20th
ANNIVERSARY

sapia | South African Petroleum Industry Association

2014 Annual Report

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Foreword by the Minister of Energy Tina Joemat-Pettersson

Congratulations to SAPIA on the publication of the 2014 Annual Report and its 20th anniversary of representing the liquid fuels industry. In 2014 South Africa also celebrated 20 years of freedom and democracy.

This historic occasion provided an opportunity to reflect on the changes, opportunities and challenges that we have faced as a nation since 1994. As we enter the fifth democratic administration and build on our collective achievements over the past 20 years of democracy, together with SAPIA and its member companies, we prepare to move South Africa forward to a sustainable energy future.

In President Zuma's State of the Nation Address in June 2014, he reaffirmed the need to address our country's energy challenges in order to create a favourable environment for economic growth and development. The path we need to follow is clear. We must find solutions to our energy constraints, in a way that balances our available alternatives. We need to work towards ensuring a sustained and secure supply of energy, especially clean energy.

In South Africa, energy is the means to drive economic transformation. Global economic challenges, complex environmental issues and an uncertain global energy situation impact on our energy security and our economy. We must take cognisance of these circumstances as we chart our future path. While the Department of Energy (DOE) operates in a rapidly changing global environment, we have to remain adept at addressing domestic challenges and resolute on delivering upon the goals in our strategic plans.

Policy development

The energy policy plans set up during the past five years have been shaped by issues such as energy security, economic growth, environmental sustainability and energy access. Policies addressed included, among others, the Petroleum Products Amendment Act, 2003, the Gas Act, 2001, the Integrated Resource Plan, 2010, and the Integrated Energy Plan (IEP).

My immediate priority is to ensure that the IEP is finalised. The IEP outlines the country's infrastructure plans for the next 30 years by optimising the use of petroleum products and gas in a manner that aligns government's objectives of job creation, skills development and poverty alleviation. Given the overall global energy challenges and our desire for secure sources of energy, one of the key objectives of the revised IEP will be to look at alternative energy sources.

Various stakeholders have been consulted in numerous ways. The comments from this consultation process have been collated into a report which is publically available. Comments have been considered and the revised draft IEP is to be presented to Cabinet for approval. The Liquid Fuels Master Plan will be completed in the 2014/2015 financial year and incorporated into the IEP.

These are some of the activities that the DOE embarked on during 2014:

- Regulatory framework for mandatory blending of biofuels
  DOE published a draft position paper on the implementation of a biofuels regulatory framework, solicited comments and held a stakeholder engagement. We look forward to the finalisation and publication of this document.

  From October 2015, all oil refineries will be required to blend 2% of locally produced bioethanol and 5% of biodiesel into their petrol and diesel respectively. The publication of the biofuels position paper will hasten the process for the introduction of biofuels as it will confirm the regulated pricing mechanism and enable manufacturers to invest in the required production facilities.

- Cleaner Fuels II
  DOE has informed the oil industry that the promulgated target date of July 2017 for the introduction of Cleaner Fuels II has been postponed to a date to be determined in the future. This is due to the need for further consideration by government of methods of implementation and the overall implications of introducing the new fuels. Further discussions will be held with SAPIA in order to finalise this issue in the coming year.

- Petroleum licensing
  Improvements were made to the turnaround time for finalising petroleum licensing applications. DOE continues to make the application process easier by sharing information and educating applicants on the licensing process through regional awareness campaigns. DOE also had regular interaction with the majority of oil companies, which facilitated the prompt resolution of licence application changes.

- Compliance, monitoring and enforcement
  Site inspections are conducted to monitor and enforce compliance with the conditions of licences. More than 1 500 site inspections were conducted during the year at sites where petroleum activities are taking place. Notices were issued to those who were found to be contravening the conditions of their licences. DOE also facilitated the resolution of disagreements and conflicts between wholesalers and retailers.

- Basic fuel price review
  DOE will publish a discussion document on the basic fuel price review to obtain public comment during 2015. Stakeholder workshops will be organised afterwards to solicit comments before finalising the document. It is envisaged that the new BFP mechanism will be tested in 2015 before full implementation.

- Fuel sampling and testing
  DOE appointed a service provider to conduct random sampling and testing of petroleum products that are sold across South Africa. This will enable the DOE to ensure that petroleum products sold to the public across the country meet the minimum specifications and standards required.

- Liquefied petroleum gas maximum refinery gate price
  Liquefied petroleum gas (LPG) maximum refinery gate price regulatory framework discussion document has been developed. Work is continuing on the price, with one of the main objectives being to facilitate LPG imports to create a fair level playing field, to unlock supply and to position LPG as a real alternative solution to some electrical usages such as hot water production, cooking and heating among others.

- Integrated Energy Centres (IeCs)
  The Makwane Integrated Energy Centre (IeC) was officially launched in January 2014 in Makwane Village, Phuthaditjhaba. The IeC will deliver energy essentials such as petrol, diesel, lubricants and LPG. The IeC also includes a convenient bakery store, electricity outlet, computer centre, library and ATM facilities. These services will provide employment opportunities and ultimately empower the community of Makwane and make it more sustainable. Skills development is vital to achieving the energy vision detailed in the National Development Plan. The country will require substantial investment in technical skills particularly in light of the planned energy infrastructure investments. We have formed partnerships with the Chemical Industry Sector Education and Training Authority to increase the scope of energy training in order to meet the skills needs.

We are ensuring that our departmental programmes are more responsive to the needs of our people, particularly empowerment of women, the youth and people with disabilities, through the transformation of the liquid fuels sector.

We remain committed to the Women in Oil and Energy South Africa programme and its role in supporting black economic empowerment of women. The Clean Energy Education and Empowerment (C3E) initiative provides career guidance, mentoring, bursaries, internships, an exchange programme locally and internationally, and support for women in the field of energy. DOE participated in the officials' preparatory meeting, held in Mexico in February 2014. South Africa, as the Africa continent representative, was given the opportunity to present the future of C3E in South Africa and Africa.

It has been a demanding year with many challenges, but there have also been many successes. All of these achievements are made possible by the commitment of the DOE, various government departments, SAPIA and SAPIA members. I am certain that this commitment will be reflected in the way we approach 2015, as we implement our strategic plan, the National Development Plan and the 2030 energy objectives of energy access for all, security of supply, a diversified energy mix and an energy sector that supports the economic growth and prosperity of our country.

Report by SAPIA Chairperson Bonang Mohale

SAPIA celebrated its 20th anniversary in July 2014, the same year that South Africa celebrated its 20 years of freedom and democracy. SAPIA was established in July 1994 under the auspices of former president Nelson Mandela to represent the collective interests of the South African liquid fuels industry and to usher South Africa's vital liquid fuels industry into a new democratic era.

Since 1994, SAPIA has worked with government towards transforming and diversifying the South African liquid fuels industry. Prior to 1994, the climate of secrecy in a besieged economy prevented any industry forum which promoted open consultation and communication. In a democratic South Africa it became possible to form an association which could focus on industry issues such as reducing its environmental impact and pursuing matters of common interest.

During the apartheid era, liquid fuels were tightly regulated and subject to much secrecy. With the advent of democracy and the lifting of sanctions, the industry has become open and state ownership has declined.

Strategic direction

President Jacob Zuma addressed the nation on 17 June 2014 in the first State of the Nation Address of the fifth democratic administration. The message for the energy sector is clear: the next five years is about moving South Africa forward towards a secure energy future.

SAPIA will continue to work in partnership with both Minister Joemat-Pettersson, Deputy Minister Majola and the Department of Energy to drive key issues in the crucial energy sector of our economy - such as economic transformation, biofuels, Cleaner Fuels II and security of supply. In line with President Zuma's plan to move South Africa to prosperity and success, SAPIA will also support the National Development Plan as a macroeconomic framework.

SAPIA and its members have existing programmes and agreements in place that support the National Development Plan within the areas of economic infrastructure, environmental sustainability, an integrated rural economy and transformation.

In March 2014, SAPIA reviewed three strategic areas which will lay the foundation for economic growth for the next 20 years – planning for tomorrow, enhancing strategic partnerships and providing service excellence.

The 'planning for tomorrow' strategy 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.

The strategy of 'enhancing strategic partnerships' involves educating stakeholders about the industry's aims and activities, improving communication and ensuring there is transparency within the industry.

The 'strategy for providing service excellence' entails improving efficiency and effectiveness, implementing the balanced scorecard, proactively identifying opportunities and improving decision-making processes.

Transformation

As we reflect on our 20 years of democracy it is clear that as an industry there is still a significant amount of effort required in the transformation space where we must acknowledge that we have simply not done enough.

It is however pleasing to see a renewed effort to address this shortfall. Key achievements in this space include a focus on reviewing and revising ownership levels as per the current B-BBEE Codes of Good Practice and addressing under-representation of black females especially in positions of leadership. Of the six oil majors, three currently hold Level Two contributor status with the remaining three having achieved Level Three status. Retail transformation continues to deliver positive yield across the sector with an unrelenting drive to redress the disparity of black retail site ownership.

SAPIA continued to deliver the Advanced Certificate in Management for Oil and Gas and Women Leadership Programme for Oil and Gas to its members' employees and Department of Energy officials.

During the 20th anniversary, SAPIA entered into a Memorandum of Understanding with the Department of Energy and the Chemical Industries Education & Training Authority to establish a virtual Petroleum Institute. Significant progress has been made towards establishment of the Institute.

The revised B-BBEE Codes of Good Practice provide a number of opportunities and challenges that requires a collaborative effort to deliver a genuinely transformed and represented industry.

Cleaner Fuels II

SAPIA's aim is to make the transition to cleaner fuels in a manner that avoids any supply disruptions in the most cost-effective way possible. Government has communicated a delay to the July 2017 compliance date for the introduction of new cleaner fuels standards, owing to a lack of finality relating to the cost-recovery mechanism. The delays in the finalisation of the timing and a cost-recovery mechanism for the CFII introduction are hampering the investment and decision-making process in the refining sector and causing a great deal of concern due to this environment of regulatory uncertainty. Details of a new deadline have not yet been made known. The DOE will initiate a process of setting up new timelines.

In 2015, SAPIA will engage with DOE and National Treasury with the aim of enabling a decision on the timing for the introduction of CFII and a determination of a cost-recovery mechanism to enable the necessary refinery investments. SAPIA will also collaborate with the Department of Environmental Affairs to assist in the formulation of a practical and effective vehicle emissions strategy which will lead to an improvement in urban air quality.

Feedstock and products import facilities risk mitigation plan

SAPIA concluded a risk matrix in 2014 and identified five main risks to the fuel supply chain. The risk mitigation plan is in progress and the work is being done by the security of supply committee together with relevant stakeholders.

20-year liquid fuels infrastructure roadmap project

The DOE 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 provided input on the draft strategic stocks petroleum policy and draft strategic stocks implementation plan. A stakeholders' consultation workshop was held to discuss comments on the draft strategic stocks petroleum policy and draft strategic stocks implementation plan. SAPIA is awaiting the finalisation of the policy by government.

24 inch multi-product pipeline

The 24 inch diameter multi-product pipeline (MPP) constructed by Transnet Pipelines became operational in January 2012. The trunk line between Durban and Jameson park is complete and in operation. Currently the MPP only conveys diesel. Other sections of the project (TM1 and TM2) are experiencing delays. As a result, Transnet pipelines has developed a tight lining solution to bypass the terminals and link directly to the refineries. Definite timelines on the tight lining solution have not yet been communicated to the industry by Transnet Pipelines. In 2015, SAPIA will work with Transnet Pipelines to ensure the completion of the MPP project through all its phases.

Environment

SAPIA is committed to guiding the environmental implications of its members' business activities by implementing international best practice through environmental committees. SAPIA works closely with government on several measures to reduce greenhouse gases (GHG) from refineries, and on other energy efficiency initiatives. SAPIA is engaging with government to determine the most practical carbon pricing and tax mechanisms.

Regulations require that SAPIA members will be required to take up both locally manufactured biodiesel and bioethanol from licensed producers from 1 October 2015. However, locally manufactured biofuels will not be available from that date as commercial production has not yet started. This is primarily due to the fact that a biofuels pricing framework has not been finalised which has deterred potential producers from raising the necessary finance. SAPIA members are willing and able to take up these biofuels when they become available, as long as the necessary enabling regulatory framework is in place.

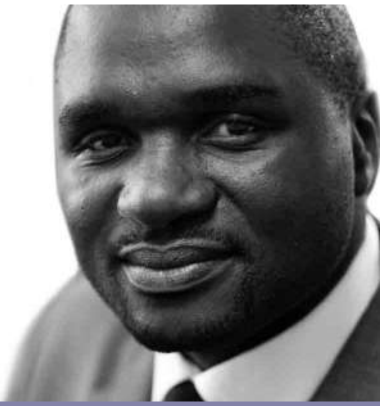
During the year, SAPIA did not participate in the Department of Energy's Biofuels Implementation Committee due to concerns about infringing on competition laws. Clearance has now been obtained from the Competition Commission and participation in this Committee will resume in 2015.

New members join SAPIA

Imbizo Petroleum Traders and MBT Petroleum were granted wholesale licences and Energy Oil was granted a manufacturing licence by the Department of Energy in 2014. These companies were admitted as members of SAPIA. Bahlaloga Technology's, Khulaco, KZN Oils, Mabele Fuels, Siyanda Petroleum and Energy Oil are no longer members of SAPIA effective 5 December 2014. There were 26 SAPIA members in 2014.

While it has been another challenging year for the industry, SAPIA remains committed to working with all stakeholders to find solutions towards achieving a secure, affordable, and environmentally-sensitive energy future. We look forward to the next 20 years, and beyond.

Introduction by SAPIA Executive Director Avhapfani Tshifularo



Welcome to the 2014 Annual Report. This report gives insight into the key issues, facts and figures about our liquid fuels industry. We outline our strategic direction, progress, challenges and priorities for the year ahead.

For the past three years, the price of Brent oil traded mostly within a narrow range of US$100 to US$120 per barrel. During the latter part of 2014 Brent oil fell by approximately 40% and reached a level of US$65 per barrel that was last achieved in 2009.

The main reason for the fall in price was a combination of weak demand and increasing supply. As reported by Commerzbank on 11 December 2014, economic difficulties in the euro zone and less momentum in emerging market countries contributed to a reduced demand for oil. In contrast, on the supply side, an increased oil output from Libya and shale oil supply from the United States of America has also entered the market on an increasing scale.

In conjunction with the demand and supply factors the Organisation for Petroleum Exporting Countries (OPEC) did not respond to the increasing supply. Whereas, in the past OPEC would have reduced supply, it now confirmed at an OPEC meeting in November 2014 that its production target of 30 million barrels per day will remain even though its demand forecast is lower than this. One can assume that this action by OPEC is to support its market share rather than to reduce supply, rebalance the oil market and subsequently ensure a higher market price.

In South Africa, petrol prices reached a high of R14.39 and a low of R12.47 (95 ULP – Gauteng). Diesel prices reached a high of R13.38 and a low of R11.32 (wholesale price – 0.05% - Gauteng). South Africa's fuel prices are below the global average petrol price, with just over 80% of South Africa's fuel price consisting of government taxes, levies and the basic fuel price.

Development of skills development framework

The petroleum industry is experiencing a severe shortage of critical skills which are gained over many years of work experience. A skills audit and needs analysis within the context of the petroleum industry was conducted, culminating in the development of a technical skills framework. This framework provides a model for the progression of engineering staff, starting from semi-skilled level up to professional engineer levels.

To implement the model, SAPIA has made a proposal for the development of an institute. This institute should be the industry interface and will be expected to serve the region to ensure that the content requirements in some African countries are met. The contribution of this framework will be to deliver a competency key to industry service providers as well as a frame of reference that will be indispensable towards providing fair opportunities for supplier development while supporting the transformation agenda. This petroleum institute will also manage non-technical programmes to ensure that those who enter non-technical roles at lower levels have an opportunity to move up the ladder. The Board of Governors has approved the proposed skills development framework and we will be commencing work on this project next year.

20th anniversary of representing the liquid fuels industry

During the year, SAPIA celebrated its 20th anniversary. As part of our celebrations, we hosted an industry conference and published a 20th anniversary publication which showcased our achievements and developments over the past two decades. The conference brought together people with a wide range of diverse skills and expertise across the whole spectrum of the liquid fuels industry.

As we reflect on our collective achievements over the past 20 years, it is an excellent reminder that together we can achieve far more than we can as separate entities. I would like to thank the Board of Governors, SAPIA staff members and SAPIA committees for their valuable contributions over the past year. I look forward to working with you this coming year as we chart the way forwards to an energy secure future.

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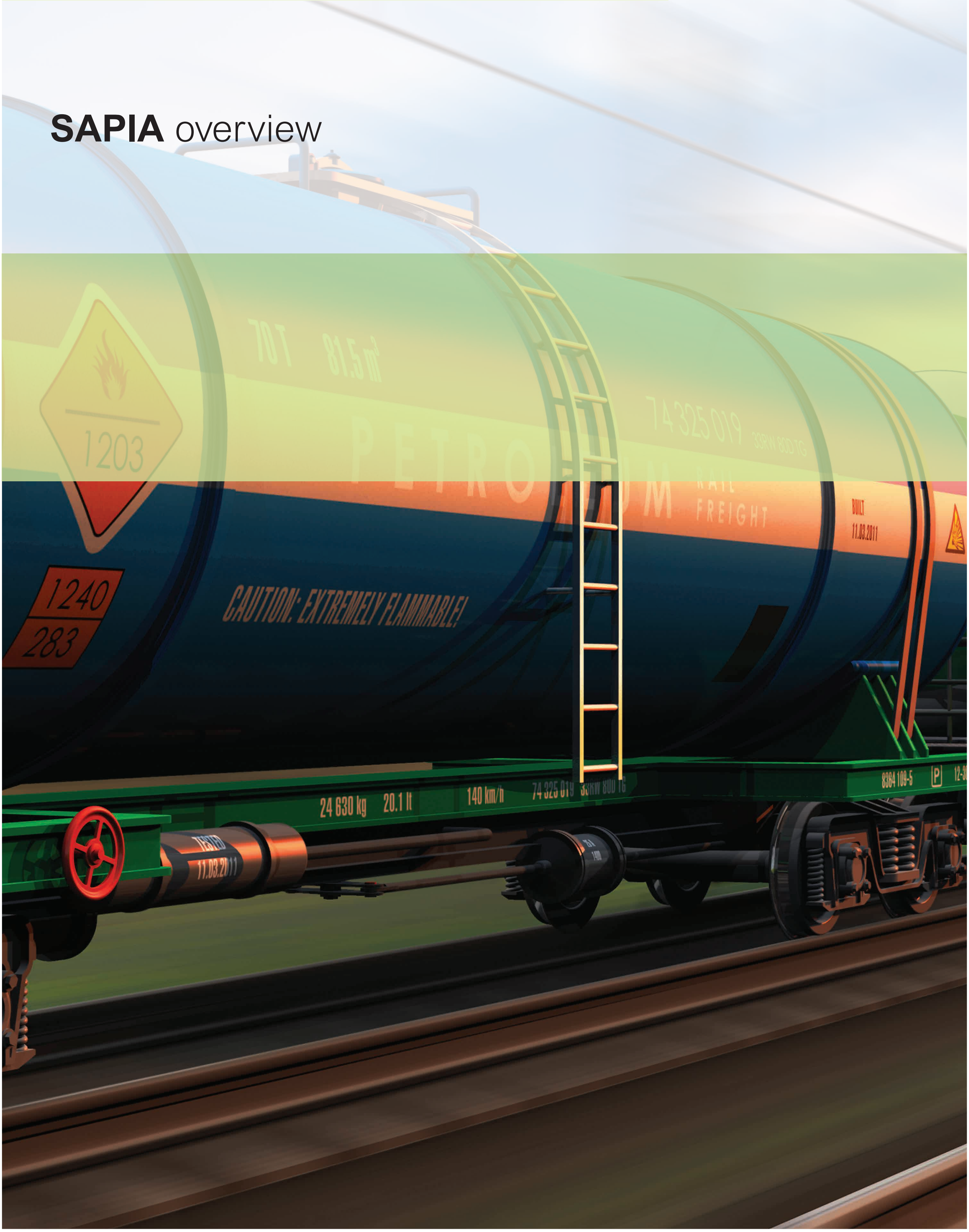
SAPIA overview



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, reputable and value adding industry association.

Mission

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

Objectives

During March 2014, the Board of Governors reviewed the current strategy to further increase the effectiveness of SAPIA and ensure the organisation remains relevant.

The key business objectives are as follows:

- Understand our stakeholders' needs.
- Promote industry transformation, environmental leadership and a fair regulatory framework for all.
- Provide expert information and assistance to our stakeholders.
- Facilitate security of supply.
- Contribute to policy formulation and implementation.
- 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.

Enhancing strategic 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 improving efficiency and effectiveness, implementing the balanced scorecard, proactively identifying opportunities and improving decision-making processes.

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 are provided with status updates on the execution of initiatives on a quarterly basis and the closing phase of each initiative includes meeting the milestones and performing post project activities.

Vision	To be a respected, reputable and value adding industry association			
Mission	Working together within the petroleum industry to promote inclusive social and economic growth			
Goals	Understand our stakeholders' needs Promote industry transformation, environmental leadership and a fair regulatory framework for all		Provide expert information and assistance to our stakeholders Facilitate security of supply	Contribute to policy formulation and implementation Enhance the reputation of the industry by communicating its contribution to economic and social progress
	Government		**Petroleum industry**	**Citizens**

Perspectives of success

Stakeholder	Become a trusted partner			
	Understand our stakeholders' needs	Provide expert information and assistance	Contribute to policy formulation and implementation	Promote effective marketing

Internal process	Promote industry transformation Promote a fair regulatory framework for all Promote environmental leadership Facilitate security of supply	Be open and honest in our interactions Improve communication Educate stakeholders about the industry	Improve efficiency and effectiveness Improve decision making Implement the balanced scorecard Identify opportunities
	Plan for tomorrow	**Enhance strategic partnerships**	**Provide service excellence**

Learning and growth	Live our core values	Build research capabilities	Train and develop our stakeholders	Understand industry activities and drivers
Financial	Resource SAPIA's operational strategies		Manage our budget effectively	

Values	Partnership	Integrity	Transparency	Sustainability	Transformation

***Figure 1** SAPIA's revised strategy*

SAPIA overview

Communication activities

The graph below shows the number of communication activities and media coverage received in 2014 in comparison with previous years.

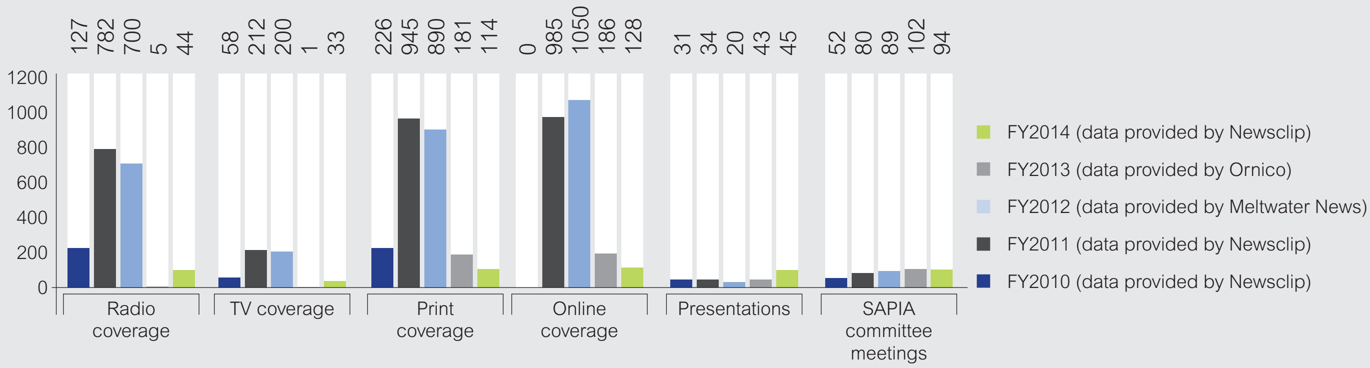


Figure 2 *SAPIA's communication activities and media coverage*

Membership

SAPIA opened its membership in 2012 to accommodate both existing and potential marketers in the petroleum and refinery market. In 2014, Imbizo Petroleum Traders and MBT Petroleum were granted wholesale licences and Energy Oil was granted a manufacturing licence by the Department of Energy, therefore they were admitted as members of SAPIA. Bahlaloga Technology's, Khulaco, KZN Oils, Mabele Fuels, Siyanda Petroleum and Energy Oil are no longer members of SAPIA effective 5 December 2014.

Integrated members	Non-integrated members		
	Biofuels manufacturers	Fuel wholesalers	LPG wholesalers
1. BP Southern Africa (Pty) Ltd 2. Chevron South Africa (Pty) Ltd 3. Engen Petroleum Ltd 4. PetroSA (Pty) Ltd 5. Sasol Ltd 6. Shell South Africa (Pty) Ltd 7. Total South Africa (Pty) Ltd	1. Mabele Fuels (Pty) Ltd 2. Energy Oil (Pty) Ltd	1. AEMCOR (Pty) Ltd 2. Afric Oil (Pty) Ltd 3. Altivex 529 (Pty) Ltd t/a Elegant Fuel 4. Bahlaloga Technology's CC 5. Brent Oil (Pty) Ltd 6. Camel Fuels (Pty) Ltd 7. Gulfstream Energy (Pty) Ltd 8. Imbizo Petroleum Traders (Pty) Ltd 9. Khulaco (Pty) Ltd 10. KZN Oils (Pty) Ltd 11. Makwande Energy Trading (Pty) Ltd 12. MBT Petroleum (Pty) Ltd 13. Omphile's Trading CC t/a Siyanda Petroleum 14. Royale Energy Ltd	1. Easigas (Pty) Ltd 2. Oryx Oil South Africa (Pty) Ltd 3. Totalgaz Southern Africa (Pty) Ltd

Table 1 *SAPIA's 26 members in 2014*

Organisation structure

SAPIA operates under a Board of Governors comprising of ten members from member companies. A new Chairperson and Vice Chairperson is elected 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 2014 Board of Governors

Bonang Mohale, Chairman of Shell South Africa, has been elected Chairperson of SAPIA for 2014. He is the 20th 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 2014 Board of Governors comprises of the following individuals:

SAPIA Chairperson
Bonang Mohale
Shell South Africa

SAPIA Vice Chairperson
Nizam Salleh
Engen Petroleum

Christian des Closières
Total South Africa

Daniel Odogwu
BP Southern Africa

Maurice Radebe
Sasol Limited

Nobuzwe Mbuyisa
Chevron South Africa

Nona Chili
Makwande Energy Trading

Nosizwe Nokwe-Macamo
PetroSA

Oliver Nechad
Easigas

Zahir Williams
Mabele Fuels

Attendance at board meetings

Board member	2014/03/03	2014/06/09	2014/09/05	2014/12/04
Bonang Mohale	Y	Y	Y	Y
Christian des Closières	Y	Y	Y	Y
Daniel Odogwu	Y	Y	Y	Y
Maurice Radebe	Y	Y	N	N
Nizam Salleh	A	A	A	A
Nobuzwe Mbuyisa	Y	Y	Y	Y
Nona Chili	Y	Y	Y	Y
Nosizwe Nokwe-Macamo	A	A	Y	A
Oliver Nechad	Y	Y	N	Y
Zahir Williams	N	A	N	R

***Table 2** Board meeting attendance*

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

SAPIA staff members

Bonang Mohale
Chairperson of the Board of Governors

Avhapfani Tshifularo
Executive Director

Nkhensani Machumele
Office Manager

Zukiswa Zingitwa
Intern

Cornel van Basten
Head: Economic Regulation

Anton Moldan
Environmental Advisor

Siganeko Magafela
Head: Security of Supply

BOG Committees

Figure 3 *SAPIA organisational chart*

Board of Governors committees

There are twelve committees and six sub-communities 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
Advisory Committee on Climate Change	Judy St Leger	Chevron
Cleaner Fuels Task Team	Nizam Salleh	Engen
Communication Committee	Avhapfani Tshifularo	SAPIA
Economic Regulation Committee	Christian des Closières	Total South Africa
Fuels Technical Committee	Avhapfani Tshifularo	SAPIA
Health, Safety, Security And Environment Committee (HSSE) Committee	Daniel Odogwu	BP
HSSE sub-committees:		
Petroleum Industry Engineering and Environment Committee	Grant Daniels	Chevron
Road Transport Safety Committee	Dominic Stevens	Chevron
Security Committee	Johnny Wijnen	Engen
Legal Committee	Avhapfani Tshifularo	SAPIA
Liquefied Petroleum Gas Forum	Oliver Nechad	Easigas
Non-Integrated Members Forum	Nona Chili	Makwande Energy Trading
Refinery Managers' Forum (RMF)	Jean Pierre Poncin	NATREF
RMF sub-committees:		
Refinery Managers' Environmental Forum	Anton Moldan	SAPIA
Refinery Managers' Safety Forum	Kgele Mathiba	Chevron
Security of Supply Committee	Themba Joseph	PetroSA
Transformation Committee	Nobuzwe Mbuyisa	Chevron
Transformation sub-committee:		
Human Resource Development Committee	Avhapfani Tshifularo	SAPIA

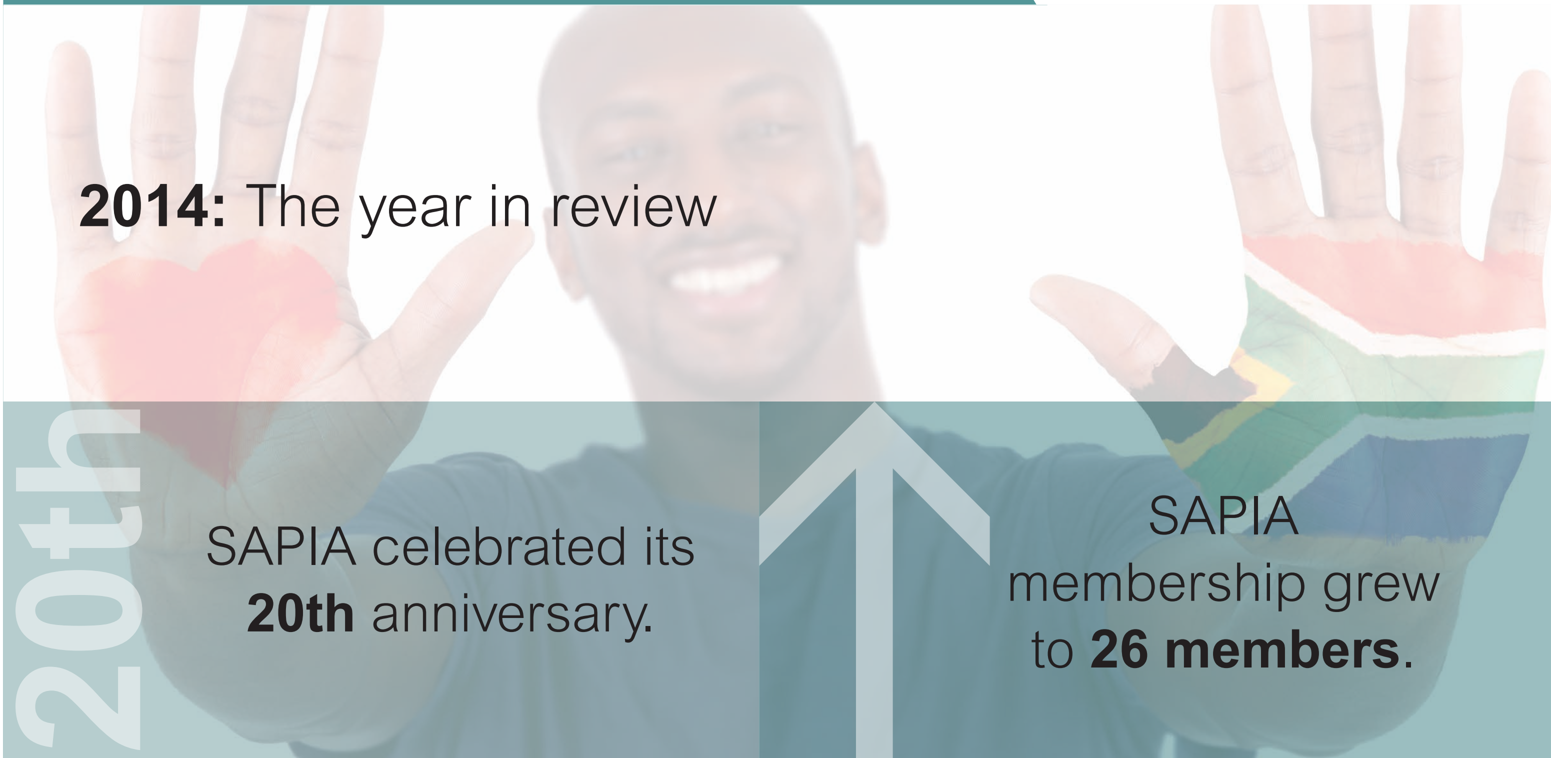
***Table 3** SAPIA committees*

Financial statement

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

Income (thousand rands)	2007	2008	2009	2010	2011	2012	2013	2014
Membership subscriptions	5 790	5 413	6 206	6366	6366	6 415	7 748	9 754
Other income (including interest)	235	459	1505	138	1426	180	173	508
Total income	**6 025**	**5 872**	**7 711**	**6 504**	**7 792**	**6 595**	**7 921**	**10 262**

Expenditure (thousand rands)	2007	2008	2009	2010	2011	2012	2013	2014
Personnel/payroll	3 352	3 382	3 113	3 663	4 009	4 259	4 326	5 404
Other expenditure (including interest)	2 673	3 059	3 231	2 782	3 321	2 931	2 919	2 752
Total expenditure	**6 025**	**6 441**	**6 344**	**6 445**	**7330**	**7 190**	**7 245**	**8 156**



2014: The year in review

20th

SAPIA celebrated its **20th** anniversary.

SAPIA membership grew to **26 members**.

Over **R81 million** spent by SAPIA members on corporate social investment projects.

Petrol prices reached a high of **R14.39** and a low of **R12.47** (95 ULP – Gauteng).

Diesel prices reached a high of **R13.38** and a low of **R11.32** (wholesale price – 0.05% - Gauteng).

Price of Brent oil **fell by approximately 40%** and reached a level of US$65/ barrel that was last seen in 2009.

Phase 2 B-BBEE Codes of Good Practice gazetted by Minister of Trade and Industry.

Implementation of International Conventions which provide **compensation for marine oil pollution** damage and clean-up costs.

Finalisation of petrol and diesel CFI and CFII fuel specifications under the auspices of **SABS**.

The **Women Leadership Programme** for Oil and Gas was approved by the Centre for Higher Education Research, Training and Learning of Rhodes University.

Review of weighted average cost of capital component of the regulatory accounting system by DOE.

Review of magisterial district zone differential mechanism by DOE.

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Strategic focus areas

Transformation

Strategic priority: Transformation

Our focus: Promote industry transformation and skills development

Key developments during 2014	Ongoing challenges
Gazetting Phase 2 Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice by the Minister of Trade and Industry.	Finalisation of Phase 2 B-BBEE Codes of Good Practice by the Department of Trade and Industry.
Defining SAPIA's skills development framework.	Implementation of skills development and training programmes.
Conducting a study by Transnet on the National Liquid Fuels Master Plan.	Consideration of Transnet findings on the National Fuels Master Plan study.
Developing the Draft Retail Transformation Concept Paper.	Finalisation of draft Retail Transformation Concept Paper.

Progress in 2014

Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice

Minister of Trade and Industry Dr Rob Davies gazetted the second phase of the amended B-BBEE Codes of Good Practice for public comment from 10 October 2014 to 14 November 2014.

The refined Codes symbolise a new beginning in the re-orientation of the transformation policy to focus more on productive B-BBEE and the growth of black entrepreneurs through enterprise and supplier development elements.

New liquid fuels empowerment framework

President Jacob Zuma determined that the Broad-Based Black Economic Empowerment Amendment Act, 2013 (Act No. 46 of 2013), will come into operation on 24 October 2014.

Advanced Certificate in Management for Oil and Gas

The SAPIA 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. There were 35 delegates in the 2014 programme and 31 delegates passed the course.

	Number of male delegates	Number of female delegates	Total delegates	Pass rate
Gauteng	7	16	23	86%
Cape Town	7	5	12	91%
Total	**14**	**21**	**35**	**88%**

***Table 4** Advanced Certificate in Management for Oil and Gas programme statistics*

Women Leadership Programme for Oil and Gas

The Women Leadership Programme for Oil and Gas was approved by the Centre for Higher Education Research, Teaching and Learning (CHERTL) of Rhodes University.

Development of skills development framework

The petroleum industry is experiencing a severe shortage of critical skills which are typically gained over many years of work experience. A skills audit and needs analysis within the context of the petroleum industry was conducted, culminating in the development of a technical skills framework. This framework provides a model for the progression of engineering staff, starting from semi-skilled level up to professional engineer levels.

The unique feature of this model is that it clearly depicts how specific individuals with artisan skills can progressively articulate to higher levels within the engineering profession. The framework also calls for the expansion of specialised engineering training through localisation of overseas offers. This alternative access model to the engineering profession further ensures that young, bright students are attracted into the apprenticeship field with clear career paths to higher technical roles.

To implement the model, SAPIA has made a proposal for the development of an institute. This petroleum institute should be the industry interface and will be expected to serve the region to ensure that the content requirements in some African countries are met. The contribution of this framework will be to deliver a competency key to industry service providers as well as a frame of reference that will be indispensable towards providing fair opportunities for supplier development while supporting the transformation agenda. This petroleum institute will also manage non-technical programmes to ensure that those who enter non-technical roles at lower levels have an opportunity to move up the ladder.

The Board of Governors has approved the proposed skills development framework.

Transnet National Ports Authority terminal operator licences

There has been no progress on this matter from Transnet's front.

New members join SAPIA

In 2014, Imbizo Petroleum Traders and MBT Petroleum were granted wholesale licences and Energy Oil was granted a manufacturing licence by the Department of Energy. These companies were admitted as members of SAPIA. Bahlaloga Technology's, Khulaco, KZN Oils, Mabele Fuels, Siyanda Petroleum and Energy Oil are no longer members of SAPIA effective 5 December 2014. There were 26 SAPIA members in 2014.

Celebrating 20 years of progress

SAPIA celebrated its 20th anniversary in July 2014, the same year that South Africa celebrated its 20 years of freedom and democracy.

Founding SAPIA was an outward sign of the conscious shift by the petroleum companies to create a forum for open debate in the industry. Since 1994, SAPIA has worked with government towards transforming and diversifying the South African liquid fuels industry. In a democratic South Africa it became possible to form an association which could focus on industry issues such as reducing its environmental impact and pursuing matters of common interest.

SAPIA hosted an industry conference and published a 20th anniversary publication which showcased its achievements and developments over the past two decades. The conference brought together people with a wide range of diverse skills and expertise across the whole spectrum of the liquid fuels industry.

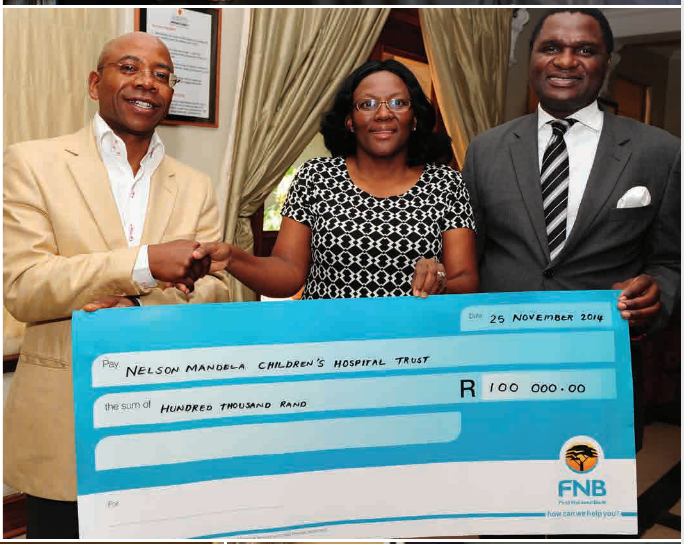
Looking forward

SAPIA will be focusing on the following areas in 2015:

- New liquid fuels empowerment framework
- Implementation of skills development framework
- Access and licences to logistical infrastructure
- Retail transformation
- Refinery transformation initiatives

Transformation

SAPIA hosted an industry conference and gala dinner in Johannesburg on 18 July 2014. By inviting all its stakeholders, SAPIA presented a platform for discussion of key issues regarding the petroleum sector. Speakers at the conference included esteemed industry players from distinguished organisations such as the global oil and gas industry association for environmental and social issues (IPIECA), Transnet Pipelines, African Refineries Association (ARA) and the National Energy Regulator of South Africa (NERSA).


Date 25 November 2014
Pay NELSON MANDELA CHILDREN'S HOSPITAL TRUST
R 100 000.00
the sum of HUNDRED THOUSAND RAND
FNB
For

Security of supply

Strategic priority: Security of supply

Our focus: Facilitate the security of supply of petroleum products

Key developments during 2014	Ongoing challenges
The Presidency launched Operation Phakisa Ocean Economy initiative aimed at unveiling more oil/gas resources and proposed introducing a cabotage regime in South Africa. SAPIA submitted a position paper on cabotage to the South African Maritime Safety Agency in early 2015.	Issues around implementation of a cabotage policy is still a work in progress. Maritime transport policy is still in draft.

Progress in 2014

Feedstock and products import facilities risk mitigation plan
SAPIA concluded the risk matrix in 2014 and identified the following risks to the fuel supply chain:

- Single buoy mooring (SBM) and related infrastructure outage
- Cape Town berth and pipeline constraints impacting on security of supply
- Avtur pipeline/Natref shutdown could lead to an OR Tambo International Airport jet fuel supply risk
- Refinery outage (more than one refinery outage at the same time)
- Limited/poor imports infrastructure in Cape Town and Durban (gas risk)

The risk mitigation plan of the identified risks is in progress and the work is being done by the security of supply committee together with relevant stakeholders.

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. SAPIA commented on the draft strategic stocks petroleum policy and draft strategic stocks implementation plan. A stakeholders' consultation workshop was held to discuss comments on the draft strategic stocks petroleum policy and draft strategic stocks implementation plan. SAPIA is awaiting the finalisation of the policy by government.

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. Member companies have submitted their feedback regarding the refinery performance project to the DOE.

24 inch multi-product pipeline

The 24 inch diameter multi-product pipeline (MPP) constructed by Transnet Pipelines became operational in January 2012. The trunk line between Durban and Jameson park is complete and in operation. Currently the MPP only conveys diesel. Other sections of the project (TM1 and TM2) are experiencing delays. As a result, Transnet pipelines has developed a tight lining solution to bypass the terminals and link directly to the refineries. Definite timelines on the tight lining solution have not yet been communicated to the industry by Transnet Pipelines.

National strategic fuel stocks policy

The draft strategic stocks petroleum policy and draft strategic stocks implementation plan was published by the Department of Energy in March 2013 for public comment. SAPIA provided comments on the policy/plan and participated in the DOE workshop in 2013. There has been no further progress from the government's side.

Looking forward

SAPIA aims to achieve the following in 2015:

- Continue to address the top five risks as per the risk mitigation plan.
- Engage Transnet Pipelines to ensure the completion of the MPP project through all its phases.
- Work with Transnet Pipelines to finalise the conveyance agreement. Engage with Transnet Corporate to ensure the Liquid Fuels Master Plan is compiled on time to facilitate sound investment decision making by Transnet.

Environment

Strategic priority: Environment

Our focus: Promote environmental leadership within the industry

Key developments during 2014	Ongoing challenges
Promulgation of local legislation in April 2014 to bring an international convention into force locally which provides compensation for marine oil pollution damage and clean-up costs.	Ensuring that an efficient administrative process is put in place to collect the levies (that are equivalent of the insurance premiums) which need to be deposited with the compensation fund in London and which cover the compensation requirements of the Convention.
Promulgated Part 8 of the Waste Act in May 2014 dealing with the management of contaminated land.	Obtaining clarity on the proper implementation of the provisions.
Establishment of the Oil Pollution Preparedness and Response Advisory Forum to address shortcomings in the National Oil Spill Response Strategy.	Implementation of the recommendations of this Forum.
Inclusion of a review of upstream offshore oil spill response contingency planning within the framework of the Operation Phakisa Ocean Economy initiative.	Ensuring that initiatives generated by this exercise are effectively employed.
Establishment of the Network for Industrially Contaminated Land in Africa (NICOLA) to promote the sound management of contaminated land.	Developing this initiative into an effective tool for the management of land contaminated by petroleum hydrocarbons.
Introduction of a uniform oil industry standard for baseline safety training for forecourt contractors in the form of the Safety Passport Alliance.	Obtaining full buy-in on this approach across the industry.

Progress in 2014

Input into development of climate change policy and legislation
SAPIA, through the SAPIA Advisory Committee on Climate Change, has engaged throughout the year with both the National Treasury (NT) and the Department of Environmental Affairs (DEA) on the development of legislation to effectively manage GHG emissions emanating from oil industry activities. This has included finalisation of the DEA-commissioned project on the mitigation potential within the crude oil refining sector, input into the formulation of carbon tax legislation, setting a process for the formulation of both sectoral desired emission reduction outcomes (DEROs) and company-related carbon budgets, carbon offsets, the mix of measures required to effectively manage GHG emissions and the DEA peak, plateau and decline emission target model. This is an ongoing process which will hopefully result in the formulation of rational and practical legislation for the management of these emissions in the petroleum industry sector.

The Committee has also been engaging with the DEA on the reporting requirements for the GHG National Inventory as well as for the National Inventory on Atmospheric Emissions System which contains a requirement for GHG reporting, as well as for other criteria such as atmospheric pollutants.

Contamination management
A number of industrial sites have been identified where historical oil leakages that occurred in the past have been identified and currently require remediation. An example of this is where heavy fuel oil was discovered during excavations for a new development at the V & A Waterfront in Cape Town. This exposed oil, which was lost many years ago, together with any contaminated soil needed to be removed and properly treated to avoid further contamination. Although not directly linked to the source of this oil, SAPIA members who currently operate in the area undertook the management of this contamination in order to avoid any damage to the environment or human health and safety.

Any remediation of contaminated land carried out by SAPIA members is done strictly in accordance with the relevant legislation and every measure is taken to minimise any environmental damage.

Input into new environmental regulatory instruments
SAPIA has provided input into the following:

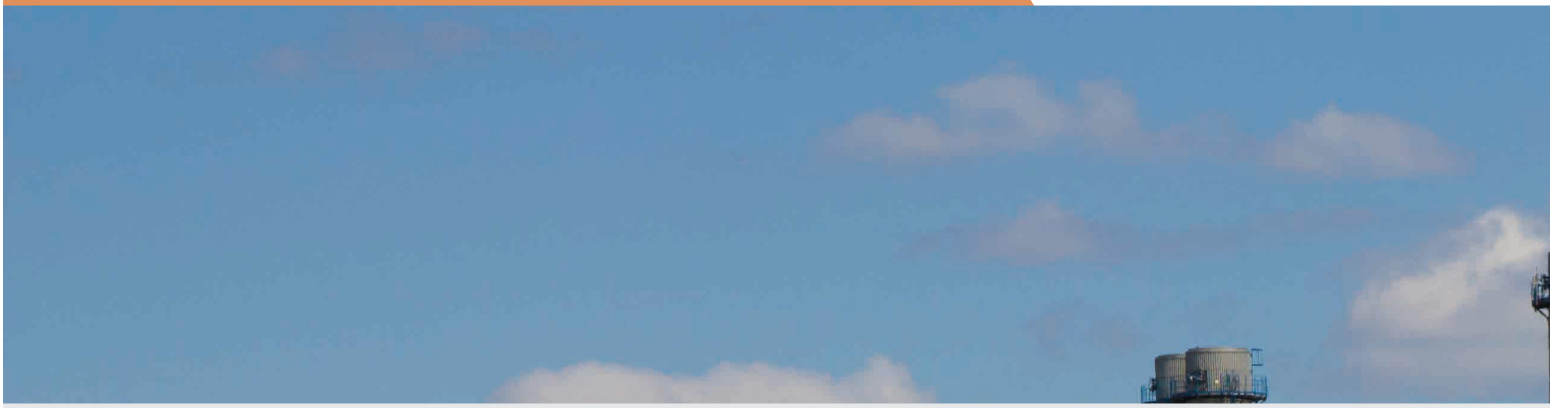
- Developing state of readiness for oil spill response relating to offshore oil and gas exploration and production as part of the Operation Phakisa initiative.

- Implementation locally of the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, as well as the International Convention on Civil Liability for Oil Pollution Damage.

- Carbon tax, desired emission reduction outcomes, carbon budgets, carbon offsets, mix of measures, and the National Atmospheric Emission Inventory System.

- Part 8 of the Waste Act.

Environment



- National Environmental Management Act (NEMA) Section 30 emergency incident reporting requirements.
- Contaminated land registry.
- Regulations for usage of oil spill dispersants.
- Biofuels regulatory framework.
- SABS fuel specification standards.
- Department of Labour Health and Safety Accord.
- Minimum Emission Standards International Convention on Liability and Compensation for Damage in Connection with Carriage of Hazardous and Noxious Substances by Sea.
- EIA requirements for storage of dangerous goods.
- Western Cape Long Term Mitigation Strategy.
- Template for National GHG Inventory.
- Occupational Health and Safety Amendment Bill.

Biofuels

Regulations require that SAPIA members will be required to take up both locally manufactured biodiesel and bioethanol from licensed producers from 1 October 2015. However, locally manufactured biofuels will not be available from that date as commercial production has not yet started. This is primarily due to the fact that a biofuels pricing framework has not been finalised as yet which has deterred potential producers from raising the necessary finance. SAPIA members are willing and able to take up these biofuels when they become available, as long as the necessary enabling regulatory framework is in place.

During the year, SAPIA did not participate in the Department of Energy's Biofuels Implementation Committee due to concerns about infringing on competition laws. Clearance has now been obtained from the Competition Commission and participation in this Committee will resume in 2015.

Looking forward

SAPIA aims to achieve the following in 2015:

- Obtain further clarity and finalisation on a number of pending regulatory instruments, including:
  - company carbon budgets;
  - sectoral desired emission reduction outcomes;
  - carbon tax;
  - National Oil Spill Contingency Plan;
  - biofuels regulatory framework;
  - National Atmospheric Emission Inventory System regulations; and
  - section 30 of NEMA reporting requirements for emergency incidents.
- Reach agreement with DEA on a workable and effective National Oil Spill Response Strategy.
- Play an active role in initiating a long-term road safety campaign.
- Evaluate risks at joint venture terminals and depots and ensure proper mitigation measures are in place.
- Ensure that oil industry activities have a minimal impact on the environment where they operate.
- Participate in the development of a business position related to the intended nationally determined contribution (INDC), a declaration of GHG emissions targets that South Africa undertakes to make in terms of a new international climate agreement to be concluded at COP 21 in Paris.

Cleaner Fuels II

Strategic priority: Cleaner 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

Key developments during 2014	Ongoing challenges
Finalisation of both the petrol and diesel CFI and CFII fuel specifications under the auspices of SABS.	Finalisation of SANS 1590: Supply chain specifications for white petroleum products - pipeline specification.
DOE confirmation of their proposal to delay the July 2017 CFII implementation date.	Postponement not published leading to regulatory uncertainty. Lack of progress in finalising new implementation date.
Ongoing uncertainty regarding the determination of a cost-recovery mechanism for the major capital investments required to provide CFII.	A decision on the cost-recovery mechanism is essential before any investment planning for refinery upgrades to produce CFII can be undertaken.

Progress in 2014

Finalisation of petroleum products specifications and standards

SANS 342: 'Automotive fuels requirements and test methods for diesel' was published during the year. SANS 1598: 'Automotive fuels requirements and test methods for petrol' has been finalised with publication expected in early 2015. These specifications cover both the requirements for the existing CFI products, as well as the CFII products to be produced in the future. The final amendment regulations regarding the main petroleum product specifications and standards were published by the Minister of Energy on 30 May 2012. At the time, it was recognised that certain inconsistencies were evident and that further clarity was required on the provisions of these regulations. These have not been amended which is resulting in some confusion regarding the certainty of the standards, such as the use of manganese as an additive in petrol.

Cost-recovery mechanism and timing of CFII introduction

At a SAPIA/DOE workshop on Cleaner Fuels II held in October 2014, the DOE stated that the rationale for the introduction of CFII might have changed in light of other government priorities, such as a reliable electricity supply. The DOE requires the rationale for the introduction of CFII to be remotivated by SAPIA.

SAPIA was also requested to investigate the pros and cons of the following three scenarios:

- The introduction of CFII with full cost-recovery for investments made to upgrade refinery processes for the production of these fuels (estimated at R40 billion in 2010).
- The introduction of CFII without any investment support from a cost-recovery mechanism.
- The delay of the introduction of CFII to 'some time' in the future.

The implications of these three scenarios will be presented to DOE in early 2015 with a request that a decision be taken on the way forward as soon as possible. The delays in the finalisation of the timing and cost-recovery mechanism for the CFII introduction are hampering the investment and decision-making process in the refining sector and causing a great deal of concern due to this environment of regulatory uncertainty.

Introduction of transitional fuel

The planned study to review the need, mechanisms and implications of introducing fuels with certain improved specifications has been put on hold until such time as a decision has been made regarding the timing for the introduction of CFII.

Looking forward

SAPIA aims to achieve the following in 2015:

- Engage with DOE and NT with the aim of enabling a decision on the timing for the introduction of CFII and a determination of a cost-recovery mechanism to enable the necessary refinery investments.
- Collaborate with DEA to assist in the formulation of a practical and effective vehicle emissions strategy which will lead to an improvement in urban air quality.

Fuel price regulation

Strategic priority: Fuel price regulation
Our focus: Working towards a fair regulatory framework for all

Key developments during 2014	Ongoing challenges
SARS publication of draft rules in terms of the Customs Control Act.	SAPIA will need to participate and understand changes and potential impacts on SAPIA members.
Review of weighted average cost of capital (WACC) component of the regulatory accounting system by the Department of Energy.	Many challenges have been identified with the outcome of the WACC review. These challenges must be addressed before the results of the review are implemented in any way.
Review of magisterial district zone differential mechanism by the Department of Energy.	SAPIA will need to participate in making the new mechanism a system that will benefit all stakeholders (policy makers, industry and customers) and will contribute to the sustainability of the logistical supply system.

Progress in 2014

For the past three years, the price of Brent oil traded mostly within a narrow range of US$100 to US$120 per barrel. During the latter part of 2014 Brent oil fell by approximately 40% and reached a level of US$65 per barrel that was last achieved in 2009.

The main reason for the fall in price was a combination of weak demand and increasing supply. As reported by Commerzbank on 11 December 2014, economic difficulties in the euro zone and less momentum in emerging market countries contributed to a reduced demand for oil. In contrast, on the supply side, an increased oil output from Libya and shale oil supply from the United States of America has also entered the market on an increasing scale.

In conjunction with the demand and supply factors the Organisation for Petroleum Exporting Countries (OPEC) did not respond to the increasing supply. Whereas, in the past OPEC would have reduced supply, it now confirmed at an OPEC meeting in November 2014 that its production target of 30 million barrels per day will remain even though its demand forecast is lower than this. One can assume that this action by OPEC is to support its market share rather than to reduce supply, rebalance the oil market and subsequently ensure a higher market price.

RON 93 petrol pump price vs Brent crude oil

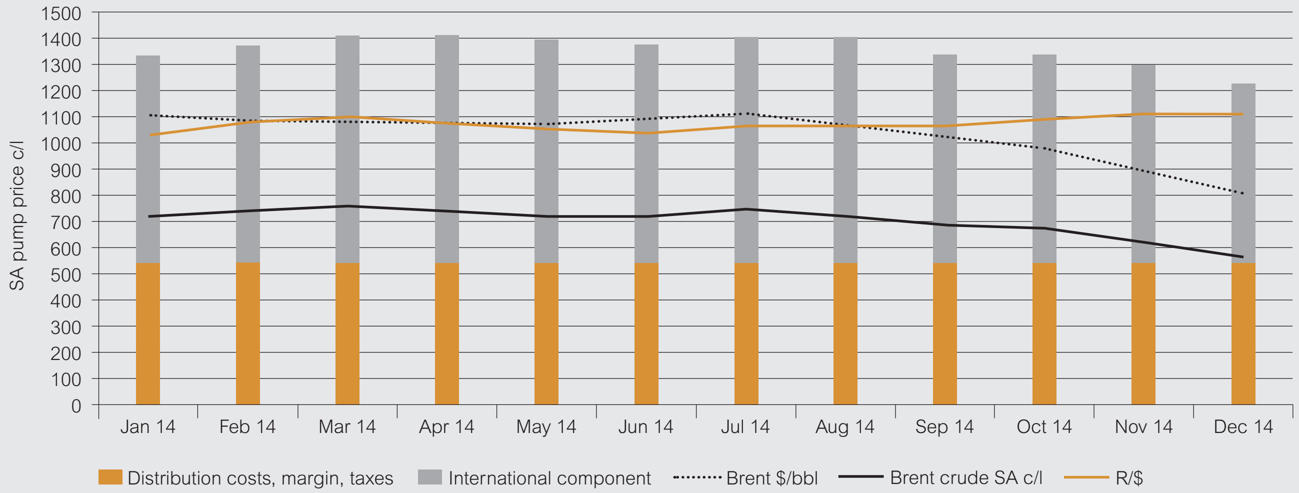


***Figure 4** Research octane number (RON) 93 petrol pump price vs Brent crude oil*

Petroleum products price developments

The price of petrol and diesel are comprised of the basic fuel price (BFP), secondary storage element, secondary distribution element, wholesale margin, 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 illuminating paraffin tracer dye levy.

The following section will provide more detail on the elements of petroleum prices in which adjustments have been made during 2014.

Increase in secondary storage element

The secondary storage element was increased by 0.3 c/l from 17.1 c/l to 17.4 c/l on petrol, diesel and illuminating paraffin from 3 December 2014.

Increase in secondary distribution element

The secondary distribution element was increased by 0.9 c/l from 11.7 c/l to 12.6 c/l on petrol, diesel and illuminating paraffin from 3 December 2014.

Increase in wholesale margin

The wholesale margin was adjusted with an:

- increase of 2.5 c/l to 33.5 c/l on petrol from 3 December 2014; and an
- increase of 3.5 c/l to 64.7 c/l on diesel and illuminating paraffin from 3 December 2014.

Increase in retail margin on petrol

The Minister of Energy approved an increase of 4.2 c/l from 139.1 c/l to 143.3 c/l in the retail margin on all grades of petrol with effect from 3 September 2014. The press release at the time indicated that the increase was necessary ‘to accommodate the salary increase of 9% for fuel pump attendants and cashiers.’

A further increase of 7.8 c/l from 143.3 c/l to 151.1 c/l was granted on all grades of petrol with effect from 3 December 2014.

Increase in fuel levy on petrol and diesel

The Minister of Finance announced in his budget speech on 26 February 2014 that the fuel tax on petrol and diesel will increase by 12 c/l from 212.5 c/l to 224.5 c/l in the case of petrol and from 197.5 c/l to 209.5 c/l in the case of diesel with effect from 2 April 2014.

Increase in the Road Accident Fund levy on petrol and diesel

The Minister of Finance announced in his budget speech on 26 February 2014 that the Road Accident Fund levy on petrol and diesel will increase by 8.0 c/l from 96 c/l to 104 c/l with effect from 2 April 2014.

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 of South Africa (NERSA) for Transnet Pipelines.

Revised road and pipeline transport tariffs became applicable in petrol, diesel and illuminating paraffin price structures with effect from 2 April 2014.

Fuel price regulation

NERSA announced an increase of 5.08 per cent in allowable revenue of Transnet compared to the 2013/14 tariff period. The increase became effective on 2 April 2014 in the transport cost of petroleum transported by pipeline from Durban to the C-zones.

The Department of Energy has commenced with a review of the MDZ system in December 2014. SAPIA is appreciative of the consultative approach that is taken and will fully participate as required by the Department of Energy. We look forward to a MDZ mechanism that will reflect the current realities of the logistical supply system.

Regulatory accounting system

The Department of Energy has commenced in 2014 with reviews of certain elements of the regulatory accounting system (RAS). One of the reviews pertained to the weighted average cost of capital (WACC) approach that is used in the RAS. SAPIA had numerous concerns with the outcome of the WACC review and has expressed these issues to the Department of Energy.

Other reviews that were announced at the end of 2014 relate to the secondary storage asset base, benchmark service station asset base and retail operating expenditure. It is expected that these reviews will all be completed in 2015. SAPIA supports and will fully participate in the reviews.

Revised maximum refinery gate 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 the review of the maximum refinery gate price (MRGP) of LPG on 28 October 2014. The main challenge with the MRGP is that in the event of LPG being imported, the importation cost outweighs the current MRGP. The Department of Energy made it clear at the workshop that the primary aim is to price LPG appropriately and to ensure energy security through a diversification of resources in which LPG will play a significant role.

One of the underlying challenges identified by the Department of Energy was the lack of adequate LPG storage facilities and inadequate importation infrastructure. The Department of Energy is of the opinion that the timing is not correct for a change to the MRGP, but that this matter will be reviewed in the coming year. SAPIA is concerned about the impact on supply of LPG in the future should the challenges surrounding the MRGP not be addressed soon.

Maximum retail price of LPG supplied to residential customers

Maximum retail prices of LPG supplied to residential customers was implemented in July 2010. No adjustment has been made to the elements that make up the maximum retail price, except for the MRGP portion that changes on a monthly basis. In terms of applicable rules and regulations annual reviews and adjustments will be 'based on the movement in the drivers of the various elements of the price determination formula.' SAPIA is concerned that adjustments to the elements making up the LPG maximum retail price has not happened for over four years. It is expected that the Department of Energy will publish draft working rules in this regard for public comment in the near future.

Termination of incremental inland transport cost-recovery mechanism

The incremental inland transport cost-recovery system levy (IITRS) was terminated effective from 2 April 2014.

NERSA regulation of petroleum pipelines industry

The following matters took place during the year under review: NERSA made its decision (with published reasons) on Transnet's pipeline tariff application for 2014/15 on 13 March 2014. These maximum tariffs were effective from 2 April 2014 and enabled Transnet to realise an increase of 5.08% in its allowable revenue compared to the 2013/14 period.

NERSA published Transnet Pipeline's tariff application for 2015/16 on 4 December 2014 and SAPIA members have submitted comments. Transnet applied for 15.58% increase in revenue from the 2014/15 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 published a public discussion document for petroleum storage and loading facilities on cost of equity adjustments on

6 May 2014. The document deals in general with the subject of what is an appropriate return on equity commensurate with risk for investors in petroleum storage facilities.

National Ports Authority tariffs

The National Ports Authority (NPA) applied to the National Ports Regulator (NPR) for an average tariff increase of 14.39% for the period 1 April 2014 to 31 March 2015. The NPR declined the proposed tariff increase and other individual tariff increases after considering the application. Instead it approved that cargo dues be increased by 5.90% with a few exceptions.

Legislation

Levy on the petroleum pipeline industry for 2014/15

In terms of Government Notice No. 37979 the Minister of Energy in concurrence with the Minister of Finance has approved a levy of 0.40437c/l applicable from 1 April 2014 to 31 March 2015. 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.'*

Draft amendment regulations in terms of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003)

The Minister of Energy has published these draft amendments in terms of Government Notice No. 38088 on 17 October 2014. The draft amendments relate to setting and approval of tariffs as well as rehabilitation of land. SAPIA is concerned about provisions in various legislation pertaining to specific requirements for financial security for rehabilitation of land. SAPIA has therefore commented extensively on the proposed amendments.

Rules made in terms of the Petroleum Pipelines Act, 2003

Draft amendments to rules in terms of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003) were published for public comment by NERSA on 22 August 2014. The amendments included clarification of requirements. Final rules were published on 12 December 2014 in Government Notice No. 38308.

Draft rules in terms of the Customs Control and Duty Acts

The following Acts were published in 2014:

- Customs Duty Act, 2014 (Act No. 30 of 2014) published in Government Gazette 37821 of 10 July 2014.
- Customs Control Act, 2014 (Act No. 31 of 2014) published in Government Gazette 37862 of 23 July 2014.
- Customs & Excise Amendment Act, 2014 (Act No. 32 of 2014) published in Government Gazette 37863 of 23 July 2014.

The above Acts are not in operation yet and the Customs and Excise Act of 1964 still regulates this environment. The South African Revenue Service (SARS) has published draft rules for public comment during 2014 and will continue to do so in 2015 until all rules in terms of the Customs Duty and Control Acts have been finalised. SAPIA is participating fully in this process as these changes will have a significant impact on SAPIA members.

Statistics

Aggregate financial results of SAPIA members

Year ended 31 December	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013*	2014*
Operating profit (R/m)	7 758	10 421	9 828	10 451	5 193	7 991	11 285	15 053	8 628	10 191	1 448
Interest paid (R/m)	(617)	2	(1 505)	(1 117)	(2 312)	(973)	(1 868)	(1 175)	(1 295)	(1 386)	(1 393)
Income tax (R/m)	(2 591)	(2 976)	(1 622)	(2 284)	(1 377)	(190)	(1 609)	(2 745)	(2 240)	(2 970)	15
Net income (R/m)	4 550	7 456	6 701	7 050	1 503	6 828	7 808	11 134	5 092	5 834	70
Total assets (R/m)	57 169	58 845	63 401	88 415	116 460	101 051	100 851	108 988	117 240	96 695	114 458
Capital expenditure (R/m)	2 555	3 154	4 494	4 958	6 070	5 573	5 091	5 855	6 844	4 950	9 659
Refinery shutdown						939	574	273	380	638	646
Other						4 634	4 518	5 582	6 465	4 312	9 014
After tax return on assets (%)	8	13	11	8	1	7	8	10	4	6	0.06
Sales volumes (bn litres)	31	29	32	32	35	29	22	20	29	29	31
Net income after tax (c/l)	15	26	21	22	4	24	36	55	18	20	0.2

Individual company financial data aggregated by Colin McClelland (independent chartered accountant)

*2012 data reported by 17 SAPIA members

*2013 data reported by 18 SAPIA members

*2014 data reported by 15 SAPIA members

Value added statements

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013*	2014*
Turnover (R/bn)	86	109	130	171	241	353	195	217	267	285	329	365
Net cost of products and services (R/bn)	55	72	86	126	179	279	144	164	187	206	236	280
Total value added (R/bn)	**30**	**37**	**45**	**45**	**62**	**73**	**51**	**53**	**79**	**79**	**92**	**85**
To pay employees gross salaries, wages and benefits (R/bn)	3	3	3	6	7	12	5	5	4	6	6	6
To pay the State tax in the form of												
Income tax (R/bn)	1	3	3	2	2	1	0.2	1	3	2	3	0.02
Duties and levies (R/bn)	20	25	28	30	40	48	40	43	54	63	66	72
To pay providers of capital												
Net finance expense (R/bn)	1	1	1	(0.2)	1	2	1	2	1	1	1	1
Dividends (R/bn)	1	1	2	4	4	4	2	(0.1)	4	2	2	1
Retained for future growth												
Depreciation (R/bn)	3	2	2	3	2	2	4	3	3	3	3	3
Retained income / other for the year (R/bn)	2	4	5	1	6	4	0.4	(1)	10	2	12	2
Total value added (R/bn)	**30**	**37**	**45**	**45**	**62**	**73**	**51**	**53**	**79**	**79**	**92**	**85**

Individual company financial data aggregated by Colin McClelland (independent chartered accountant)

*2012 data reported by 17 SAPIA members

*2013 data reported by 18 SAPIA members

*2014 data reported by 15 SAPIA members

Petrol wholesale margin (93 octane)

	2004	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014
MPAR return (%)	21.22	0	0	0	0	0	0	0	0	0	0
Indicated margin increase (c/l)	(4.21)	0	0	0	0	0	0	0	0	0	0
Increase granted (in succeeding year)	2.0	0	0	0	5.37	6.2	3.0	(1.369)	5.5	(27)	2.5
Margin at year end (c/l)	39.3	39.3	39.3	39.3	44.67	50.87	53.87	52.5	58	31	33.5

*The Marketing of Petroleum Activities Return (MPAR) system has not been in use since 2005

A wholesale margin in line with the regulatory accounting system was implemented on 4 Dec 2013

Sources of crude oil for SAPIA members: 2002 to 2014

Country of origin	Thousand tonnes												
	2002	2003	2004	2005	2006	2007*	2008*	2009*	2010*	2011*	2012*	2013*	2014*
Algeria	0	0	0	0	0	0	66	0	0	0	0	0	0
Angola	138	116	654	404	1 144	3 054	3 598	3 817	3 409	1 948	3 356	2 444	2 614
Antigua and Barbuda	0	0	0	0	0	0	0	0	0	66	0	0	0
Argentina	0	0	0	0	0	0	0	516	297	0	0	0	0
Bermuda	0	0	0	0	0	0	115	0	0	0	0	0	0
Bolivia	0	0	0	0	0	36	0	0	0	0	0	0	0
Cameroon	0	271	106	0	53	0	0	0	0	0	0	0	0
Colombia	0	0	0	0	0	296	0	0	0	0	0	0	274
Côte d'Ivoire	0	0	0	0	0	0	0	0	88	0	0	0	0
Cuba	0	0	0	0	0	0	0	0	9	0	0	0	0
Egypt	0	135	0	0	0	0	150	0	0	0	0	0	0
Ecuador	0	0	0	0	0	149	0	0	0	76	67	73	35
Equatorial Guinea	0	0	0	0	0	0	0	0	35	38	76	89	378
Gabon	0	0	191	270	0	0	0	90	0	0	0	167	163
Ghana	0	0	0	0	0	0	0	0	0	0	259	746	756
Indonesia	0	0	0	0	0	0	0	232	0	0	0	0	0
Iran	6 239	7 012	8 166	8 008	6 054	6 092	4 637	5 604	5 528	4 874	1 502	0	0
Iraq	0	0	0	107	322	519	0	545	244	0	0	0	584
Israel	0	0	0	0	0	0	0	1	0	0	0.007	0	0
Kuwait	342	0	0	0	0	0	0	0	0	0	0	0	153
Liberia	0	0	0	0	0	0	0	395	0	0	0	0	0
Libyan Arab Jamahiriya	0	0	0	0	0	133	0	0	0	0	0	0	0
Mexico	0	0	0	84	0	0	0	0	0	0	0	0	0
Mozambique	0	0	0	0	0	0	0	0	44	0	0	272	0
Nigeria	3 615	3 450	1 313	2 472	2 935	3 386	2 517	3 963	3 594	3 755	4 310	4 336	6 658
North Sea / U.K.	0	0	0	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	76	35	74	37	0	0	0	0
Oman	8	0	0	330	16	712	178	141	72	862	0	0	0
Panama	0	0	0	0	0	0	0	0	0	0	0	0	145
Qatar	0	0	0	209	140	0	0	0	0	266	242	0	202
Russian Federation	267	0	0	0	0	971	89	839	0	0	0	140	0
Saudi Arabia	7 364	9 521	8 137	7 331	6 486	5 876	6 265	6 968	4 584	4 793	8 437	9 723	8 120
Singapore	0	0	0	0	0	0	267	0	0	0	0	0	0
South Africa	791	570	1 482	701	684	0	0	0	0	0	0	0	0
Spain	0	0	0	0	0	0	0	0	134	0	0	0	0
Switzerland	0	0	0	0	0	0	0	128	126	76	152	132	0
United Arab Emirates	70	106	109	779	514	332	855	553	1 018	598	538	307	924
United Kingdom	0	0	0	0	0	0	0	80	0	77	0	24	273
United States	0	0	0	0	0	0	282	0	36	262	0	0	0
Venezuela	0	0	0	0	0	153	424	277	0	0	0	0	0
Yemen	62	179	338	272	192	304	1 589	818	0	142	0	207	0
Total	**18 896**	**21 360**	**20 496**	**20 967**	**18 540**	**22 090**	**21 067**	**25 040**	**19 254**	**17 834**	**18 940**	**18 658**	**21 279**

*South African Revenue Service

Crude oil price movements: January 2008 to December 2014

Average monthly prices (US$/bbl)

	2008		2009		2010		2011		2012		2013		2014	
	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai
January	92	87	43	44	76	77	97	93	110	110	113	108	108	104
February	95	90	43	43	74	73	104	100	120	116	116	111	109	105
March	104	97	47	46	79	77	115	109	125	122	108	106	108	104
April	109	103	51	50	85	84	123	116	120	117	102	102	108	105
May	123	119	57	57	75	77	115	108	110	108	103	100	110	106
June	132	128	69	69	75	74	114	108	95	94	103	100	112	108
July	133	131	65	65	76	72	117	110	103	99	108	104	107	106
August	113	113	73	71	77	74	110	105	113	109	111	107	102	102
September	98	96	67	68	78	75	113	106	113	111	112	108	97	96
October	72	67	73	73	83	80	109	104	112	109	109	107	87	87
November	53	50	77	78	85	84	111	109	109	107	108	106	79	76
December	40	41	74	75	91	89	108	106	109	106	111	108	62	60
12-month average	**97**	**94**	**61**	**62**	**79**	**78**	**111**	**106**	**112**	**109**	**109**	**106**	**99**	**97**

***Figure 5** Crude oil prices*

Brent crude prices

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average US$ price	24.7	28.8	38.2	54.4	65.1	72.5	97.0	61.5	97.5	111.3	111.6	108.7	99.0
Average rand price/barrel	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	1 074.0

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
2014*	11 344	13 169	558	2 197	487	398

*Source: Department of Energy website

*Paraffin includes power paraffin and illuminating paraffin

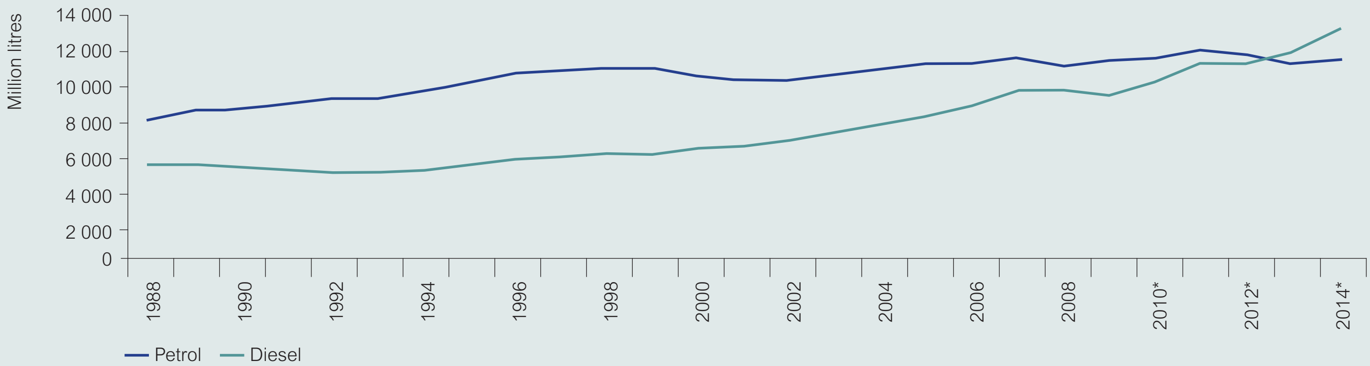


Figure 6 *Petrol and diesel consumption*

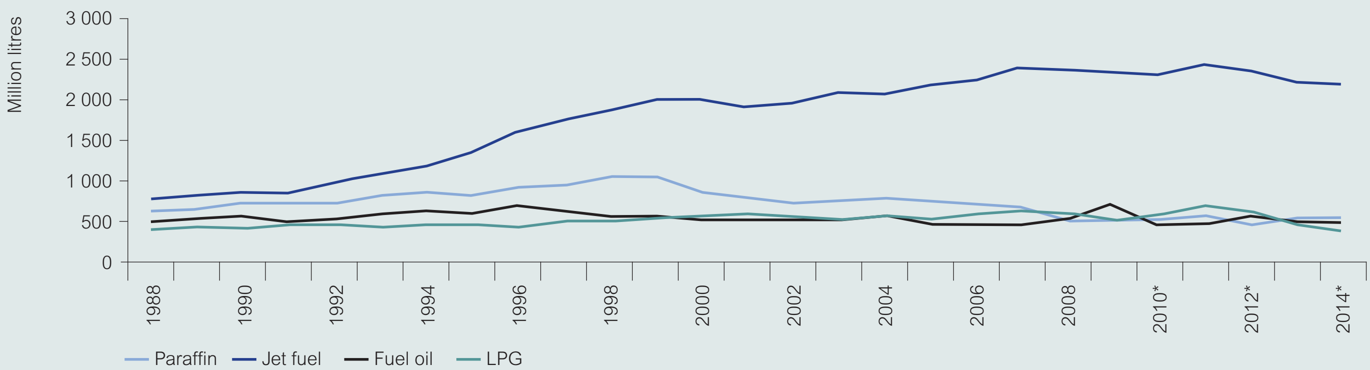


Figure 7 *Petroleum products consumption*

Petroleum products imports and exports

Thousand tonnes

	Imports				Exports			
Year	Petrol	Diesel	Jet fuel	LPG	Petrol	Diesel	Jet fuel	LPG
2014	863	4 197	229	43	750	1261	92	53
2013	1 113	4 158	183	65	122	399	14	25
2012	1 370	3 247	231	27	202	504	62	37
2011	1 815	3 153	199	47	176	452	126	28
2010	1 571	2 163	213	7.70	329	618	53	36
2009	1 484	1 943	85	13	333	717	40	31
2008	956	2 108	60	4	363	744	83	30
2007	1 272	2 343	229	7	296	728	64	26

*Source: South African Revenue Service

Demand/refining capacity balance

Millions of litres

2014	Refining output**	Demand actual	Surplus/(shortfall)
Petrol	10 481	11 344	(863)
Diesel	9 163	13 169	(4 006)
Kerosene*	2 905	2 755	150

*Kerosene includes illuminating paraffin and jet fuel

**Source: Joint Oil Data Initiative database. Available from www.jodidb.org (Accessed: 31 March 2015)

Capacity of South African refineries

Capacity (bbl/day)

Refineries	1992	1997	2007	2010	2013	2014
Sapref	120 000	165 000	180 000	180 000	180 000	180 000
Enref	70 000	105 000	125 000	120 000	120 000	120 000
Chevref	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
Sasol	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
Total	**513 000**	**651 000**	**708 000**	**703 000**	**703 000**	**703 000**

*Crude equivalent

Petrol/diesel consumption ratio

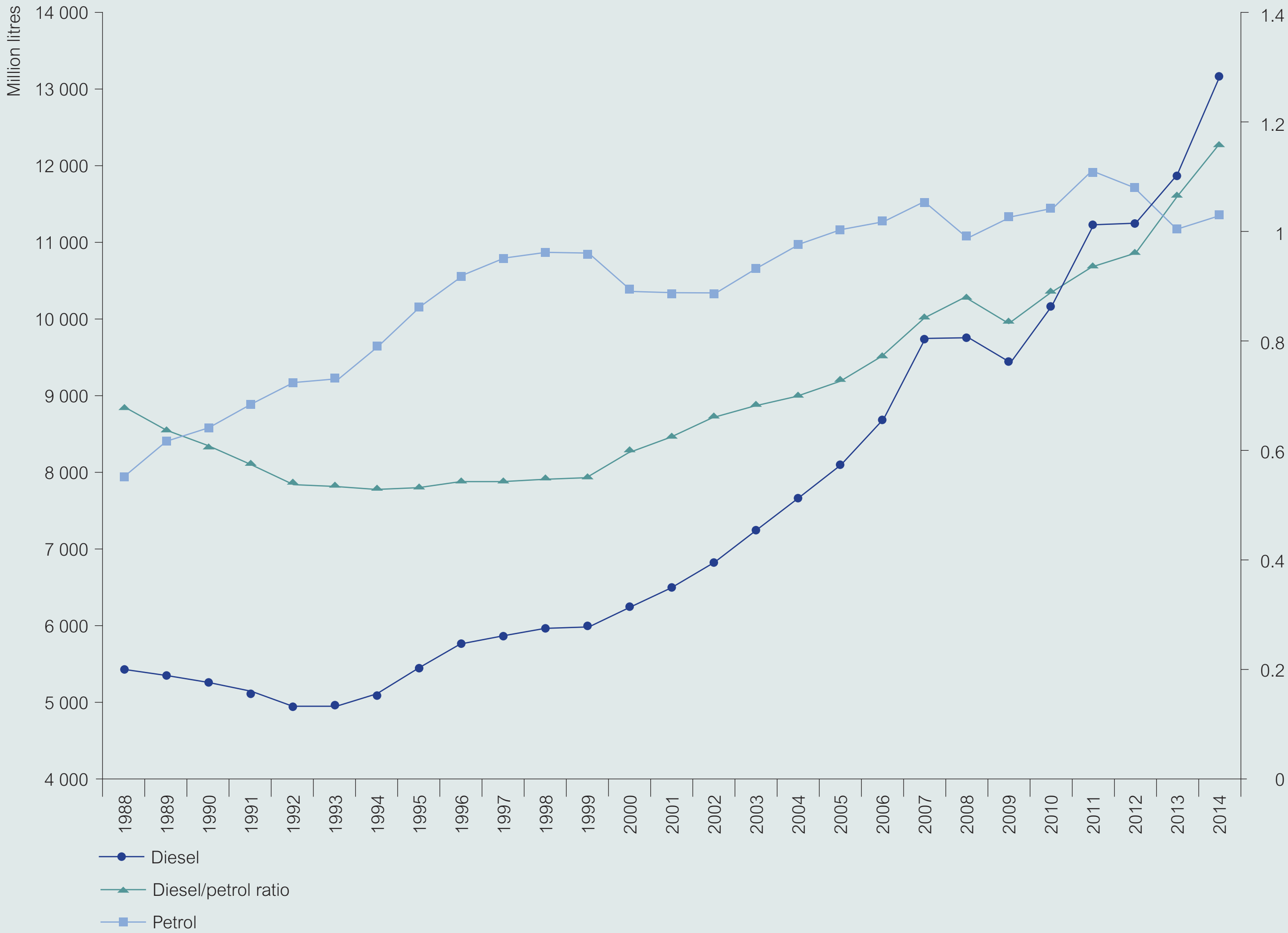


Figure 8 *Petrol and diesel consumption*

The ratio of demand between diesel and petrol in 2014 was about 13.2 parts diesel to 11.3 parts petrol which gives a ratio of 1.16. The ratio in 2013 was 1.07. Petrol consumption has thus decreased in relation to diesel consumption from 2013 to 2014. The graph shows that there has been an upward trend in the diesel/petrol ratio from 1995 until 2014 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)
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	267.0	
2004	471.0	428.0	379.0	
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
2014	1 379.0	1 276.4	1 271.0	2 501.0

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

**Effective from 14 July 2010

Source: Press release by DOE

Price trends

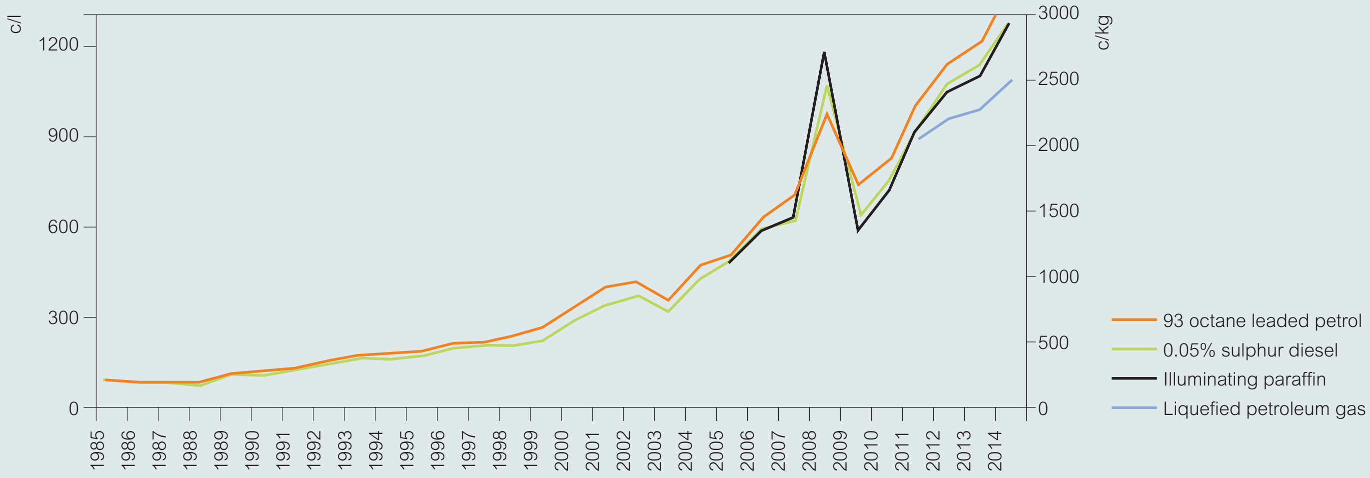
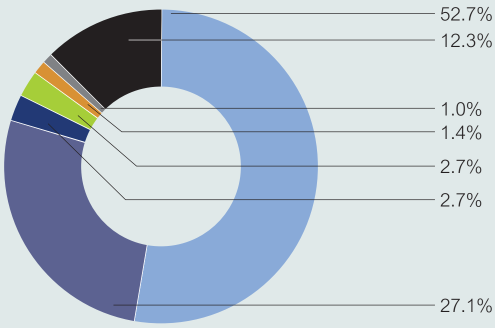


***Figure 9** Prices in Gauteng: 30 June each year*

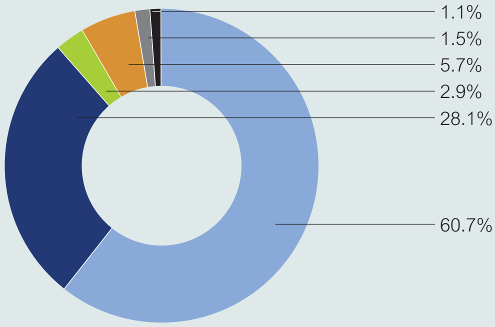
Petrol and diesel price breakdown



Contribution to the basic fuel price	648.250 c/l
Government duties and levies	332.650 c/l
Zone differential	33.100 c/l
Wholesale margin	33.500 c/l
Secondary storage	17.400 c/l
Secondary distribution	12.600 c/l
Dealer margin	151.100 c/l
Pump rounding	0.400 c/l

Source: Media release by Department of Energy

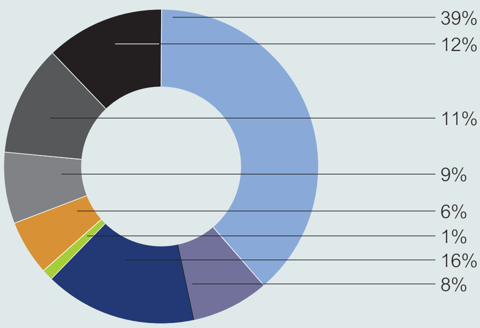
***Figure 10** 93 octane petrol: Gauteng retail price 1 229.0 c/l in December 2014*



Contribution to the basic fuel price	686.630 c/l
Government duties and levies	317.660 c/l
Zone differential	33.100 c/l
Industry margin	64.700 c/l
Service differential	17.400 c/l
Service differential	12.600 c/l

***Figure 11** Diesel (0.05% S): Gauteng wholesale price 1 132.09 c/l in December 2014*

Maximum retail price of liquefied petroleum gas price breakdown



Maximum refinery gate price	861.889 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%)	254.077 c/kg
Value added tax (14%)	272.710 c/kg

Source: Media release by Department of Energy

***Figure 12** LPG maximum retail price: Gauteng retail price 2 221 c/kg in December 2014*

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
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
2014	4.0	224.5	104.0	0	0.15	10.0	0	342.65

*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 1 229 c/l in December 2014. Taxes and levies as a % of this retail price: 27.88%

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%
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%
2013	4.0	197.5	96.0	0	0.15	0.01	3.0	300.7	0	0%
2014	4.0	209.5	104.0	0	0.15	0.01	0	317.7	0	0%

Gauteng wholesale price of 0.05% sulphur diesel was 1 132.09 c/l in December 2014. Taxes and levies as a % of the wholesale price: 28.06%

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2014 volumes at June 2014 rates)

	Petrol	Diesel	Illuminating paraffin
Sales volumes (million litres)	11 344	13 169	558
95 unleaded petrol in the DSML area (million litres)**	1 700		
Customs and Excise Duty (c/l)	4.00	4.00	0
Fuel Levy (c/l)	224.50	209.50	0
Road Accident Fund Levy (c/l)	104.00	104.00	0
Equalisation Fund Levy (c/l)	0	0	0
Value Added Tax (VAT)	0	0	0
Demand Side Management Levy (DSML) (c/l)	10.00	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	454	527	0	981
Fuel Levy	25 467	27 589	0	53 056
Road Accident Fund Levy	11 798	13 696	0	25 494
Equalisation Fund Levy	0	0	0	0
Value Added Tax (VAT)	0	0	0	0
Demand Side Management Levy (DSML)*	170			170
IP Marker Levy	0	1	0	1
Petroleum Products Levy***	17	20	0	37
Total	**37 906**	**41 833**	**0**	**79 738**

*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 2014. 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	People with disabilities
Top management	Female	15	6	4	6	1	0
	Male	14	14	5	27	18	1
Top management total		**29**	**20**	**9**	**33**	**19**	**1**
Senior management	Female	31	20	12	29	3	1
	Male	64	44	30	97	23	4
Senior management total		**95**	**64**	**42**	**126**	**26**	**5**
Specialists & mid-management	Female	355	207	112	230	9	8
	Male	582	364	282	521	48	24
Specialists & mid-management total		**937**	**571**	**394**	**751**	**57**	**32**
Skilled technical	Female	635	429	119	246	4	14
	Male	892	616	215	380	7	35
Skilled technical total		**1 527**	**1 045**	**334**	**626**	**11**	**49**
Semi-skilled	Female	261	87	14	56	1	14
	Male	1 154	287	79	66	10	11
Semi-skilled total		**1 415**	**374**	**93**	**122**	**11**	**25**

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

Performance indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
(Not including refineries)										
Safety: staff and contractors										
Fatalities	35	18	7	17	7	27	8	10	9	14
Lost time injuries	68	73	49	70	64	51	44	43	26	25
Hours worked (million)	30.9	33.7	28.2	91.6	28.7	24.6	26.6	30.0	28.9	31
Total Recordable Rate (TRR), fatalities, lost time injuries and medical treatment cases per 200 000 hours worked.	**0.9**	**0.9**	**0.8**	**1.1**	**0.8**	**0.4**	**0.5**	**0.4**	**0.4**	**0.6**
Environment:										
Fires	67	2	24	25	16	33	16	13	29	21
Health:										
Occupational illnesses	1	1	1	1	1	2	1	2	1	1
Security:										
Hijackings: on retail forecourts	20	16	17	11	26	17	5	6	9	9
Cash-in-transit robberies	29	71	49	56	67	31	18	27	11	17
Retail robberies	358	376	651	782	611	430	156	222	214	274

Crude refineries' resource consumption and waste/emissions

		2007	2008	2009	2010	2011	2012	2013	2014
Water usage: litres	**Total**	**10 619 940**	**13 579 857**	**11 053 410**	**11 633 126**	**11 757 598**	**11 234 343**	**11 181 656**	**10 644 383**
	Municipal	7 439 088	9 740 503	7 495 492	6 794 633	6 702 822	6 507 540	6 651 098	6 284 621
Electricity consumption: Gwh		909	923	936	925	1 207	850	863	932
SO2 emissions: tons		19 741	22 823	38 024	30 246	19 440	21 210	21 677	22 054
PM emissions: tons		1 506	1 330	1 251	976	728	891	983	962
CO2 emissions: tons		3 494 681	3 462 715	3 383 713	3 183 018	2 734 124	3 164 964	3 144 239	3 447 894
Waste: tons	**Total:**	**29 414**	**42 114**	**28 455**	**27 902**	**16 619**	**16 952**	**39 177**	**24 190**
	Hazardous:	26 028	38 808	21 003	23 249	12 692	11 487	26 170	18 606
	Non-hazardous:	3 386	3 306	7 442	4 653	3 927	5 465	13 007	5 583

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

Indicator	2008	2009	2010	2011	2012	2013	2014
Fatalities	1	4	3	3	0	1	0
Lost time injuries (LTI)	42	56	63	36	38	15	28
Exposure hours	63 210 984	73 093 285	70 971 882	76 971 672	19 241 699	23 530 093	61 993 158
Occupational illnesses	4	2	1	11	1	16	23
Total Recordable Rate (TRR) (fatalities, LTI and medical treatment cases per 200k hours worked).	**0.43**	**0.61**	**0.57**	**0.43**	**0.8**	**1.87**	**0.27**

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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
IeC	Integrated Energy Centre
IK	Illuminating kerosene
INDC	Intended nationally determined contribution
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
MPP	Multi-product pipeline
MTT	Ministerial task team
NEMA	National Environmental Management Act
NERSA	National Energy Regulator of South Africa
NPA	National Ports Authority
NPR	National Ports Regulator
NPEA	National Petroleum Employers Association
NSDS	National Skills Development Strategy
NSDS III	National Skills Development Strategy III
OPEC	Organisation of the Petroleum Exporting Countries
PPA	Petroleum Products Amendment Act
PPC	Parliamentary Portfolio Committee
RAF	Road Accident Fund
RAS	Regulatory accounting system
RON	Research octane number
SAMSA	South African Maritime Safety Authority
SAPIA	South African Petroleum Industry Association
SBM	Single buoy mooring
SETA	Sector Education and Training Authority
SSP	Sector Skills Plan
TFR	Transnet Freight Rail
TOR	Terms of reference
TPL	Transnet Pipeline
WACC	Weighted average cost of capital

Production

NOVA COMMUNICATIONS

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