



2011 Annual Report



Contents

Introduction	2
Foreword by the Minister of Energy	3
Report by SAPIA Chairperson	5
Introduction by SAPIA Executive Director	7
SAPIA overview	8
About SAPIA	9
Vision, mission and objectives	9
Strategic agenda	9
Communication activities	10
Membership	11
Organisation structure	11
SAPIA committees	13
Financial statement	13
2011: The year in review	14
The year in review	16
Economic regulation	17
Legislation	20
20-year liquid fuels roadmap	20
Fuel sales volume data reporting	20
New multi-product pipeline	21
Security of supply	21
Transformation review	22
Environmental review	26
Statistics	28
Aggregate financial results of SAPIA members	29
Value added statements	29
Petrol wholesale margin	30
Sources of crude oil for SAPIA members	30
Crude oil price movements	31
Brent crude prices	32
Consumption of petroleum products in South Africa	32
Petroleum products imports and exports	33
Demand/refining capacity balance	34
Capacity of South African refineries	34
Petrol/diesel consumption ratio	35
Prices in Gauteng	36
Petrol and diesel price breakdown	37
Maximum retail price of liquefied petroleum gas price breakdown	37
Fuels taxation history - South Africa	38
The total annual amounts of fuel taxes collected on petrol, diesel and paraffin	39
Workforce profile	40
Health, safety and environment performance indicators	41
Crude refineries' resource consumption and waste/emissions	41
Crude and coal/gas-to-liquid refineries' health and safety	41
Member contact information	42
Acronyms	43

Introduction

- Foreword by the Minister of Energy
- Report by SAPIA Chairperson
- Introduction by SAPIA Executive Director



Foreword by the Minister of Energy Dipuo Peters

I congratulate SAPIA on the publication of its 13th annual report which highlights the Association's mandate, achievements, challenges and strategic focus areas, as well as being a useful reference point for statistical information about the industry. This publication also shows the symbiotic and mutually beneficial relationship between government, SAPIA and its member companies as we work together to build a better South Africa for all our citizens.

Black Economic Empowerment is central to bringing about meaningful change in the structure of the local economy, thereby contributing to building a better country. Honourable President Zuma said in his budget vote speech in Parliament, 'We need Black Economic Empowerment to address the monopoly domination of our economy, which remains an obstacle to the goals of economic transformation, growth and development.' With this in mind, it is imperative that we continue our endeavours towards the attainment of fundamental transformation of the economic landscape of our country.

The Competition Commission granted SAPIA and its member companies a conditional exemption from some of the prohibitions outlined in the Competition Act (Act No. 98 of 1998), as amended, effective from 3 October 2011 until 31 December 2015. According to SAPIA, the exemption was necessary and required to ensure the continuity and stability of liquid fuel supply to various parts of the country.

One of the key conditions to the exemption is the recommendation by the Competition Commission that 'SAPIA must open up its membership to accommodate both existing and potential marketers in the petroleum and refinery market on a fair, reasonable and transparent ground'. It is now up to the industry to rise to the occasion, in accordance with the provisions of the exemption, and allow other industry players to benefit from such an association. The new entrants to the sector should benefit and leverage from the experience of the old players as a result. This development should assist the transformation agenda within the sector.

Security of supply

Efficient and reliable infrastructure is critical to unlocking economic growth. At the heart of our government's objective to better the lives of South Africans, is a massive investment in infrastructure to create jobs in the economy.



Our capability as a sector to have uninterrupted supply of liquid fuel products to the public of South Africa has once again come under heavy scrutiny, and this time around in a very big way. 2011 has been one of the most turbulent of the years as far as the stability of supply of liquid fuels is concerned. The increasing inefficiencies within the supply value chain are a clear indication that there have not been significant strides in the necessary infrastructure investments and the requisite skills within the sector. It is this state of affairs that has necessitated the inclusion of the refinery audit within the 20-year liquid fuel infrastructure roadmap currently underway by the Department. The project will among others, assess the ability of our refining sector to meet government strategic objectives.

The unreliability and inefficiencies of the refineries has had a huge impact on the supply of LPG and bitumen in particular.

While other liquid fuels products can be imported, lack of associated logistical infrastructure for LPG and bitumen renders the imports of these products difficult. Unfortunately shortages of LPG and bitumen result in the loss of production within the automobile and road construction industries respectively.

Equally important to ensure better lives for South Africans, is a concerted effort by all stakeholders to ensure that cost of liquid fuels products do not result in increased inflationary pressure. The cost of energy has been the main contributor to higher inflation over the past years threatening investment in the economy as well as purchasing power of individuals. The poor are the most vulnerable to higher inflation. The rising crude oil prices will further put a serious strain on the cost of liquid fuels in the country.

Report by SAPIA Chairperson Benny Mokaba

A tumultuous global economic situation, the European sovereign debt crisis, social and political protests in many countries, Japan's catastrophic earthquake, tensions in the Middle East and North Africa affecting the price of commodities in general and the oil price took place during 2011. To say it has been a challenging year would indeed be an understatement.

According to the *Quarterly Bulletin* of the South African Reserve Bank (December 2011), the global economic recovery continued in the third quarter of 2011, at an uneven pace as events in the advanced economies and especially in the euro area impacted adversely on overall growth and confidence.

Real economic growth in South Africa increased marginally further in the third quarter of 2011. Growth in real gross domestic product came closer to an annualised rate of 1.4 per cent in the third quarter, following growth of 4.6 per cent in the first quarter of 2011 and 1.3 per cent in the second quarter.

After reaching an almost three-year high in April 2011, Brent crude oil prices declined to around US\$112 per barrel during the third quarter of 2011. The average crude oil price remained above US\$110 per barrel in October 2011.

During the third quarter of 2011, global oil demand was 0.9 per cent higher than in the same quarter a year earlier. Set amidst concerns about the European sovereign debt crisis and a precarious outlook for economic activity, the International Energy Agency (IEA) has recently lowered its forecasts for global oil demand in 2011 and 2012 as the economic recovery loses momentum.

Competition Commission exemption

The Competition Commission granted the South African Petroleum Industry Association (SAPIA) and its members an exemption with conditions for certain conduct prohibited in the Competition Act. The exemption which commenced on 3 October 2011 will end on 31 December 2015. This follows SAPIA's exemption application on 19 April 2010 relating to a wide range of co-operation agreements and practices required to ensure the continuity and stability of liquid fuels supply to various sectors and geographic locations of the South African economy.

In granting the exemption the Competition Commission imposed certain conditions aimed at minimising anti-competitive outcomes and promoting greater participation in the sector.



Among these provisions, includes the condition that SAPIA must open up its membership to accommodate both existing and potential marketers in the petroleum and refinery industry on fair, reasonable and transparent grounds.

SAPIA accepts this condition and is already in the process of amending its Constitution to accommodate and accept new members during 2012. The opening up of SAPIA membership, which is currently restricted to refineries, will allow existing and potential marketers to be admitted as members.

Regulatory accounts

The Department of Energy undertook to deal with regulatory uncertainty in the liquid fuels sector by initiating a programme to develop regulatory accounts which will be used to reward investment in the value chain. The Department has completed the development of the methodology for the setting of margins for the different activities in the value chain. The purpose of this is to remove hidden costs and cross-subsidies between regulated and unregulated activities and between rural and urban retail sites. It will also prepare the sector for eventual deregulation.

The successful implementation of this project is crucial in order to provide a transparent, justifiable and predictable mechanism that will provide acceptable returns to current and future investors in petroleum marketing activities in South Africa. The Department implemented phase one of regulatory accounts in December 2011.

Clean Fuels 2

SAPIA is actively involved with government and various stakeholders in the journey towards cleaner fuels. In 2010, SAPIA presented Minister Peters with a proposed roadmap for the introduction of cleaner fuels into the South African market. The main objective of cleaner fuels is to improve urban air quality by reducing emissions of noxious gases and particles. After consideration of this proposal, the Department of Energy issued a discussion document on the review of fuel specifications and standards for South Africa for comment in March 2011. The discussion document contained the parameters that should change to be aligned with Euro V emission compliance, a target date for implementation, how to make the transition to cleaner fuels and confirmation of the role played by different fuel industry players.

Following the submission of comments from SAPIA and other stakeholders on the discussion document, the Department of Energy published draft amendment regulations regarding petroleum products specifications and standards in October 2011.

In order to assist in the process of introducing cleaner fuels into South Africa, SAPIA commissioned KPMG to undertake a modelling exercise on the 'potential macro-economic impact of the funding options of the refinery upgrades to Clean Fuels 2 (CF2) standards' which has been submitted to both the

Department of Energy and National Treasury to assist in the determination of a suitable cost-recovery mechanism.

It is hoped that this information will assist the Department of Energy in deciding upon the CF2 specifications and that the timing for the introduction of the cleaner fuels, which will require significant refinery process changes, will coincide with the timing of the regulatory requirements regarding the reduction of refinery emissions so that these major investments and refinery downtime can be co-ordinated.

Industry cost estimates to upgrade the country's refineries is R39.08bn. The investment in cleaner fuels is also linked to changes in vehicle technology which means the motor industry will need to introduce more fuel-efficient engines. Cost implications are not limited to the refineries and vehicle technology. There could be material logistical-related costs associated with the introduction of a new imported grade from 2013. For example, the new multi-product pipeline from Durban to Johannesburg will not be fully operational until the end of 2013, which means that new trucks and rail capacity may be needed temporarily to deal with the separate fuel grade.

Energy Minister Dipuo Peters has said that government is open to discussions on cost recovery which will be done once a thorough determination of the costs and benefits for each refinery has been done. SAPIA will continue to play an active role by working with government, member companies and other stakeholders to assist with the finalisation of the CF2 specifications.

As we approach 2012, SAPIA remains committed to playing a leading role in representing the liquid fuels industry in South Africa and finding solutions to the challenges we face. We will continue to work with government by contributing to debates and discussions around issues such as regulatory accounts, Clean Fuels 2, fuel efficiency and transformation, to name a few. We will ensure that our recommendations are substantiated with expert opinions and sound research.

Acknowledgements

On behalf of the Board of Governors, I thank Minister Dipuo Peters and the Department of Energy for their support and constructive dialogue. We look forward to continue working with government to promote social and economic growth for the broader good of all South Africans.

It gives me great pleasure to welcome my successor as Chairperson of SAPIA, Gerard Derbesy, CEO of BP Southern Africa. We also welcome Vincent Raseroka, Chairman of Chevron, to the Board of Governors.

We bid farewell to outgoing board members Siphon Maseko of BP Southern Africa and James Seutloadi of Chevron and thank them for their service to SAPIA.

Introduction by SAPIA Executive Director Avhaphani Tshifularo

Welcome to the 2011 edition of the SAPIA Annual Report.

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. During the year under review, we focused on improving communication; fuel specifications and standards; industry transformation; regulatory certainty; regulatory accounts; environmental management; the Competition Commission investigation and exemption; and security of supply. This annual report shows the progress on these fronts, explains how SAPIA has been executing its strategy and focuses on the major developments that took place during 2011. We also highlight the industry's achievements, challenges and strategic focus areas going forward.

In summary, this report:

- outlines the SAPIA vision, mission and strategy;
- identifies key changes in economic regulation and legislation;
- shows SAPIA's communication activities;
- provides an update on the 20-year liquid fuels roadmap, fuel sales volume data reporting, the new multi-product pipeline and security of supply issues;
- explains petroleum products pricing;
- provides feedback on the Competition Commission investigation and exemption;
- communicates industry's transformation, women empowerment and human resource development progress;
- highlights environmental developments relating to Clean Fuels 2 specifications and standards, biofuels, fuel efficiency and COP17; and
- provides a statistical review of the industry showing the evolution of demand and supply of petroleum products.

The year 2011 presented us with many challenges, many of which we were able to meet with determination and innovation. I would like to thank all who contributed to making this a highly effective year and despite the challenges, hope that we can all summon the strength to commit to a brighter future.

I express my gratitude to Director General Nelisiwe Magubane and the Department of Energy officials for their valued efforts at creating a positive working relationship. My appreciation also goes to the SAPIA Board of Governors for their commitment and sound governance of the Association. We would not be able to fulfil our role without the teamwork and dedication of the SAPIA staff members and the various SAPIA committees.

Let us use 2012 to build on our collective achievements and continue working together to strengthen our industry so that we can reap the benefits for all South Africans.



SAPIA overview

- About SAPIA
- Vision
- Mission
- Objectives
- Strategic agenda
- Communication activities
- Membership
- Organisation structure
- SAPIA committees
- Financial statement



About SAPIA

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

Vision

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

Mission

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

Objectives

SAPIA's objectives are to:

- understand the needs of its stakeholders;
- provide expert information and assistance to government, the petroleum industry and all South African citizens;
- contribute to policy formulation;

- promote transformation, environmental leadership and a fair regulatory framework for all;
- facilitate security of supply; and
- enhance the reputation of the industry by communicating its contribution to economic and social progress.

Strategic agenda

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

Planning for tomorrow

This means focusing on industry transformation, working towards a fair regulatory framework for all citizens, facilitating security of supply and promoting environmental leadership within the industry.

Building robust partnerships

This involves educating stakeholders about the industry's aims and activities, improving communication, ensuring there is transparency within the industry and that SAPIA is open and honest in all of its dealings.

Providing service excellence

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

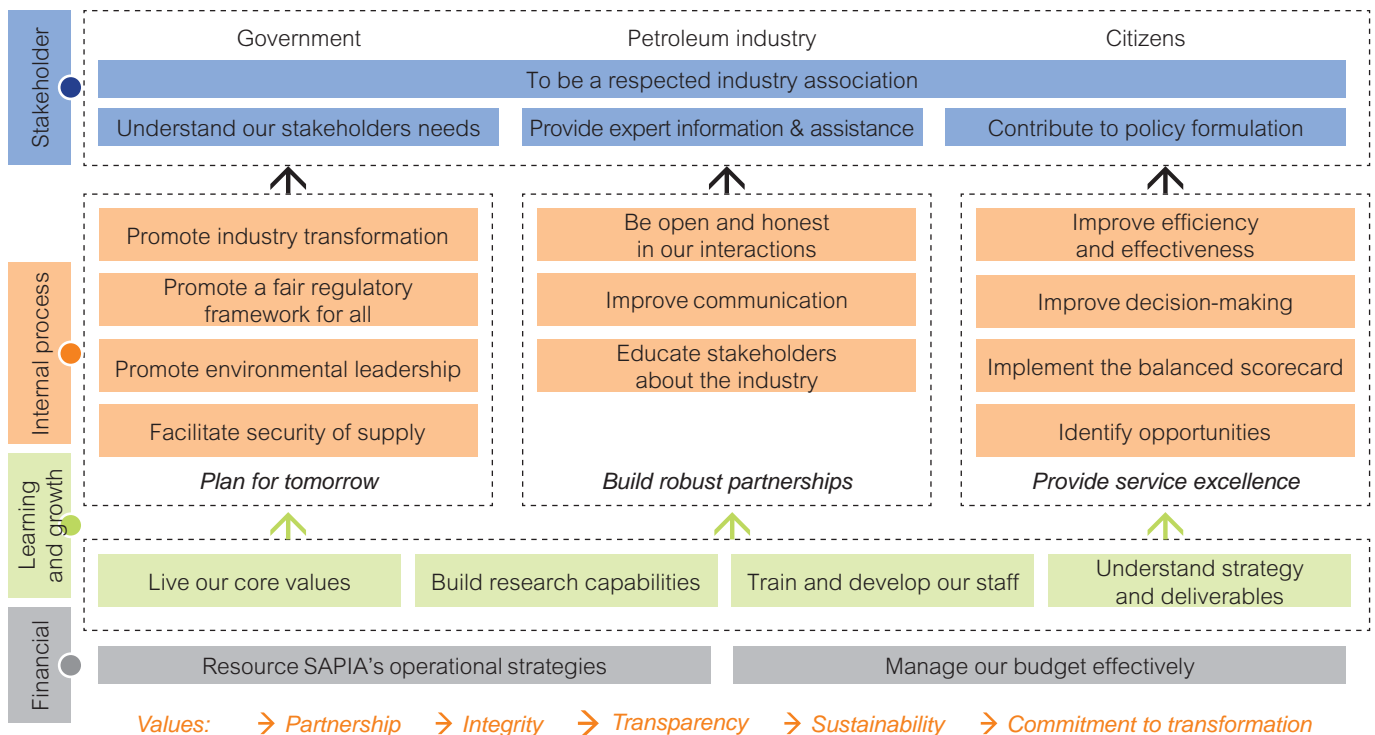


Figure 1 The SAPIA strategy



Figure 2 SAPIA's strategic focus areas

Communication activities

The graph below shows the number of communication activities and media coverage received in 2011 in comparison with the two previous years.

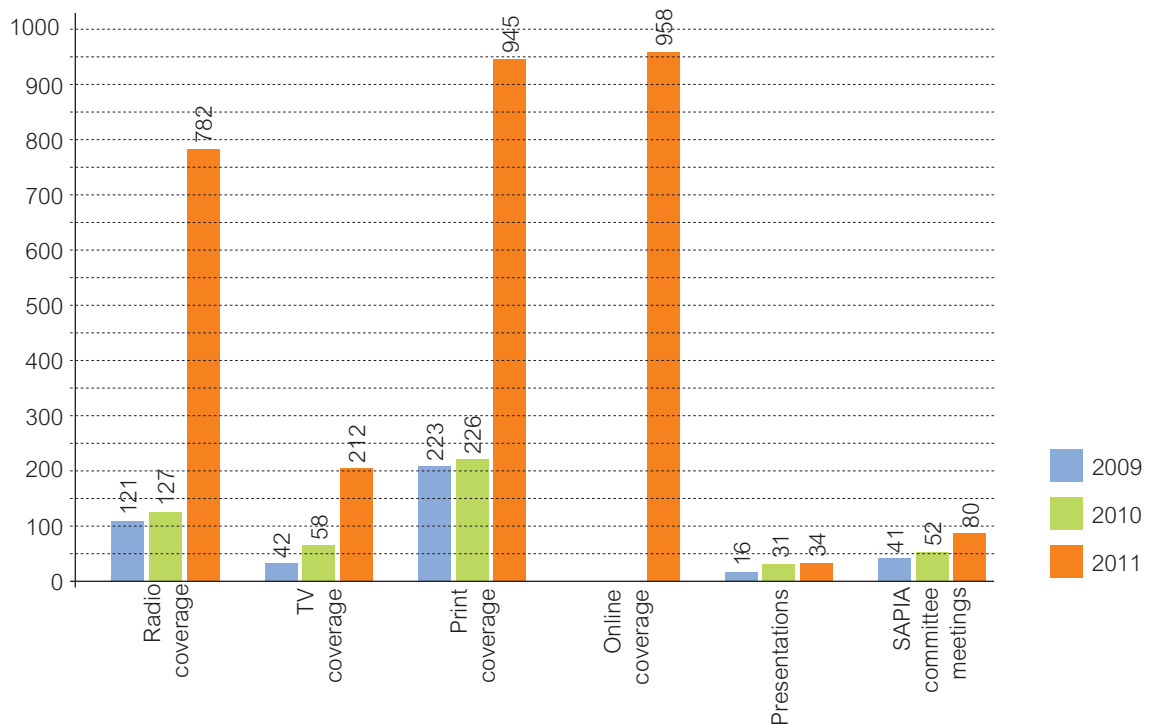


Figure 3 SAPIA's communication activities and media coverage from 2009 – 2011

The increased media coverage in 2011 is primarily a result of the three-week wage strike, as well as SAPIA's petroleum products pricing education campaign and increased interaction with government.

Membership

The current SAPIA members are:

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

Organisation structure

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

The 2011 Board of Governors:

Dr Benny Mokaba, Chairman of PetroSA, has been elected as the Chairperson of SAPIA for the year 2011. He is the 17th 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 2011 Board of Governors comprises of the following individuals:

Dr Benny Mokaba (SAPIA Chairperson), PetroSA
Gerard Derbesy (SAPIA Vice Chairperson), BP Southern Africa
James Seutloadi, Chevron South Africa
Nizam Salleh, Engen Petroleum
Maurice Radebe, Sasol Oil
Bonang Mohale, Shell South Africa
Jean-Denis Royère, Total South Africa



Dr Benny Mokaba
(SAPIA Chairperson)
PetroSA



Maurice Radebe
Sasol Oil



Gerard Derbesy
(SAPIA Vice Chairperson)
BP Southern Africa



Bonang Mohale
Shell South Africa



James Seutloadi
Chevron South Africa



Jean-Denis Royère
Total South Africa



Nizam Salleh
Engen Petroleum

Figure 4 SAPIA's Board of Governors



Figure 5 SAPIA organisational chart

SAPIA committees

There are nine 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	Dr Benny Mokaba	PetroSA
Strategic Oversight Committee	Avhapfani Tshifularo	SAPIA
Legal Committee	Bart Nieuwoudt	Sasol Oil
Communications Committee	Nothemba Noruwana	Sasol Oil
Transformation Committee	Lucky Madlingozi	PetroSA
Petroleum Industry Engineering and Environment Committee	Fatima Shaik	Shell South Africa
Refinery Managers' Environmental Forum	Louis Fourie	NATREF
Technical Committee	Pierre Malherbe	Engen Petroleum
Security Committee	Mziwoxolo Bovana	PetroSA

Table 1 SAPIA committees

Financial statement

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

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

Table 2 2011 financial statement

2011: The year in review

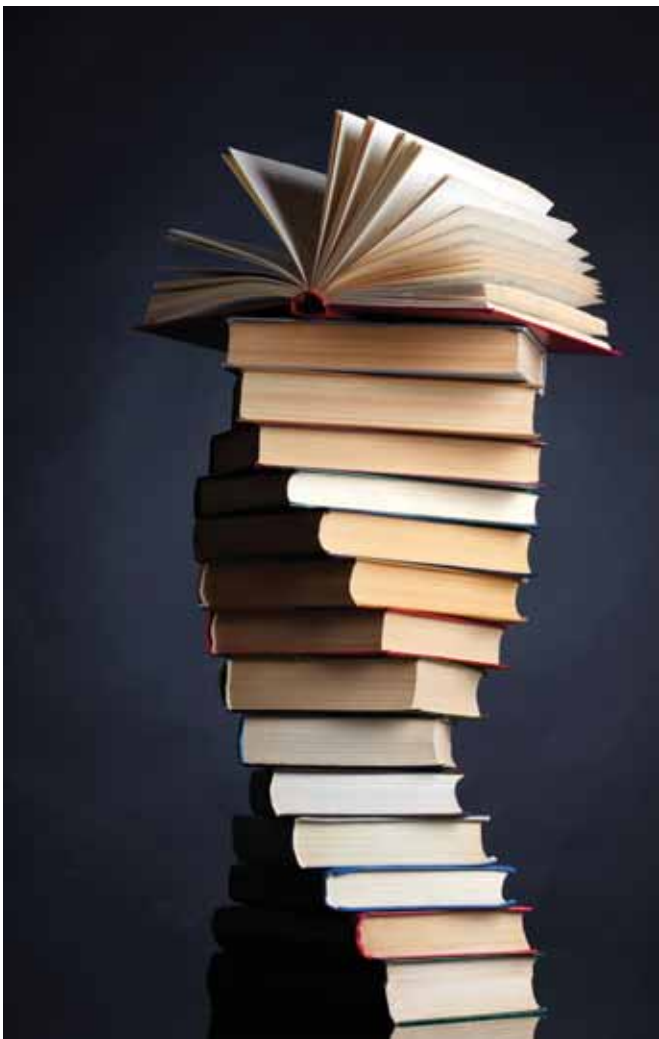


Department of Energy

published draft amendment regulations on petroleum products specifications and standards.

The Department of Energy's Liquid Fuels Charter compliance audit was finalised in April 2011 and draft individual company audit reports were shared with companies individually.

Department of Energy published draft regulations regarding the mandatory blending of biofuels with petrol and diesel.



SAPIA member companies spent more than **R340-million** on corporate social investment projects focusing on health, education, environmental sustainability, community and economic development, and heritage.

Industry started **phase one** implementation of regulatory accounts.

Minister of Energy announced refinery **performance audit**.

Petroleum industry experienced a three-week wage strike.

Petroleum industry generated **R43-billion** in annual excise/sales taxes and R1.1-billion in income tax in 2010.



Competition Commission granted an exemption from certain provisions of the Competition Act to allow for joint planning by member companies relating to the supply of petroleum products.



Petrol price hit all-time high in November 2011 which saw the price for 95 octane reach R10.77 per litre in Gauteng and R10.47 per litre at the coast.



Price of crude oil

passed the \$120 per barrel mark in April 2011 and was poised to close the year averaging around \$111 a barrel.

SAPIA members signed an Energy Efficiency Leadership Network Pledge at **COP17**.



SAPIA sponsored development of training package to train **commercial drivers** to drive in a more fuel efficient manner.

The Leadership in Oil and Energy Certificate Programme had a **93.3%** pass rate from 2006 – 2011 and **75** employees graduated from the 2011 programme.

The year in **review**

- Economic regulation
- Legislation
- 20-year liquid fuels roadmap
- Fuel sales volume data reporting
- New multi-product pipeline
- Security of supply
- Transformation review
- Environmental review



Economic regulation

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

Petroleum products price developments

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

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

The following section will provide more detail on the elements of petroleum prices in which adjustments have been made during 2011.

Increase in wholesale margin and service differential

The wholesale margin on petrol, diesel and illuminating paraffin was adjusted to 52.5 c/l with effect from 7 December 2011. This adjustment resulted in a decrease of 1.601 c/l on 95 octane petrol, a decrease of 1.369 c/l on 93 octane petrol and diesel, and a 1.585 c/l decrease on illuminating paraffin.

The service differential increased by 9.6 c/l to 21.0 c/l on petrol, diesel and IP with effect from 7 December 2011.

Increase in retail margin on petrol

The Minister of Energy approved an increase of 4 c/l to 85.2 c/l in the retail margin on all grades of petrol with effect from 5 October 2011. The press release at the time indicated that the increase was necessary to accommodate wage increases of 9% in 2011 in terms of the three-year wage settlement agreement between the Petroleum Retailers Alignment Forum (PRAF) and unions representing service station industry staff that was signed in September 2010.

A further increase of 6.6 c/l to 91.8 c/l in the retail margin was granted on all grades of petrol with effect from 7 December 2011.

Increase in fuel levy on petrol and diesel

The Minister of Finance, in his budget speech on 23 February 2011, announced that the fuel levy on petrol and diesel will increase by 10 c/l to 177.5 c/l in the case of petrol and 162.5 c/l in the case of diesel with effect from 1 April 2011.

Increase in the Road Accident Fund levy on petrol and diesel

The Minister of Finance announced in his budget speech on 23 February 2011 that the Road Accident Fund levy on petrol and diesel will increase by 8.0 c/l to 80 c/l with effect from 1 April 2011.

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 6 April 2011.

Nersa announced an average increase of 59.99% in allowable revenues with effect from 1 April 2011 in the transport cost of petroleum transported by pipeline from Durban to the inland C-zones.

SAPIA commented on the Department of Energy's (DOE) scope of work envisaged for a review of the MDZ system.

Maximum retail price for Liquefied Petroleum Gas

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

The maximum retail price consists of the following components:

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

Tariff setting and margin determination

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 final outcome of the regulatory accounts system will be:

- An appropriate margin for each of the ring-fenced activities, namely: coastal storage/handling, wholesaling, secondary storage/handling and secondary distribution activities of the

oil industry and the benchmark service station.

- An appropriate rate of return for assets associated with coastal storage/handling, wholesaling, secondary storage/handling and secondary distribution activities of the oil industry and the benchmark service station.
- Rules to determine margins for each of the activities.
- Computer-based programs/models which will be utilised by the DOE to determine the margins and tariffs to be included in fuel price structures.

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

Nersa regulation of petroleum pipelines industry

The following matters took place during the year under review:

- Introductory meetings were held with licensees on the implementation of phase two of the regulatory reporting manual process. The Regulatory Reporting Manuals provide guidelines to regulated entities in the petroleum pipeline industry on the submission of required information to Nersa.
- The fifth edition of the tariff methodology for the setting of tariffs in the petroleum pipelines industry was approved by Nersa on 31 March 2011. This methodology is used to set tariffs for petroleum pipelines. Nersa has also published the reasons for the decision pertaining to the fifth edition.
- The second amendment of the tariff methodology for the approval of tariffs for petroleum loading facilities and petroleum storage facilities was approved by Nersa on 31 March 2011. This methodology is used by Nersa to evaluate tariff applications for loading and storage facilities. Nersa has also published the reasons for the decision pertaining to the second amendment.
- Guidelines for annual assessment of storage and loading facilities tariff applications were approved on 31 March 2011. The main purpose of these guidelines is to make it easier for applicants to prepare tariff applications and for the processing thereof by Nersa.
- Nersa made its decision and published its reasons on Transnet's pipeline tariff application on 31 March 2011. These maximum tariffs were effective from 1 April 2011 and enabled Transnet to realise an increase of 59.99% in its allowable revenue compared to the 2010/11 period.
- Nersa published Transnet Pipeline's tariff application in October 2011. SAPIA members have commented on the tariff application. Transnet applied for an 83% increase in revenue from the 2011/12 allowable revenue that was set by Nersa. The main reason given for this high increase is

attributed in the application to the inclusion of the 24-inch trunkline (NMPP) for 12 months as well as the Jameson Park accumulator facility into the Regulatory Asset Base (RAB) for three months of the financial year and the F-factor (revenue addition to meet debt obligations).

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.

National Ports Authority tariffs

The National Ports Authority (NPA) applied for an average tariff increase of 18.06% to the National Ports Regulator in August 2011. SAPIA has commented on the tariff application. The National Ports Regulator also held public hearings to obtain views from affected parties on the application. The complaint that was lodged to the National Ports Regulator pertaining to the NPA tariffs effective from 1 April 2010 was settled in July 2011.

Review of the Basic Fuel Price

The Basic Fuel Price (BFP) system was established in 2003, at a time when South Africa was a net exporter in comparison with the current situation where South Africa is a net importer of petroleum products. The evolution of the global freight industry, in conjunction with the supply and demand dynamics, has necessitated a review of the whole system or at least specific elements such as the freight premium within the BFP calculation. SAPIA has approached the DOE and requested such a review.

Review of the Magisterial District Zone differential

It is critical that a review of the Magisterial District Zone differential (MDZ) be concluded so that a clear framework is established that will provide some certainty in terms of the regulatory mechanism and process to be followed. This is especially important in light of the NMPP coming into operation. The process started in 2010 and SAPIA approached the DOE again in 2011 to prioritise the review.

Q&A with Avhaphani Tshifularo, Executive Director of SAPIA

Q. *The petrol price reached an all-time high in November 2011 which saw the price for 95 octane reach R10.77 per litre in Gauteng and R10.47 per litre at the coast. Why is the price of petrol increasing?*

A. The price of crude oil has the largest impact on the cost of petrol at the pumps. The price moved beyond the \$100 per barrel mark in 2011, largely as a result of market reaction and political unrest in Libya and the Middle East which are major oil producing regions. The petrol price was also affected by an increase in the fuel levy and the Road Accident Fund Levy and revised pipeline tariffs which are all set by government.

Q. *How is the petrol price calculated?*

A. The petrol retail price is regulated by government, and changed every month on the first Wednesday of the month. The calculation of the new price is done by the Department of Energy.

The petrol pump price is composed of a number of price elements and these can be divided into international and domestic elements. The international element, or Basic Fuel Price (BFP), is an import parity pricing formula and it is intended to establish a realistic estimate of what it would cost to import substantial volumes of refined fuel. The BFP is based on the spot prices quoted daily in international markets and the BFP of petrol is based on 50% of the price quoted in the Mediterranean area and 50% of the price in Singapore.

The domestic price elements include certain domestic transport costs, government imposts, taxes, levies and retail/wholesale margins which need to be added to the international price.

Q. *Are petroleum companies making huge profits on these high product prices?*

A. No. Petroleum companies profit (wholesale) margins are set and fixed for a period by the government. The wholesale margin will remain at 52.5 cents per litre, irrespective of price fluctuations, until the government makes an adjustment.



Q. *Why are petroleum products more expensive in Gauteng?*

A. Products are transported by petroleum pipelines, rail and road from the coast to the inland market, hence products cost Gauteng motorists between 2% to 3% more.

Q. *There are concerns about the ever-widening gap between the price of diesel and petrol. What are the reasons for this?*

A. Petrol and diesel have different uses and different demand patterns resulting in different prices. In economics, price is set at the point where demand and supply meet and therefore the higher demand for diesel has pushed up its prices worldwide.

Diesel demand and prices are rising for a number of reasons, including high worldwide demand for the product. In addition, refineries are manufacturing less polluting, lower sulphur diesel fuel which puts pressure on diesel prices.

The higher diesel price will eventually cause demand for diesel to decrease and the substitution of petrol by diesel to cease. When this happens, the price difference between petrol and diesel can be expected to stabilise.

Legislation

Levy on petroleum pipelines industry for 2011/2012

In terms of Government Notice 34361 the Minister of Energy in concurrence with the Minister of Finance has approved a levy proposed by Nersa of 0.1905 c/l, applicable from 1 April 2011 to 31 March 2012. 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.'

Biofuels

Draft regulations regarding the mandatory blending of biofuels with petrol and diesel have been published in the Government Gazette No. 34610 on 16 September 2011 by the Department of Energy. SAPIA has commented extensively on these draft regulations.

It is expected that a draft regulation or discussion document will still be published by the Department of Energy pertaining to the determination of an appropriate financial mechanism that will enable this strategy.

Data provision

In terms of the National Energy Act, 2008 (Act No. 34 of 2008) the Minister of Energy published draft Provision of Energy Data Regulations in Government Gazette No. 33136 of 23 April 2010. The main objectives of the draft regulations are to enable the DOE to collect data and to specify the type and form of the data. The DOE is in the process of gazetting the final regulations and will then develop questionnaires for the collection of data. SAPIA has commented extensively on these regulations.

Export permits for bunkers

The South African Revenue Service, the Department of Energy and the International Trade Commission of South Africa (ITAC) met on 24 March 2011 to discuss SAPIA's appeal in respect of its application for an exemption from export permit requirements that was previously denied. It was agreed that there is no need for export and import permits for fuel dispensed into vehicles, aircrafts and ships for their propulsion.

Competition Commission request for data

SAPIA received a request from the Competition Commission on 17 November 2011 to supply them with all documentation, data and meeting notes in relation to diesel. The Competition Commission indicated that it is 'investigating certain conduct of companies which are active in the production of petroleum products in South Africa. As part of this investigation, the Commission is looking into information exchange by these companies through the South African Petroleum Industry

Association ("SAPIA") in possible contravention of section 4(1) (a) and/or 4(1)(b) of the Competition Act, No. 89 of 1998.' The Competition Commission indicated that their current focus is in the commercial diesel market.

Competition Law compliance training

SAPIA arranged two training sessions during October 2011 for its members and other stakeholders on compliance with competition legislation.

Carbon Tax policy review

National Treasury requested SAPIA to comment on the carbon tax discussion paper on 5 August 2011. SAPIA commented extensively as well as the member companies on an individual basis. SAPIA does understand the need to have incentives to encourage companies to decrease emissions, but the mechanism should be considered carefully as there can be unintended consequences.

Competition Commission exemption

SAPIA filed an application with the Competition Commission of South Africa for an exemption from the provisions of the Competition Act, 1998 (Act No. 89 of 1998) on 19 April 2010 following the short-term exemption that was granted by the Competition Commission solely for the purposes of the 2010 FIFA World Cup to allow for joint planning by players for the supply of petroleum products. The exemption application was for the period 31 August 2010 to 31 December 2015.

The Competition Commission granted SAPIA an exemption, subject to a number of conditions, commencing on 3 October 2011 and ending on 31 December 2015. This exemption covers a wide range of agreements and/or practices necessary to ensure continuity and stability of liquid fuels supply to various sectors and geographic locations of the South African economy. Details regarding the exemption and conditions can be found in Government Gazette Notice 710 of 2011 published on 7 October 2011. It should be noted that one of the parties which made representations during the assessment of the application has appealed the Commission's decision to grant SAPIA an exemption.

Review of the LPG maximum refinery gate price

SAPIA has in various interactions with the DOE expressed its concern about the availability of LPG in the market. The current methodology for determining the maximum refinery gate price (MRGP) does not reflect the true value of the LPG stream and therefore does not encourage the manufacturing and importation of the product. The DOE is in the process of conducting a review on the MRGP and a workshop was held on 10 November 2011 by the DOE with LPG stakeholders to discuss the way forward. The intention is for a revised MRGP to be concluded before the end of April 2012.

20-year liquid fuels roadmap

The DOE appointed consultants to develop a 20-year liquid fuels road map. An introductory meeting to discuss extensive data requirements from SAPIA members was held on 25 October 2011. The intention of the roadmap is to provide a framework to ensure security of supply in the short, medium and long term in a cost effective manner and to support South Africa's growth and development goals. It is expected that SAPIA members will play a large role in the development of this roadmap.

Fuel sales volume data reporting

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

New multi-product pipeline

The new multi-product pipeline (NMPP) that was constructed by Transnet Pipelines is planned to become operational in January 2012. The NMPP was filled from October 2011 with diesel procured by the government. It is anticipated that once the project is complete, the pipeline will carry petrol, diesel and jet fuel.

Security of supply

Security of supply refers to the development of supply chain solutions to South Africa's liquid fuels supply challenges, management of liquid fuels demand and emergency response

as identified in government's 2007 Energy Security Master Plan.

The Competition Commission's decision to grant SAPIA and its members an exemption from some of the prohibitions outlined in the Competition Act will help improve security of liquid fuels supply, reduce the threat of supply disruptions, and will facilitate multilateral logistics deliberations. Interaction between relevant stakeholders is required to minimise the risk of supply disruptions. The level of interaction is not unusual in the petroleum industry sector in other countries and does not harm competition or the consumers of liquid fuels.

As stated in the previous section, the exemption commenced on 3 October 2011 and would last until 31 December 2015. The exemption allows SAPIA members and other industry participants to participate in joint arrangements and share information 'to the extent necessary to co-ordinate their logistics and supply requirements.'

However, the Commission also imposed certain conditions aimed at minimising anti-competitive outcomes. For example, SAPIA and its members were disallowed from sharing competitively sensitive information, or information relating to setting margins, the imposition of levies and/or the approval of tariffs, unless required to do so by the Department of Energy or the National Energy Regulator of South Africa. SAPIA would also need to open its membership to accommodate both existing and potential marketers in the petroleum and refinery industry.

Since granting of the exemption, certain committees that were established over the years to facilitate the co-ordination of the various parties in relation to the supply chain infrastructure have started meeting. The parties are able to exchange necessary information to reduce the risk of supply disruptions due to poor communication and planning.

In order to secure future security of supply, it is also necessary for the relevant parties to plan together and jointly implement infrastructural improvements such as reconfiguration of refining facilities to enable the production of Clean Fuels 2 to meet emissions standards and improve South Africa's global competitiveness.

Transformation review

Transformation is one of the petroleum industry's top priorities and there is legislation, a charter and codes of good practice in place to ensure that it occurs. The Liquid Fuels Charter was created in order to transform the petroleum and liquid fuels industry to achieve the policy objectives of the 1998 Energy White Paper. The White Paper was unequivocal about the need to 'achieve sustainable presence,

ownership and control by Historically Disadvantaged South Africans of a quarter of all facets across the value chain.' The industry's transformation roadmap was defined through the 1998 Energy White Paper, Liquid Fuels Charter, Codes of Good Practice for BEE and the BBBEE Act of 2003. This section of the report provides a general overview of major industry developments relating to certain aspects of this journey for the period under review.

2011 performance highlights	Ongoing challenges
Liquid Fuels Charter <ul style="list-style-type: none"> Individual member companies received feedback on their company compliance with regard to the LFC audit reviews and have responded accordingly. 	<ul style="list-style-type: none"> Integrated transformation framework that intersects the Liquid Fuels Charter and Broad-Based Black Economic Empowerment Codes of Good Practice.
Leadership in Oil and Energy Certificate Programme <ul style="list-style-type: none"> Successfully implemented the sixth Leadership in Oil and Energy (LOE) Certificate Programme. 75 employees graduated from the 2011 programme. Received a R3-million grant from Chieta for the 2011 programme. Conducted the 2006-2010 LOE programme impact assessment. 	<ul style="list-style-type: none"> Arising from the impact assessment, the need for an industry programme with a greater focus on oil and gas content was agreed by the industry.
Women/ gender transformation <ul style="list-style-type: none"> Facilitated a women transformation workshop on 5 April 2011. Made an industry decision on a threefold approach to women's inclusion as a result of the workshop, as follows: <ul style="list-style-type: none"> Establishment of a Gender Forum as a sub-committee of the SAPIA Transformation Committee. Implement a rotational mentorship programme whereby selected women leaders are given access to participate in the SAPIA Board of Governors. Design and implement a specialised women's leadership programme targeting relevant women in the industry. 	<ul style="list-style-type: none"> Gender equity, particularly the inclusion of women within the industry as a whole.

Table 3 Performance highlights and ongoing challenges

Liquid Fuels Charter

Progress in 2011

The Department of Energy (DOE) completed an industry transformation evaluation which started in November 2010. DOE appointed Moloto Consulting to conduct the evaluation using an integrated Liquid Fuels Charter (LFC) and BBBEE approach. In 2011, individual member companies received feedback on their company reviews and have responded accordingly.

The way forward

DOE informed industry that the report on the compliance with the Liquid Fuels Charter will be submitted to Cabinet after which it will then be released to the public. SAPIA awaits the next steps which will be directed by Minister Dipuo Peters.

Human resource development

Progress in 2011

The Leadership in Oil & Energy Certificate Programme

The LOE programme has been successfully implemented over the

past six years. Since the inception of the programme in 2006, a total of 348 industry employees graduated from the programme. This represents a 93.3% successful pass rate. Most of the graduates are black people and women.

Year	New enrolments	Roll-overs* from previous year	Graduates
2006	51	-	41
2007	58	4	48
2008	60	10	57
2009	54	11	55
2010	79	4	72
2011	71	9	75

* Roll-overs are learners who did not pass in the year they registered and repeated one or more modules in the following year, in order to graduate.

Table 4 Annual learner enrolment and graduates

LOE impact assessment

In early 2011, SAPIA launched the LOE impact assessment study to conduct a comprehensive review of the first five years of the LOE Certificate Programme. The study primarily had a twofold purpose to establish a:

- readily accessible and reliable LOE statistics database in an agreed format; and
- a sound basis of information that would enable the SAPIA Board of Governors, Chieta and other key stakeholders to:
 - assess the impact of the LOE Certificate Programme on leadership development in the petroleum industry;
 - qualitatively analyse issues to be addressed by the petroleum industry;

- define options for further development of scarce and critical skills pertaining to the LOE target audience; and
- refine and improve the LOE Certificate Programme for future implementation.

The impact assessment study was conducted during the period May to July 2011 and the final outcome and recommendations were presented to the SAPIA Board of Governors in August 2011.

The key finding of the impact assessment concluded that the LOE Certificate Programme would be revised with greater emphasis on an oil and gas curriculum.

The core enhancement to the new programme will include:

Existing programme (2006 – 2011)	Revised programme (2013 – 2017)
<ul style="list-style-type: none"> • Programme is named the Leadership in Oil and Energy Certificate Programme (NQF Level 8). 	<ul style="list-style-type: none"> • Programme name changes to the Advanced Certificate for Management in Oil and Gas (NQF Level 8).
<ul style="list-style-type: none"> • Leadership Development Programme, with the objective to ensure a representative talent pipeline into senior management positions. 	<ul style="list-style-type: none"> • Advanced Management Programme, with the objective to develop a talent pipeline to support transformation.
<ul style="list-style-type: none"> • Annual targets: 85% black, 65% female. • Incremental target for disabled: 1% to 4% per year. 	<ul style="list-style-type: none"> • Annual targets: 85% black, 65% female (no change). • 2% disabled target over five years.
<ul style="list-style-type: none"> • Programme comprises 9 modules with 29 contact days and a refinery excursion. 	<ul style="list-style-type: none"> • Programme comprises 9 – 10 modules with 29 – 32 contact days and a refinery excursion.
<ul style="list-style-type: none"> • Very limited and no industry case studies. • Mix of professional lecturers and industry experts. • Industry guest lecturers conduct a one and a half hour lecture in each module. 	<ul style="list-style-type: none"> • Industry case studies in each module. • Practical application to industry (simulation, practical course work, refinery excursion). • Professional lecturers for all modules, industry experts will be supported in their capacity to deliver lectures professionally. • Industry guest lecturers conduct a one and a half hour lecture in each module.
<ul style="list-style-type: none"> • Petroleum module delivered by third party (MEETI). 	<ul style="list-style-type: none"> • New petroleum module developed and delivered by the learning provider.
<ul style="list-style-type: none"> • One petroleum industry module consisting of a series of presentations from industry experts covering the overall petroleum value chain. 	<ul style="list-style-type: none"> Two oil and gas compulsory modules: <ul style="list-style-type: none"> - Management and governance of the SA oil and gas industry. - The low carbon economy: impacts for the oil and gas sector.
<ul style="list-style-type: none"> • Programme based on Wits Business School's Management Advancement Programme modules. • An additional leadership module with focus on women in leadership and a refinery excursion. 	<ul style="list-style-type: none"> • Two compulsory transformation management modules to replace the current leadership module: <ul style="list-style-type: none"> - Gender issues in leadership. - Sustainable transformation. • Programme will include a refinery excursion. • Remaining management modules to be confirmed.
<ul style="list-style-type: none"> • Programme delivered in Johannesburg and Cape Town. 	<ul style="list-style-type: none"> • Johannesburg and Cape Town programmes will continue. • Durban will be added as delivery location, pending class size.
<ul style="list-style-type: none"> • Participants include SAPIA members. 	<ul style="list-style-type: none"> • Participants include SAPIA members and all petroleum companies who pay levies to Chieta.

Table 5 Core enhancements to the Leadership in Oil and Energy Programme

Women transformation workshop

SAPIA facilitated a workshop, sponsored by PetroSA titled: 'What do women want from the next transformation dispensation?' The workshop, which took place on 5 April 2011, presented a special opportunity for women decision-makers and influencers in the petroleum industry to discuss the following:

- Review progress with regard to women and transformation.
- Discuss future perspectives for change required in the new transformation dispensation.
- Determine workable solutions and interventions required in future for the retention of women and eliminating barriers to women's empowerment in the industry. These interventions may be undertaken by each member company independently or collectively at industry level.
- Formulate recommendations on women and transformation to SAPIA's Board of Governors.

As a result of the workshop, SAPIA's Board of Governors approved the following focus areas on women transformation/ gender equity going forward:

- Establish a SAPIA Gender Forum.
- Establish and implement a rotational women's mentorship programme spanning three of SAPIA's committees.

- Inclusion of women/gender representation across all SAPIA committees to achieve a 30% female representation target over the next three years.
- Design and implement a Women in Leadership Programme (NQF Level 6-8) from 2012 to 2017.
- Establish gender trends analysis.



SAPIA women transformation workshop participants



The 2011 LOE programme Cape Town graduates



The 2011 LOE programme Johannesburg graduates

Women in Leadership Programme: fuelling women in oil

The need for a specialised industry women's leadership programme has been identified, arising from the LOE impact assessment and women transformation workshop.

The objectives of the programme are as follows:

- Provide a professional leadership development education programme for women across different generations, that supports industry gender transformation and skills development for female leaders working in the South African petroleum industry.
- Examine and learn from intrapersonal, interpersonal and systemic issues impacting and facilitating on women's leadership development.
- Provide a space to reflect on participants own leadership practice while offering an integrated learning experience with application to the workplace.
- Support and increase knowledge and awareness of gender transformation in the South African petroleum industry and in South Africa as a whole.
- Equip women with the practice, skills and knowledge to actively make a difference in their leadership within the petroleum and gas industry.

The target audience will be petroleum industry women who serve in management positions and manage others; and who are required to interface with middle and senior management in organisations.

All levy-paying petroleum industry companies to Chieta are eligible for participation in this programme. SAPIA may at its discretion award bursaries where funds are available, to women who wish to participate in the programme and are employed in other companies that provide a service to the SA petroleum industry.

The way forward

Future focus areas will include the following:

- Develop a new memorandum of understanding with Chieta, SAPIA and the National Petroleum Employers Association (NPEA) which undergirds the National Skills Development Strategy III in the petroleum sector.
- Continue to explore the establishment of a petroleum institute that will offer a petroleum curriculum in South Africa.
- Design two new industry programmes, namely:
 - Advanced Certificate Programme in Management for Oil and Gas (NQF Level 8); and
 - Women in Leadership Programme (NQF Level 6-8).

2012 strategic focus areas	Procedures for achieving goals
Liquid Fuels Charter	<ul style="list-style-type: none"> • Await communication from the Minister on the way forward for the new transformation dispensation. • Industry will continue with parallel BBBEE compliance, until new information emerges.
SAPIA partnership with Chieta and NPEA on strategic industry HRD issues	<ul style="list-style-type: none"> • Establish a joint MoU on industry HRD issues with Chieta and NPEA that support NSDS III delivery and HRD transformation between 2012-2016/2017. • Continue representation in relevant Chieta structures. • Maintain communication between the industry and Chieta.
Advanced Certificate Programme in Management for Oil and Gas (NQF Level 8)	<ul style="list-style-type: none"> • Source provider and commence programme design.
Women Transformation/ Gender Equity	<ul style="list-style-type: none"> • Establishment of a SAPIA Gender Forum. • Rotational women's mentorship programme spanning three SAPIA committees. • Inclusion of women/gender representation across all SAPIA committees. Target is 30% female representation in the next three years. • Commence programme design of the Women in Leadership Programme (NQF Level 6-8) 2013-2017. Implementation of 100% women enrolment target. • Establishing gender trends analysis.
Learning institute for petroleum education	<ul style="list-style-type: none"> • Continue research in this area.

Table 6 Strategic focus areas and procedures for achieving goals



The LOE programme impact assessment workshop team

Environmental review

Due to the nature of the petroleum business, the industry faces a number of significant challenges relating to its environmental impact. In response to these challenges, the industry is continuously embarking on initiatives aimed at reducing its environmental footprint. This section of the report provides a summary of SAPIA's environmental activities during 2011, performance highlights, challenges and strategic focus areas.

2011 performance highlights	Ongoing challenges
<ul style="list-style-type: none"> • Submission of SAPIA comments and input into new environmental regulatory instruments, including: <ul style="list-style-type: none"> - Discussion Document on the Review of Fuel Specifications and Standards for South Africa. - Draft Amendment Regulations Regarding Petroleum Products Specifications and Standards. - Draft Regulations Regarding the Mandatory Blending of Biofuels with Petrol and Diesel. - Carbon Tax Discussion Document. - National Climate Change Response White Paper. - Listed Activities and Associated Minimum Emission Standards identified in terms of Section 21 of National Environmental Management: Air Quality Act, 2004. - National Ambient Air Quality Standard for Particulate Matter (PM2.5). - National standards for service station and bulk storage tank construction. - National Energy Efficiency Strategy. - Development of regulations for vehicle emission testing. - Merchant Shipping (International Oil Pollution Compensation Fund Contributions) Bill. - Merchant Shipping (Civil Liability Convention) Bill. - Environmental Impact Assessment Regulations. - Major Hazardous Installation Regulations. 	<ul style="list-style-type: none"> • Co-ordination of requirements of different regulatory instruments so that investment strategies can be optimised and supply disruptions avoided. • Need for optimised process for finalising new regulatory instruments.
<ul style="list-style-type: none"> • Provided Department of Environmental Affairs with a revised version of the National Oil Spill Contingency Plan. • Contribute to revision of four local coastal oil spill contingency plans. 	<ul style="list-style-type: none"> • Reducing the time for finalisation of oil spill contingency plans.
<ul style="list-style-type: none"> • Introduction of a Safety Passport for service station contractors so that they may all be trained to the same standard in safety procedures. • Successfully guiding remediation strategies at contaminated sites and bulk storage sites facing closure so as to minimise impact on the environment. 	<ul style="list-style-type: none"> • Obtaining SETA accreditation for training material. • Dealing with long regulatory approval processes which ultimately result in greater harm to the environment.
<ul style="list-style-type: none"> • Completed a pilot study on benzene exposure among retail service station attendants which showed that exposure levels are well within local and international standards. 	

Table 7 Performance highlights and ongoing challenges



Progress in 2011

Clean Fuels 2 specifications and standards

SAPIA presented Minister Peters with a proposed roadmap for the introduction of cleaner fuels into the South African market in January 2010. The main objective of this proposal was to minimise the level of harmful emissions from motor vehicles which would lead to an improvement in urban air quality and thus reduce the risk of negative human health impacts. After consideration of this document, the DOE issued a Discussion Document on the Review of Fuel Specifications and Standards for South Africa for comment in March 2011. Following the submission of comments on this document, the DOE published Draft Amendment Regulations Regarding Petroleum Products Specifications and Standards in October 2011. SAPIA submitted comments on this draft by the due date of 15 December 2011.

In order to assist with the process of introducing cleaner fuels into South Africa, SAPIA commissioned KPMG to undertake a modeling exercise on the 'Potential macro-economic impact of the funding options of the refinery upgrades to Clean Fuels 2 (CF2) standards.' The findings have been submitted to both the DOE and National Treasury to assist in the determination of a suitable cost recovery mechanism.

It is hoped that the provision of this information will assist the DOE in arriving at a set of fuel specifications that will best serve the interests of cleaner air in South African cities. It is also hoped that the timing for the introduction of cleaner fuels, which will require significant refinery process changes, will coincide with the timing of the regulatory requirements regarding the reduction of refinery emissions so that these big investments and refinery downtime can be co-ordinated.

Biofuels

After much discussion surrounding the introduction of biofuel blends into the South African market, the DOE published Draft Regulations Regarding the Mandatory Blending of Biofuels with Petrol and Diesel for public comment by 18 November 2011. The draft regulations require a minimum blend of 2% bioethanol in petrol and 5% biodiesel in diesel if the biofuel is available. SAPIA commented on the draft regulations and suggested that a working group be established by the DOE to address the practical issues relating to the uptake of biofuels into the local

market so that supply difficulties are not experienced.

Fuel efficiency

SAPIA sponsored the development of a training package to train commercial drivers to drive in a more fuel efficient manner and hence reduce the level of harmful vehicle emissions. This training material has now been taken up and adapted by the City of Cape Town who are training their fleet drivers to drive in a more fuel efficient and environmentally-friendly manner. Similarly, an environmentally-conscious taxi company is doing the same throughout the country. It is hoped that other municipalities in South Africa will also make use of this training material.

COP17

The 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change took place from 28 November to 9 December 2011 in Durban. SAPIA was represented at COP17 in an observer status and provided input into a number of the side events. One of these side events entailed the launch of an Energy Efficiency Leadership Network Pledge, attended by Minister Peters, where SAPIA members participated in the ceremonial signing of the pledge.

The way forward

SAPIA's focus areas for 2012 include the following:

- Seek early finalisation of Clean Fuels 2 specifications and promote an integrated approach to properly managing the impact of vehicle emissions on urban air quality.
- Continue to provide input into the process of developing new regulatory instruments in order to ensure that they achieve their objectives in a way that serves the best interests of the country as a whole. Particular attention will be given to the finalisation of the Minimum Emission Standards and the integration of these requirements with the Clean Fuels programme.
- Seek finalisation of the regulations pertaining to the uptake of biofuels and addressing the practical implication of the uptake.
- Continue to promote energy efficient practices among SAPIA members.
- Continue to facilitate the prevention of fuel spills and leakages and, where these have occurred, to facilitate optimal response strategies.

2012 strategic focus areas	Procedures for achieving goals
<ul style="list-style-type: none"> • Seek finalisation of Clean Fuels 2 specifications and standards. • Manage the impact of vehicle emissions. 	<ul style="list-style-type: none"> • Engage with DOE and provide input on the most suitable fuel specifications. • Provide input into Department of Environmental Affairs (DEA) formulation of a sound Vehicle Emissions Strategy. • Provide input into the formulation of vehicle emission standards by the national regulator for compulsory specifications. Provide input to Department of Transport regarding the introduction of vehicle emission testing. • Promote integration among the different government agencies dealing with vehicle emission issues.
<ul style="list-style-type: none"> • Provide input into the process of developing new regulatory instruments. 	<ul style="list-style-type: none"> • Liaison with the DOE and the DEA.
<ul style="list-style-type: none"> • Seek finalisation of the regulations pertaining to the uptake of biofuels. 	<ul style="list-style-type: none"> • Promoting and participating in a working group with DOE to facilitate the practical uptake of biofuels without negatively impacting the national fuel supply situation.
<ul style="list-style-type: none"> • Facilitate the prevention of fuel spills and leakages and, where these have occurred, to facilitate optimal response strategies. 	<ul style="list-style-type: none"> • Provision of oil spill response equipment to contain and recover any oil spillage. • Implement oil spill contingency plans and training staff to ensure readiness in case of an emergency. • Implementation of facility standards to prevent leaks.

Table 8 Strategic focus areas and procedures for achieving goals

Aggregate financial results of SAPIA members

Year ended 31 December

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating profit (R/m)	2 402	2 229	1 987	2 965	5 704	5 687	6 136	3 625	7 758	10 421	9 828	10 451	5 193	7 991	11 285
Interest paid (R/m)	(447)	(454)	(683)	(389)	(789)	(673)	(1 141)	(1 062)	(617)	2	(1 505)	(1 117)	(2 312)	(973)	(1 868)
Income tax (R/m)	(568)	(474)	(419)	(667)	(1 249)	(1 682)	(1 178)	(983)	(2 591)	(2 976)	(1 622)	(2 284)	(1 377)	(190)	(1 609)
Net income (R/m)	1 387	1 301	885	1 909	3 666	3 332	3 817	1 579	4 550	7 456	6 701	7 050	1 503	6 828	7 808
Total assets (R/m)	17 634	18 597	19 546	20 492	34 157	41 451	41 849	37 794	57 169	58 845	63 401	88 415	116 460	101 051	100 851
Capital expenditure (R/m)	1 377	1 455	1 511	1 542	1 763	2 627	2 877	1 812	2 555	3 154	4 494	4 958	6 070	5 573	5 091
Refinery shutdown														939	574
Other														4 634	4 518
After tax return on assets (%)	7.9	7.0	4.5	9.3	10.7	8.0	8.4	4.2	8.0	12.7	10.6	8.0	1.3	6.8	7.7
Sales volumes (bn litres)	29.4	33.8	31.0	26.6	26.7	26.9	31.4	30.2	30.6	29.2	32.0	32.3	35.3	28.7	21.5
Net income after tax (c/l)	4.7	3.8	2.9	7.2	13.7	12.4	12.2	5.2	14.9	25.5	20.9	21.8	4.3	23.8	36.3

Individual company financial data aggregated by Sizwe Ntsaluba Auditors.

2011 data not available at the time of publication.

Value added statements

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Turnover (R/bn)	37.5	40.7	39.6	45.5	67.3	77.4	86.9	85.5	109.0	130.2	171	241	353	195	217
Net cost of products and services (R/bn)	20.3	22.5	19.8	23.6	43.9	52.6	57.0	55.1	72.0	85.6	126	179	279	144	164
Total value added (R/bn)	17.2	18.2	19.8	21.9	23.4	24.8	29.9	30.4	37.0	44.6	44.6	62	73	51	53
To pay employees gross salaries, - Wages and benefits (R/bn)	1.2	1.2	1.3	1.4	1.7	2.5	2.8	3.1	3.3	3.4	5.6	7	12	5	5
To pay the State tax in the form of - Income tax (R/bn)	0.6	0.5	0.4	0.7	1.4	1.7	1.2	1.0	2.6	3.0	1.6	2	1	0.2	1
- Duties and levies (R/bn)	13.0	13.7	15.7	16.6	16.4	15.6	18.3	20.3	24.5	28.0	29.9	40	48	40	43
To pay providers of capital - Net finance expense (R/bn)	0.5	0.5	0.4	0.4	0.6	0.6	1.1	1.0	0.6	1.0	(0.2)	1	2	1.0	2
- Dividends (R/bn)	0.7	0.8	0.7	0.5	0.9	2.0	2.6	0.5	0.6	2.1	4.2	4	4	1.617	(0.1)
Retained for future growth - Depreciation (R/bn)	0.6	0.7	0.7	0.8	1.0	1.3	1.6	2.6	1.8	2.2	2.8	2	2	4	3
- Retained income for the year (R/bn)	0.6	0.8	0.6	1.5	1.4	1.1	2.3	1.9	3.6	4.9	0.7	6	4	0.4	(1.4)
Total value added (R/bn)	17.2	18.2	19.8	21.9	23.4	24.8	29.9	30.4	37.0	44.6	44.6	62	73	51	53

Individual company financial data aggregated by Sizwe Ntsaluba Auditors.

2011 data not available at the time of publication.

Petrol wholesale margin

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005**	2006	2007	2008	2009	2010	2011
MPAR return (%)	3.4	8.7	13.9	12.0	9.2	6.8	8.8	9.7	7.3	4.0	3.8	1.9	9.72	21.22							
Indicated margin increase (c/l)	4.0	2.3	0	0	2.7	4.9	3.6	2.5	3.81	6.75	6.93	8.97	3.21	(4.21)							
Increase granted (in succeeding year)	4.0	4.0	0.5	0	0	0	2.0	1.0	0.5	1.23	2.58	6.93	8.97	2.0				5.4	6.2	3.0	(1.369)
Margin at year end (c/l)*	9.6	13.6	14.1	14.1	14.1	14.1	16.1	17.1	17.6	18.8	21.4	28.3	37.3	39.3	39.3	39.3	39.3	44.668	50.868	53.868	52.5

*93 octane petrol.

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

***The Minister of Energy approved a wholesale margin decrease of 1.369 c/l from 7 December 2011.

Sources of crude oil for SAPIA Members: 1998 to 2011

Country of origin	Thousand tonnes														
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*	2008*	2009*	2010*	2011*	
Algeria											66			0	
Angola		389	48	382	138	116	654	404	1 144	3 054	3 598	3 817	3 409	1 948	
Antigua and Barbuda														66	
Argentina												516	297	0	
Bermuda											115			0	
Bolivia										36				0	
Cameroon						271	106		53					0	
Colombia										296				0	
Cote d'Ivoire													88	0	
Cuba													9	0	
Egypt			292			135					150			0	
Ecuador										149				76	
Equatorial Guinea													35	38	
Gabon				373			191	270				90		0	
Indonesia												232		0	
Iran	6 757	5 824	7 414	5 718	6 239	7 012	8 166	8 008	6 054	6 092	4 637	5 604	5 528	4 874	
Iraq	413	137		343				107	322	519		545	244	0	
Israel												1		0	
Kuwait	2 094	833	858	431	342									0	
Liberia												395		0	
Libyan Arab Jamahiriya										133				0	
Mexico	633	244						84						0	
Mozambique													44	0	
Nigeria	287	1 286	842	1 246	3 615	3 450	1 313	2 472	2 935	3 386	2 517	3 963	3 594	3 755	
North Sea / U.K.		18												0	
Norway										76	35	74	37	0	
Oman	313	71		610	8			330	16	712	178	141	72	862	
Qatar	345		76	130				209	140		0			266	
Russian Federation	305				267					971	89	839		0	
Saudi Arabia	3 346	8 042	8 545	7 219	7 364	9 521	8 137	7 331	6 486	5 876	6 265	6 968	4 584	4 793	
Singapore											267			0	
South Africa	649	493	689	524	791	570	1 482	701	684	0	0			0	
Spain													134	0	
Switzerland												128	126	76	
United Arab Emirates	897	300	758	734	70	106	109	779	514	332	855	553	1 018	598	
United Kingdom												80		77	
United States											282		36	262	
Venezuela	787									153	424	277		0	
Yemen	354		140	475	62	179	338	272	192	304	1 589	818		142	
Total	17 180	17 637	19 662	18 185	18 896	21 360	20 496	20 967	18 540	22 090	21 067	25 040	19 254	17 834	

*Source: South African Revenue Service.

Crude oil price movements: January 1999 to December 2011

Average monthly prices (US\$/bbl)

	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai
January	11.1	10.7	25.6	23.4	25.7	22.9	19.5	18.5	31.3	28.0	31.2	28.9	44.2	37.9	63.0	58.4	53.7	51.7	92.0	87.4	43.3	43.6	76.2	76.7	96.5	92.5
February	10.2	10.0	27.9	24.7	27.5	24.8	20.2	19.0	32.6	30.0	30.8	28.6	45.5	39.9	60.1	57.6	57.4	55.8	95.0	90.0	43.1	43.1	73.6	73.5	103.8	100.2
March	12.5	12.4	27.3	25.1	24.4	23.4	23.7	23.0	30.5	27.4	33.8	30.8	52.9	45.8	62.1	57.8	62.1	58.8	103.7	96.8	46.5	45.6	78.9	77.3	114.6	108.7
April	15.3	15.0	22.7	22.1	25.7	24.2	25.7	24.5	24.9	23.5	33.2	31.7	51.8	47.2	70.3	64.1	67.5	64.0	109.0	103.4	50.5	50.2	84.9	83.6	123.5	116.0
May	15.3	15.4	27.6	25.6	28.5	25.6	25.3	24.7	25.7	24.4	37.8	34.7	48.6	45.4	69.9	65.0	67.2	64.6	122.7	119.5	57.3	57.5	75.2	76.8	114.6	108.4
June	15.8	15.5	29.8	27.2	27.8	25.7	24.1	23.9	27.5	25.5	35.0	33.4	54.5	51.2	68.7	65.2	71.4	65.7	132.4	127.8	68.6	69.4	74.9	74.0	114.0	107.8
July	19.0	17.9	28.5	26.1	24.6	23.4	25.8	24.7	28.3	26.0	38.3	34.7	57.6	52.8	73.7	69.2	77.0	69.5	133.2	131.3	64.6	64.8	75.6	72.5	116.9	110.0
August	20.3	19.5	30.1	27.0	25.7	24.5	25.8	24.7	29.8	26.7	43.0	38.5	64.1	56.6	73.1	68.8	70.7	67.4	113.0	112.9	72.8	71.4	77.1	74.1	110.4	105.0
September	22.5	21.9	32.7	30.0	25.6	24.1	25.8	24.7	27.1	25.4	43.3	35.6	62.9	56.5	61.7	59.8	76.9	73.4	98.1	95.9	67.4	67.7	77.8	75.1	113.1	106.3
October	22.0	21.5	30.9	30.5	20.5	19.6	27.6	26.3	29.7	27.3	49.6	37.5	58.6	54.0	57.8	56.4	82.5	77.1	71.9	67.4	72.8	73.2	82.7	80.2	109.4	104.0
November	24.7	23.1	32.6	30.1	19.0	17.7	24.1	23.3	28.7	27.7	42.8	34.8	55.2	51.4	58.9	56.7	92.6	86.9	52.5	49.8	76.7	77.7	85.3	83.7	110.7	109.0
December	25.6	23.6	25.1	21.7	18.7	17.8	28.7	25.7	29.8	28.1	39.5	34.1	56.9	53.2	62.3	58.7	91.0	85.0	40.3	40.5	74.3	75.4	91.4	89.0	107.8	106.4
12-month average	17.9	17.2	28.4	26.1	24.5	22.8	24.7	23.6	28.8	26.7	38.2	33.6	54.4	49.3	65.1	61.5	72.5	68.4	97.0	93.6	61.5	61.6	79.5	78.0	111.3	106.2

Crude oil prices

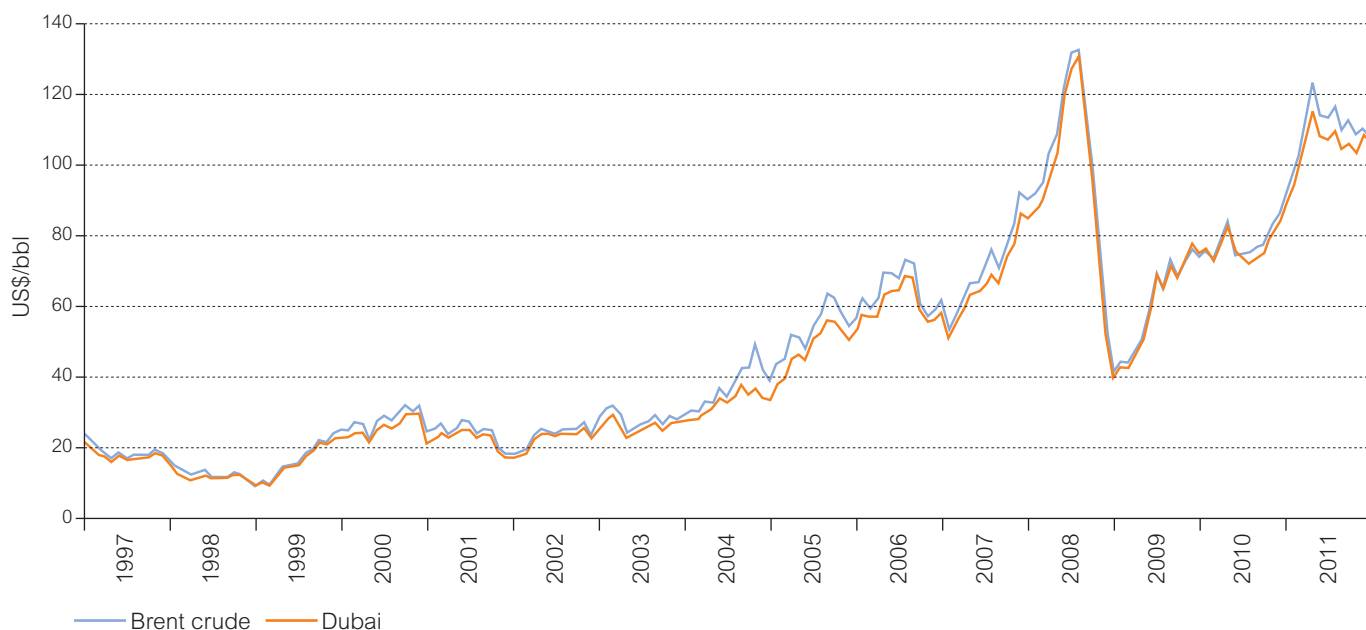


Figure 6 Crude oil prices from 1997 – 2011

Brent crude prices

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Brent														
Average US\$ price	12.7	17.9	28.4	24.5	24.7	28.8	38.2	54.4	65.1	72.5	97.0	61.5	97.5	111.28
Average rand price/barrel	69.90	109.37	197.76	208.02	258.60	218.05	246.85	347.52	422.61	511.49	548.53	520.79	715.56	810.16

Consumption of petroleum products in South Africa

Year	Millions of litres					
	Petrol	Diesel	Paraffin	Jet Fuel	Fuel Oil	LPG
1988	7 995	5 409	641	784	524	406
1989	8 395	5 350	678	835	546	432
1990	8 612	5 273	723	866	576	434
1991	8 906	5 130	725	861	526	464
1992	9 171	4 950	743	1 009	549	465
1993	9 202	4 940	834	1 095	595	454
1994	9 630	5 110	875	1 193	633	485
1995	10 153	5 432	850	1 368	616	472
1996	10 566	5 759	917	1 601	704	450
1997	10 798	5 875	970	1 777	635	502
1998	10 883	5 959	1 052	1 877	574	523
1999	10 861	5 993	1 054	1 995	561	540
2000	10 396	6 254	857	2 020	555	567
2001	10 340	6 488	786	1 924	555	599
2002	10 335	6 831	745	1 967	536	586
2003	10 667	7 263	769	2 099	528	558
2004	10 985	7 679	797	2 076	569	563
2005	11 165	8 115	761	2 180	489	550
2006	11 279	8 708	738	2 260	476	605
2007	11 558	9 755	696	2 402	465	636
2008	11 069	9 762	532	2 376	555	613
2009*	11 321	9 437	551	2 349	724	554
2010*	11 874	9 298	456	2 319	724	629

* Source: Department of Energy, except in the case of paraffin and fuel oil which is based on a best estimate.

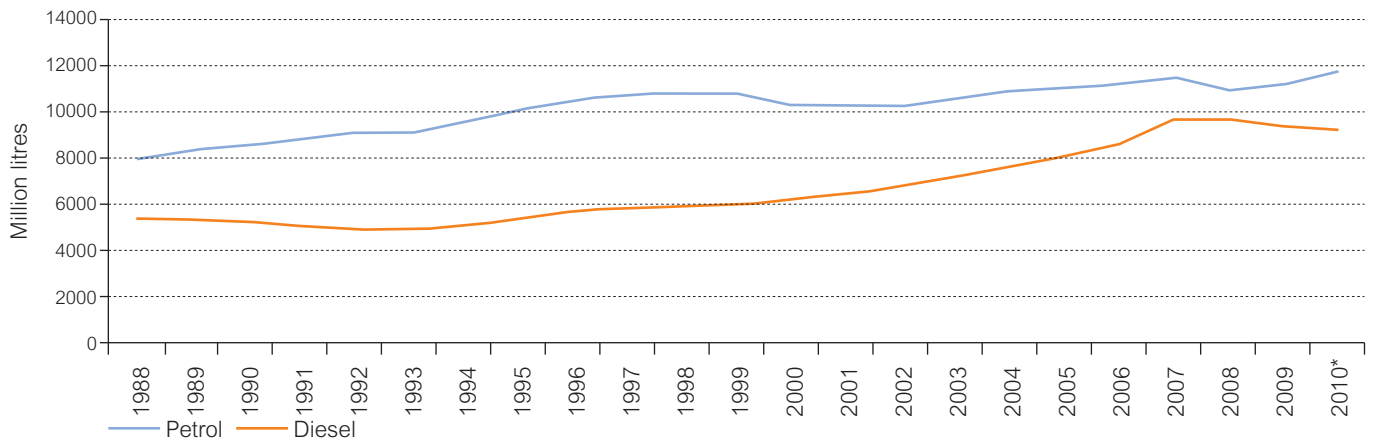


Figure 7 Consumption of petrol and diesel in South Africa

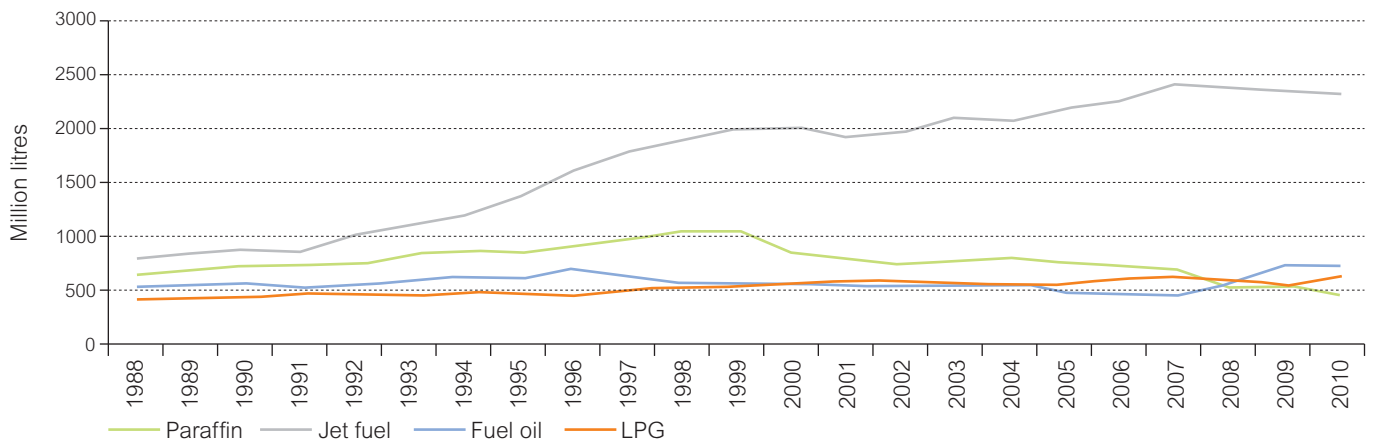


Figure 8 Consumption of petroleum products in South Africa

Petroleum products imports and exports

Year	Thousand tonnes							
	Imports				Exports			
	Petrol	Diesel	Jet Fuel	LPG	Petrol	Diesel	Jet Fuel	LPG
2011	1 815	3 153	199	19.68	176	452	126	3.20
2010	1 571	2 163	213	3.75	329	618	53	2.56
2009	1 484	1 943	85	0.04	333	717	40	1.44
2008	956	2 108	60	0.03	363	744	83	1.24
2007	1 272	2 343	229	0.01	296	728	64	1.09

Source: South African Revenue Service.

Demand/refining capacity balance

Millions of litres

	2010	2010	2010
	Refining capacity **	Demand actual	Surplus/(shortfall) actual
Petrol	10 567	11 874	(1 307)
Diesel	9 301	9 298	3
Kerosene*	3 004	3 208	(204)

* Kerosene includes illuminating paraffin and jet fuel.

** Source: Joint Oil Data Initiative. Available from www.jodidb.org (Accessed: January 2012).

Capacity of South African refineries

Capacity (bbl/day)

Refineries	1992	1997	2007	2009	2010	2011
Sapref	120 000	165 000	180 000	180 000	180 000	180 000
Enref	70 000	105 000	125 000	125 000	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	708 000	703 000	703 000

* Crude equivalent.

Petrol/diesel consumption ratio

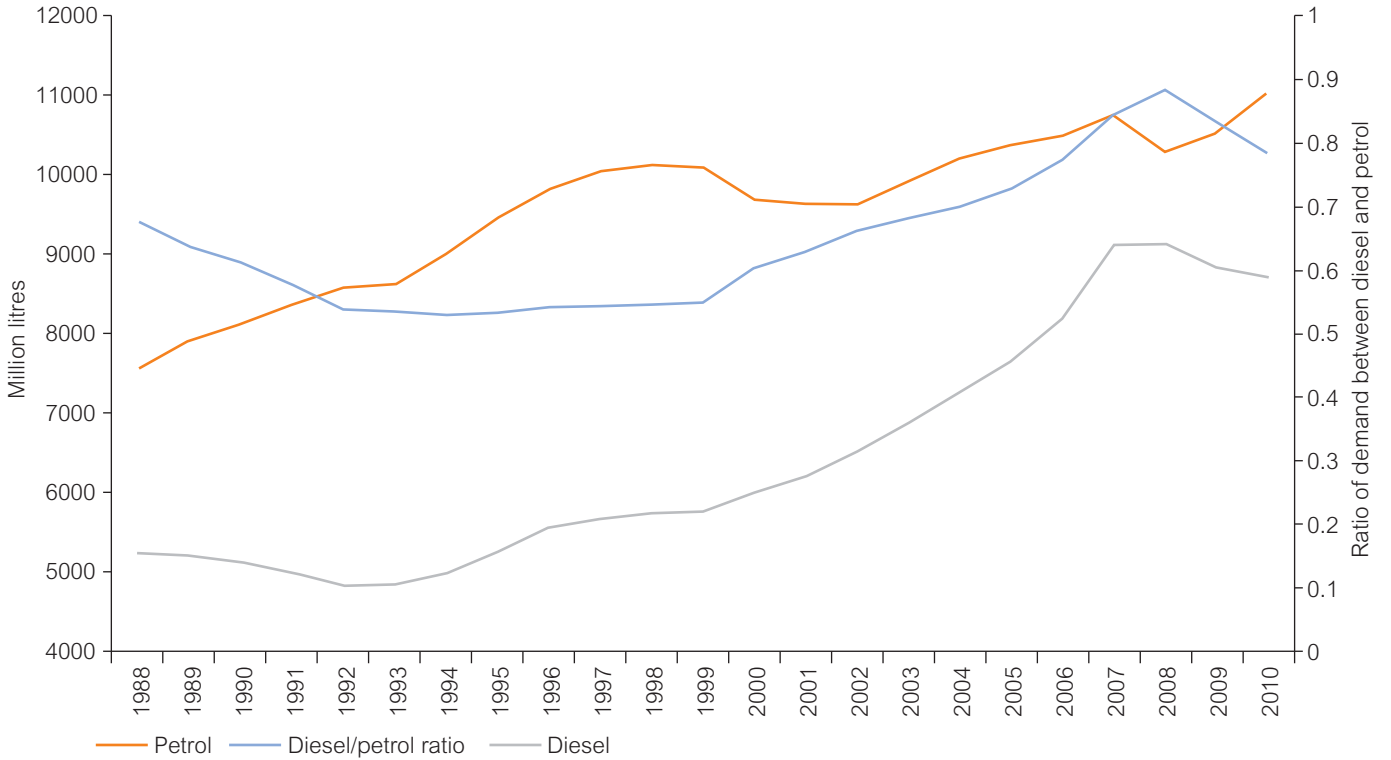


Figure 9 Petrol/diesel consumption ratio

The ratio of demand between diesel and petrol in 2010 was about 9.3 parts diesel to 11.9 parts petrol which gives a ratio of 0.78. The ratio in 2009 was 0.81. Petrol consumption has thus increased more in relation to diesel consumption in 2010 than in 2009. The graph shows that there has been an upward trend in the diesel/petrol ratio from 1995 until 2008 with a slight decrease in 2010.

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	1080.3	1186.0	
2009	736.0	645.95	586.0	
2010	827.0	766.45	723.0	0**
2011	1007.0	926.451	918.0	2 068.0

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

** Effective from 14 July 2010.

Source: Press release by DOE.

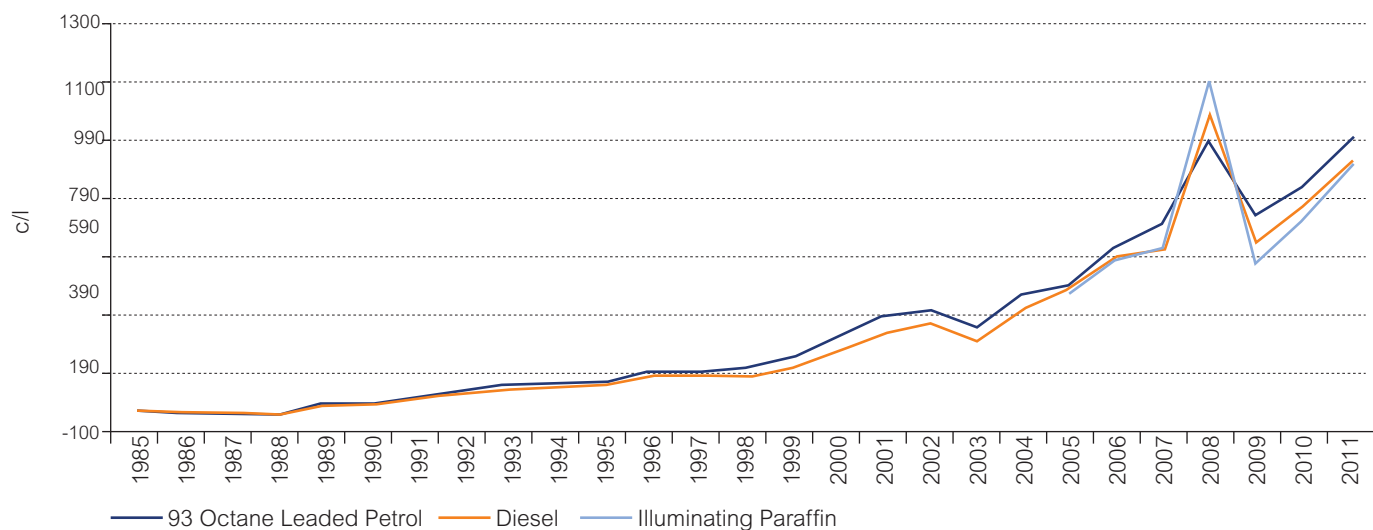


Figure 10 Prices in Gauteng: 30 June each year

Petrol and diesel price breakdown

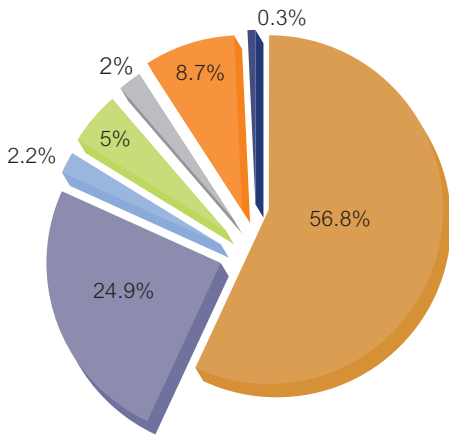


Figure 11 93 octane petrol: Gauteng retail price 1049.0 c/l in December 2011

- Contribution to the Basic Fuel Price* 596.550 c/l
- Government Duties and Levies 261.650 c/l
- Zone Differential 22.900 c/l
- Industry Margin 52.500 c/l**
- Service Differential 21.000 c/l**
- Dealer Margin 91.800 c/l
- Incremental Inland Transport Recovery Levy 3.000 c/l

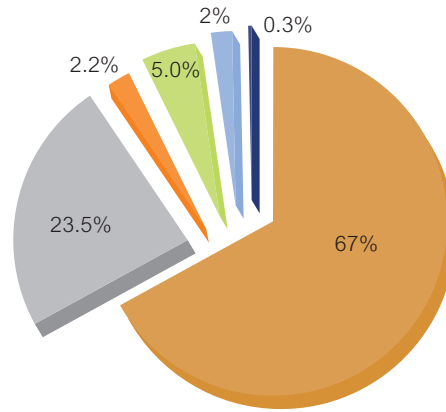


Figure 12 Diesel (0.05% S): Gauteng wholesale price 1048.69 c/l in December 2011

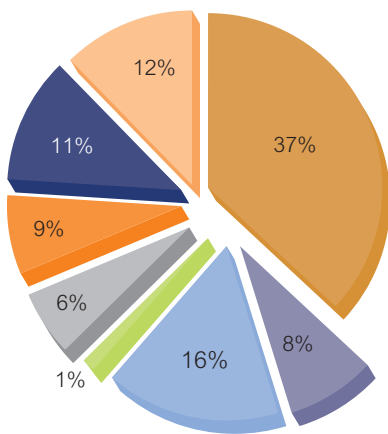
- Contribution to the Basic Fuel Price* 702.630 c/l
- Government Duties and Levies 246.660 c/l
- Zone Differential 22.900 c/l
- Industry Margin 52.500 c/l**
- Service Differential 21.000 c/l**
- Incremental Inland Transport Recovery Levy 3.000

*Including slate levy.

**The industry margin was decreased by 1.361 c/l and the service differential was increased by 9.6 c/l. The total increase to the dealer margin in 2011 was 10.6 c/l.

Source: Media release by Department of Energy.

Maximum retail price of liquefied petroleum gas price breakdown



- Maximum Refinery Gate Price 784.710 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%) 242.501 c/kg
- Value Added Tax (14%) 260.284 c/kg

Figure 13 LPG maximum retail price: Gauteng retail price 2 119 c/kg in December 2011

Source: Media release by Department of Minerals and Energy.

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

Petrol

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Petroleum Products Levy	Demand Side Management Levy	Incremental Inland Transport Cost Recovery Levy	Total Imposts
1988	4.0	22.9	3.6	7.0	0	0	0	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

Gauteng retail price of 93 octane was 1049 c/l in December 2011. Taxes and levies as a % of this retail price: 22.04%.

Diesel

Illuminating Paraffin

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Petroleum Products Levy	IP Tracer Levy	Incremental Inland Transport Cost Recovery Levy	Total Imposts	Equalisation Fund Levy	GST VAT%
1988	4.0	19.9	2.1	7.0		0	0	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	5.00		0	0	76.4	0	14%
1997	4.0	63.6	6.8	3.00		0	0	77.4	0	14%
1998	4.0	76.1	10.3	8.00		0	0	98.4	0	14%
1999	4.0	76.1	10.3	8.00		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	105.00	41.50	0	0.19	0.010	0	150.7	0	0%
2008	4.0	127.0	46.5	0	0.15	0.010	1.5	179.2	0	0%
2009	4.0	135.0	64.0	0	0.15	0.010	3.0	206.16	0	0%
2010	4.0	152.5	72.0	0	0.15	0.010	3.0	231.66	0	0%
2011	4.0	162.5	80.0	0	0.15	0.010	3.0	249.66	0	0%

Gauteng wholesale price of 0.05% sulphur diesel was 1048.69 c/l in December 2011. Taxes and levies as a % of the wholesale price: 19.66%.

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

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2010 volumes at June 2011 rates)

	Petrol	Diesel	Illuminating Paraffin		
Sales volumes (million litres)	11 874	9 298	456		
95 unleaded petrol in the DSML area (million litres)*	534				
Customs and Excise Duty (c/l)	4.000	4.000	0		
Fuel Levy (c/l)	177.500	162.500	0		
Road Accident Fund Levy (c/l)	80.000	80.000	0		
Equalisation Fund Levy (c/l)	0	0	0		
Value Added Tax (VAT)	0	0	0		
Demand Side Management Levy (DSML) (c/l)	10.000	0	0		
IP Marker Levy (c/l)	0	0.010	0		
Petroleum Products Levy (c/l)	0.150	0.150	0		
					Total
	Million rands				
Customs/ Excise duty	475	372	0		847
Fuel Levy	21 076	15 109	0		36 186
Road Accident Fund Levy	9 499	7 438	0		16 938
Equalisation Fund Levy	0	0	0		0
Value Added Tax (VAT)	0	0	0		0
Demand Side Management Levy** (DSML)	53				53
IP Marker Levy	0	1	0		1
Petroleum Products Levy***	18	14	0		32
Total	31 122	22 934	0		54 056

*Volume assumption for 2010 - number not available at time of printing.

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

***The levy is used to cover the cost of the National Energy Regulator for regulating the petroleum pipelines industry.

Workforce profile

Management level	Total	White		African		Coloured		Indian		Foreign		Secondees		Disabled		
		M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Senior level																
Senior management (excluding executive directors & management)	273	85	23	43	19	38	14	18	5	15	2	3	5	3	0	
	100%	31%	8%	16%	7%	14%	5%	7%	2%	5%	1%	1%	2%	1%	0%	
Professionally qualified, experienced specialist, middle management	2707	577	238	528	295	335	195	289	124	60	12	5	9	34	6	
	100%	21%	9%	20%	11%	12%	7%	11%	5%	2%	0.4%	0.2%	0.3%	1.3%	0.2%	
Skilled technical, academically qualified, junior management, supervisors	3423	405	251	865	593	511	380	231	123	13	5	2	1	35	8	
	100%	12%	7%	25%	17%	15%	11%	7%	4%	0.4%	0.1%	0.1%	0.03%	1.0%	0.2%	
All other	2817	244	140	1224	381	432	178	138	62	0	0	0	1	10	7	
Semi-skilled and unskilled	100%	9%	5%	43%	14%	15%	6%	5%	2%	0%	0%	0%	0.04%	0.35%	0.25%	
Total	9220	1311	652	2660	1288	1316	767	676	314	88	19	10	16	82	21	

Percentages have been rounded off.

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

Performance Indicators	2004	2005	2006	2007	2008	2009	2010	2011
(Not including refineries)								
Safety: staff and contractors								
Fatalities	25	35	18	7	17	7	27	8
Lost time injuries	66	68	73	49	70	64	51	44
Hours worked (million)	29.3	30.9	33.7	28.15	91.59	28.68	24.56	26.58
Total Recordable Rate (TRR), fatalities, lost time injuries and medical treatment cases per 200 000 hours worked.	0.62	0.92	0.943	0.81	1.06	0.76	0.42	0.5
Environment:								
Fires	41	67	2	24	25	16	33	16
Health:								
Occupational illnesses	5	1	1	1	1	1	2	1
Security:								
Hijackings: on retail forecourts	16	20	16	17	11	26	17	5
Cash-in-transit robberies	41	29	71	49	56	67	31	18
Retail robberies	297	358	376	651	782	611	430	156

Crude refineries' resource consumption and waste / emissions

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

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

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

Member contact information

South African Petroleum Industry Association

Hunts End, The Lodge, 1st Floor, 38 Wierda Road West,
Wierda Valley, Sandton, 2146
PO Box 783482, Sandton, 2146
Telephone: 011 783 7664
Fax: 011 783 5400
Website: www.sapia.co.za

BP Southern Africa

10 Junction Avenue, Parktown, 2193
PO Box 1554, Johannesburg, 2000
Telephone: 011 488 5111
Website: www.bp.com

Chevron South Africa

Chevron House, 19 DF Malan Street, Foreshore, Cape
Town, 8001
PO Box 714, Cape Town, 8000
Telephone: 021 403 7911
Fax: 021 403 7508
Website: www.chevron.com

Engen Petroleum

Engen Court, Thibault Square, Cape Town, 8001
PO Box 35, Cape Town, 8000
Telephone: 021 403 4911
Fax: 021 403 4067
Website: www.engen.com

Sasol Limited

32 Hill Street Ferndale, Randburg, 2194
PO Box 4211, Randburg, 2125
Telephone: 011 889 7600
Fax: 011 889 7979
Website: www.sasol.com

Shell South Africa

Twickenham Building, The Campus, 57 Sloane Street,
Bryanston, 2021
Private Bag X19, Bryanston, 2021
Telephone: 011 996 7000
Fax: 011 996 7777
Website: www.shell.com

The Petroleum Oil and Gas Corporation of South Africa

151 Frans Conradie Drive, Parow, 7500
Private Bag X5, Parow, 7499
Telephone: 021 929-3000
Fax: 021 929-3144
Website: www.petrosa.co.za

Total South Africa

Total House, Cnr. Biermann and Cradock Avenues,
Rosebank, 2196
PO Box 579, Saxonwold, 2132
Telephone: 011 778 2000
Fax: 011 778 2001
Website: www.total.co.za

List of **acronyms**

ACSA	→	Airports Company of South Africa
BBBEE	→	Broad-based black economic empowerment
Bbl/day	→	Barrels per day
BEE	→	Black economic empowerment
BUSA	→	Business Unity South Africa
CHIETA	→	Chemical Industry Education and Training Authority
CSI	→	Corporate social investment
DOE	→	Department of Energy
HDSAs	→	Historically Disadvantaged South Africans
HRD	→	Human resource development
IEA	→	International Energy Agency
IK	→	Illuminating kerosene
IP	→	Illuminating paraffin
Kb/day	→	Thousand barrels per day
LFC	→	Liquid Fuels Charter
LOE	→	Leadership in Oil and Energy Certificate Programme
LPG	→	Liquefied petroleum gas
MDZ	→	Magisterial district zones
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
PRAF	→	Petroleum Retailers Alignment Forum
RAF	→	Road Accident Fund
SAPIA	→	South African Petroleum Industry Association
SETA	→	Sector Education and Training Authority
SSP	→	Sector Skills Plan
TFR	→	Transnet Freight Rail
TOR	→	Terms of reference
TPL	→	Transnet Pipelines



Copyright © South African Petroleum Industry Association • March 2012

Production: Nova Communications (Pty) Ltd



Contributors: Avhaphani Tshifularo, Anton Moldan, Cornel van Basten, Althea Banda-Hansmann, Nkhensani Machumele
Printing: The SAPIA 2011 Annual Report is printed on Snow Eagle Matt paper, certified by the Forest Stewardship Council.

For more information visit our website: www.sapia.co.za

sapia | South African Petroleum
Industry Association