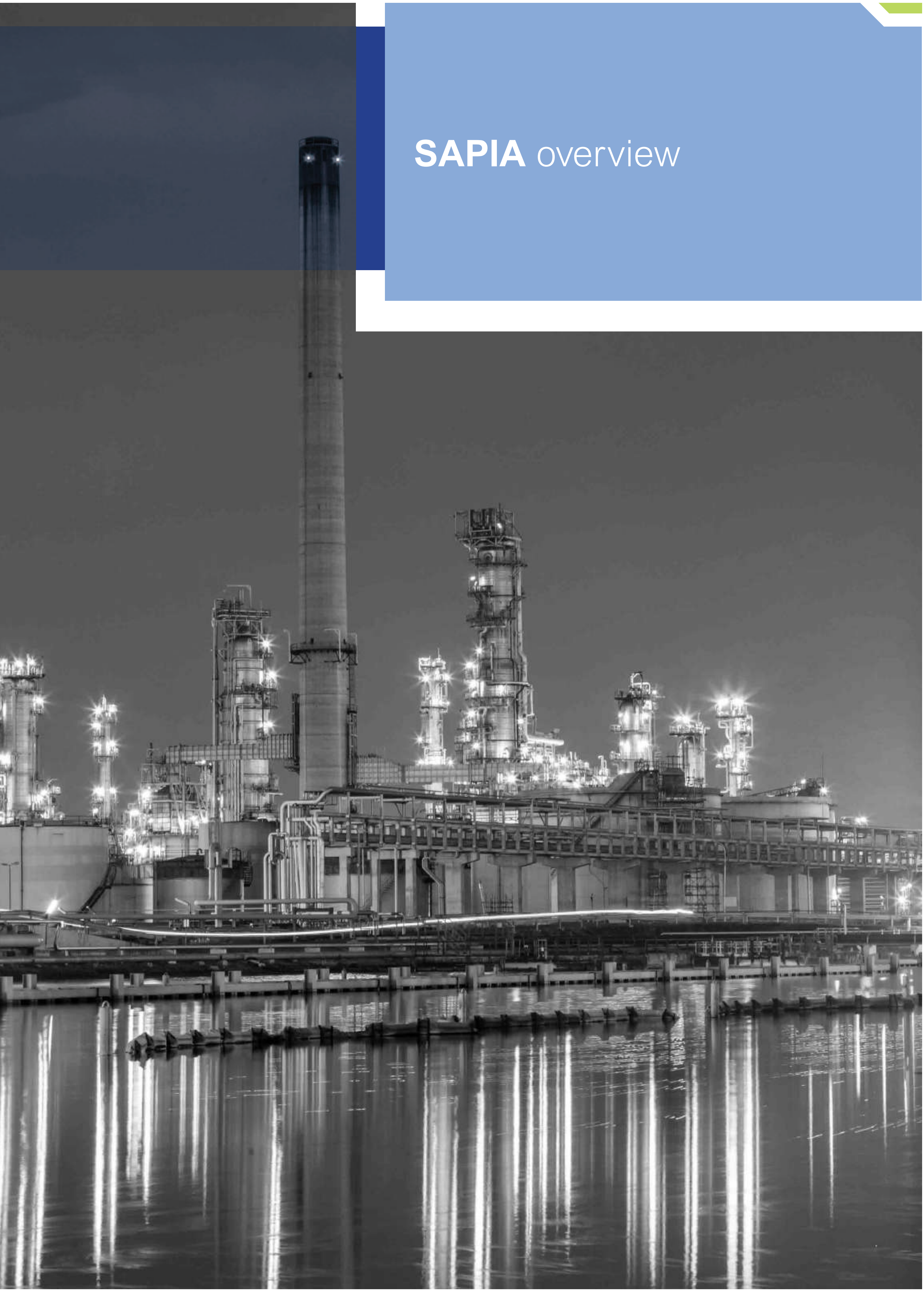
We are very pleased to be releasing this annual report in 2014, the year in which South Africa celebrates 20 years of democracy and SAPIA celebrates its 20th anniversary. The report contains the following:

- Overview of SAPIA's strategy, members, communication activities, Board of Governors and financials.
- Key changes in economic regulation and legislation.
- Explanation of the regulatory accounting system and implications for industry.
- Industry's progress towards ensuring security of supply, addressing environmental concerns and implementing Clean Fuels II.
- Detailed statistical review of the industry showing the evolution of demand and supply of petroleum products among other things.

I would like to thank the Minister of Energy and the Department of Energy, the Board of Governors and member companies for their valued contributions and sound governance of the petroleum industry this past year.

I would also like to thank SAPIA's staff and committees for their valuable contribution to the running of the Association. We remain committed to our vision of becoming a respected industry association which enhances the reputation of the petroleum sector and adds value to its member companies and stakeholders. Our willingness to partner with our stakeholders to address the challenges we face and benefit from the opportunities that we create by working together, will stand us in good stead for the future.

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 the strategy diagram below, 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.

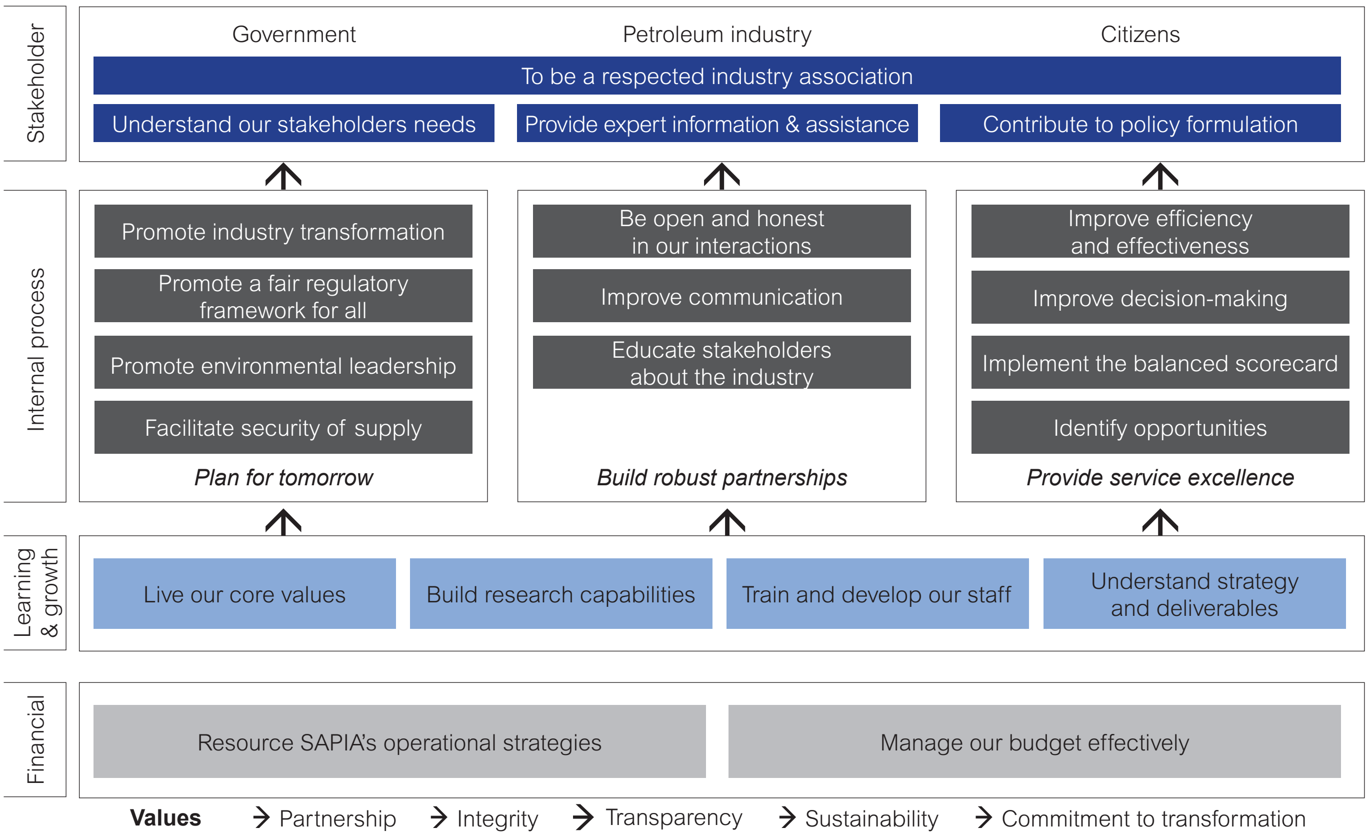


Figure 1 *The SAPIA strategy*

The five key business objectives are as follows:

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

The formal execution of the five key business 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 executing the strategy. 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.

Communication activities

The graph below shows the number of communication activities and media coverage received in 2013 in comparison with previous years.

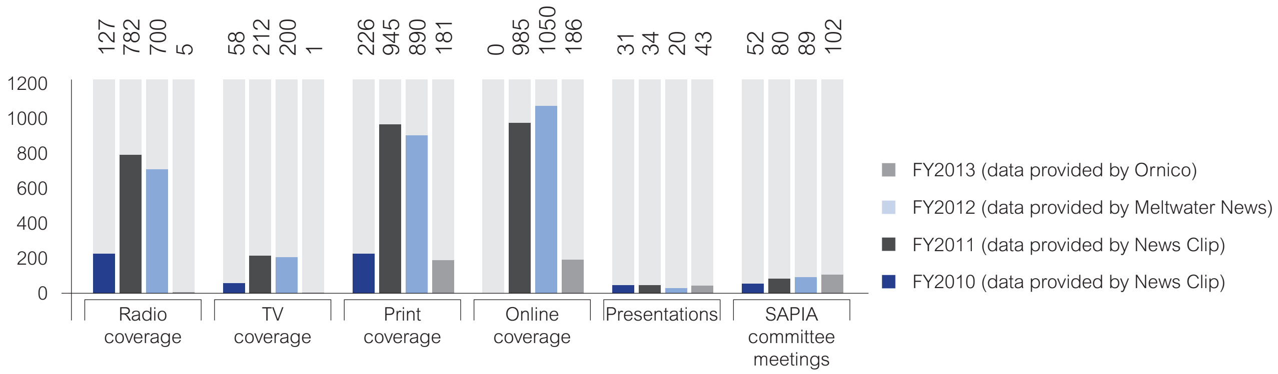


***Figure 2** SAPIA's communication activities and media coverage*

Membership

As a result of SAPIA opening its membership in 2012 to accommodate both existing and potential marketers in the petroleum and refinery market, 11 new members joined SAPIA during 2013.

Integrated members	Non-integrated members		
	Biofuels manufacturers	Fuel wholesalers	LPG wholesalers
• BP Southern Africa (Pty) Limited • Chevron South Africa (Pty) Limited • Engen Petroleum Limited • PetroSA Limited • Sasol Oil (Pty) Limited • Shell South Africa Marketing (Pty) Limited • Total South Africa (Pty) Limited	• Mabele Fuels (Pty) Limited	• Afric Oil (Pty) Limited • Altivex 529 (Pty) Limited t/a Elegant Fuel • Bahlaloga Technology's • Brent Oil (Pty) Limited • Camel Fuels (Pty) Limited • Gulfstream Energy (Pty) Limited • Khulaco (Pty) Limited • KZN Oils (Pty) Limited • Makwande Energy Trading (Pty) Limited • Omphile's Trading CC t/a Siyanda Petroleum • Royale Energy Limited • Tunica Trading 59 (Pty) Limited t/a AEMCOR	• Easigas (Pty) Limited • Oryx Oil South Africa (Pty) Limited • Totalgaz Southern 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 2013 Board of Governors

Christian des Closières, Managing Director of Total South Africa, has been elected as the Chairperson of SAPIA for the year 2013. He is the 19th 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 2013 Board of Governors comprises of the following individuals:

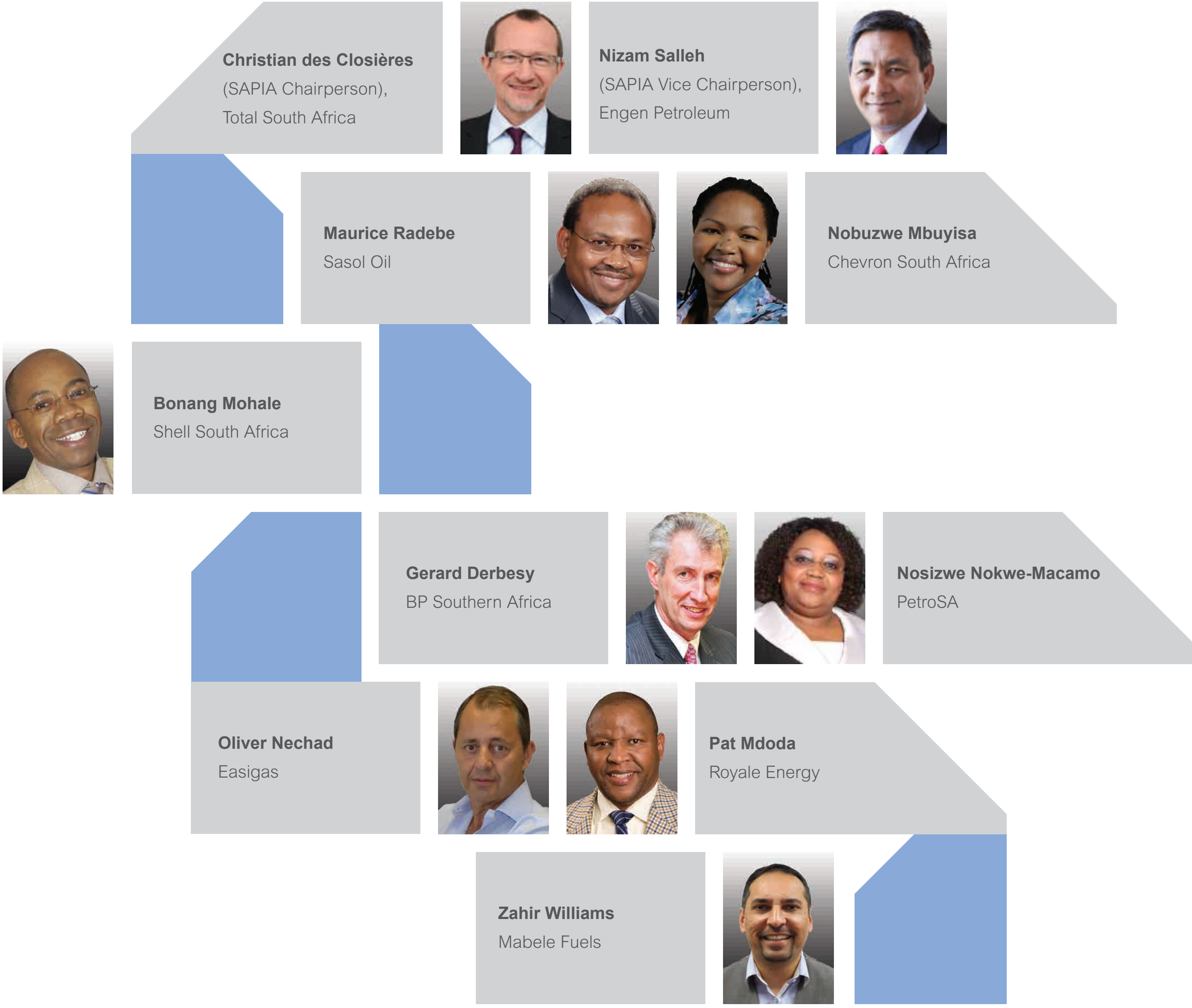


***Figure 3** SAPIA's Board of Governors*

Attendance at board meetings

Board member	2013/03/06	2013/06/12	2013/09/17	2013/11/29
Gerard Derbesy	Y	Y	R	R
Thandi Orleyn	-	-	Y	N
Priscilla Mabelane	-	-	-	Y
Nobuzwe Mbuyisa	Y	Y	Y	Y
William Solliez	Y	Y	R	R
Oliver Nechad	-	-	Y	Y
Nizam Salleh	A	Y	A	A
Zahir Williams	-	Y	Y	Y
Nosizwe Nokwe-Macamo	Y	Y	A	A
Maurice Radebe	Y	A	A	A
Bonang Mohale	Y	A	Y	A
Pat Mdoda	Y	Y	Y	Y
Christian des Closières	Y	Y	Y	Y

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

SAPIA staff structure

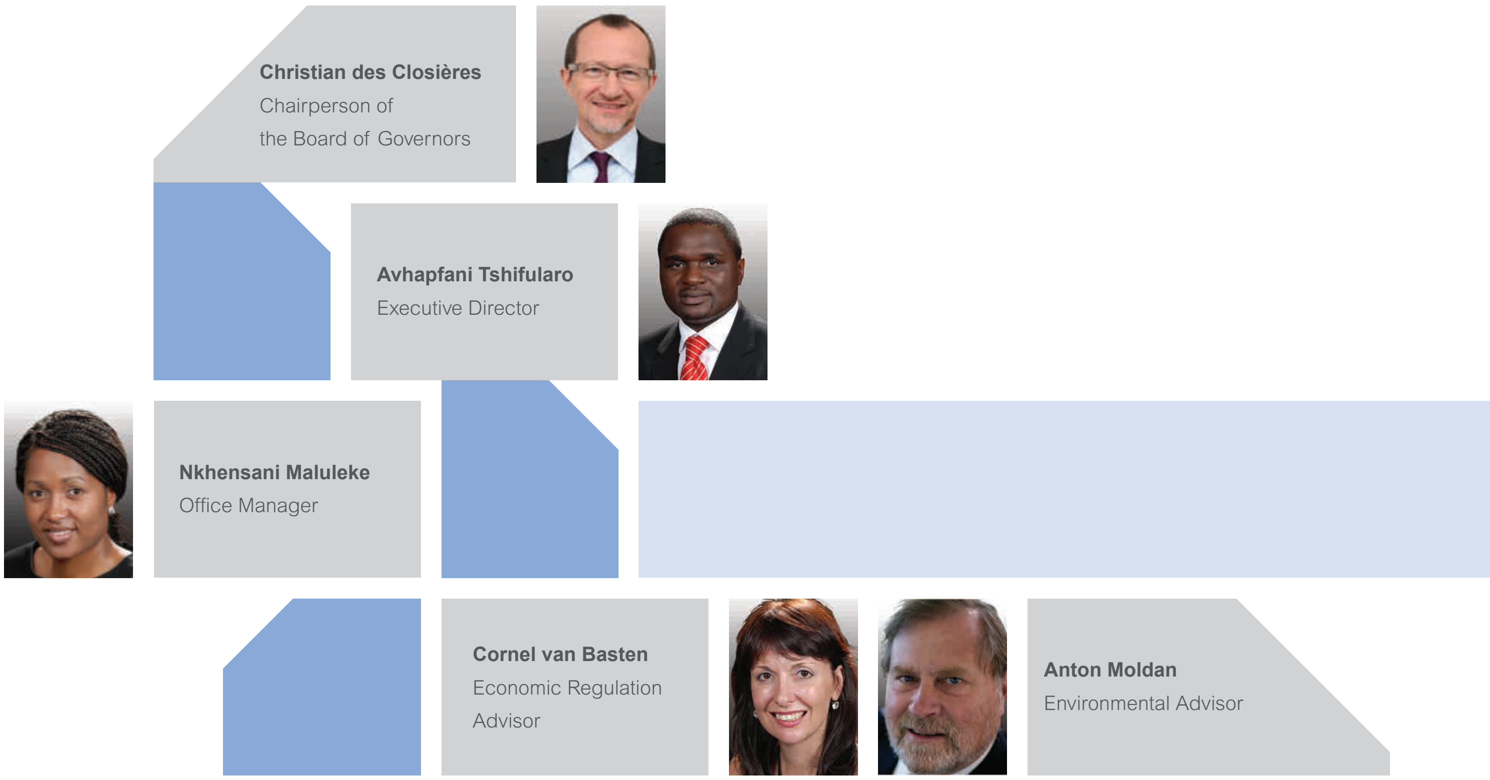


***Figure 4** SAPIA organisational chart*

SAPIA committees

There are thirteen 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	Christian des Closières	Total South Africa
Clean Fuels Task Team	Nizam Salleh	Engen
Economic Regulation Committee	Gerard Derbesy	BP
Legal Committee	Andre du Plessis	Total South Africa
Communications Committee	Avhapfani Tshifularo	SAPIA
Transformation Committee	Nobuzwe Mbuyisa	Chevron
Non Integrated Members Forum	Pat Mdoda	Royale Energy
Petroleum Industry Engineering and Environment Committee	Bernhard Eigenhuis	BP
Refinery Managers' Environmental Forum	Anton Moldan	SAPIA
SAPIA Fuels Technical Committee	Raymond Abraham	Shell
HSSE Committee	Avhapfani Tshifularo	SAPIA
Security Committee	Avhapfani 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.

Income (thousand rands)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Membership subscriptions	5 790	5 413	6 206	6 366	6 366	6 415	7 748
Other income (including interest)	235	459	1 505	138	1 426	180	173
Total income	**6 025**	**5 872**	**7 711**	**6 504**	**7 792**	**6 595**	**7 921**

Expenditure (thousand rands)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Personnel/payroll	3 352	3 382	3 113	3 663	4 009	4 259	4 326
Other expenditure (including interest)	2 673	3 059	3 231	2 782	3 321	2 931	2 919
Total expenditure	**6 025**	**6 441**	**6 344**	**6 445**	**7 330**	**7 190**	**7 245**

Highlights in 2013

SAPIA welcomed 11 new members.

New clean fuels diesel specifications have been finalised through the SABS process.

End-state regulatory accounting system applicable to retail petrol was implemented in December.

SAPIA has commissioned a study into the current basic fuel price mechanism.

Global liquid fuels consumption grew by 1.2 million bbl/d in 2013, averaging 90.4 million bbl/d for the year.

SAPIA members have invested in Integrated Energy Centres (IECs) around the country.

Income certainty has been achieved for retail and forecourt workers in the liquid fuels industry.

SAPIA's Advanced Certificate in Management for Oil and Gas (NQF Level 8) launched in 2013.

The fuel retail industry supported about 4 500 small, medium and micro enterprises and created over 70 000 jobs nationally.

R64.2 million spent by SAPIA member companies on corporate social investment projects during 2013.

Demand for petrol increased by approximately 5% in 2013 compared with the previous year, while demand for diesel increased by 6%.

Petrol prices reached a high of R13.55 (95 ULP – Gauteng) in August 2013 and diesel prices reached a high of R12.62 (wholesale price: 500ppm - Gauteng) in September 2013.

DOE is commencing a process to align the Liquid Fuels Charter with the B-BBEE framework and revised codes.

Strategic focus areas

Security of supply

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

Achievements
Concluded a review of supply infrastructure, risks and mitigations.
Improvements
Exemption from certain prohibitions outlined in Competition Act has improved security of liquid fuels as a result of more effective planning. DOE released the draft strategic stocks petroleum policy and implementation plan in March 2013. SAPIA submitted comments and participated in the DOE workshop. The policy is being finalised by the DOE. The 555km, 24 inch diameter multi-product pipeline has a capacity of 26.7 billion litres of fuel a year.
Challenges
South Africa is a net importer of hydrocarbons and is vulnerable to external environmental factors in the sector. Finalisation of the Strategic Stocks Petroleum Policy is necessary to ensure that industry maintains reserves best in line with international practice. The audit of the refineries was completed and indicated the need for increased investment in the refineries. 7.1% decline in total petroleum volumes pumped through the pipelines from 18 billion litres in 2010/11 to 16.7 billion litres in 2011/12, before declining further to 15.9 billion litres in 2013 (Source: NERSA). Work on the 20-year liquid fuels infrastructure roadmap has been delayed by the refinery audit and constrained by inadequate data. It should be finalised during the current fiscal year, which ends on 31 March 2014.

Focus for 2013	Progress	Focus for 2014
Feedstock and products import facilities risk mitigation plan	SAPIA concluded a review of supply infrastructure, risks and mitigations.	Implementation of the findings and recommendations of the review.
20-year liquid fuels infrastructure roadmap project	SAPIA members have been co-operating with the DOE and have submitted requested data.	SAPIA is waiting for the outcome of this project and will provide input if given an opportunity.
National strategic fuel stocks policy	SAPIA provided comments on the policy/plan in May 2013 and attended the DOE's public consultation workshop on 3 June 2013.	SAPIA is waiting for DOE's updated policy/plan in this regard.

Progress in 2013

Feedstock and products import facilities risk mitigation plan
Last year 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 of developing a supply risk mitigation plan. SAPIA concluded this review in 2013.

The main objectives of the review were to:

- Identify key and common supply chain infrastructure.
- Identify, prioritise and mitigate the key supply chain risks facing the oil industry in South Africa over the next five years.
- Develop a sustainable methodology to identify, mitigate and manage these risks.
- Develop a strategy for sustainable key and common supply infrastructure efficiency to ensure continuity of supply.

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. The roadmap will also assist in determining the capabilities and capacity for local refining, storage, handling and logistics. It is due for completion in the 2013/2014 financial year. SAPIA members have been co-operating with the DOE and have submitted requested data.

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. The audit of the refineries was completed by the DOE and indicated the need for increased investment in the refineries. The facts gained from the audit will serve to inform the Liquid Fuels Infrastructure Roadmap.

24 inch multi-product pipeline
The 24 inch diameter multi-product pipeline (MPP) constructed by Transnet Pipelines became operational in January 2012, with the commissioning of the 555km trunk line between Durban and Jameson Park; and three pump stations, situated at Tweni, in Durban, at Hilltop, near Pietermartizburg, and at Mnambithi, near Ladysmith. Three inland pipelines were commissioned in May 2011. Currently the MPP only conveys diesel. Once the MPP project is fully completed, towards the end of 2015, the pipeline will transport petrol, diesel and jet fuel.

National strategic fuel stocks policy
The draft strategic stocks petroleum policy and draft strategic stocks implementation plan have been published by the Department of Energy, in terms of the National Energy Act, in March 2013 for public comment. The policy sets out the framework for the storage of fuel stocks by both government and oil companies. It aims to ensure uninterrupted supply of petroleum products throughout South Africa by providing adequate strategic stocks and infrastructure such as storage facilities and pipeline capacity. Strategic stocks are to be used during declared emergencies. The Minister of Energy will have the power to decide when a shortage of fuel and oil is at such a level to warrant an emergency.

SAPIA provided comments on the policy and plan in May 2013. A DOE public consultation workshop to discuss comments received was held on 3 June 2013 and SAPIA members participated in this workshop. It is SAPIA's understanding that DOE is now considering comments and finalising the policy and implementation plan.

Product shortage assessment
SAPIA undertook a 'cold eye' assessment early in 2013 as a result of product shortages in the inland area during November and December 2012. The outcomes of this assessment have been considered and acted upon.

Environment

Strategic priority: Environment
Our focus: Promote environmental leadership within the industry

Achievements
Department of Environmental Affairs (DEA) has accepted the proposal that environmental impact assessments for the construction of new service stations will not be necessary if legislation and standards have been correctly followed. The modus operandi is currently being developed. SAPIA members are voluntarily introducing new protocols to prevent and detect leaks from underground storage tanks resulting in a significant decrease in the number of leaks.
Improvements
Contamination Management Co-ordination Group is holistically co-ordinating remediation efforts of several companies in Island View, Port of Durban. This presents a model for other sites and is far more effective than working in isolation. Government and industry are working together through the Oil Spill Response Advisory Group to improve local oil spill response capabilities.
Challenges
Finding ways of practically applying and conforming to new legislation in a manner that is cost effective and maintains best environmental practices. This has been resolved. The introduction of environmental legislation which has relevance to a number of government departments requires careful co-ordination to ensure that unintended consequences are not experienced with the introduction of new legislation.

Focus for 2013	Progress	Focus for 2014
Minimum Emission Standards	New legislation was promulgated in November 2013. However, there are still some editorial errors that need to be rectified.	Consolidate further input for amendment to the Minimum Emission Standards and engage with DEA.
Carbon Tax Policy Paper	Held a number of discussions with NT and put forward SAPIA's view to them. This has resulted in the postponement of the introduction of the carbon tax.	Continue to engage with NT on the introduction of the carbon tax.
Greenhouse gas management processes	Made a number of submissions to DEA and NT on their proposed policy and legislation.	Continue to engage with government on GHG related issues such as carbon tax, GHG reporting, establishing desired emission reduction options (DEROs) for refinery operations, among others.

Progress in 2013

Finalisation of Minimum Emission Standards

The list of activities which result in atmospheric emissions which have or may have a significant effect on the environment; including health, social conditions, economic conditions, ecological conditions or cultural heritage was first promulgated in March 2010. Since that time, it has been recognised that a number of flaws were contained in the legislation and a consultation and amendment process was initiated. This culminated in finalisation of the standards in 2013, with the new standards being promulgated on 22 November 2013. Unfortunately, there are still some of the provisions that require clarity in order to avoid ambiguity in the interpretation of the legislation. Further submissions to rectify this will be made during 2014.

Co-ordination of government departments

National oil spill response strategy

SAPIA has set up an Oil Spill Response Advisory Group with the DEA and South African Maritime Safety Authority (SAMSA) in order to address some of the shortcomings in the National Oil Spill Response Strategy. It is felt that benefits will be derived from government and industry working together in partnership to improve the local oil spill response capabilities.

Waste management licences

During 2013, the Waste Act required that before remediation could begin on any contaminated land, a waste management licence needed to be obtained from the DEA. This process took time and prevented the responsible companies from containing and recovering the contamination, resulting in greater environmental damage. Following engagement with the DEA, they have been made aware of this anomaly which will be rectified during the course of 2014 with the promulgation of Part 8 of the Waste Act.

Environmental legislation

Environmental legislation often has relevance to a number of government departments. This requires careful co-ordination to ensure that unintended consequences are not experienced with the introduction of new legislation. For this reason, SAPIA members proposed the idea of forming an Oil Industry Regulatory Co-ordination Group which would co-ordinate the introduction of this type of legislation. However, the Department of Energy prefers an approach where potentially conflicting legislation is dealt with on an *ad hoc* basis.

Contamination management

Decreasing number of underground storage tank leaks

SAPIA members are now voluntarily introducing new protocols to prevent and rapidly detect leaks from underground storage tanks. These protocols include the use of refined methods for stock inventory reconciliation analysis, installation of double-walled tanks, monitoring for leaks in the interstitial spaces of double-walled tanks, use of automatic tank gauges and a sophisticated method for tank and pipe integrity testing. This is resulting in a significant decrease in the numbers of leaks from underground storage tanks.

Contamination management co-ordination group

A number of companies have operations in Island View, Port of Durban. The site has become contaminated over many years. In the past, each company remediated their own sites in isolation which meant that the contamination could be transferred from one site to another. A contamination management co-ordination group was set up during the year whereby all remediation work can be co-ordinated in a more holistic way which will make the remediation efforts more effective. This will serve as a model for similar historically contaminated sites.

Input into development of climate change policy and regulations

SAPIA formed an Advisory Committee on Climate Change to co-ordinate input from SAPIA members into the government process of formulating policy and legislation to address the climate change challenge. The main areas of input in the regulatory process have been as follows:

- Submitted comments and engaged with NT on their Carbon Tax Policy Paper which was published for comment in May 2013.
- Provided input into the DEA study on the interface between a carbon budget approach and a carbon tax.
- Provided input into the DEA-commissioned study on 'South Africa's greenhouse gas mitigation potential analysis' as it relates to SAPIA members' refinery operations.
- Provided input into the regulatory requirements for the reporting of GHG emissions with a view to rationalising the number of reporting points.

Input into new environmental regulatory instruments

SAPIA provided input into the development of a number of regulatory instruments, including:

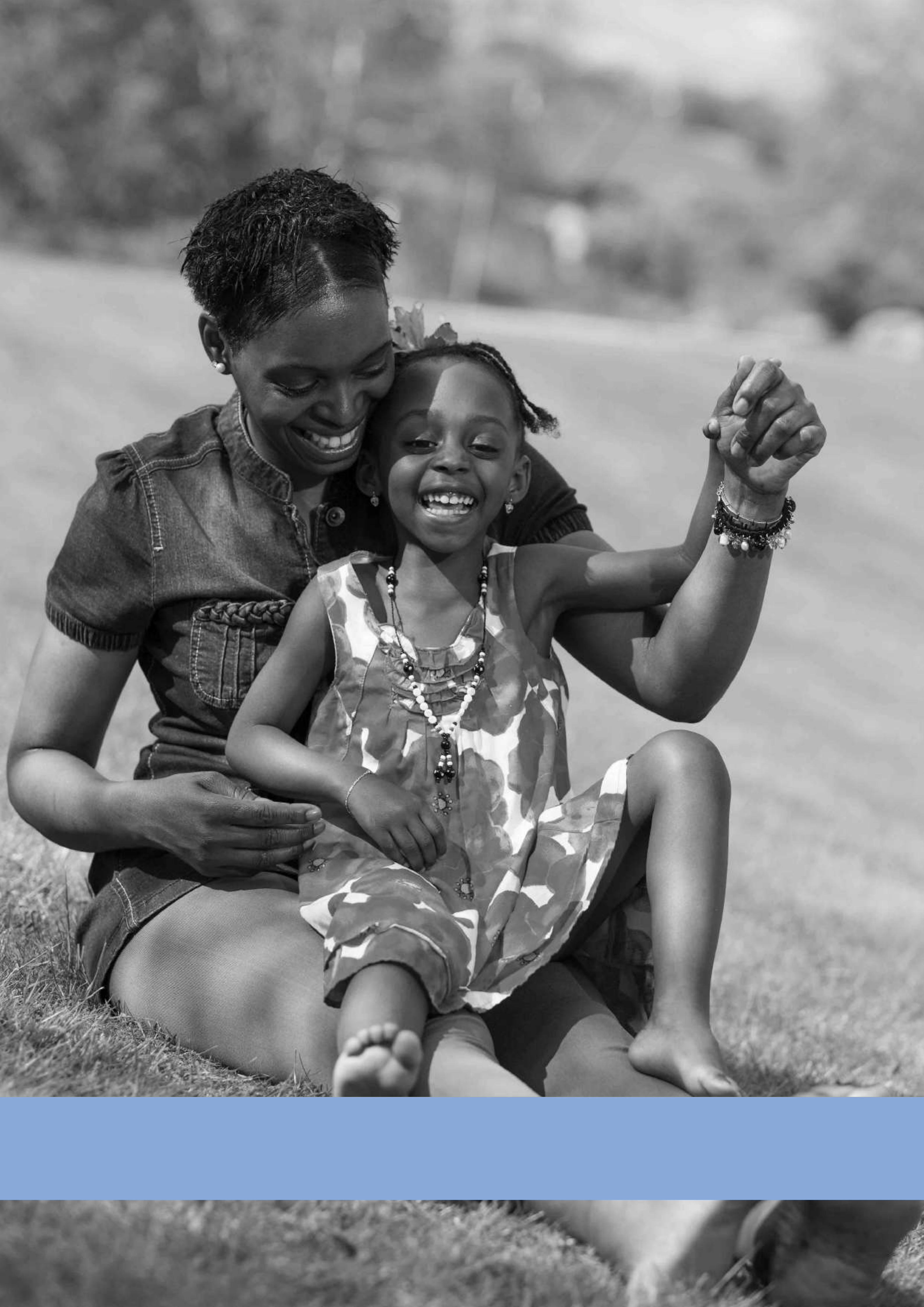
- The Carbon Tax Policy Paper.
- The Minimum Emission Standards.
- The norms and standards for the remediation of contaminated land.
- Mandatory reporting of emergency incidents.
- South Africa's proposed ratification of international convention dealing with compensation for damage caused by bunker oil spills and hazardous noxious substances.
- Local legislation bringing into force the provisions of international agreements for the compensation for damage relating to spillages of oil carried as cargo oil to sea.
- Regulations for the mandatory reporting of atmospheric emissions to the National Atmospheric Emissions Inventory System.
- The use of 'offsets' to manage atmospheric emissions.
- Input into the national oil spill contingency planning process.
- Various issues relating to the implementation of the Waste Act, including the requirement for a waste management licence prior to starting contamination remediation.

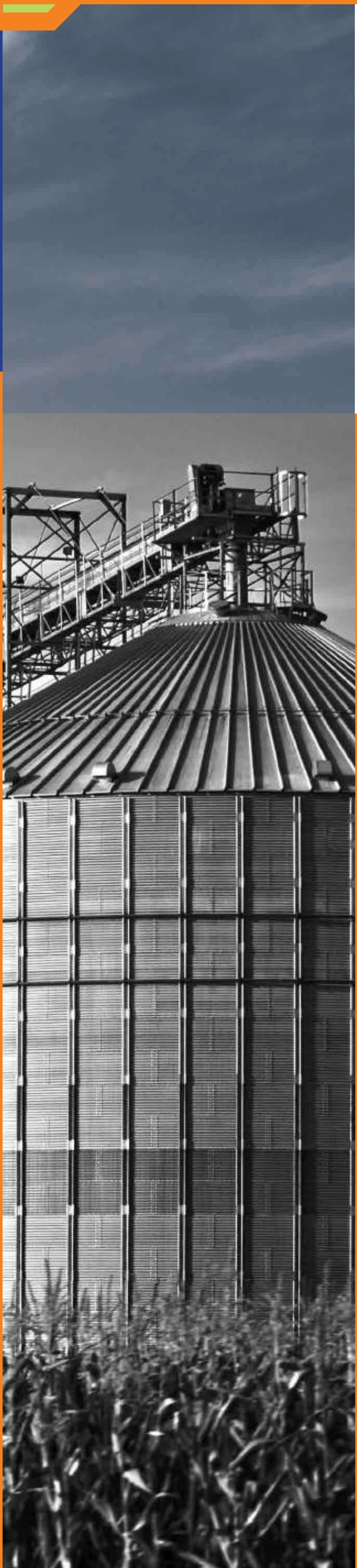
Biofuels

During 2013, a Biofuels Implementation Committee was formed under the chairmanship of the DOE. The committee provides a forum for addressing the issues that need to be tackled for the effective introduction of biofuels into the liquid fuels market. In line with this, task teams were established to address the identified issues:

- licensing of manufacturing depots;
- collection of taxes;
- pricing matters;
- criteria for subsidisation;
- fuel standards;
- fungibility (mixability) aspects;
- feedstock issues; and
- regulatory requirements.

The work of this committee and task teams is ongoing.

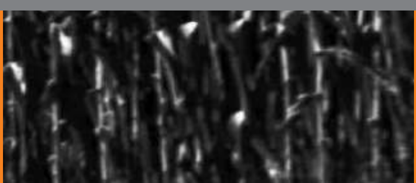




Clean fuels

Strategic priority: Clean Fuels II
Our focus: Make the transition to cleaner fuels in a manner that avoids any supply disruptions in the most cost-effective way possible

Achievements
Finalisation of the new clean fuels diesel specification through the SABS process.
Improvements
Postponement of the target date for the introduction of Clean Fuels II allows more time for the determination of an appropriate cost-recovery mechanism.
Challenges
Finalisation of the new clean fuels petrol specification through the SABS process. Reaching agreement on the volatility-related petrol specifications with regard to driveability. Delay in the finalisation of the cost-recovery mechanism for the production and distribution of clean fuels.



Focus for 2013	Progress	Focus for 2014
Cost-recovery mechanism for refinery upgrades	Appropriate cost-recovery mechanism still needs to be finalised by DOE and NT.	Reaching agreement on an appropriate cost-recovery mechanism.
Clean fuels specifications	Diesel specifications have been finalised. Petrol specifications still need to be finalised.	Finalise the petrol specifications.
Transitional fuels study	Terms of reference (TOR) for the transitional fuels study have been finalised.	Complete the transitional fuels study.

Progress in 2013

Finalisation of petroleum products specifications and standards

The South African Bureau of Standards (SABS) fuels sub-committee held a number of meetings during the year. This sub-committee is made up of different stakeholders who have an interest in fuel specifications, such as SAPIA and the National Association of Motor Manufacturers South Africa (NAAMSA). The specification change requirements must go through the SABS process to determine the SA national fuel specifications. The specifications are based on international best practice and normally follow those developed in Europe.

'SANS 342: Automotive fuels – requirements and test methods for diesel' was finalised during the year and is expected to be published in April 2014. 'SANS 1598: Automotive fuels – requirements and test methods for petrol' required extended discussion during the year to reach an agreement on volatility and metal additive specifications. The addition of ethanol when biofuels are introduced also needs to be taken into account. A working draft is expected in March 2014 with potential finalisation in October 2014.

Government decision on cost-recovery mechanism

SAPIA has identified the finalisation of a cost-recovery mechanism for the production and distribution of clean fuels as a top priority issue that needs to be resolved as soon as possible so that refineries can make decisions on the required major capital investments to produce fuels conforming to the new fuel specifications.

SAPIA held a number of discussions with DOE and National Treasury during the year in an attempt to finalise the form that the cost-recovery mechanism will take. SAPIA hopes this will be resolved during the first half of 2014.

Introduction of transitional fuel

During the year NAAMSA requested SAPIA to investigate the possibility of introducing cleaner fuels (particularly with lower sulphur levels) prior to the target date, at that time, of July 2017. This was discussed with DOE and SAPIA developed the terms of reference for a study that would determine the implications of introducing the fuels at an earlier date, particularly the implications of distributing additional fuel grades using the existing infrastructure. Consideration is being given to the implementation of this study during 2014.

Transformation

Strategic priority: Transformation
Our focus: Promote industry transformation

Achievements
Guidelines for aligning the Liquid Fuels Charter were provided by the Amended Broad-Based Black Economic Empowerment Act and the revised Codes of Good Practice of the Broad-Based Black Economic Empowerment.
Improvements
Clarification from the Broad-Based Black Economic Empowerment Act of 2013 that in the event of any conflict between this Act and any other laws regarding transformation, this Act prevails.
Challenges
The inability of the industry to comply with the Enterprise and Supplier Development Scorecard particularly due to criterion used to qualify as 'empowering supplier' within a context of broad-based black economic empowerment.

Focus for 2013	Progress	Focus for 2014
New liquid fuels empowerment framework	SAPIA finalised its position on the alignment of the LFC and B-BBEE Codes of Good Practice. SAPIA submitted a proposal to DOE on the process to align the LFC and B-BBEE Codes of Good Practice.	Alignment of the B-BBEE and the Liquid Fuels Charter.
Development of skills development framework	Project manager has been appointed.	Development of skills development framework.
Transnet National Ports Authority terminal operator licences	SAPIA has engaged both DOE and Transnet during the year.	Access and licences to logistical infra-structure.
Improve reputation and stakeholder management	Implemented championship model and quarterly Board of Governors meetings with the Minister and Director General of Energy. SAPIA has developed a stakeholder engagement plan.	Retail transformation will be a key focus area for the year ahead.
Opening-up membership	New members have joined SAPIA.	

Progress in 2013

New liquid fuels empowerment framework
As informed by the Liquid Fuels Charter audit recommendations, the DOE is commencing the process to align the Liquid Fuels Charter with the B-BBEE framework and revised codes. One of the key changes in the B-BBEE revised Codes is the position of Redefined Enterprise and Supplier Development beneficiaries to only include black owned and black women owned qualifying small enterprises and exempted enterprises.

Advanced Certificate in Management for Oil and Gas
The Duke Corporate Education Advanced Certificate in Management for Oil and Gas (NQF Level 8) is aimed at middle managers making a transition to senior managers who require specialist knowledge in the oil and gas industry. The programme, launched in 2013, is accredited by the Rhodes Business School. About 45 delegates participated in the programme.

Development of skills development framework
SAPIA secured a resource for the development of a business/implementation plan aimed at meeting the skills requirements of the industry across the broad spectrum from artisans to post-graduates and research.

Transnet National Ports Authority terminal operator licences
SAPIA formally discussed the Transnet National Ports Authority terminal operator licences issue with the Energy Director General requesting to escalate industry concerns with the Department of Public Enterprises.

Improve reputation and stakeholder management
SAPIA is continuing with the championship model which allows structured engagement with both the Energy Director General and Minister of Energy.

Opening the SAPIA membership to other industry players
SAPIA membership has grown from 12 members in 2012 to 23 members in 2013.

Regulated price elements

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

Achievements
The end-state regulatory accounting system (RAS) applicable to retail petrol was implemented on 4 December 2013.
Improvements
Wage increases for sector workers in liquid fuels industry are now provided for annually, through the fuel levy administered by the National Treasury.
Challenges
Economic regulators need to facilitate infrastructure development as one of many priorities. In Africa, the infrastructure backlog remains very high, amounting to billions of rands. Africa needs $43 billion per annum to address the energy backlog by 2040. If the financing gap is not filled by 2020, 35% of the continent's energy demand will not be met*. ** Source: Keynote address by Minister of Energy, Dikobe Ben Martins (March 2014)*

Focus for 2013	Progress	Focus for 2014
Regulatory accounting system	Regulatory accounting system implemented on 4 December 2013.	Continuous regulatory accounting system implementation.
Basic fuel price review	SAPIA's input submitted to DOE.	Finalisation of the BFP review by DOE.
Magisterial district pricing zones	NERSA announced an increase of 8.53% in allowable revenue of Transnet Pipelines compared to the 2012/13 tariff period. Road Freight Association adjusted road rates.	Review of the magisterial district pricing zones in view of the 24 inch multi-product pipeline coming on line which will impact fuel transportation logistics.

Progress in 2013

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), retail 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 2013.

Increase in wholesale margin and service differential

As a result of the implementation of the regulatory accounting system which is based on activity-based pricing the effect on margins was as follows:

The wholesale margin on petrol, diesel and illuminating paraffin was decreased by 27 c/l to 31 c/l with effect from 4 December 2013.

The service differential increased by 3.3 c/l to 28.8 c/l in petrol, diesel and IP with effect from 4 December 2013. The increase of 3.3 c/l comprises of (a) an increase in the secondary storage element by 2.1 c/l from 15.0 c/l to 17.1 c/l; and (b) an increase in the secondary distribution element by 1.2 c/l from 10.5 c/l to 11.7 c/l.

Increase in retail margin on petrol

The Minister of Energy approved an increase of 11.6% in the retail margin on all grades of petrol with effect from 2 October 2013. The increase resulted in a 4.9 c/l increase from 99.2 c/l to 104.1 c/l. 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).

A further increase from 104.1 c/l to 139.1 c/l was granted on all grades of petrol with effect from 4 December 2013.

Increase in fuel levy on petrol and diesel

The Minister of Finance announced that the fuel tax on petrol and diesel will increase by 15 c/l from 197.5 c/l to 212.5 c/l in the case of petrol and from 182.5 c/l to 197.5 c/l in the case of diesel with effect from 3 April 2013.

Increase in the Road Accident Fund levy on petrol and diesel

The Minister of Finance announced that the Road Accident Fund levy on petrol and diesel will increase by 8.0 c/l from 88 c/l to 96 c/l with effect from 3 April 2013.

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 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 3 April 2013.

NERSA announced an increase of 8.53% in allowable revenue of Transnet compared to the 2012/13 tariff period. The increase became effective on 3 April 2013 in the transport cost of petroleum transported by pipeline from Durban to the C-zones.

It is envisaged that the Department of Energy will conduct an official review of the magisterial district zone differential mechanism especially in view of the 24 inch multi-product pipeline coming on line which will impact fuel transportation logistics.

Regulatory accounting system

The end-state regulatory accounting system (RAS) applicable to retail petrol was implemented on 4 December 2013.

It is envisaged that the implementation of RAS will go a long way in supporting the continuous viability of the industry in line with the following principles:

- The industry needs a predictable regulatory system to encourage investment by existing and new entrants.
- The margin needs to sufficiently reward investment across the value chain.
- Investment returns need to be sustainable.

The above principles must be balanced with the principle of efficient prices for consumers and through RAS prices are based on a transparent and defendable methodology.

Maximum refinery gate price and maximum retail price of LPG

SAPIA views LPG as an essential product in the South African market and its safe use should be promoted as a matter of priority in the domestic household sector. A crucial element in this promotion is to ensure the viability of the supply sector which is now under severe strain.

The Department of Energy held a public consultation workshop to discuss comments received on the discussion document regarding the review of the maximum refinery gate price (MRGP) of liquefied petroleum gas (LPG) (Gazette No. 35818) which was gazetted on 24 October 2012. SAPIA members have commented on this discussion document.

Draft regulations and working rules (Government Gazette no. 32717 of 12 November 2009) with regard to the maximum retail price of LPG supplied to residential customers state that there will be annual reviews and that *'adjustments will be based on the movement in the drivers of the various elements of the price determination formula.'* It is expected that the Department of Energy will publish draft working rules in this regard for public comment in the near future.

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 for where adjustments are required based on the current global fuel market reality. The review was concluded early in 2013 and was submitted to the Department of Energy for consideration in their review of the BFP mechanism.

Incremental inland transport cost-recovery mechanism

In terms of Government Gazette no. 36178 of 20 February 2013 the Minister of Energy published a draft notice for comment of the intention to repeal Regulation No. R.641 published on 2 June 2009 regarding the levying, collection and reimbursement of incremental inland transport cost-recovery levies. SAPIA members have commented on this draft notice.

It is expected that the incremental inland transport cost-recovery levy will be terminated in the near future when the last claims in this regard have been reimbursed.

The levy has gone a long way to maintaining a balance between the market continuously being supplied and primary transport costs being kept at affordable levels, at a time when the Durban-Johannesburg pipeline was operating at full capacity, and industry had to make use of alternative modes of transport to move fuel products to the inland areas.

NERSA regulation of petroleum pipelines industry

The following matters took place during the year under review:

- NERSA has developed regulatory reporting manuals (RRMs) to provide guidelines to regulated entities in the petroleum pipeline industry for the submission of required information to NERSA. A stakeholder workshop was held on 22 February 2013 where NERSA provided stakeholders an opportunity to comment on the RRMs for the three industries, namely petroleum pipelines, piped-gas and electricity.
- NERSA made its decision (with published reasons) on Transnet's pipeline tariff application for 2013/14 on 13 March 2013. These maximum tariffs were effective from 3 April 2013 and enabled Transnet to realise an increase of 8.53% in its allowable revenue compared to the 2012/13 period.
- NERSA published Transnet Pipeline's tariff application for 2014/15 on 22 October 2013 on which SAPIA members have commented. Transnet applied for 19.88% increase in revenue from the 2013/14 allowable revenue that was set by NERSA. Transnet also applied for a set of penalty charges to be levied on pipeline customers with regard to the amendment of orders and delays to the pipeline system.

- 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 published a public consultation document on 15 April 2013 regarding a methodology for the petroleum pipelines industry to determine an estimated starting regulatory asset base (SRAB) that the Regulator would accept as most closely approximating the historical cost for assets in operation at the time of promulgation of the regulations and for which historical cost records do not exist.
- NERSA has approved version 7 of the tariff methodology for the setting of pipeline tariffs in the petroleum pipelines industry in 2013. Proposed changes mainly consisted of editorial changes as well as some content changes such as the use of the consumer price index (CPI) in certain calculations and measurement of operational efficiency.

National Ports Authority tariffs

The National Ports Authority applied to the National Ports Regulator for an average tariff increase of 5.4% for the period 1 April 2013 to 31 March 2014. The National Ports Regulator declined the proposed tariff increase and other individual tariff increases after considering the application. Instead it approved that tariffs be retained at the same level and that some individual tariffs be reduced.

Legislation

Levy on the petroleum pipeline industry for 2013/14

In terms of Government Notice No. 37256 the Minister of Energy in concurrence with the Minister of Finance has approved a levy of 0.2878 c/l applicable from 1 April 2013 to 31 March 2014. 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.'

Q&A with Avhapfani Tshifularo, Executive Director of SAPIA

Q What is the regulatory accounting system (RAS) for the petroleum sector?

A The RAS is used to determined appropriate margins for petrol at wholesale, retail, secondary storage and secondary distribution level. The RAS seeks to introduce transparency into the market as well as root out inefficiencies, cross subsidisation and uncontrolled costs.

Q What are the different activities in the retail petrol sector affected by the RAS?

A The different activities affected by RAS are as follows:

- Secondary storage was previously grouped with secondary distribution and was called service cost recoveries. However, the secondary storage activity is a distinct activity and carries out the function of secondary storage (depot) and handling. This activity consists of the receipt of bulk refined products by pipeline, rail or road from a supply point, storage of the product and breaking the bulk into smaller parcels or loads for road delivery to retail service stations and end-users.

- Secondary distribution commences at the loading gantry of the depot or secondary storage facility where the product is then transported in parcel volumes of between 10 000 litres and 48 000 litres to end user customers, e.g. service stations.

- Wholesale - this activity involves the function of marketing of petroleum fuels.

- Retail - this activity is carried out through licensed retail service stations.

Q When was the system implemented?

A The first phase of the regulatory accounting system was implemented in December 2011 with the adjustment of wholesale, retail and service differential margins based on the outcome of the regulatory accounts project.

The transitional phase of the RAS has lasted for a period of two years with the end-state implementation 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 was necessary to enable market players to prepare for the end-state implementation as this system leads to substantial changes in the way business is done in the fuel industry.

The end-state implementation 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.

Q What is the final outcome of the regulatory accounts system?

A The final outcome of the RAS is:

- An appropriate margin for each of the ring-fenced activities, namely: 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 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.

Q Why is there a difference between published diesel and IP wholesale margins and petrol wholesale margin?

A The main reason is that the DOE is implementing RAS which only applies to retail petrol. It is our understanding that the DOE will in the near future be considering diesel and IP prices and will conduct proper reviews. It would have been incorrect to adjust diesel and IP wholesale margins without reviewing all the implications. The last thing that a responsible regulator wants is to disrupt the market or not to have considered unintended consequences.

Q Does this mean that some market participants were worse off with the implementation of RAS on 4 December 2013?

A The adjustment of the margins has lead to a net increase in the sum of the margins on 4 December 2013 so all market participants should have been in a position to negotiate a fair return.

Q Will there be any job losses as a result of RAS implementation?

A The adjustment to margins on 4 December 2013 led to a net increase in the sum of margins. All market participants should be in a position to earn a fair return and it is inconceivable as to why there will be job losses as a result of RAS. There may be job losses as a result of inefficient or bad business practices or through interference into business relationships between parties, but not as a result of RAS margins. In addition, a wage component is fixed in the retail operating expenditure.

Statistics

Aggregate financial results of SAPIA members

Value added statements

Petrol wholesale margin (93 octane)

Sources of crude oil for SAPIA members: 2001 to 2013

Crude oil price movements: January 2007 to December 2013

Brent crude prices

Consumption of petroleum products in South Africa

Petroleum products imports and exports

Demand/refining capacity balance

Capacity of South African refineries

Petrol/diesel consumption ratio

Prices in Gauteng

Petrol and diesel price breakdown

Maximum retail price of liquefied petroleum gas price breakdown

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

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2013 volumes at June 2013 rates)

Workforce profile

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

Crude refineries' resource consumption and waste/emissions

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

Aggregate financial results of SAPIA members

Year ended 31 December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013*
Operating profit (R/m)	3 625	7 758	10 421	9 828	10 451	5 193	7 991	11 285	15 053	8 628	10 191.1
Interest paid (R/m)	(1 062)	(617)	2	(1 505)	(1 117)	(2 312)	(973)	(1 868)	(1 175)	(1 295)	(1 386)
Income tax (R/m)	(983)	(2 591)	(2 976)	(1 622)	(2 284)	(1 377)	(190)	(1 609)	(2 745)	(2 240)	(2 970)
Net income (R/m)	1 579	4 550	7 456	6 701	7 050	1 503	6 828	7 808	11 134	5 092	5 834
Total assets (R/m)	37 794	57 169	58 845	63 401	88 415	116 460	101 051	100 851	108 988	117 240	94 695.4
Capital expenditure (R/m)	1 812	2 555	3 154	4 494	4 958	6 070	5 573	5 091	5 855	6 844	4 950
Refinery shutdown							939	574	273	380	638.1
Other							4 634	4 518	5 582	6 465	4 311.9
After tax return on assets (%)	4	8	13	11	8	1	7	8	10	4	6
Sales volumes (bn litres)	30	31	29	32	32	35	29	22	20	29	29
Net income after tax (c/l)	5	15	26	21	22	4	24	36	55	18	20

Individual company financial data aggregated by Sizwe Ntsaluba Goboda Auditors.

*2012 data reported by 17 SAPIA members

*2013 data reported by 18 SAPIA members

Value added statements

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013*
Turnover (R/bn)	87	86	109	130	171	241	353	195	217	267	285	329
Net cost of products and services (R/bn)	57	55	72	86	126	179	279	144	164	187	206	236
Total value added (R/bn)	**30**	**30**	**37**	**45**	**45**	**62**	**73**	**51**	**53**	**79**	**79**	**92**
To pay employees gross salaries, wages and benefits (R/bn)	3	3	3	3	6	7	12	5	5	4	6	6
To pay the State tax in the form of												
Income tax (R/bn)	1	1	3	3	2	2	1	0.2	1	3	2	3
Duties and levies (R/bn)	18	20	25	28	30	40	48	40	43	54	63	66
To pay providers of capital												
Net finance expense (R/bn)	1	1	1	1	(0.2)	1	2	1	2	1	1	1
Dividends (R/bn)	3	1	1	2	4	4	4	2	(0.1)	4	2	2
Retained for future growth												
Depreciation (R/bn)	2	3	2	2	3	2	2	4	3	3	3	3
Retained income for the year (R/bn)	2	2	4	5	1	6	4	0.4	(1)	10	2	12
Total value added (R/bn)	**30**	**30**	**37**	**45**	**45**	**62**	**73**	**51**	**53**	**79**	**79**	**92**

Individual company financial data aggregated by Sizwe Ntsaluba Auditors.

*2012 data reported by 17 SAPIA members

*2013 data reported by 18 SAPIA members

Petrol wholesale margin (93 octane)

	2003	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013
MPAR return (%)	9.72	21.22	0	0	0	0	0	0	0	0	0
Indicated margin increase (c/l)	3.21	(4.21)	0	0	0	0	0	0	0	0	0
Increase granted (in succeeding year)	8.97	2.0	0	0	0	5.37	6.2	3.0	(1.369)	5.5	(27.0)
Margin at year end (c/l)	37.3	39.3	39.3	39.3	39.3	44.67	50.87	53.87	52.5	58.0	31.0

*The Marketing of Petroleum Activities Return (MPAR) system was no longer in use from 2005.

The Minister of Energy approved a wholesale margin of 31 c/l from 4 December 2013 in line with the Regulatory Accounting System methodology.

Sources of crude oil for SAPIA members: 2001 to 2013

Country of origin	Thousand tonnes												
	2001	2002	2003	2004	2005	2006	2007*	2008*	2009*	2010*	2011*	2012*	2013*
Algeria	0	0	0	0	0	0	0	66	0	0	0	0	0
Angola	382	138	116	654	404	1 144	3 054	3 598	3 817	3 409	1 948	3 356	2 444
Antigua and Barbuda	0	0	0	0	0	0	0	0	0	0	66	0	
Argentina	0	0	0	0	0	0	0	0	516	297	0	0	
Bermuda	0	0	0	0	0	0	0	115	0	0	0	0	
Bolivia	0	0	0	0	0	0	36	0	0	0	0	0	
Brazil													0
Cameroon	0	0	271	106	0	53	0	0	0	0	0	0	
Colombia	0	0	0	0	0	0	296	0	0	0	0	0	
Côte d'Ivoire	0	0	0	0	0	0	0	0	0	88	0	0	
Cuba	0	0	0	0	0	0	0	0	0	9	0	0	
Egypt	0	0	135	0	0	0	0	150	0	0	0	0	
Ecuador	0	0	0	0	0	0	149	0	0	0	76	67	73
Equatorial Guinea	0	0	0	0	0	0	0	0	0	35	38	76	89
France	0	0	0	0	0	0	0	0	0	0	0	0.00004	
Gabon	373	0	0	191	270	0	0	0	90	0	0	0	167
Ghana	0	0	0	0	0	0	0	0	0	0	0	259	746
Indonesia	0	0	0	0	0	0	0	0	232	0	0	0	
Iran	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	343	0	0	0	107	322	519	0	545	244	0	0	
Israel	0	0	0	0	0	0	0	0	1	0	0	0.007	
Kenya													0
Kuwait	431	342	0	0	0	0	0	0	0	0	0	0	
Liberia	0	0	0	0	0	0	0	0	395	0	0	0	
Libyan Arab Jamahiriya	0	0	0	0	0	0	133	0	0	0	0	0	
Mexico	0	0	0	0	84	0	0	0	0	0	0	0	
Mozambique	0	0	0	0	0	0	0	0	0	44	0	0	272
Nigeria	1 246	3 615	3 450	1 313	2 472	2 935	3 386	2 517	3 963	3 594	3 755	4 310	4 336
North Sea / U.K.	0	0	0	0	0	0	0	0	0	0	0	0	
Norway	0	0	0	0	0	0	76	35	74	37	0	0	
Oman	610	8	0	0	330	16	712	178	141	72	862	0	
Qatar	130	0	0	0	209	140	0	0	0	0	266	242	
Russian Federation	0	267	0	0	0	0	971	89	839	0	0	0	140
Saudi Arabia	7 219	7 364	9 521	8 137	7 331	6 486	5 876	6 265	6 968	4 584	4 793	8 437	9 723
Singapore	0	0	0	0	0	0	0	267	0	0	0	0	
South Africa	524	791	570	1 482	701	684	0	0	0	0	0	0	
Spain	0	0	0	0	0	0	0	0	0	134	0	0	
Switzerland	0	0	0	0	0	0	0	0	128	126	76	152	132
United Arab Emirates	734	70	106	109	779	514	332	855	553	1 018	598	538	307
United Kingdom	0	0	0	0	0	0	0	0	80	0	77	0	24
United States	0	0	0	0	0	0	0	282	0	36	262	0	
Venezuela	0	0	0	0	0	0	153	424	277		0	0	
Yemen	475	62	179	338	272	192	304	1 589	818		142	0.00005	207
Total	**18 185**	**18 896**	**21 360**	**20 496**	**20 967**	**18 540**	**22 090**	**21 067**	**25 040**	**19 254**	**17 834**	**18 940**	**18 658**

*South African Revenue Service

Crude oil price movements: January 2007 to December 2013

Average monthly prices (US$/bbl)

	2007		2008		2009		2010		2011		2012		2013	
	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai
January	54	52	92	87	43	44	76	77	97	93	110	110	113	108
February	57	56	95	90	43	43	74	73	104	100	120	116	116	111
March	62	59	104	97	47	46	79	77	115	109	125	122	108	106
April	68	64	109	103	51	50	85	84	123	116	120	117	102	102
May	67	65	123	119	57	57	75	77	115	108	110	108	103	100
June	71	66	132	128	69	69	75	74	114	108	95	94	103	100
July	77	69	133	131	65	65	76	72	117	110	103	99	108	104
August	71	67	113	113	73	71	77	74	110	105	113	109	111	107
September	77	73	98	96	67	68	78	75	113	106	113	111	112	108
October	82	77	72	67	73	73	83	80	109	104	112	109	109	107
November	93	87	53	50	77	78	85	84	111	109	109	107	108	106
December	91	86	40	41	74	75	91	89	108	106	109	106	111	108
12-month average	**73**	**68**	**97**	**94**	**61**	**62**	**79**	**78**	**111**	**106**	**112**	**109**	**109**	**106**

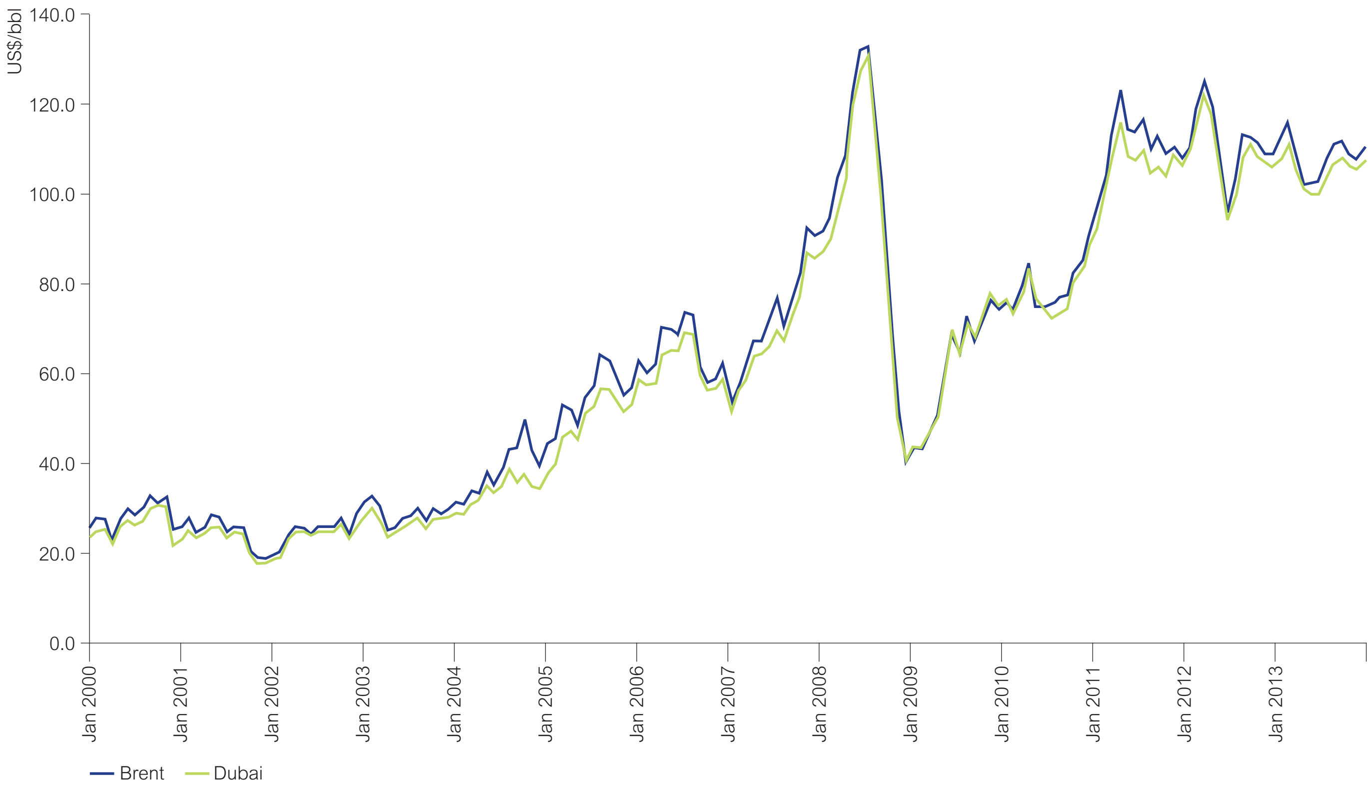


***Figure 5** Crude oil prices*

Brent crude prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average US$ price	24.5	24.7	28.8	38.2	54.4	65.1	72.5	97.0	61.5	97.5	111.3	111.6	108.7
Average rand price/barrel	208.0	258.6	218.1	246.9	347.5	422.6	511.5	548.5	520.8	715.6	810.2	918.4	1 050.7

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	470	2 367	568	656
2013*	11 153	11 890	530	2 223	523	485

* Source: Department of Energy website

*Paraffin includes power paraffin and illuminating paraffin

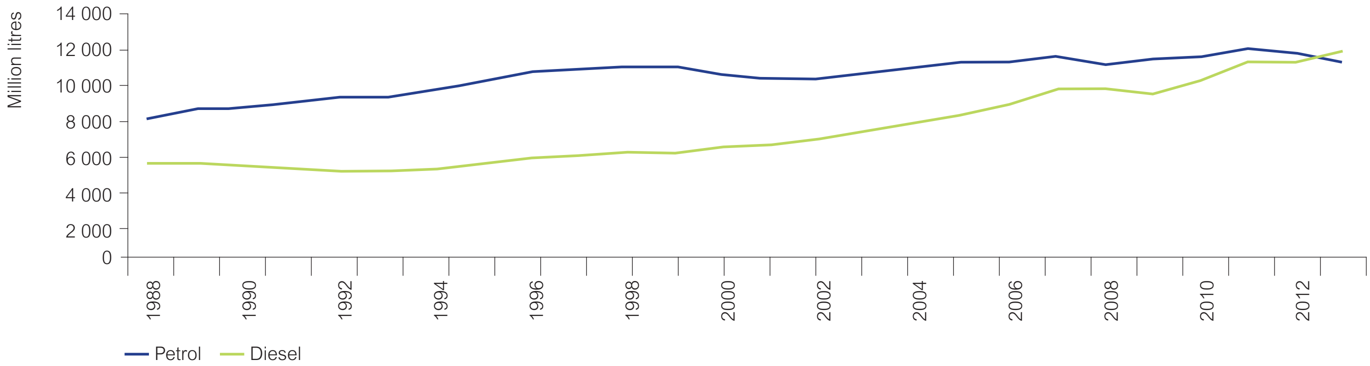


***Figure 6** Petrol and diesel consumption*

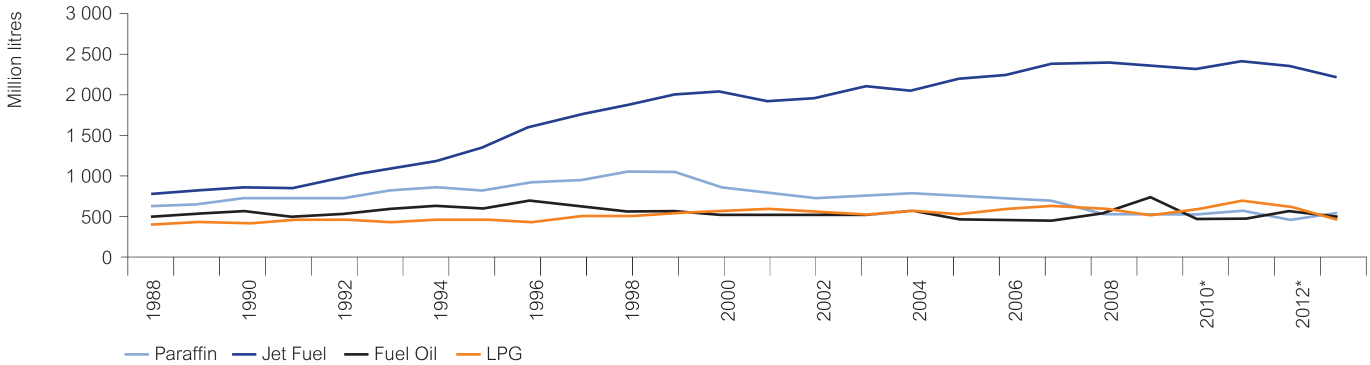


***Figure 7** Petroleum products consumption*

Petroleum products imports and exports

Thousand tonnes

	Imports				Exports			
Year	Petrol	Diesel	Jet Fuel	LPG	Petrol	Diesel	Jet Fuel	LPG
2013	1 131	4 254	183	24	123	404	14	15
2012	1 370	3 247	231	10	202	504	62	14.3
2011	1 815	3 153	199	20	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

2013	Refining output**	Demand actual	Surplus/(shortfall)
Petrol	10 283	11 153	(870)
Diesel	9 157	11 890	(2 733)
Kerosene*	3 281	2 753	528

*Kerosene includes illuminating paraffin and jet fuel

**Jodi database

Joint Oil Data Initiative (Available from: www.jodidb.org) (Accessed: 16 Apr 2014)

Capacity of South African refineries

Capacity (bbl/day)

Refineries	1992	1997	2007	2010	2013
Sapref	120 000	165 000	180 000	180 000	180 000
Enref	70 000	105 000	125 000	120 000	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**	**703 000**	**703 000**

* Crude equivalent

Petrol/diesel consumption ratio

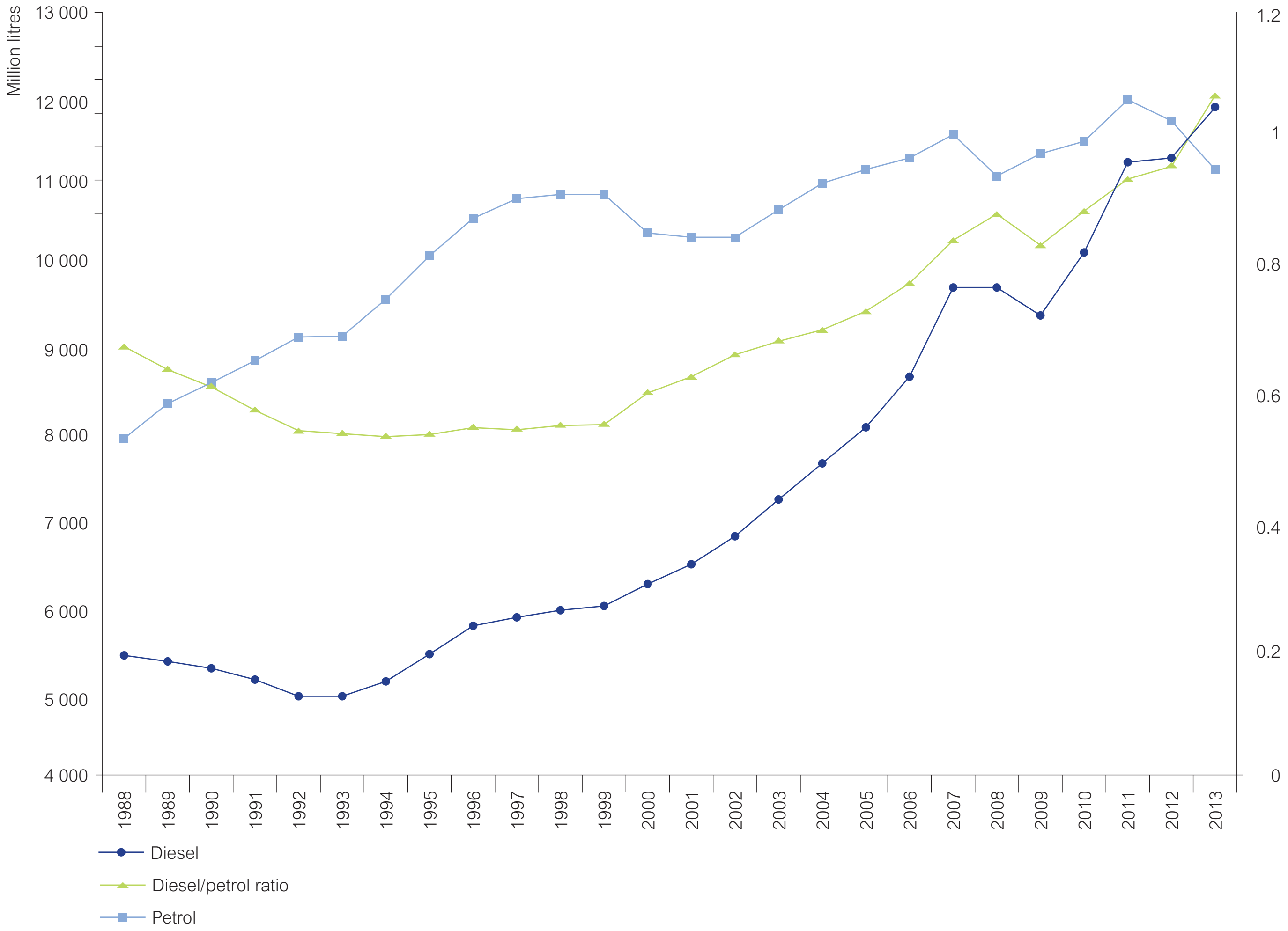


***Figure 8** Petrol and diesel consumption*

The ratio of demand between diesel and petrol in 2013 was about 11.9 parts diesel to 11.2 parts petrol which gives a ratio of 1.07. The ratio in 2012 was 0.96. Petrol consumption has thus decreased in relation to diesel consumption from 2012 to 2013. The graph shows that there has been an upward trend in the diesel/petrol ratio from 1995 until 2013 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
2013	1 216.0	1 137.1	1 106.0	2 289.0

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

** Effective from 14 July 2010.

Source: Press release by DOE.

Price trends

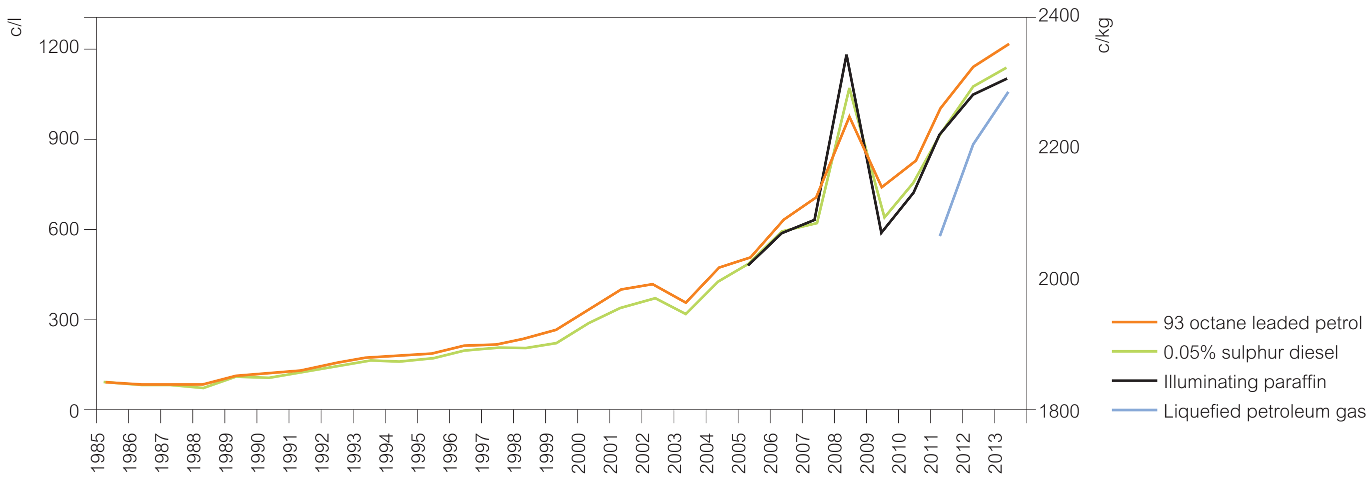
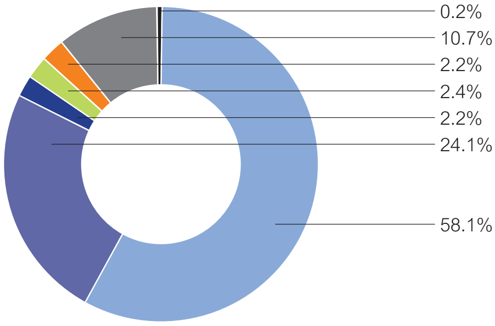


***Figure 9** Prices in Gauteng: 30 June each year*

Petrol and diesel price breakdown

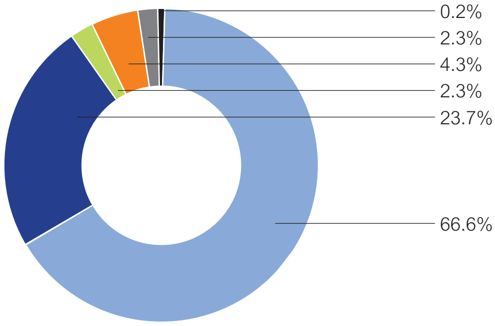


Contribution to the basic fuel price	753.550 c/l*
Government duties and levies	312.650 c/l
Zone differential	28.900 c/l
Industry margin	31.000 c/l
Service differential	28.800 c/l
Dealer margin	139.100 c/l
Incremental inland transport recovery levy	3.000 c/l

*Including slate levy

Source: Media release by Department of Energy

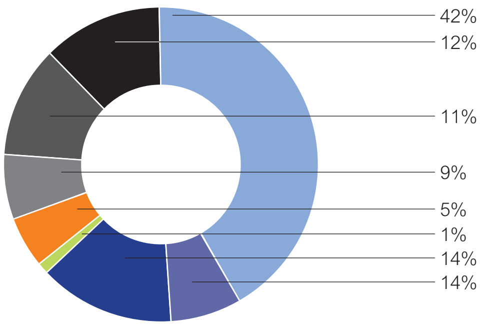
Figure 10 *93 octane petrol: Gauteng retail price 1 297.0 c/l in December 2013*



Contribution to the basic fuel price	835.410 c/l*
Government duties and levies	297.660 c/l
Zone differential	28.900 c/l
Industry margin	61.200 c/l
Service differential	28.800 c/l
Incremental inland transport recovery levy	3.000 c/l

Figure 11 *Diesel (0.05% S): Gauteng wholesale price 1 254.97 c/l in December 2013*

Maximum retail price of liquefied petroleum gas price breakdown



Maximum refinery gate price	988.412 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%)	273.056 c/kg
Value added tax (14%)	293.080 c/kg

Source: Media release by Department of Energy

Figure 12 *LPG maximum retail price: Gauteng retail price 2 386 c/kg in December 2013*

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 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
2013	4.0	212.5	96.0	0	0.15	10.0	3.0	325.65

* 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 1 297 c/l in December 2013. Taxes and levies as a % of this retail price: 25.11%.

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 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	0.0	14%
1997	4.0	63.6	6.8	3.0		0	0	77.4	0.0	14%
1998	4.0	76.1	10.3	8.0		0	0	98.4	0.0	14%
1999	4.0	76.1	10.3	8.0		0	0	98.4	0.0	14%
2000	4.0	79.1	10.3	0		0	0	93.4	0.0	14%
2001	4.0	81.0	16.5	0		0	0	101.5	0.0	0%
2002	4.0	81.0	18.5	0		0	0	103.5	0.0	0%
2003	4.0	85.0	21.5	0		0	0	110.5	0.0	0%
2004	4.0	95.0	26.5	0		0	0	125.5	0.0	0%
2005	4.0	100.0	31.5	0		0	0	135.5	0.0	0%
2006	4.0	100.0	36.5	0		0	0	140.5	0.0	0%
2007	4.0	105.0	41.5	0	0.19	0.01	0	150.7	0.0	0%
2008	4.0	127.0	46.5	0	0.15	0.01	1.5	179.2	0.0	0%
2009	4.0	135.0	64.0	0	0.15	0.01	3.0	206.2	0.0	0%
2010	4.0	152.5	72.0	0	0.15	0.01	3.0	231.7	0.0	0%
2011	4.0	162.5	80.0	0	0.15	0.01	3.0	249.7	0.0	0%
2012	4.0	182.5	88.0	0	0.15	0.01	3.0	277.7	0.0	0%
2013	4.0	197.5	96.0	0	0.15	0.01	3.0	300.7	0.0	0%

Gauteng wholesale price of 0.05% sulphur diesel was 1 254.97 c/l in December 2013.
Taxes and levies as a % of the wholesale price: 23.96%.

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2013 volumes at June 2013 rates)

	Petrol	Diesel	Illuminating paraffin
Sales volumes (million litres)	11 153	11 890	530
95 unleaded petrol in the DSML area (million litres)**	1 400		
Customs and Excise Duty (c/l)	4.00	4.00	0.00
Fuel Levy (c/l)	212.50	197.50	0.00
Road Accident Fund Levy (c/l)	96.00	96.00	0.00
Equalisation Fund Levy (c/l)	0.00	0.00	0.00
Value Added Tax (VAT)	0.00	0.00	0.00
Demand Side Management Levy (DSML) (c/l)	10.00	0.00	0.00
IP Marker Levy (c/l)	0.00	0.01	0.00
Petroleum Products Levy (c/l)	0.15	0.15	0.00

	Million rands			Total
Customs/ Excise duty	446	476	0	922
Fuel Levy	23 700	23 483	0	47 183
Road Accident Fund Levy	10 707	11 414	0	22 121
Equalisation Fund Levy	0	0	0	0
Value Added Tax (VAT)	0	0	0	0
Demand Side Management Levy (DSML)*	140			140
IP Marker Levy	0	1	0	1
Petroleum Products Levy***	17	18	0	35
Total	**35 010**	**35 392**	**0**	**70 402**

* Only applicable to 95 octane unleaded petrol sold in the inland zones.

** Based on SAPIA assumptions.

*** 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 2013. 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	10	4	4	4	0	22	0
	Male	10	8	4	23	16	61	1
Top management total		**20**	**12**	**8**	**27**	**16**	**83**	**1**
Senior management	Female	25	16	13	23	5	82	0
	Male	51	38	27	98	29	243	4
Senior management total		**76**	**54**	**40**	**121**	**34**	**325**	**4**
Specialists & mid-management	Female	356	211	122	224	13	926	11
	Male	602	353	307	582	51	1 895	33
Specialists & mid-management total		**958**	**564**	**429**	**806**	**64**	**2 821**	**44**
Skilled technical	Female	749	459	136	288	6	1 638	20
	Male	997	648	232	435	8	2 320	50
Skilled technical total		**1 746**	**1 107**	**368**	**723**	**14**	**3 958**	**70**
Semi-skilled	Female	203	72	11	36	0	322	6
	Male	1 142	316	83	68	0	1 609	14
Semi-skilled total		**1 533**	**388**	**94**	**104**	**0**	**1 931**	**20**

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

Performance indicators	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(Not including refineries)										
Safety: staff and contractors										
Fatalities	25	35	18	7	17	7	27	8	10	9
Lost time injuries	66	68	73	49	70	64	51	44	43	26
Hours worked (million)	29.3	30.9	33.7	28.2	91.6	28.7	24.6	26.6	30.0	28.9
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**	**0.4**
Environment:										
Fires	41	67	2	24	25	16	33	16	13	29
Health:										
Occupational illnesses	5	1	1	1	1	1	2	1	2	1
Security:										
Hijackings: on retail forecourts	16	20	16	17	11	26	17	5	6	9
Cash-in-transit robberies	41	29	71	49	56	67	31	18	27	11
Retail robberies	297	358	376	651	782	611	430	156	222	214

Crude refineries' resource consumption and waste/emissions

		2006	2007	2008	2009	2010	2011	2012	2013
Water usage: litres	**Total**	**11 295 718**	**10 619 940**	**13 579 857**	**11 053 410**	**11 633 126**	**11 757 598**	**11 234 343**	**11 181 656**
	Municipal	7 702 188	7 439 088	9 740 503	7 495 492	6 794 633	6 702 822	6 507 540	6 651 098
Electricity consumption: Gwh		902	909	923	936	925	1 207	850	863
SO2 emissions: tons		26 369	19 741	22 823	38 024	30 246	19 440	21 210	21 677
PM emissions: tons		2 513	1 506	1 330	1 251	976	728	891	983
CO2 emissions: tons		3 556 373	3 494 681	3 462 715	3 383 713	3 183 018	2 734 124	3 164 964	3 144 239
Waste: tons	**Total:**	**30 457**	**29 414**	**42 114**	**28 455**	**27 902**	**16 619**	**16 952**	**39 177**
	Hazardous:	25 375	26 028	38 808	21 003	23 249	12 692	11 487	26 170
	Non-hazardous:	5 082	3 386	3 306	7 442	4 653	3 927	5 465	13 007

Crude and coal/gas-to-liquid 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**

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List of acronyms

ACSA	Airports Company of South Africa
B-BBEE	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
MIBCO	Motor Industry Bargaining Council
MDZ	Magisterial district zones
MTT	Ministerial task team
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
PPA	Petroleum Products Amendment Act
PPC	Parliamentary Portfolio Committee
RAF	Road Accident Fund
SAMSA	South African Maritime Safety Authority
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

NOVA
COMMUNICATIONS

Production: Nova Communications (Pty) Ltd

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Printing: The SAPIA 2013 Annual Report is printed on Hi-Q Matt paper, certified by the Forest Stewardship Council.

sapia South African Petroleum Industry Association 20th ANNIVERSARY