sapia | South African Petroleum Industry Association

2022 ANNUAL REPORT


F. A. PLATFORM

CONTENTS

Hloniphizwe Mtolo

Report by SAPIA Chairperson

High oil and gas prices, which peaked following the February 2022 invasion of Ukraine, have resulted in international oil majors reporting record profits. However, high prices have led to a decline in demand.

The Russia-Ukraine conflict has had a profound impact in the global markets, driving oil prices to exceed US$120 per barrel. The surge triggered a domino effect, causing fuel prices to skyrocket worldwide. In South Africa, the repercussions have been particularly severe, with RON 95 in Gauteng. rising from R/l 19.61 in January to R/l 26.74 in July. Similarly, 50 ppm diesel wholesale prices increased from R/l 17.28 in January to R/l 25.74 in August..

Government intervened to temporarily reduce the fuel levy and proposed deregulating the petrol price. In an effort to curtail rising prices, the Department of Minerals and Energy (DMRE) also dropped the demand side management levy on petrol from June. The continous rising prices resulted in the slate rising from a negative balance of R5.2 billion in January to reach a high of R17.7 billion in June before dropping to R2.2 billion at year end. As a consequence, the slate levy increased from a low of 30.7 c/l in February to a high of 83.28 c/l in October.

Following the Covid-19 pandemic, there was a noticeable decline in fuels demand. However, the demand for diesel has largely recovered, while the demand for petrol remains below the levels observed before the pandemic. This is likely due to a combination of factors, including the ongoing work-from-home policies implemented by several organisations and the continuous improvements in fuel efficiency of petrol vehicles - a trend that has been observed since 2010. Prices have been tempered by China's lockdowns and the release of strategic oil reserves by oil-producing countries.

South Africa is refining less crude oil and only two oil refineries remain operational, namely Astron Energy refinery in Cape Town and NATREF refinery, Sasolburg. The shutdown of the other two oil refineries namely Engen refinery and NATREF have primarily been related to the strategic plans of the majors to reduce their overall carbon footprint. During a start-up operation in early July 2020, the Astron Energy refinery suffered a major incident that required an extended shutdown of facilities. This shutdown continued into 2022 when towards the latter part of the year, repairs were reportedly complete. By the end of the year, start-up operations were under way.

The shareholders of SAPREF announced that the plant would pause operations from the beginning of April 2022 with the view to selling the refinery. Unfortunately, flooding to the refinery occurred during late April resulting in severe damage to the plant. The PetroSA facility at Mossel Bay remained shut down during 2022 but operations continued at Natref and Secunda.

The energy transition is underway as far as the refining sector is concerned. But the regulated price structure of the market, together with overriding regulatory pressures and deteriorating infrastructure are making it increasingly difficult for local operations to continue.

It is not feasible to invest in upgrading facilities in the absence of financial incentives. Without these incentives, refiners will run their plants until they can no longer meet required products' standards, and ultimately terminate operations. But when these facilities are finally shut, a major manufacturing base will be lost, along with a large number of highly paid and highly skilled people. The various industries serving refining will also be severely impacted.

When this happens the country will become largely reliant on imports, which will place increasing pressure on Durban and associated infrastructure to perform. The outlook for the port of Durban as a supply hub to service the liquid fuels requirements in the country (approximately 70% of liquid fuels supply is through Durban) is not favourable and the risk to security of supply is significant.

Following the gazetting of regulations at the end of August 2021 regarding the implementation of Clean Fuels II (CFII) by 2023, SAPIA engaged the DMRE with the objective to postpone the implementation date in order to allow for upgrades at refineries for those refiners that elect to continue operations. The reasons for a delay in implementation from 2023 were explicitly laid out and in June the Minister gazetted a revised implementation date of 1 July 2027. The DMRE is certain that there is little they can do with regard to financial assistance. Accordingly, SAPIA has approached National Treasury for further discussions on this issue.

On the climate change front, SAPIA published a position paper on climate change and the Climate Change Bill was introduced in Parliament. The Bill seeks to remove the GHG reporting and associated provisions from NEMA:AQA and place them under this new legislation. It furthermore seeks to create an integrated climate response programme across all three levels of government – executive, provincial and municipal.

SAPIA provided assistance to the DFFE in the determination of Tier 2 (country specific) emission factors by developing and presenting a paper to the department for nationwide sampling of the liquid fuels pool. Further assistance was provided to the third-party service providers who physically conducted the sampling and testing programme. This resulted in the publication of Tier 2 emission factors in February 2022 and their subsequent incorporation into the compendium for reporting GHG emissions.

Health, Safety, Security and Environment (HSSE) remains the oil and gas sector's number one priority and a number of initiatives took place during the year, which are detailed in this annual report. The industry had to face a new crisis as parts of the country experienced extreme flooding, disrupting supply chains and threatening fuel security. Members activated their business continuity plans and took action to rescue staff and provide the required support. At one site, over 100 staff had to be rescued via helicopters. There has been major damage to infrastructure, which is yet to be fully repaired, posing new risks. Members have been requested to use flood risk assessment tools to understand potential impacts to the operations and to adapt accordingly.

SAPIA and other stakeholders collaborated to avert a supply crisis due to the Kwa-Zulu Natal floods in April 2022, which affected port, rail and pipeline operations. Further developments towards ensuring security of supply include the finalisation of the Transnet Pipelines conveyancing terms and conditions, and the exemption granted by the Competition Commission, which expires on 31 January 2023.

Transformation continues to remain a priority for the sector. The process of gazetting the sector codes has been stalled due to some alignment issues that are critical to the success of this empowerment framework. SAPIA and the DMRE are engaged in getting alignment in the areas of disagreements raised by the industry. Once the alignment is reached between the parties, government will publish a Government Gazette to allow public comment, and the DMRE will process the feedback. Department of Trade Industry and Competition (DTIC) will make the final determination on the implementation of the sector codes.

Looking ahead, the industry is confronted with many challenges that need to be addressed by both industry and government. Some of these are immediate in nature, but others require careful management in order to ensure the sustainability of an industry contributing a significant amount to the national GDP and employment in the country. This annual report provides more information regarding developments in these key areas.

Thank you to the Board of Governors for their sound counsel and commitment over the past year. On behalf of the Board, membership and staff, I would like to welcome our incoming board members Ms Sandisiwe Ncemane and Mr Tumelo Ramalebana. We bid farewell to outgoing board members Mr Mohamed Carrim and Mr Pragasen Naidoo and thank them for their contribution to SAPIA.

Hloniphizwe Mtolo
SAPIA Chairperson

Introduction by SAPIA Executive Director

Welcome to the 2022 SAPIA Annual Report, the publication's 24th edition. In this report we highlight the most important developments and challenges that took place in the industry during the year. SAPIA remains committed to focusing on its six strategic areas. These areas and the key developments during 2022 are summarised below.

Avhapfani Tshifularo

1. Transformation
- SAPIA and the Department of Minerals and Energy (DMRE) held numerous discussions to finalise the Draft Petroleum and Liquid Fuels Sector Code that informs the transformation direction of the sector. Once these discussions are finalised, it is expected that the Department of Trade, Industry and Competition (DTIC) will gazette the Draft Petroleum and Liquid Fuels Sector Code which will be published for public comment, for a period of 60 days.

2. Health, safety, security and environment
- SAPIA continues to use a risk-based approach to focus on the key HSSE risks facing the sector. These include amongst others; process safety, fire safety, oil spill response, contaminated land management, road safety, security, working at heights, contractor management, etc.
- Where applicable, SAPIA members continue to share best practices and develop guidelines to support members and aid in capacity building.
- SAPIA continues to be instrumental in negotiations with key stakeholders on HSSE legislation, guidelines and standards for South Africa.
- SAPIA worked with government and other stakeholders to implement interventions aimed at containing the Coronavirus outbreak, while at the same time ensuring security of supply. This annual report outlines the industry's Covid-19 crisis leadership and industry preparedness and response initiatives carried out during the year.
- SAPIA has been engaging key stakeholders at all tiers of Government for urgent intervention with respect to organised crime related activities that are impacting security of supply and the safety of people and infrastructure.
- The second road safety masterclass on HSSE was held with much success.

3. Climate change
- The position of Business Unity of South Africa (BUSA), of which SAPIA is a member, regarding carbon emissions coalesced around the need for South Africa to be a net zero carbon emitter by 2050. SAPIA is in support of this position.
- SAPIA supports Government's Just Energy Transition programme. In this context, SAPIA members agreed on a formal position on climate change, which is outlined in a public paper available at www.sapia.org.za/climate-change.
- SAPIA was invited to become a member of the Gauteng Premier Expert Committee on Climate Change in July 2022. This committee is in line with that envisaged by the Climate Change Bill, whereby provincial authorities would establish their own structures to advise and implement adaptation and mitigation measures related to climate change.

4. Refinery sustainability
- SAPIA played an integral part in establishing the Implementation Task Team that looked at the CFII implementation date, which was set as 1 July 2027.
- Establishment of the Implementation Task Team which looked at the CFII implementation date which had been set as 1 July 2027.

5. Security of supply
- Jet supply risk to CTIA and ORTIA has been heightened due to reliance on imports and flooding in KZN. Industry response averted the airport stock out.
- SAPIA members successfully appealed to the Ports Regulators of South Africa against a decision made by the Transnet National Ports Authority (TNPA), declaring that the lease agreements and terminal operator licences held by the members at the Dom Pedro Facility in the Port of Port Elizabeth (Gqeberha) will terminate on 30 April 2022.

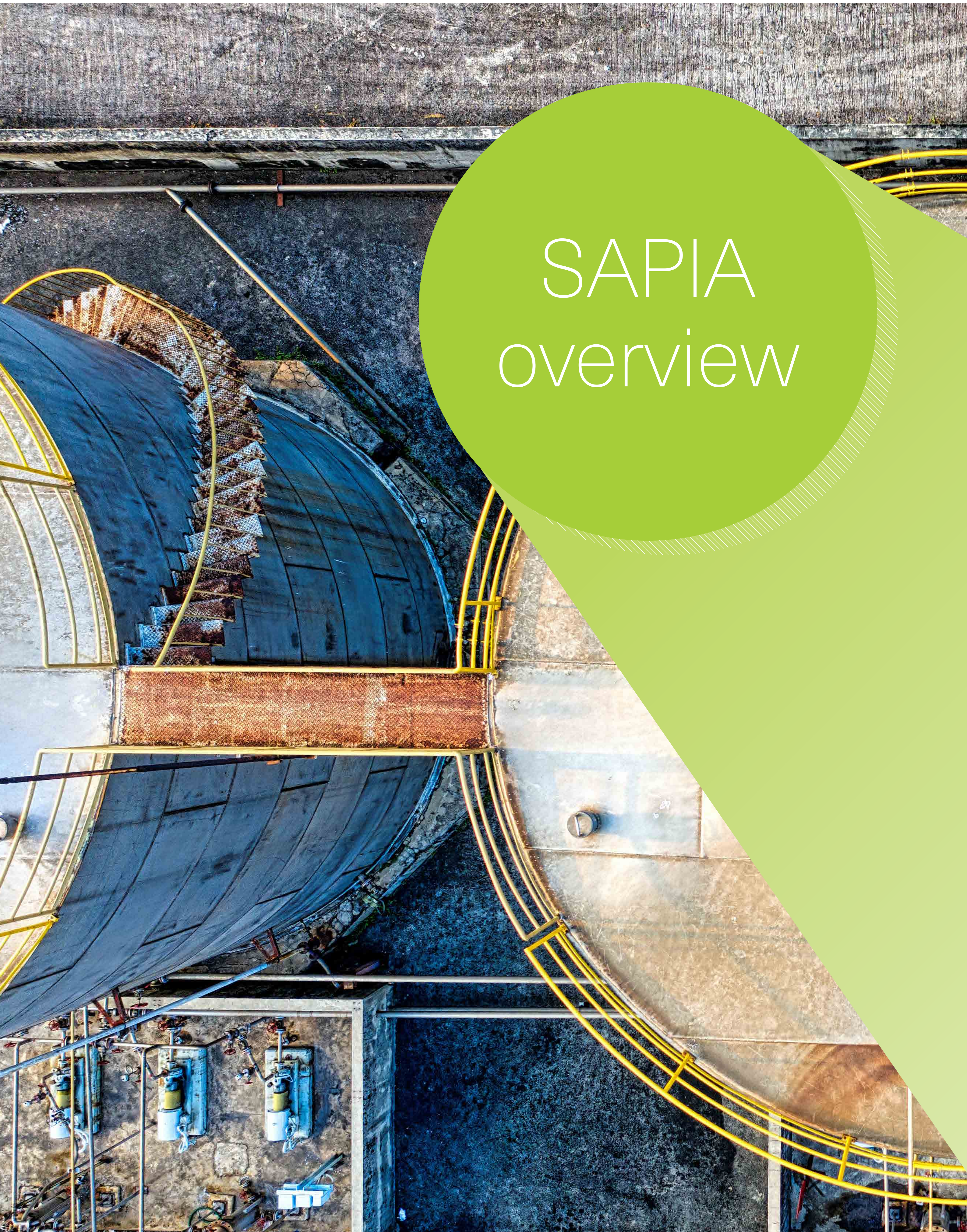
- The Competition Commission has further extended the exemption to 31 January 2023.
- SAPIA and TPL have finalised their negotiations on the conveyancing agreement at industry level, however TPL will review the document to ensure it follows their governance process before it is published for implementation.

6. Regulated price elements

- The Russian invasion of Ukraine coupled with the supply chain disruption overhang from the Covid-19 pandemic resulted in prices surging from February. In an effort to contain these, the Government announced a number of measures and SAPIA provided input where necessary.
- Changes in various tariffs, levies, taxes and margins are detailed in this report.

We believe addressing these six strategic areas will allow us to deliver on our mandate in the most effective way. This publication also provides a comprehensive statistical review of the industry showing the evolution of demand and supply of liquid fuels products, which is a useful reference point for anyone wanting to know more about the industry.

I would like to thank the Minister of Mineral Resources and Energy, Gwede Mantashe, the Department of Mineral Resources and Energy, our partners in government, our 22 member companies, the SAPIA Board of Governors, and the SAPIA staff for collectively achieving what has been set out in this report. I look forward to working with you over the coming year.



SAPIA overview

About SAPIA

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

Vision

SAPIA aspires to be a respected, reputable and value adding industry association.

Mission

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

Strategic agenda

There are three strategic focus areas, depicted in the strategy diagram, which will enable SAPIA to achieve its vision:

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

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

Providing service excellence entails improving efficiency and effectiveness, implementing the balanced scorecard, proactively identifying opportunities and improving decision-making processes.

There are a number of committees comprising technical and operational experts from the member companies who are responsible for executing the strategy. SAPIA endeavours to appraise the Minister of Energy and the Director General with status updates on the execution of initiatives on a quarterly basis and the closing phase of each initiative includes meeting the milestones and performing post project activities.

SAPIA overview

SAPIA's strategy

Vision To be a respected, reputable and value adding industry association

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

GOALS	STAKEHOLDERS	BECOMING A TRUSTED PARTNER
Understand our stakeholders' needs Promote transformation, climate change response, refining sustainability and a fair regulatory framework	**Government**	Understand our stakeholders' needs
Provide expert information and assistance to our stakeholders Facilitate security of supply and environmental leadership	**Petroleum industry**	Provide expert information and assistance Contribute to policy formulation and implementation
Contribute to policy formulation and implementation Enhance the reputation of the industry by communicating its contribution to economic and social progress	**Citizens**	Promote effective marketing

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Perspectives of success

INTERNAL PROCESS

Facilitate industry transformation

Promote a fair regulatory framework for all

Promote a sustainable climate change response

Promote refining sustainability

Plan for tomorrow

Promote the security of supply of liquid fuels

Health, safety, security and environmental leadership

Educate and communicate to stakeholders about the industry

Enhance strategic partnerships

Develop focused advocacy programs in line with goals

Improve efficiency and effectiveness

Collaborative decision making

Identify opportunities

Service excellence

LEARNING & GROWTH

Live our core values

Build research capabilities

Train and develop our stakeholders

Understand industry activities and drivers

FINANCIAL

Resource SAPIA's operational strategies

Manage our budget effectively

VALUES

Partnership

Integrity

Transparency

Sustainability

Transformation

Priorities for the year

The Board of Governors identified the following focus areas for 2022:

Transformation	Facilitate industry transformation and skills development
Health, safety, security and environment	Promote health, safety, security and environmental leadership within the industry
Climate change	Provide input into the development of climate change policy and regulations including the monitoring, measuring and reporting of GHG emissions
Refinery sustainability	Promote sustainability of the current refining fleet
Security of supply	Promote the security of supply of liquid fuels
Regulated price elements	Contribute to policy formulation, implementation and a fair regulatory framework for all

Membership

Integrated members	Non-integrated members	
	Wholesalers - petrol and diesel	Wholesalers - liquefied petroleum gas
Astron Energy (Pty) Ltd	Dan Bunkering (South Africa) (Pty) Ltd	Easigas (Pty) Ltd
BP Southern Africa (Pty) Ltd	Elegant Fuel (Pty) Ltd	Petregaz (Pty) Ltd
Engen Petroleum Ltd	Gulfstream Energy (Pty) Ltd	Totalgaz Southern Africa (Pty) Ltd
The Petroleum Oil and Gas Corporation of South Africa (SOC) Ltd	FFS Refiners (Pty) Ltd	Oryx Oil South Africa (Pty) Ltd
Sasol Oil (Pty) Ltd	Makwande Energy Trading (Pty) Ltd	Wasaa Gasses (Pty) Ltd
Shell Downstream South Africa (Pty) Ltd	Puma Energy (Pty) Ltd	
TotalEnergies Marketing South Africa (Pty) Ltd	Royale Energy Ltd	
Vopak South Africa Development (Pty) Ltd	Petrocam Trading (Pty) Ltd	
	Carbonado (Pty) Ltd	

***Table 1** Total of 22 members on 31 December 2022*

Organisation structure

SAPIA operates under a Board of Governors comprising members from member companies. A new chairperson and vice-chairperson are elected annually. The association has a small and highly skilled staff complement, led by an executive director. SAPIA staff are independent from the member companies.

The 2022 Board of Governors

Hloniphizwe Mtolo, Country Chair of Shell Companies in South Africa and Head of the Downstream Operations is the Chairperson of SAPIA for the period of 2022 and 2023. He is the Executive Director for Shell Downstream SA, the alternate Chairman of SAPREF and is a council member of Business Leadership South Africa. Mtolo is the 25th industry leader to chair the association since its establishment in July 1994.

The Board of Governors consists of eight representatives from member companies. The Chairperson and Vice-Chairperson rotate annually. 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 to each issue and ensure that resources are available to address the matters at hand.

The 2022 Board of Governors

SAPIA Chairperson:
Mr Hloniphizwe Mtolo
Shell Downstream
South Africa

SAPIA Vice-Chairperson:
Ms Mariam Kane-Garcia
TotalEnergies
South Africa

Mr Thabiet Booley
Astron Energy

Ms Taelo Mojapelo
BP Southern Africa

Mr Seelan Naidoo
Engen Petroleum

Mr Pragasen Naidoo
PetroSA

Mr Phinda Vilakazi
Sasol Oil

Mr Oliver Naidu
Vopak South Africa Development

Mr Mohamed Carrim
Puma Energy

Ms Tshilidzi Ramuedzisi
Totalgaz Southern Africa (NIMs)

Ms Sandisiwe Ncemane
PetroSA

Board of Governors attendance at meetings:

Attendance at meetings:	28/03/2022	02/06/2022	20/09/2022	06/12/2022
Mr H Mtolo	Y	Y	Y	Y
Ms M Kane-Garcia	N	N	Y	Y
Mr T Booley	N	Y	Y	Y
Ms T Mojapelo	Y	Y	Y	Y
Mr P Naidoo	N	N	N	R
Ms S Ncamane	-	-	-	N
Mr S Naidoo	Y	N	Y	Y
Mr P Vilakazi	Y	N	Y	Y
Mr M Carrim	Y	Y	Y	Y
Ms T Ramuedzisi	Y	Y	N	Y
Mr O Naidu	Y	Y	N	Y

***Table 2** Board meeting attendance*

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

SAPIA staff members

Executive Director
Avhapfani Tshifularo

Office Manager
Nkhensani Machumele

Administrative Assistant
Anelisiwe Ngoma

Head: Advocacy, Stakeholder and Communication
Cindy-Lee Maneveld

Head: Security of Supply
Siganeko Magafela

Head: Health, Safety, Security and Environment
Fatima Shaik

Head: Strategic Projects and Economic Regulation
Kevin Baart

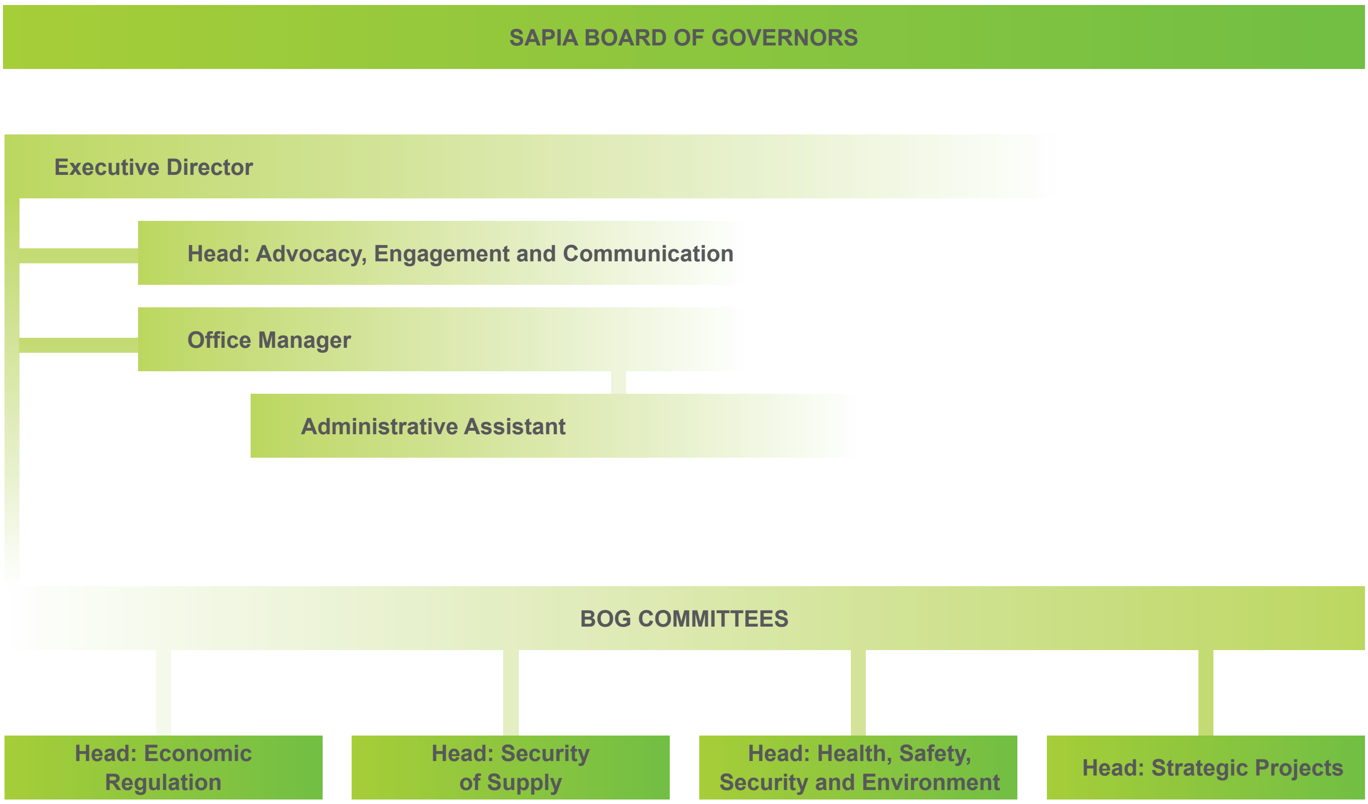


Figure 3 *SAPIA organisational chart*

Board of Governors committees

There are 21 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 Committees	Champion	Company
Transformation Committee	Mariam Kane-Garcia	TotalEnergies
Human Resource Development Committee	Avhapfani Tshifularo	SAPIA
Economic Regulation Committee	Thabiet Booley	Astron Energy
Legal Committee	Kevin Baart	SAPIA
Security of Supply Committee	Seelan Naidoo	Engen
Fuels Technical Committee	Kevin Baart	SAPIA
Advisory Committee on Climate Change	Thabiet Booley	Astron Energy
Health, Safety, Security and Environment (HSSE) Committee	Taelo Mojapelo	BP
HSSE sub-committees:		
Health, Safety, Environmental and Engineering Committee	Mendo Joxo / Fatima Shaik	Engen/SAPIA
Contaminated Land Committee	Yoliswa Makhoba	Engen
Oil Spill Working Group	Bhekiswe Dlodlo	BP
Road Transport Safety Committee	Bongumusa Ndelu	Engen
Security Committee	Johnny Wijnen	Engen
Refinery Managers Environmental Forum	Melanie Francis / Fatima Shaik	Sapref/SAPIA
Refinery Managers Safety Forum	Eurika O Reilly	Natref
Refinery Process Safety Meetings	Mendo Joxo / Fatima Shaik	Engen/SAPIA
South African Petrochemical Fire Chiefs Committee	Yoliswa Makhoba	Engen
Communication Committee	Avhapfani Tshifularo	SAPIA
Liquefied Petroleum Gas Forum	Tshilidzi Ramuedzisi	Totalgaz
Non-Integrated Members Forum	Mohamed Carrim	Puma
Refining Sustainability Forum	Phinda Vilakazi	Sasol
Refinery Managers Forum	Stephen Ncala	PetroSA

***Table 3** SAPIA committees*

Financial statement

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

Income (thousand rands)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Membership subscriptions	6 415	7 748	9 754	12 136	11 798	13 345	14 445	14 281	16 377	16 576	16 790
Other income (including interest)	180	173	508	3 606	424	27	1 038	10 787	666	1 716	508
Total income	**6 595**	**7 921**	**10 262**	**15 742**	**12 222**	**13 372**	**15 483**	**25 069**	**17 043**	**18 292**	**17 298**

Expenditure (thousand rands)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Personnel/payroll	4 259	4 326	5 404	8 262	8 220	8 827	9 193	9 066	11 857	9 148	10 483
Other expenditure (including interest)	2 931	2 919	2 752	5 520	4 064	4 590	4 419	6 123	4 769	4 228	4 649
Total expenditure	**7 190**	**7 245**	**8 156**	**13 782**	**12 284**	**13 417**	**13 612**	**15 189**	**16 626**	**13 376**	**15 132**

The year at a glance

Regulated price elements

- As a conseqeunce of the Russian invasion of Ukraine, fuel prices increased dramatically rising from R/l 19.61 in January to R/l 26.74 in July for RON 95 in Gauteng.
- Similarly, 50 ppm diesel wholesale prices increased from R/l 17.28 in January to R/l 25.74 in August.
- In an effort to curtail the increase, National Treasury temporarily reduced the fuel levy on petrol to R/l2.44 in May and June, but this was increased to R/l 3.19 in July and then R/l 3.94 in August where it remained for the rest of the year. Without this temporary reduction, the price of RON 95 would have reached R/l 27.48 in July.
- In an effort to curtail rising prices, the DMRE also dropped the demand side management levy on petrol from June.
- The continous rising prices resulted in the slate rising from a negative balance of R5.2 billion in January to reach a high of R17.7 billion in June before dropping to R2.2 billion at year end. As a consequence, the slate levy increased from a low of 30.7 c/l in February to a high of 83.28 c/l in October.

Health, safety, security and environment

- Continued focus on HSSE legislation development and regulatory input to regulators, members and external stakeholders.
- Participation on the Advisory Council of the Occupational Health and Safety which advises the Minister of Employment and Labour.
- Ongoing engagement with Government, Business Associations and other strategic stakeholders.
- Covid-19 management leadership: The sector reported 6 333 cases and 109 fatalities since the start of the pandemic.
- National Tier 2 oil spill capability assesments gap closure and oil spill drills.
- Ongoing development of SAPIA's minimum guidelines and best practice documents such as third party hydrocarbon contamination, fire fighting competency guideline and process safety competence guidelines.
- Contaminated land project management.
- Engagement with institutions of higher learning on curriculum gaps eg. process safety, incident management (ICS), fire fighting, etc.
- Crisis management with repect to the flooding experienced in KwaZulu-Natal.
- Road transport masterclass for entrepreneurs.

Refinery sustainability

- Implementation of Clean Fuels II pushed out to July 2027.

Climate change

- Climate change position paper published by SAPIA.
- Climate Change Bill introduced in Parliament.

Security of supply

- Exemption granted by the Competition Commission, which expires on 31 January 2023.
- Transnet Pipelines conveyancing terms and conditions have been finalised.
- SAPIA members successfully appealed to the Ports Regulators of South Africa against a decision made by the Transnet National Ports Authority (TNPA) declaring that the lease agreements and terminal operator licences held by the members at the Dom Pedro Facility in the Port of Port Elizabeth (Gqeberha), will terminate on 30 April 2022.
- SAPIA and other stakeholders collaborated to avert a supply crisis because of the Kwa-Zulu Natal floods in April 2022, which affected port, rail and pipeline operations.

Transformation

Our focus: Promote industry transformation and skills development

Focus areas	Key developments during the year
New liquid fuels empowerment framework	SAPIA and the Department of Minerals and Energy (DMRE) held numerous discussions to finalise the proposed liquid fuel sector codes that inform the transformation direction of the sector. Once these discussions are finalised, it is expected that the department will gazette the sector codes for public comment.

Progress in 2022

New liquid fuels empowerment framework

The process of aligning the Petroleum and Liquid Fuels Charter to the Broad-Based Black Economic Empowerment Act is continuing. The Charter Council comprises the Department of Mineral Resources and Energy, industry associations, trade unions and other interested parties.

The process of gazetting the sector codes has been stalled due to some alignment issues, which SAPIA maintains are critical to the success of this empowerment framework when implemented. SAPIA and the DMRE are engaged in getting alignment in the areas of disagreements raised by the industry. Once the alignment is reached between the parties, government will publish a Government Gazette to allow public comment while the DMRE will process the feedback, and Department of Trade Industry and Competition (DTIC) will make the final determination on the implementation of the sector codes.

The implementation will be with immediate effect as the DTIC does not allow for a transition period. In the absence of Petroleum and Liquid Fuels Sector Codes, entities are continuing to be measured on the generic scorecard of the Broad-Based Black Economic Empowerment Codes of Good Practice, which does not fully address the unique characteristics of the industry.

Industry value-add development programmes (Project Luhavihavi)

The SAPIA Transformation Committee decided to pause the Project Luhavihavi initiatives due to delays in the finalisation of the Petroleum Liquid Fuel Sector Codes as they interlinked to the sector codes.

As an interim it was decided that other initiatives could be pursued and therefore:

- A masterclass on transportation business was held on 25 August 2022, which was attended by over 140 aspiring transporters. This was a continuation from the 2021 masterclass. These masterclasses are aimed at equipping aspiring new transporters on how to develop successful transport businesses and also to meet the stringent oil industry requirements.
- Aspirant retailer training programme, which commenced in 2021 was finalised in 2022 and a total of twenty participants were trained. This was a CHIETA funded programme and a commitment to fund a further 10 participants has been secured. The programme forms part of the SAPIA transformation objectives of opening access for previously disadvantaged people into the retailing activities.

Employment equity targets

SAPIA has been engaging with the Department of Employment and Labour (DoEL) on the setting of sector specific employment equity numerical targets on the manufacturing sector as per the Employment Equity Bill, 2020.

Our submission to the department was that the petroleum sector must not be grouped within the manufacturing sector as the sector activities are broader and this must be reflected in the EE targets. The DoEL asserted that this is not necessary because companies have an option to choose how to be measured during submission.

The DoEL had consultation meetings with stakeholders on the EE targets and SAPIA in general was satisfied with the outcome of the process.

Future priorities

SAPIA will be focusing on the following areas in 2023:

- Continue to monitor the process of developing and gazetting sector codes.
- Work with CHIETA to develop a skills framework for SAPIA (petroleum storage facilities).
- Work with CHIETA on the aspirant retailer training programme.

Health, safety, security and environment

Our focus: Promote health, safety, security and environmental leadership within the industry

Health, Safety, Security and Environment (HSSE) remains the oil and gas sector's number one priority. Integrated HSSE management across the supply chain is essential towards ensuring that employees go home safely to their families and that any impact to the environment and industry assets is eliminated or minimised. Industry efforts extend beyond the fence-line. Learning from local and international best practice, learning from incidents, focusing on long-term behavioural change, complying with legislation, empowering employees and contractors in the sector and establishing a sustainable HSSE culture are key priorities for SAPIA members. SAPIA continues to work with relevant stakeholders to meet its objectives.

The July 2021 public unrest in parts of the country and the Covid-19 pandemic continued to impact the industry in 2022. This was further exacerbated by the flooding in KwaZulu-Natal and the Eastern Cape. While the sector adapted to new ways of working to deliver on its intended priorities, the country continues to face huge economic challenges and social issues that directly and indirectly impact on the work environment. Employee wellness remains a focus area.

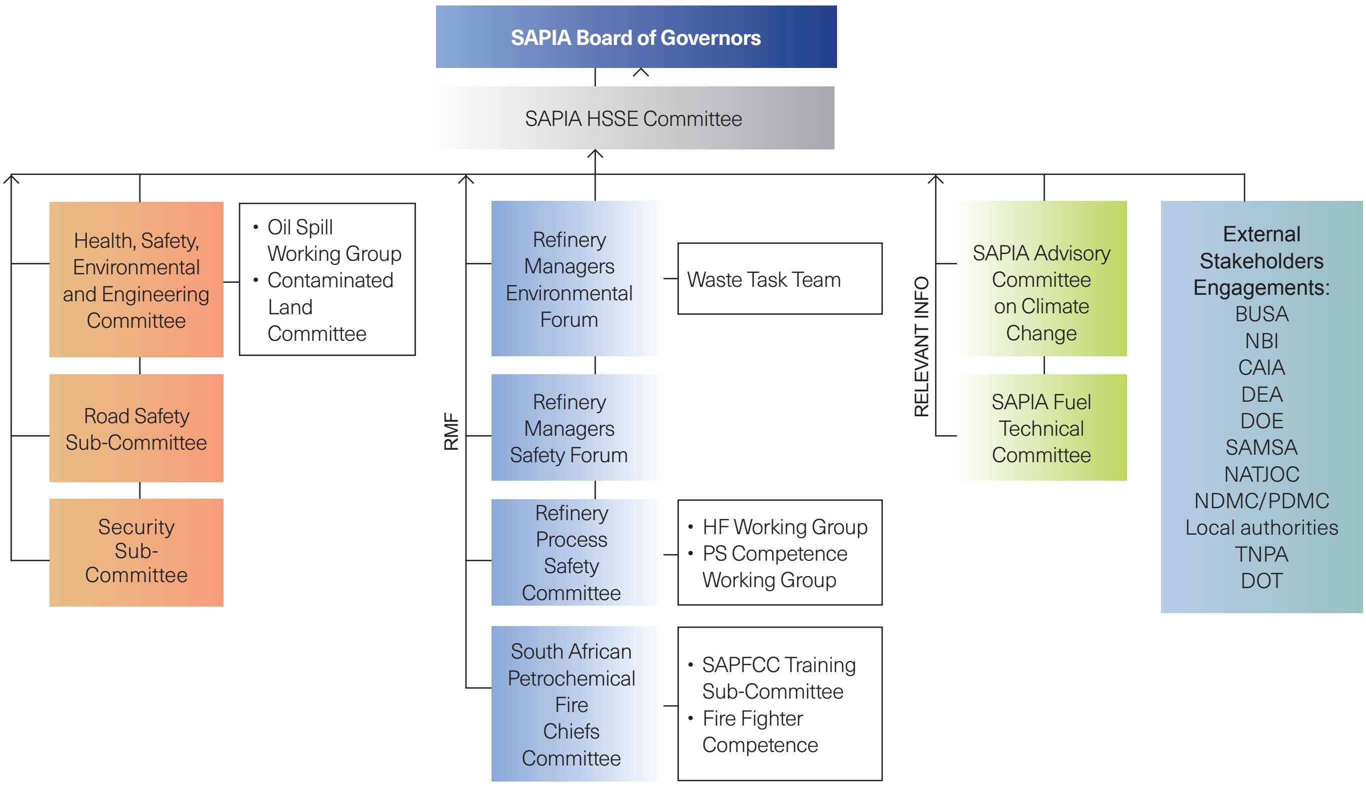


***Figure 4** Risk-based integrated HSSE management across the value chain*

Focus areas	Challenges
HSSE risk management: Flooding in KwaZulu-Natal	• The industry had to face a new crisis as parts of the country experienced extreme flooding disrupting supply chains and threatening fuel security. • Members activated their business continuity plans and took action to rescue staff and provide the required support. At one site over 100 staff had to be rescued via helicopters. • There has been major damage to infrastructure, which is yet to be fully repaired posing new risks. • Members have been requested to use flood risk assessment tools to understand potential impacts to the operations and to adapt accordingly. With global temperatures on the rise, extreme weather patterns will become more frequent and business has to implement resilient and adaptation strategies.
HSSE risk management: Regulatory input	• Significant increase in regulatory burden placed on business and developing non-integrated members. • Additional costs associated with compliance including permits, fees, levies and additional staff, among others. • Contractor compliance remains a challenge. Limited number of competence specialised contractors requiring additional support from members.
HSSE risk management: Improving oil spill response capability	• The Marine Pollution Bill has yet to be promulgated. • The National Oil Spill Contingency Plan (NOSCP) has been approved. Member oil spill plans will need to meet with specific requirements of the NOSCP. • SAPIA members are focusing on gap closure following the National Oil Spill Tier 2 assessment. The TNPA, DOT, DFFE and SAMSA are also required to close gaps at a national level. These are being tracked via the IMOrg meetings.
HSSE risk management: Contaminated land management	• Public disclosure of the contaminated land register remains a potential reputational risk to the sector. • SAPIA has a Hydrocarbon Management Agreement to include all applicable members. The agreement is a proactive measure to allow SAPIA to facilitate discussions between its members to resolve contamination related matters speedily by reducing/ eliminating impacts to the environment. This agreement does not supercede any legal requirement. • Engagement with DFFE is ongoing.
Improving contractor and internal stakeholder capabilities: Best practice guidelines	• The sector continues to see the exit of experienced professionals. Inexperienced new entrants require support and guidance based on best practice. • Simplification of contractor requirements where possible as HSSE compliance at the coalface remains a challenge. • Legislative frameworks are lacking in some areas to provide adequate guidance. This may also be the case for new technologies.
Security risk management	• Poverty, unemployment, crime and the lack of essential services have contributed to additional risks associated with unplanned protests, truck hijackings, illegal road blockades. Fuel theft via pipelines and cable theft are increasing. • Increased efforts to mitigate risks across the supply chain are required, however in some cases security of supply is impacted.
Road transport safety risk management	• Third party high-risk behaviour and non-compliance pose a major risk to safe operations on South African roads. • Continued effort from the sector internally and with other stakeholders is key in addressing these risks.

Progress in 2022

HSSE risk management: Covid-19 pandemic

Pandemic declaration

In March 2020 the World Health Organisation declared Covid-19 a global pandemic, which resulted in countries around the world implementing measures to combat Covid-19.

SAPIA supported the actions taken by the President of the Republic, Cyril Ramaphosa, and the relevant ministries to detect, contain and mitigate the spread of the pandemic. SAPIA worked with government and other stakeholders to implement interventions aimed at containing the Coronavirus outbreak, while at the same time ensuring security of supply.

Measures

SAPIA took steps to engage at all levels and with the support of members to implement steps to reduce and mitigate the impact of the pandemic to people and operations.

Covid-19 crisis leadership and industry preparedness and response included:

- Covid-19 support to the sector (internal and external) including responding to queries from non-SAPIA members.
- Working with government and other stakeholders in developing legislation to address challenges on the frontline.
- Covid-19 legislative, directions and guidelines update.
- Partaking in and sharing of guidelines and practice notes from B4SA, BUSA, PPGI and other stakeholders.
- Active participation in the essential working groups and escalation of matters to the Presidency and NatJoints.
- Daily Covid-19 crisis meetings.
- Feedback on key Covid-19 regulations, submissions and surveys.
- Supporting the sector's unblock issues and providing guidance to the sector on the interpretation of the regulations and directions.
- Compliance framework, extended lockdown and post lockdown preparedness document design and submission.
- Presentations to BOG, DMRE, IPIECA, among others on Covid-19 industry preparedness and response.
- Covid-19 incident tracking.
- Covid-19 learnings sharing and Covid-19 trend analysis.
- Support to supply LPG, among others.
- Development of internal SAPIA protocols, risk assessments, for staff, contractors and visitors.
- Additional Covid-19 committee meetings – to share practical issues and learnings on the ground.
- Vaccination guidance and support.

Notable presentations/documents during the year included:

1. Liquid fuels sector Covid-19 interventions - DMRE
    - Risk-based approach
    - Fit-for-purpose BCPs
    - Worst case scenario planning
2. Covid-19 impacts – DMRE
3. Liquid fuels sector security of supply plans post Covid-19 lockdown - DMRE
    - Impact of the lockdown on the sector
    - Block Competition Exemption for the petroleum sector
    - Post lockdown security of supply framework
4. SAPIA lockdown compliance framework
5. South African petroleum sector extended lockdown preparedness
6. SAPIA post lockdown start-up

Covid-19 incidents

Sector reporting started March 2020 and ended in August 2022 due to a rapid decline in cases. We have had 6 333 cases reported. Tragically we lost 109 of our colleagues to Covid-19. The impacts of Covid will be felt long after the pandemic. Personal loss, mental health and wellbeing, long-term effects of Covid will have long-lasting ramifications.

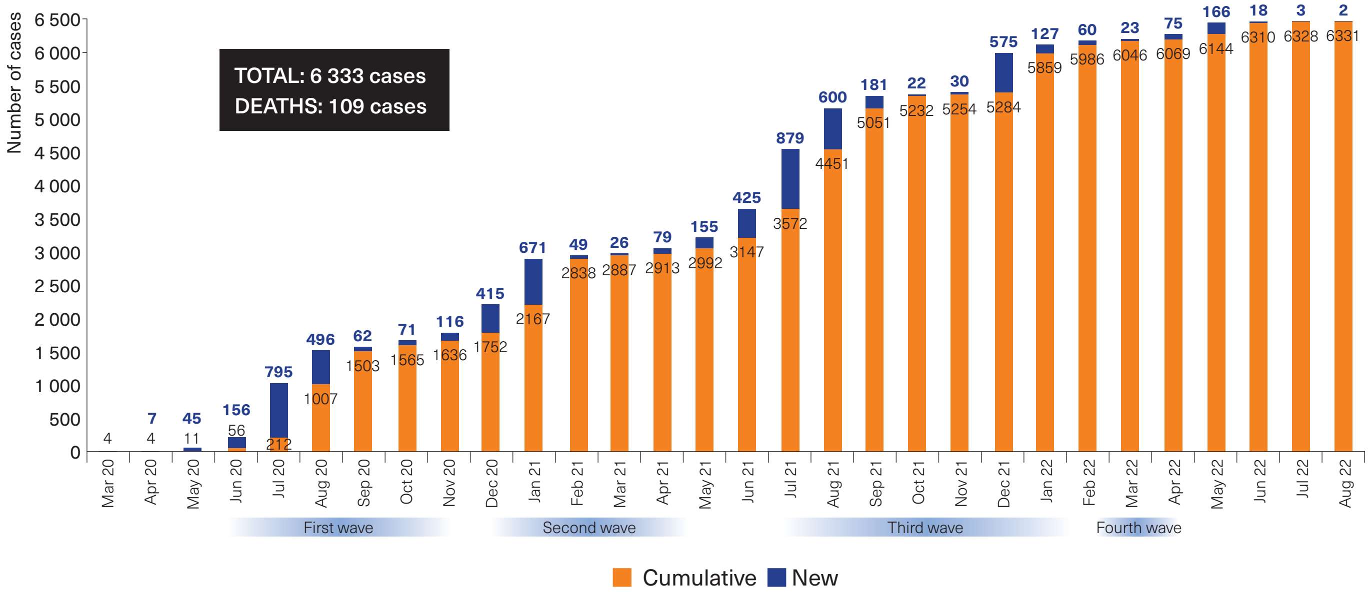
Key findings include:

- These trends assisted the sector in understanding Covid-19 impacts, the high risk areas in the supply chain and the areas for focused interventions during this time.
- In the early stages of reporting, the shared learnings were particularly helpful to members in preventing similar situations by proactively addressing potential high risk areas.
- The information also assisted SAPIA during engagements with BUSA, government and other stakeholders.
- The consolidated interventions by the sector also provided assurance to government that Covid related risks were adequately managed and did not pose a risk to security of supply in the country.

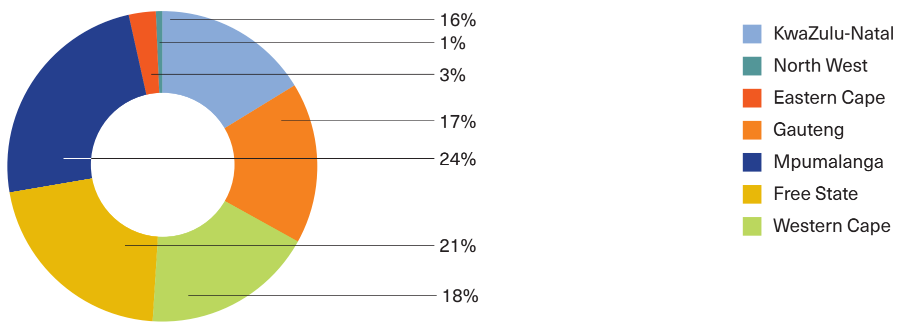
The provision for Covid-19 has been repealed under the Disaster Management Act however, as with any other notifiable disease, Covid-19 is now covered under the Health Act and its regulations. Covid-19 mitigatory measures should be aligned to risk assessments at site level, as per the Occupational Health and Safety Act requirements and the Codes of Good Practice for workplaces. This should be available in writing. SAPIA's Covid-19 reporting terminated in August 2022.

Covid-19 learnings should be embedded in organisation learning and BCP planning. Covid-19 deaths and cases are still prevalent and the impact of new variants in the future is unknown. Business has to remain agile to adapt as required.

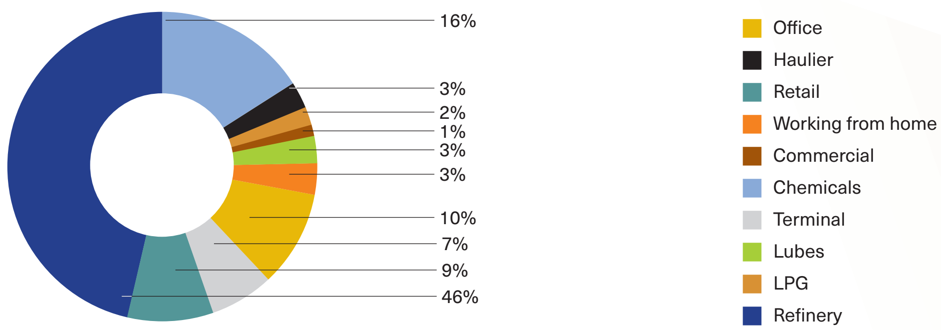
SAPIA cumulative Covid-19 cases 2020/2 excl. deaths



Covid-19 cases per provincial distribution



Location of Covid-19 positive cases



Regulatory input

SAPIA has been instrumental in negotiations with key internal and external stakeholders on HSSE legislation for South Africa. These include among others: waste management, odour management, climate change, carbon tax, air quality, critical infrastructure, biofuels, fire services, ergonomics, marine pollution, occupational health and safety, extended producer responsibility, transportation of dangerous goods, etc. Included amongst these are good practice guidelines, SANS codes and other guidance.

Improving oil spill response capability

The industry continues to work with the Department of Environment, Forestry and Fisheries (DEFF) and Department of Transport on the development and integration of the recommendations from the Global Initiative for West and Central Africa (GI WACAF) to operationalise the requirements of the International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC).

Progress on key actions since the workshop held in 2016:

- New legislation and consolidation of legislation in progress.
- OPRC Bill replaced with the Marine Oil Pollution Bill. Submitted to parliament.
- Tier 2 assessment completed. Industry gap closure > 80%. TNPA and other authorities are progressing gap closure.
- DOT responsibility defined in legislation and DOT is taking the lead with respect to this legislation.
- National Oil Spill Contingency Plan approved.
- Operator oil spill guideline framework covered in NOSCP and new legislative framework.

The industry is still awaiting the gazetting of dispersant policy and the revised Marine Pollution Bill.

Improving contractor and internal stakeholder capabilities

The development of minimum guidelines is key to reducing complexity for contractors or suppliers who service multiple members. The best practice documents also consolidate key learnings and best practices for specific subjects that are beneficial to both internal and external stakeholders. These are available on the SAPIA website.

In 2022 best practice sharing included:

- Process safety competence framework development guideline in progress
- Firefighter competence framework guideline in progress
- Third party hydrocarbon contamination guideline published
- Emergency response
- Worksite controls
- Overfills
- Fatigue management enterprise wide
- Disaster drainage
- Waste challenges in terms of new legal requirements
- Process safety audits, insurance audits and other learnings
- Shutdown learnings
- Flaring or GHG emissions minimisation
- Zero flaring targets
- Impact of Section 21 Minimum Emmission Standards amendments on refineries
- Contractor onboarding
- Plant preservation
- Risk mitigation – hose handling
- Tank vs bund fires

Contaminated land management

SAPIA members continue to work with DFFE and other authorities on historical contaminated land. Part 8 of the Waste Management Act under NEMA provides the framework for how these sites are managed. Port facilities are managed through the Transnet National Port Authorities and the DFFE.

There are currently seven multi-stakeholder projects being managed by SAPIA. The decommissioning and remediation of the Dom Pedro Facility in the Port of Port Elizabeth (Gqeberha) is a significant project that could potentially set a precedent for other areas. Following SAPIA's successful appeal via the National Ports Regulator in PE, the site can only be decommissioned once a new alternate facility is available. SAPIA is also monitoring the Island View proposed developments and its potential impacts on remediation related matters.

SAPIA continues to engage with DFFE on matters such as dealing with third party related contamination, delays or refusal of wayleaves and challenges with accessing private property to complete investigations.

Security risk management

The industry faces increased security threats due to a number of factors such as fuel price increases, socio-economic conditions, service delivery protests, civil unrest and land grabs, all of which threatens people, environment, reputation and assets. Security threat to critical infrastructure such as pipelines is a key concern and SAPIA is engaging with applicable stakeholders on this matter. Foreign driver protest continues to pose threats to our drivers and assets. SAPIA continues to update its security risk assessments and action key areas that impact the sector.

Road transport safety risk management

The decal project is ongoing. These decals carry safety messages on fuel trucks. The second road safety masterclass on HSSE was held with much success. Due to its success, the masterclasses will continue. The masterclass is intended to share road transport business requirements to new entrants and entrepreneurs.

Future priorities

The industry landscape in SA is currently under transition. SAPIA continues to review its priorities and for now, SAPIA's primary HSSE focus areas remain unchanged as these are broad and all-encompassing across the supply chain. Risk-based decisions are taken at committee level and are endorsed by the strategic HSSE committee and the Board of Governors to address various existing and potential risks within these focus areas. The Just Energy Transition programme will be included as part of the climate change focus.

The HSSE focus areas are:

- Reducing HSSE risks in industry operations impacting people, environment, assets and reputation.
- Reducing road transport risks and engaging stakeholders on third party risk management.
- Developing security related industry best practice to proactively assess threats and reduce security risks.
- Making recommendations for improvement in the national oil spill response capability.
- Increasing contractor capability through collaborative industry efforts.

Climate change

Our focus: Provide input into the development of climate change policy and regulations including that pertaining to the monitoring, measuring and reporting of GHG emissions

Focus areas	Key developments during the year
Publication of the SAPIA position paper on climate change	Publication of this position and its availability on the SAPIA website
Introduction of the Climate Change Bill in Parliament	The introduction of the Climate Change Bill at the Portfolio Committee of Forestry Fisheries and the Environment

Progress in 2022

SAPIA, through the SAPIA Advisory Committee on Climate Change and Business Unity South Africa (BUSA), has engaged throughout the year with both the Department of Forestry, Fisheries and the Environment (DFFE) and National Treasury (NT) on the development of legislation and associated regulations to manage GHG emissions emanating from oil industry activities.

The position of Business Unity of South Africa (BUSA), of which SAPIA is a member, regarding carbon emissions coalesced around the need for South Africa to be a net zero carbon emitter by 2050. SAPIA is supportive of this position.

SAPIA position on climate change

SAPIA recognises the responsibility to transition towards a low carbon economy within a time frame that limits global average warming to well below 2ºC above pre-industrial limits. This transition needs to be cognisant of the developmental nature of our economy so that it does not impede socio-economic development, the requirement to create sustainable jobs and contribute significantly to the reduction in energy poverty experienced by a large proportion of our population.

SAPIA is supportive of Government's Just Energy Transition programme. In this context, SAPIA members agreed on a formal position on climate change, which is outlined in a public paper available at www.sapia.org.za/climate-change

Climate Change Bill and Regulations

The Climate Change Bill was originally published for comment in May 2018 and was subsequently reviewed by NEDLAC. However, its progress was hindered due to the Covid-19 pandemic, where it was finally introduced to Parliament in February 2022. Here, it underwent deliberation by the Portfolio Committee on Forestry, Fisheries, and the Environment. The Minister has been public in her desire to have this Bill passed before the end of the financial year (February 2023) but this seems unlikely to occur.

The Bill seeks to remove the GHG reporting and associated provisions from NEMA:AQA and place them under this new legislation. It furthermore seeks to create an integrated climate response programme across all three levels of government – executive, provincial and municipal.

SAPIA provided assistance to the DFFE in the determination of Tier 2 (country specific) emission factors by developing and presenting a paper to the department for nationwide sampling of the liquid fuels pool. Further assistance was provided to the third-party service providers who physically conducted the sampling and testing programme. This resulted in the publication of Tier 2 emission factors in February 2022 and their subsequent incorporation into the compendium for reporting GHG emissions.

Carbon Tax Act

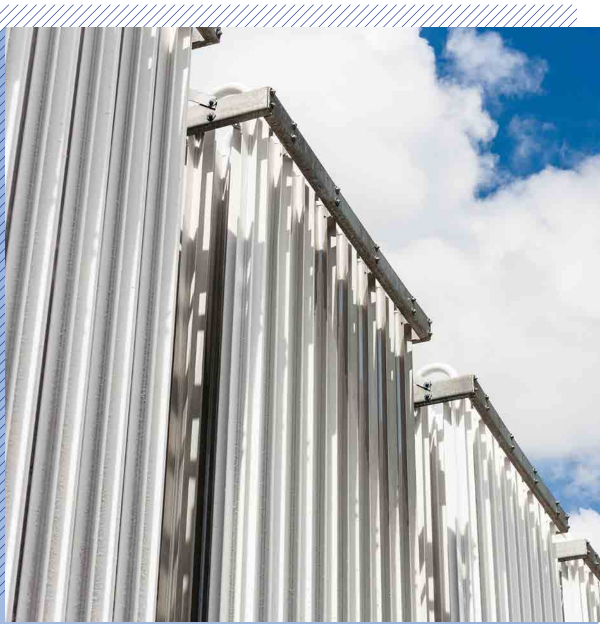
In his February 2022 budget speech, the Minister of Finance was outspoken in his objective to increase the headline rate of carbon tax to $/t 30 by 2030. At the same time, the various allowances under the Act would be phased down and potentially out. The Taxation Laws Amendment Bill (TLAB), published in July 2022, outlined the trajectory for the headline tax rate. However, it did not provide details on the allowances, and the National Treasury has not fully clarified the phase-down (or phase-out) process.

The Just Transition

The National Business Initiative (NBI) kicked off a major project in 2020 to determine what was required for the country to become a net zero carbon emitter by 2050. Initially, this project was centered on electricity generation. It then shifted its focus to the production of petrochemicals, and by the end of 2021, it pivoted towards the transportation sector. The NBI completed the work, which was published in 2022.

Premier Expert Committee on Climate Change

SAPIA was extended an invitation to join the Premier Expert Committee on Climate Change, which commenced its activities in July 2022. This committee is in line with that envisaged by the Climate Change Bill, whereby provincial authorities would establish their own structures to advise and implement adaptation and mitigation measures related to climate change.



Future priorities

SAPIA will be focusing on the following areas during 2023:

- Continued engagement with the DFFE on GHG regulations / budgets and with NT on the regulatory environment, which include that pursuant to the future Climate Change Act.
- Continued engagement with the NBI and other interested parties on the Just Transition.

Refinery sustainability

Strategic priority: Promote sustainability of the current refining fleet

Our focus: There are a number of issues driven by the market and regulatory action that have the potential to affect the long-term sustainability of the local refining industry. These issues include: the demand for cleaner fuels and the requirements to manufacture these fuels; greenhouse gas regulatory management (carbon taxes, carbon budgets); environmental regulatory control (such as minimum emission standards, waste management and water use licences) and electricity supply among others.

Focus areas	Key developments during the year
Cleaner Fuels II	Establishment of the Implementation Task Team which looked at the CFII implementation date, which has now been set as CFII 1 July 2027.

Developments in 2022

Gazetting of Cleaner Fuels regulations

After the gazetting of regulations at the end of August 2021 regarding the implementation of Clean Fuels II (CFII) by 2023, SAPIA engaged the Department of Mineral Resources and Energy (DMRE) with the objective of postponing the implementation date to allow for upgrades at refineries for those refiners that elect to continue operations.

The engagement culminated in a workshop at the beginning of February and the subsequent establishment of an Implementation Task Team to look at the postponement date of the implementation of CFII. This task team looked at three issues:

- What had been done to date
- Reasons for the delay in implementation
- Financial assistance to refiners electing to upgrade

The reasons for a delay in implementation from 2023 were explicitly laid out and in June the Minister gazetted a revised implementation date of 1 July 2027.

The DMRE is adamant that there is little they can do with regard to financial assistance. This is despite prior assurances that this will be looked at. Accordingly, SAPIA has approached National Treasury for further discussions on this issue.

Refinery status

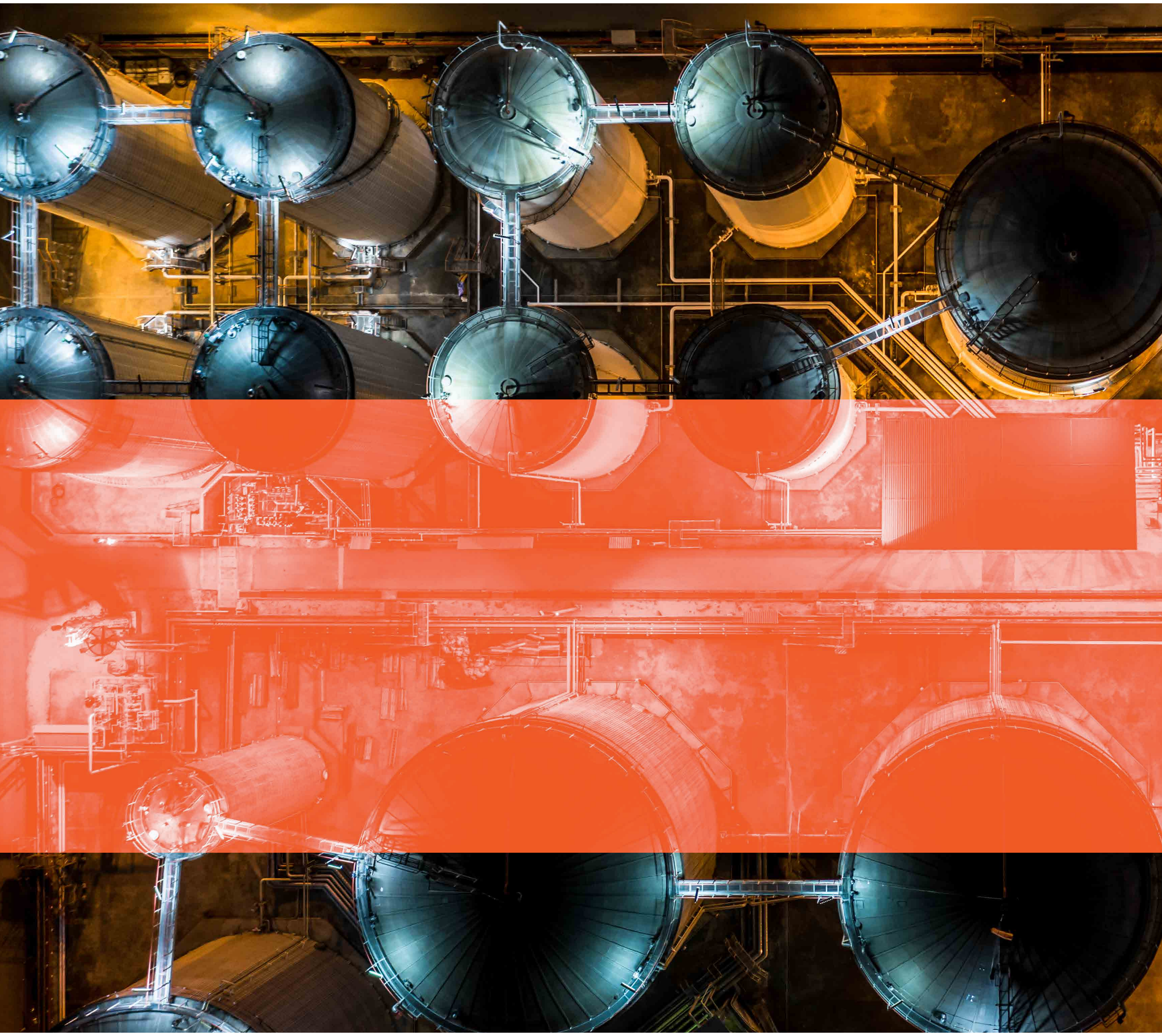
The consequence of the Covid-19 pandemic and the push to a Just Energy Transition was also felt in South Africa. The international energy majors were considering a reoptimisation of portfolios in line with a reduction in their overall carbon footprint and South Africa was not immune to these developments. Shell plc, for example, announced a refocus of their downstream activities towards six core energy and chemicals parks, with SAPREF, not part of these plans.

During early July 2020, the Astron Energy refinery in Cape Town suffered a major incident, which meant a shutdown of facilities. This shutdown continued into 2022 when towards the latter part of the year, repairs were reportedly complete and by year-end start-up operations were under way.

The shareholders of SAPREF announced that the plant would pause operations from the beginning of April 2022 with the view to selling the refinery. Unfortunately, flooding to the refinery occurred during late April resulting in severe damages to the plant. At this stage it is not known what the status of repairs at SAPREF is or progress on the sale. The PetroSA facility at Mossel Bay remained shut down during 2022 but operations continued at Natref and Secunda.

Without doubt the energy transition is underway as far as the refining sector is concerned. But the regulated price structure of the market, together with overriding regulatory pressures (CFII requirements, environmental compliance, transformation, carbon tax among others) and deteriorating infrastructure are making it increasingly difficult for local operations to continue.

The closure of the refineries during 2022 gained significant amount of media attention during the year with many commentators calling into question why this is the case. It is an issue that SAPIA and its members have raised with Government over the past decade. It is not feasible to invest in upgrading facilities in the absence of financial incentives. This has been reiterated to Government over this period but they have steadfastly refused to listen. Without these incentives, refiners will run their plants until they can no longer meet required products standards and then terminate operations. But



when these facilities are finally shut, together with them will leave a major manufacturing base, a large number of highly paid and highly skilled people and the various industries serving refining will be severely impacted.

When this happens the country will become largely reliant on imports (Secunda the only facility likely left), which will place increasing pressure on Durban and associated infrastructure to perform. The outlook for the port of Durban as a supply hub to service the liquid fuels requirements in the country (approximately 70% of liquid fuels supply is through Durban) is not favourable and the risk to security of supply is significant. Already, some of the berths dedicated to liquid fuels are almost fully utilised, which suggests any interruption in production at either Natref or Secunda will result in stockouts. Furthermore, the proposed Durban Port Master Plan to increase capacity at the port will severely impact oil industry movements.

Future priorities

SAPIA will be focusing on the following areas in 2023:

- Continued engagement towards obtaining financial compensation for cleaner fuels production.
- Continued engagement with the TNPA on the Durban Port Master Plan.
- Investigate the capacity of the Durban Port with respect to liquid fuels.
- Develop an industry response to other DMRE initiatives affecting the liquid fuels pool such as biofuels.

Security of supply

Our focus: Facilitate the security of supply of petroleum products

Focus areas	Key developments during the year
Identifying emerging risks to security of supply of petroleum products	Jet supply risk to CTIA and ORTIA has been heightened due to reliance on imports and flooding in KZN. Industry response averted the airport stock out.
Tank Farm relocation to the Port of Ngqura (Coega)	SAPIA members successfully appealed to the Ports Regulators of South Africa against a decision made by the Transnet National Ports Authority (TNPA), declaring that the lease agreements and terminal operator licences held by the members at the Dom Pedro Facility in the Port of Port Elizabeth (Gqeberha) will terminate on 30 April 2022.
Competition Commission exemption	The commission has further extended the exemption to 31 January 2023.
Engage Transnet Pipelines (TPL) to finalise the conveyancing	SAPIA and TPL have finalised their negotiations at industry level, however TPL will review the document to ensure it follows their governance process before it is published for implementation.

Progress in 2022

Tank relocation from Port of Port Elizabeth to Ngqura

The TNPA decision to evict the industry at the Dom Pedro complex while the alternative storage at Ngqura has not been built and commissioned was appealed by SAPIA to the Ports Regulator of SA. The Ports Regulator of South Africa decided in favour of the appellants.

The outcome is as follows:

- TNPA has accepted the decision of the Ports Regulator of SA and will not be appealing.
- The appellants and other companies operating at the Dom Pedro Facility in the Port of Port Elizabeth (Gqeberha) will remain at the facility until 2026/2027, which is the date they intend to have completed the construction of the new terminal at the Port of Ngqura.
- TNPA will build the terminal themselves. Upon completion, they will appoint an operator for the terminal. The commissioning date is 2027 and the terminal will be built at the OTGC site.

Jet supply to OR Tambo International Airport

Jet fuel to OR Tambo International Airport is supplied from two sources, via the dedicated pipeline (Avture Line) from Natref refinery to the Airport supplying 22 000m^2 per week and via rail from Durban supplying 18 000m^2 a week. The multi-product pipeline can transport jet fuel from Durban to OR Tambo, but there is not enough tankage in Durban to facilitate injections. There is only 4 000m^2 of jet/DPK fuel tankage available. With the unreliable supply of rail tank cars and security breaches in rail network, the airport supply is at risk and a solution must be found.

Agreed industry action to mitigate this risk:

- TPL had to form a PL6 project team to develop a jet solution for ORTIA via MPP inclusive of TM2 tanks commissioning.
- TFR has increased the number of RTCs from 108 to 148 for jet service (33 for Matola leg).
- Cable theft remains a risk to RTC deliveries to ORTIA.
- Industry is working on providing an additional tank in Durban for pipeline injections.

Designation of the petroleum industry

The Minister of Economic Development and Competition appointed a team of consultants to conduct a study of the industry activities that necessitate a need for the exemption of the petroleum industry for the purposes of section 10(3) (b) (iv) of the Competition Act,1998. The results of this process will assist the minister in deciding to designate the industry.

To allow the consultants to finalise their work, the minister has designated the industry periodically as and when the exemption expires. The latest exemption will expire on 31 January 2022.

Future priorities

SAPIA will be focusing on the following areas in 2023:

- Conduct a risk refresh to identify new emerging risks impacting security of supply and work on the new exemption application of the industry by the Competition Commission.
- Assist Transnet National Ports Authority to ensure a smooth relocation of the oil industry from the Port of PE to the Port of Ngqura (Coega).
- Engage Transnet Pipelines to ensure the introduction of jet fuel into the MPP including the commissioning of the jet fuel tanks at TM2.
- Engage the Transnet National Ports Authority to ensure that East London leases are finalised.

Regulated price elements

Our focus: Contribute to policy formulation, implementation and a fair regulatory framework for all

Progress in 2022

Petroleum products price developments

Most liquid fuels prices are regulated by the Department of Mineral Resources and Energy (DMRE) according to predetermined formulas and rules, which provide for certain margins across the value chain. Various duties and levies are implemented by National Treasury. Those liquid fuels not price regulated by the DMRE include aviation gasoline, jet fuel, marine bunker fuels and heavy fuel oils.

The prices of petrol and diesel comprise the basic fuel price (BFP), government taxes and levies (which include the fuel levy and the Road Accident Fund levy), various other levies for NERSA or tracer (as applicable), magisterial district zone pricing (MDZ) and in the case of petrol only, allowable tariffs on secondary distribution, storage, wholesale and retail determined via the regulatory accounting system (RAS).

The illuminating paraffin price comprises the BFP for paraffin and various tariffs for distribution, storage and wholesaling. There are no government duties or levies on paraffin (unlike diesel) and VAT is not levied on the sale of paraffin.

LPG pricing is based on a specific landed cost for LPG at Richard Bay, which is the deemed refinery gate price for LPG plus allowable tariffs for distribution, filling plants, operating costs, depreciation, working capital, and a retail margin. VAT is charged on the sale of LPG to consumers and incorporates all these costs.

The Russian invasion of Ukraine coupled with the supply chain disruption overhang from the Covid-19 pandemic resulted in prices surging from February. In an effort to contain these, the Government announced a number of measures:

- A reduction in the fuel levy of petrol and diesel during May and June to cushion the effects of the increase. The reduction in May and June amounted to R/l 1.49 which was reduced to 79 c/l in July and then fully eliminated in August. Fuel levies remain an important contributor to government budgets and the reduction was reportedly financed through sales of the strategic stock of crude oil.
- The DMRE simultaneously announced that they would investigate the BFP pricing mechanism to look for areas where reductions could be achieved. This they 'found' to be in two places:
  - elimination of 15% freight premium and
  - elimination of the demand side management levy.

The elimination of the freight premium was a consequence of a general misunderstanding of its purpose. The 15% premium was originally put in place in order to mimic the cost of freight to South African ports. South Africa is at a geographical disadvantage, especially with respect to clean tanker shipping (the shipping of refined liquid fuels or chemicals). Ships sail to the country laden with product but then leave empty, and as a consequence, a premium is normally charged on these voyages. The 15% freight premium mimicked this increase in freight costs.

The removal of the freight premium resulted in imports to South Africa being incurred at a loss (relative to BFP) to oil companies, which at times, reached 50 c/l (see appendix). To offset this loss, oil companies responded by cutting discounts to third parties. This resulted in complaints of fuel shortages, which was not the case, but rather resellers controlling their costs by restricting supply.

SAPIA consequently engaged with the DMRE to adjust the freight component of the BFP to reflect actual market conditions. Price reporting agencies provide regular freight assessments to East and South Africa and there was no reason why the DMRE should not use these assessments instead of the artificial Average Freight Rate Assessment published by the Worldscale Organisation that provides an average assessment for voyages worldwide. By year end the DMRE had still not adjusted the freight component in the BFP.

In a further effort to reign in prices, the DMRE removed the demand side management levy on RON 95 fuel sold in the inland. The purpose of this levy was to avoid octane run away in the inland where consumers could mistakenly buy up octane that would have no performance benefit in their vehicles. At the time of writing, the removal of this levy has had no discernible impact on RON 95 sales in the inland region.

Regulatory accounting system (RAS)

The regulatory accounting system was fully implemented in 2013 (with a transition period in 2011 from the old MPar system). The RAS system provides a consistent methodology to determine industry tariffs and guidelines for this, which have been provided by the Department of Mineral Resources and Energy (DMRE).

In 2016, the Department undertook to finalise the RAS manual, which serves as the working rules for the computation of the RAS margins calculations. This manual has been approved but is yet to be published as an official document although the guidelines are used in practice.

The RAS tariff adjustments are typically made during the December price cycle based on the previous years submitted information to the DMRE. Price changes for 2022 became effective on Wednesday 7 December 2022, based on 2021 information supplied to the DMRE.

Secondary storage element

The secondary storage (SS) portion was decreased from 30.7 c/l to 28.8 c/l for petrol. Diesel is not price regulated to the pump so there is no regulated price for this part of the value chain.

Secondary distribution element

The secondary distribution (SD) portion was decreased from 17.94 c/l to 16.9 c/l for petrol. Diesel is not price regulated at the pump so there would be no regulated margin for this part of the value chain.

Wholesale tariff of petrol

The wholesale tariff was increased from 45.5 c/l to 56.6 c/l (12.4% increase).

Retail tariff on petrol

The retail tariff on petrol was increased by 241.9 c/l.

Wholesale margin of diesel and illuminating paraffin

The wholesale tariffs of diesel and illuminating paraffin (IP) were adjusted with CPI in December 2022 from 80.22 c/l to 83.83 c/l with the routers differential for IP remaining constant at 7.4 c/l. SAPIA did propose to the DMRE that the router differential for IP be dropped.

Government taxes and levies

The Minister of Finance announced in his February 2022 budget speech a marginal adjustment for the fuel levy of an increase of 1 c/l for both petrol and diesel. This increase normally occurs in April but was held over given the price increases in fuel as a consequence of the Russian invasion of Ukraine.

The Road Accident Fund levy was kept unchanged.

A number of commentators have begun to focus on both the fuel levy and Road Accident Fund levy and their sustained above inflationary increases over prior years. This focus was likely the reason why National Treasury did not increase these levies in line with previous years.

Magisterial district pricing zones (MDZ)

The magisterial district price zones, also referred to as primary transport costs, are based on the cost of moving fuels from a supply point to the inland distribution centres by pipeline and road. The tariffs are adjusted annually subject to approval by the Minister of Mineral Resources and Energy.

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

The standard cost for transport determined by the RFA was rebased. This resulted in a fall in the MDZ tariffs of approximately 14% much to the chagrin of some players. On further investigation it was found that the cost schedules used by the DMRE were outdated in so far as the type of vehicle used, which needs to be adjusted in forthcoming years.

LPG pricing - maximum refinery gate price (MRGP)

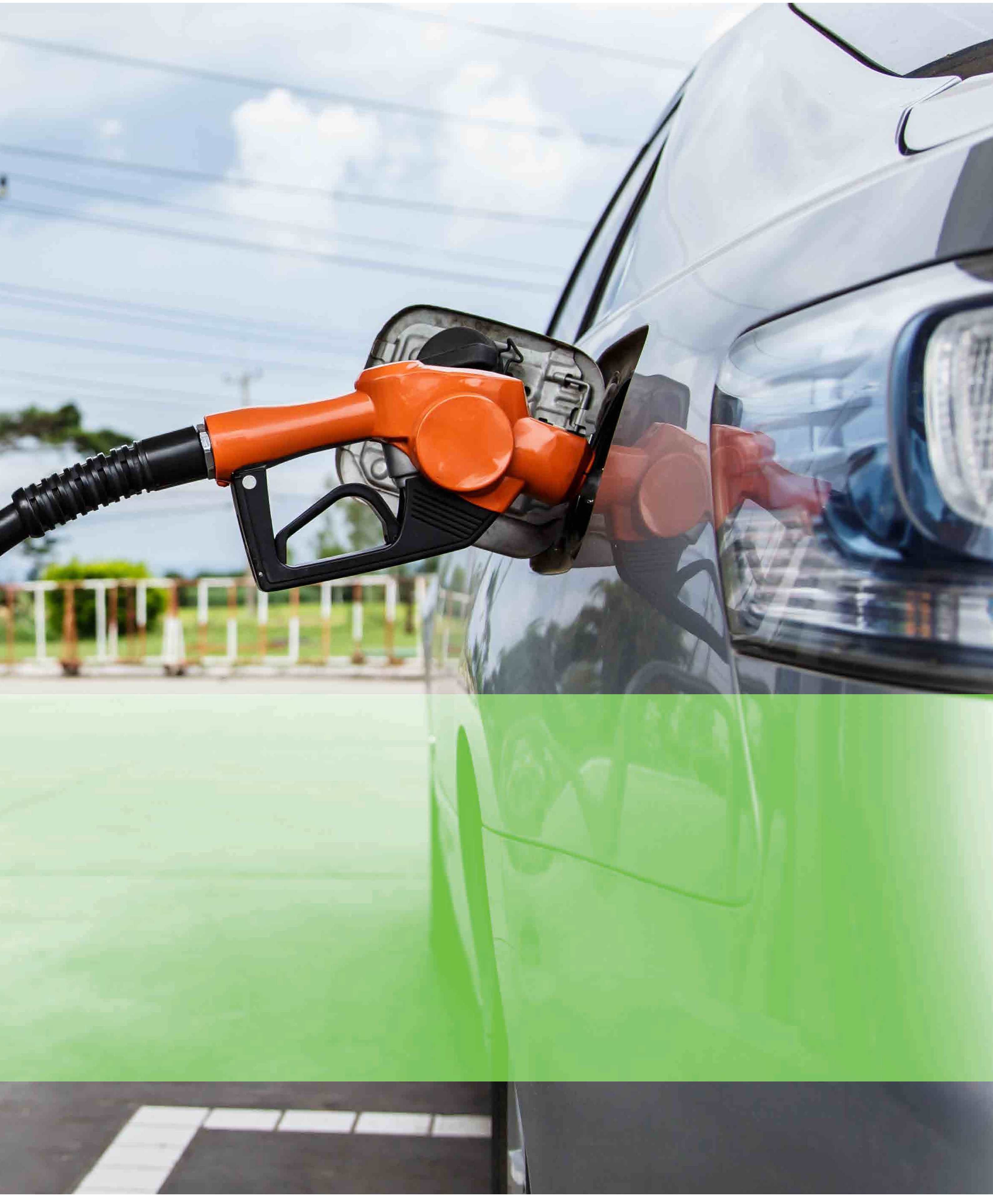
The DMRE changed the pricing formula in June 2020 so that LPG would be more reflective of LPG import dynamics, considering most LPG consumed in the country is now imported. That is, the base price was changed to Saudi CP, plus import costs to Richards Bay on LPG tankers, with allowances for wharfage, demurrage, loss, insurances, and tankage.

National Ports Authority tariffs

The tariff for liquid fuels remained unchanged for the year at 3.244 c/l.

Levy on the petroleum pipeline industry

In terms of Government Notice No. 1334 of 10 December 2020, the Minister of Mineral Resources and Energy in concurrence with the Minister of Finance approved a levy of 0.39734 c/l applicable from 1 April 2021 to 31 March 2022. The levy was determined based on the estimated volumes of 14.3 billion litres per annum and the 2021/22 annual performance plan and budget requirements for the regulation of the pipeline industry of R56 870 706. This levy has remained unchanged now for four years but will marginally increase in 2023.



Statistics

Aggregate financial results of SAPIA members

Year ended 31 December	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021	2022
Operating profit (R/m)	8 628	10 191	1 448	18 814	19 017	15 003	7 699	5 864	-22 119	12 850	4 834
Interest paid (R/m)	(1 295)	(1 386)	(1 393)	(1 336)	(880)	(1 227)	(1 279)	(2 066)	(1 205)	(1 756)	(2 196)
Income tax (R/m)	(2 240)	(2 970)	15	(3 712)	(3 577)	(3 870)	(1 122)	(1 642)	1 913	(2 689)	(480)
Net income (R/m)	**5 092**	**5 834**	**69**	**13 766**	**14 560**	**9 906**	**5 298**	**2 156**	**(21 411)**	**8 405**	**2 158**
Total assets (R/m)	117 240	96 695	114 458	115 110	125 088	171 123	143 654	156 007	140 295	173 341	199 731
Capital expenditure (R/m)	6 844	4 950	9 659	6 031	6 502	7 666	4 628	9 623	4 109	2 941	8 368
Refinery shutdown	380	638	646	666	342	780	891	1 120	187	288	3 604
Other	6 465	4 312	9 014	5 365	6 160	6 886	3 737	8 502	3 922	2 653	4 764
After tax return on assets (%)	4	6	0	12	12	6	4	1	-15	5	1
Sales volumes (bn litres)	29	29	31	34	33	31	31	31	25	26	30
Net income after tax (c/l)	18	20	0	40	44	32	17	7	(85)	33	7

Individual company financial data aggregated by Mr C McClelland (independent industry consultant)

*2012 data reported by 17 SAPIA members.

*2013 data reported by 18 SAPIA members.

*2014 data reported by 15 SAPIA members.

*2015 data reported by 12 SAPIA members.

*2016 data reported by 9 SAPIA members. PetroSA data is estimated.

*2017 data reported by 12 SAPIA members.

*2018 data reported by 9 SAPIA members.

*2019 data reported by 10 SAPIA members.

*2020 data reported by 8 SAPIA members.

Value added statements

	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020	2021	2022
Turnover (R/bn)	285	329	365	300	321	310	405	425	348	419	592
Net cost of products and services (R/bn)	206	236	280	202	198	186	254	273	223	265	423
Total value added (R/bn)	**79**	**92**	**85**	**98**	**123**	**124**	**151**	**152**	**125**	**154**	**169**
To pay employees gross salaries, wages and benefits (R/bn)	6	6	6	6	6	7	6	7	7	7	8
To pay the State tax in the form of											
Income tax (R/bn)	2	3	0.02	4.00	4.00	4.00	1.00	2.00	(1.38)	3.00	3.00
Duties and levies (R/bn)	63	66	72	83	94	114	145	131	130	135	145
To pay providers of capital											
Net finance expense (R/bn)	1	1	1	1	1	1	1	2	2	3	4
Dividends (R/bn)	2	2	1	3	4	0	0	4	2		5
Retained for future growth											
Depreciation (R/bn)	3	3	3	5	6	5	4	5	5	4	12
Retained income / other for the year (R/bn)	2	12	2	(4)	8	(7)	(7)	1	(21)	2	(8)
Total value added (R/bn)	**79**	**92**	**85**	**98**	**123**	**124**	**150**	**152**	**125**	**154**	**169**

Individual company financial data aggregated by Mr C McClelland (independent industry consultant)

*2012 data reported by 17 SAPIA members

*2013 data reported by 18 SAPIA members

*2014 data reported by 15 SAPIA members

*2015 data reported by 12 SAPIA members

*2016 data reported by 9 SAPIA members. PetroSA data is estimated.

*2017 data reported by 12 SAPIA members

*2018 data reported by 9 SAPIA members

*2019 data reported by 10 SAPIA members.

Regulatory Accounting System margins (petrol grades)

	2015	2016	2017	2018	2019	2020	2021	2022
Wholesale margin at year end (c/l)	33.20	35.60	34.00	34.80	35.70	40.50	45.50	56.60
Retail margins	161.66	176.40	187.20	198.00	206.00	221.60	228.80	241.90
Secondary distribution margin at year end (c/l)	13.71	17.30	15.90	14.60	15.20	15.80	17.94	16.90
Secondary storage margin at year end (c/l)	18.52	17.90	18.60	20.90	23.00	27.20	30.70	28.80
Change over prior year (%)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Wholesale margin at year end	(0.9%)	7.2%	(4.5%)	2.4%	2.6%	13.4%	12.3%	24.4%
Retail margins	7.0%	9.1%	6.1%	5.8%	4.0%	7.6%	3.2%	5.7%
Secondary distribution margin at year end	8.8%	26.2%	(8.1%)	(8.2%)	4.1%	3.9%	13.5%	(5.8%)
Secondary storage margin at year end	6.4%	(3.3%)	3.9%	12.4%	10.0%	18.3%	12.9%	(6.2%)

Notes:

* 2011 & 2012 were transition periods for the Regulatory Accounting System.

** Regulatory Accounting System was fully implemented on 4 December 2013.

Sources of crude oil for SAPIA members: 2012 to 2022

Country of origin	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020	2021	2022
Angola	3 356	2444	2614	3348	4 000	3 420	2 352	1 153	–	662	668
Congo	–	–	–	–	–	–	–	–	–	–	116
Côte d'Ivoire	–	–	–	–	–	–	90	–	83	–	59
Equatorial Guinea	76	89	378	22	129	144	–	37	–	–	–
Ghana	259	746	756	–	–	125	1149	1 276	1 400	948	120
Guinea	–	–	–	138	–	38	–	–	–	–	–
India	–	–	–	–	–	38	–	–	–	48	–
Nigeria	4 310	4 336	6 658	7 291	6 131	4 083	6 745	7 174	5 065	3 181	2 917
North Sea / U.K.	–	–	–	–	183	–	–	–	–	–	–
Norway	–	–	–	–	270	–	37	145	37	–	–
Oman	–	–	–	133	–	–	–	–	–	–	–
Panama	–	–	145	–	–	–	–	–	–	–	–
Qatar	242	–	202	832	682	–	133	–	–	–	–
Russian Federation	–	140	–	–	–	–	–	–	140	–	–
Saudi Arabia	8 437	9 723	8 120	4 895	7 939	8 170	8 780	6 122	5 490	4 441	2 238
South Africa	–	–	–	–	–	–	–	–	–	42	38
Spain	–	–	–	–	–	–	–	–	129	–	–
Togo	–	–	–	–		297	157	137	–	–	–
United Arab Emirates	538	307	924	1 337	673	107	794	2 011	133	130	–
United Kingdom	–	24	273	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	139	–	151	171	103	–
Unknown	–	–	–	–	–	–	–	–	301	–	–
Zambia	–	–	–	–	–	–	–	–	–	4	2
Total	**18 940**	**18 658**	**21 279**	**19 233**	**20 666**	**16 770**	**20 238**	**18 207**	**12 949**	**9 558**	**6 157**

*South African Revenue Service
All figures are in kilo tons
2020 Crude import figures do not include those into Saldanha from April onwards - these assumed to enter into SFF storage and not for processing.
2021 Crude import figures do not include those into Saldanha for the entire year. Crude imports into Saldanha amounted to 2046 k tons.
2022 Crude imports include that from SA strategic stock (crude origin unknown) and Zambia (crude origin unknown) following closure of Ndeni refinery.

Crude oil price movements: January 2020 to December 202022

Average monthly prices (US$/bbl)

	2020			2021			2022		
	Brent	Dubai	Forcados	Brent	Dubai	Forcados	Brent	Dubai	Forcados
January	63.6	64.3	64.5	54.8	54.8	54.4	87.2	83.5	86.5
February	55.4	54.2	56.5	62.2	60.9	60.9	98.2	92.3	95.0
March	31.8	33.7	33.3	65.6	64.4	64.5	118.8	110.9	114.6
April	19.0	20.5	21.0	64.7	62.9	63.6	104.4	102.8	105.9
May	29.0	29.9	28.8	68.7	66.3	66.9	113.3	108.1	115.7
June	40.1	40.8	40.0	73.0	71.6	72.6	123.7	113.2	123.5
July	43.4	43.3	43.3	75.0	72.9	73.2	112.7	103.1	112.2
August	44.8	44.0	44.4	70.8	69.5	68.8	100.0	96.6	102.2
September	40.8	41.5	40.9	74.6	72.6	73.2	89.9	90.9	92.5
October	40.2	40.7	40.6	83.7	81.6	82.8	93.3	91.1	94.7
November	42.7	43.4	43.6	81.4	80.3	80.2	91.7	86.2	91.7
December	49.9	49.9	49.8	74.1	73.2	73.8	81.1	77.2	80.8
12-month average	**41.7**	**42.2**	**42.2**	**70.7**	**69.2**	**69.6**	**101.2**	**96.3**	**101.3**

Brent crude prices

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Average US$ price	111.6	108.7	99.0	52.0	43.7	54.3	70.9	64.3	41.7	70.7	101.2
*Average rand price/barrel	5.78	6.61	6.75	4.16	4.05	4.55	5.90	5.84	4.32	6.57	10.41
Average exchange rate	8.23	9.67	10.85	12.73	14.71	13.32	13.24	14.46	16.45	14.78	16.36

* Based on exchange rate as per CEF BFP rates

Consumption of petroleum products in South Africa

	Millions of litres					
Year	Petrol	Diesel	Paraffin	Jet fuel	Fuel oil	LPG
2012	11 714	11 262	470	2 367	568	656
2013	11 153	11 890	530	2 223	523	485
2014	11 344	13 169	558	2 197	487	398
2015	12 072	14 178	573	2 441	591	588
2016	10 160	10 846	558	2 121	562	557
2017	11 174	12 147	648	2 713	523	551
2018	11 142	12 539	702	2 346	552	504
2019	10 773	12 909	620	2 439	410	495
2020	8 761	11 690	702	1 091	486	448
2021	9 302	12 946	1 078	1 048	491	308
2022	9 185	12 717	1 178	1 478	594	323

* Source: Department of Mineral Resources and Energy

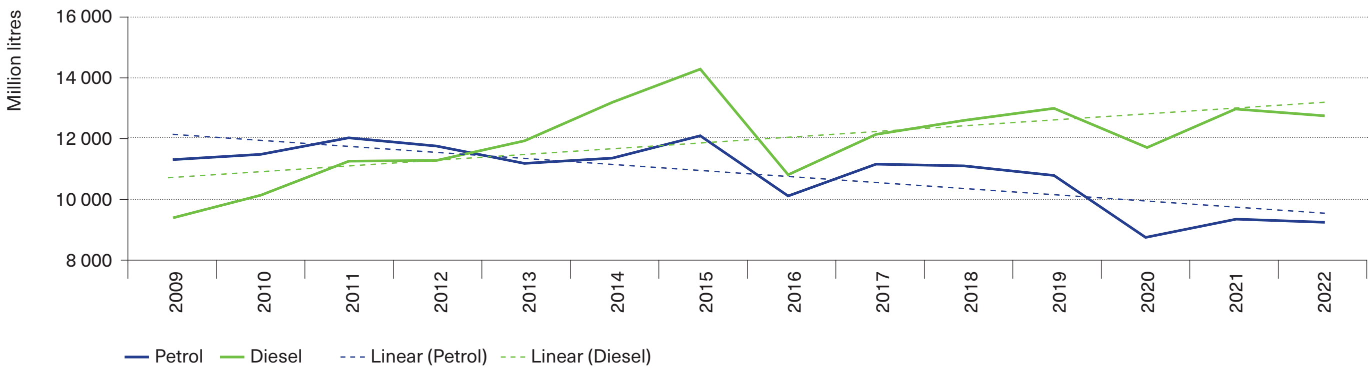


***Figure 6** Petrol and diesel consumption*

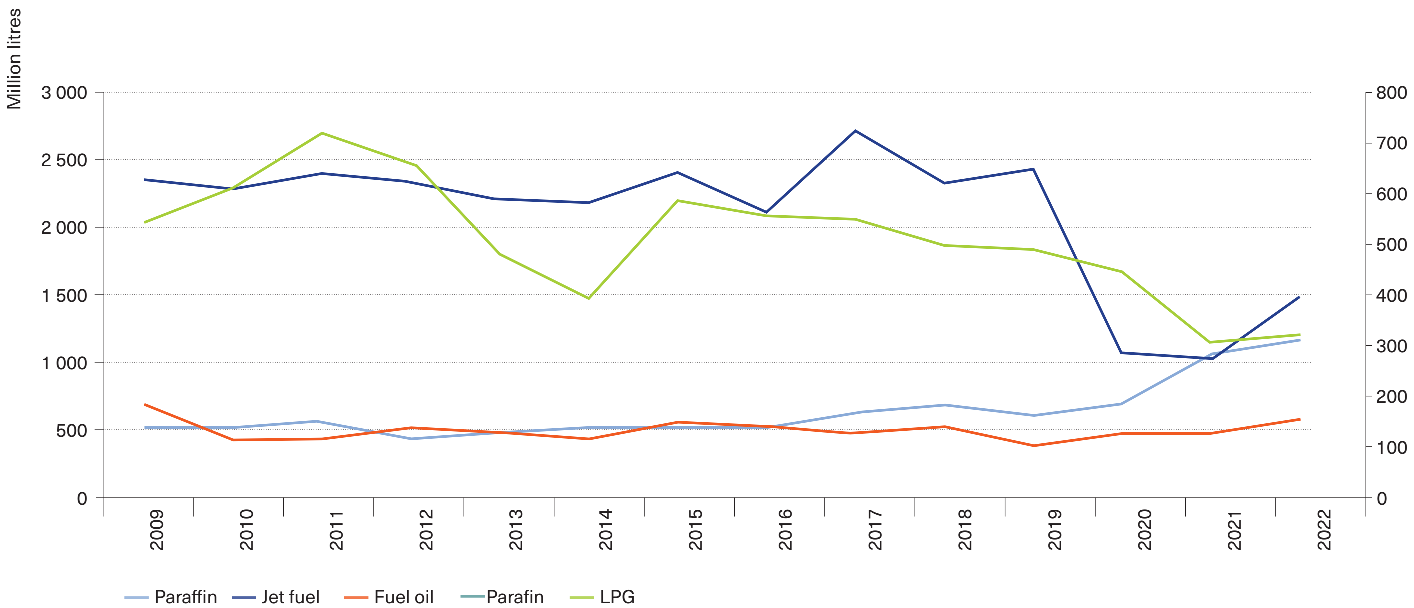


***Figure 7** Petroleum products consumption*

Petroleum products imports and exports

Million litres*

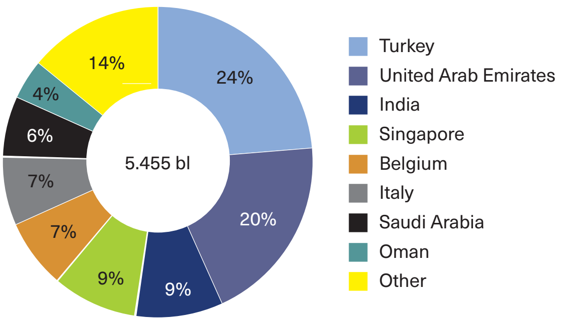
	Imports				Exports			
Year	Petrol	Diesel	Jet fuel	LPG	Petrol	Diesel	Jet fuel	LPG
2012	1 827	3 247	231	32	444	929	145	76
2013	1 509	4 254	183	74	956	1 620	81	55
2014	1 150	4 997	288	47	989	1 493	155	60
2015	1 870	6 451	275	99	1 086	1 625	887	69
2016	1 396	4 424	108	183	1 159	1 887	381	71
2017	2 114	6 036	421	182	1 082	1 784	395	104
2018	2 195	6 105	395	187	1 321	1 838	441	130
2019	1 477	5 858	462	160	1 179	1 786	331	110
2020	1 720	6 815	680	268	1 155	914	671	108
2021	4 009	9 567	1 001	442	1 054	895	147	109
2022	5 455	11 914	964	368	793	698	14	104

*Source: South African Revenue Service / DMRE

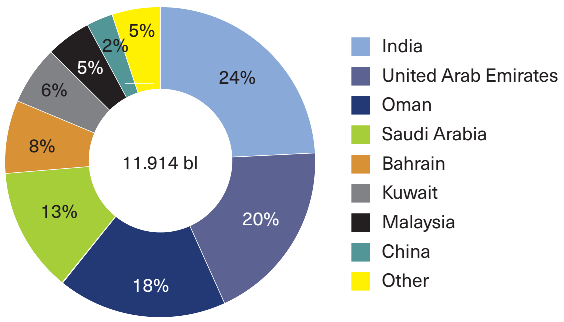
**Figures for LPG are in kilo tonnes.

Kerosene includes illuminating paraffin, jet fuel and dual purpose kerosene.

Petrol imports - 2022



Diesel imports - 2022



*Source: South African Revenue Service

Capacity of South African refineries

Capacity (bbl/day)

Refineries	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sapref	180 000	180 000	180 000	180 000	180 000	180 000	180 000	180 000	180 000	–
Enref	120 000	120 000	120 000	135 000	135 000	135 000	135 000	135 000	–	–
Astron Energy	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Natref	108 000	108 000	108 000	108 000	108 000	108 000	108 000	108 000	108 000	108 000
Sasol*	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000
PetroSA*	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	–	–
Total	**703 000**	**703 000**	**703 000**	**718 000**	**718 000**	**718 000**	**718 000**	**718 000**	**538 000**	**358 000**

*Crude equivalent

2021 - Engen announced the conversion of the Engen Refinery to a world class import and product storage facility, as well as repurposing of the refinery site.

2022 - BP and Shell announced a pause at SAPREF refinery operations.

Prices in Gauteng: 30 June each year

Year	95 octane leaded petrol retail price (c/l)	0.005% sulphur diesel wholesale price (c/l)	Illuminating paraffin single maximum national retail price (c/l)*	Liquefied petroleum gas maximum retail price (c/kg)**
2012	1 167	1 078	1 048	2 207
2013	1 239	1 141	1 106	2 289
2014	1 402	1 280	1 271	2 501
2015	1 336	1 173	1 006	2 217
2016	1 326	1 111	718	2 185
2017	1 354	1 162	714	2 144
2018	1 579	1 425	927	2 522
2019	1 657	1 528	974	2 657
2020	1 340	1 139	490	2 129
2021	1 713	1 471	1 102	2 721
2022	2 417	2 323	1 820	3 714

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

**Maximum retail price (MRP) of LPG was introduced in July 2010.

Source: Department of Mineral Resources and Energy June price schedule

Petroleum product prices

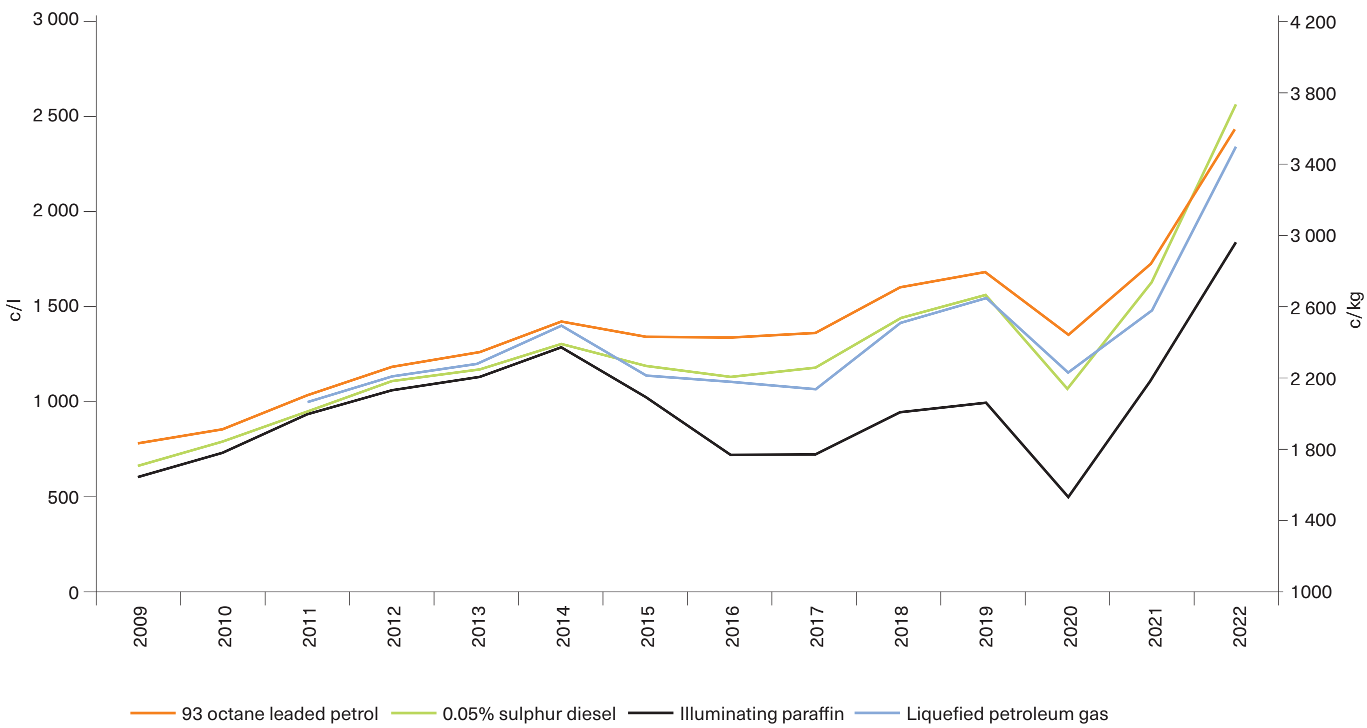


Figure 9 *Prices in Gauteng: 30 June each year*

Petrol, diesel & LPG price breakdown

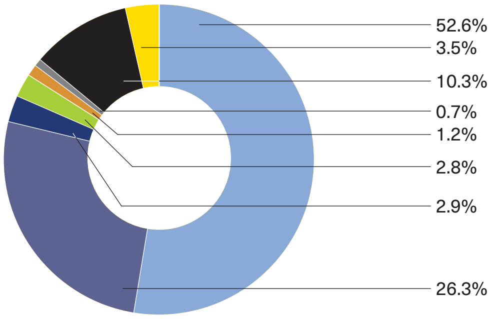
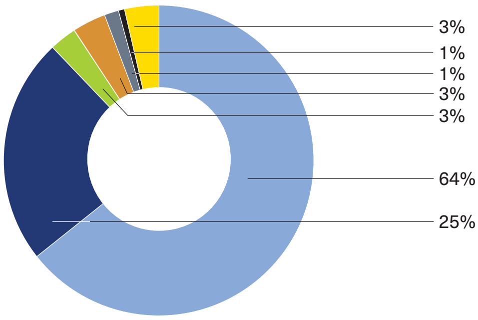


Figure 10 *95 octane petrol: Gauteng retail price 2 346 c/l in December 2022*

Contribution to the basic fuel price	1 234.490 c/l
Government duties and levies	616.330 c/l
Zone differential	67.900 c/l
Wholesale margin	56.600 c/l
Secondary storage	23.000 c/l
Secondary distribution	16.900 c/l
Retail margin*	241.900 c/l
Pump rounding	-0.200 c/l
Slate levy	83.280 c/l

Source: Media release by Department of Mineral Resources and Energy

* Includes MIBCO agreemen for Fourcourts attendants which was only effective 1st Jan 2020.



Contribution to the basic fuel price	1 539.030 c/l
Government duties and levies	602.430 c/l
Zone differential	67.900 c/l
Wholesale margin	83.830 c/l
Secondary storage	28.800 c/l
Secondary distribution	16.900 c/l
Slate levy	83.280 c/l

Figure 11 *Diesel (0.005% S): Gauteng wholesale price 2 422.17 c/l in December 2022*

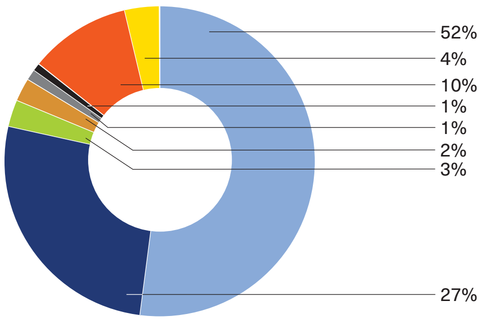


Figure 12 *93 octane petrol: Gauteng retail price 2 316 c/l in December 2022*

Contribution to the basic fuel price	1 204.490 c/l
Government duties and levies	616.330 c/l
Zone differential	67.900 c/l
Wholesale margin	56.600 c/l
Secondary storage	28.800 c/l
Secondary distribution	16.900 c/l
Retail margin	241.900
Pump rounding	-0.200 c/l
Slate levy	83.280 c/l

Source: Media release by Department of Mineral Resources and Energy

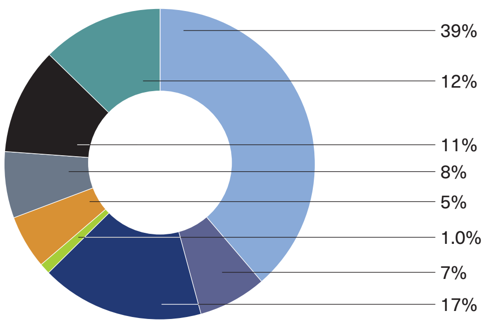


Figure 14 *LPG: Gauteng max retail price 3 404 c/kg in December 2022*

Maximum refinery gate price	1 351.88 c/kg
Primary transport costs	247.88 c/kg
Operating expenses	591.698 c/kg
Working capital	38.029 c/kg
Depreciation	190.813 c/kg
Gross margin: cylinder-filling plant	243.815 c/kg
Retail margin (15%)	386.117 c/kg
Value Added Tax (15%)	444.035 c/kg

Source: Media release by Department of Energy

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

Petrol

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Petroleum Products Levy	Demand Side Management Levy*	Total Imposts
2012	4.0	197.5	88.0	0.15	10.0	302.65
2013	4.0	212.5	96.0	0.15	10.0	325.65
2014	4.0	224.5	104.0	0.15	10.0	342.65
2015	4.0	255.0	154.0	0.15	10.0	423.15
2016	4.0	285.0	154.0	0.33	10.0	453.33
2017	4.0	315.0	163.0	0.33	10.0	492.33
2018	4.0	337.0	193.0	0.33	10.0	544.33
2019	4.0	361.0	198.0	0.33	10.0	573.33
2020	4.0	363.0	207.0	0.33	10.0	584.3
2021	4.0	393.0	218.0	0.33	10.0	625.3
2022	4.0	394.0	218.0	0.33	-	616.3

* DSML only on 95 ULP in zones 07A, 07C, 08A, 08C, 09A, 10A, 09C, 10C, 11A, 11C, 12C, 13A, 13C, 14C, 15C, 15A, 16C, 17A, 17C and 19A.
Gauteng retail price of 95 octane c/l - December 2022: 2346
Taxes and levies as a % of this retail price: 24.91%

Diesel

Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Petroleum Products Levy	IP Tracer Dye Levy	Total Imposts
2012	4.0	182.5	88.0	0.15	-	277.7
2013	4.0	197.5	96.0	0.15	-	300.7
2014	4.0	209.5	104.0	0.15	-	317.7
2015	4.0	240.0	154.0	0.15	-	398.2
2016	4.0	270.0	154.0	0.33	-	428.3
2017	4.0	300.0	163.0	0.33	-	467.3
2018	4.0	322.0	193.0	0.33	-	519.3
2019	4.0	347.0	198.0	0.33	0.1	549.4
2020	4.0	363.0	207.0	0.33	0.1	574.4
2021	4.0	379.0	218.0	0.33	0.1	601.4
2022	4.0	380.0	218.0	0.33	0.1	602.4

Gauteng wholesale price of 0.005% S c/l - December 2022: 2422.17
Taxes and levies as a % of the wholesale price: 23.72%

The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2022 sales volumes at June 2022 rates)

	Petrol	Diesel
Sales volumes (million litres)	9,302	12,946
95 unleaded petrol in the DSML area (million litres)*	1,671	
Customs and excise duty (c/l)	4.00	4.00
Fuel levy (c/l)	394.00	380.00
Road accident fund levy (c/l)	218.00	218.00
Equalisation fund levy (c/l)	0.00	0.00
Value Added Tax (VAT)	0.00	0.00
Demand side management levy (DSML) (c/l)	10.00	0.00
IP marker levy (c/l)	0.00	0.10
Petroleum products levy (c/l)	0.33	0.33

	Million rands		Total
Customs/ excise duty	372	518	890
Fuel levy	36,648	49,194	85,842
Road accident fund levy	20,277	28,222	48,499
Equalisation fund levy	–	–	–
Value Added Tax (VAT)	–	–	–
Demand side management levy (DSML) [1]	167		167
IP marker levy [2]	–	13	13
Petroleum products levy [3]	31	43	73
Total [4]	**63 138**	**68 892**	**132 029**

Source : DMRE / CEF

[1] Only applicable to 95 octane unleaded petrol sold in the inland zones - at the end of the May 2022 pricing period.

[2] Levy added to diesel to cover costs of marker added to illuminating paraffin recovered by the oil industry.

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

[4] These values do not include allowable rebates for diesel to certain sectors (such as forestry and NSRI) allowed by SARS.

Workforce profile

The table below reflects the combined workforce profile for direct employees of SAPIA member companies and its refineries as reported to the Department of Labour in October 2022. It should be noted that the petroleum industry supports direct and indirect employment for over 100 000 people.

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	12	3	7	12	17	2	1	6	8	5	73
Senior Management	118	42	58	64	97	30	33	31	16	5	494
Professionally qualified and experienced specialists and mid-management	494	212	230	196	418	131	122	112	11	7	1 933
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintedents	672	272	157	142	573	224	75	111	7	6	2 239
Semi-skilled and discretionary decision making	1 144	222	72	59	435	91	30	36	1	1	2 091
Unskilled and defined decision making	157	21	0	0	69	5	0	0	0	0	252
TOTAL PERMANENT	**2 597**	**772**	**524**	**473**	**1 609**	**483**	**261**	**306**	**43**	**24**	**7 086**
Temporary Employees	19	2	2	3	15	1	1	0	1	0	44
GRAND TOTAL	**2 616**	**774**	**526**	**476**	**1 624**	**484**	**262**	**296**	**44**	**24**	**7 493**

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

Performance indicators	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
(Not including refineries)												
Safety: staff and contractors												
Fatalities	8	10	9	14	10	3	5	0	1	0	2	10
Lost time injuries	44	43	26	25	16	23	27	33	9	14	13	18
Hours worked (million)	26.6	30.0	28.9	31	34.9	65.4	71.5	70.1	53.2	26.6	25.4	26.1
Total recordable rate (TRR), fatalities, lost time injuries and medical treatment cases per 200 000 hours worked.	**0.5**	**0.4**	**0.4**	**0.6**	**0.2**	**0.3**	**0.4**	**0.3**	**0.4**	**0.2**	**0.2**	**0.3**
Environment:												
Fires	16	13	29	21	32	31	31	18	13	9	9	20
Health:												
Occupational illnesses	1	2	1	1	1	1	1	3	0	0	6	6
Security:												
Hijackings	5	6	9	9	9	0	6	2	5	8	10	15
Cash-in-transit robberies	18	27	11	17	24	26	54	26	12	15	12	18
Retail robberies	156	222	214	274	410	381	787	431	363	401	377	413

Crude refineries resource consumption and waste/emissions

		2015	2016	2017	2018	2019	2020	2021	2022
Water usage: litres	**Total**	**8 588 691**	**7 774 810**	**6 490 410**	**7 467 484**	**10 116 875**	**6 645 051**	**3 952 137**	**2 049 557**
	Municipal	5 944 116	6 544 507	6 490 410	6 895 681	7 792 703	6 023 085	3 952 137	1 854 513
Electricity consumption: Gwh		895	950	1 176	967	933	754	605	374
SO_2 emissions: tons		21 206	20 166	17 308	16 385	19 348	13 936	10 312	4 782
PM emissions: tons		1 517	866	945	1 108	576	425	258	141
CO_2 emissions: tons		2 653 748	3 643 580	3 445 407	3 509 640	3 524 088	2 071 895	2 307 580	1 283 247
Waste: tons	**Total:**	**37 130**	**40 345**	**42 785**	**49 017**	**43 227**	**44 655**	**37 892**	**43 100**
	Hazardous:	27 317	32 239	36 105	41 492	34 266	40 130	32 500	33 601
	Non-hazardous:	9 813	8 106	6 680	7 525	8 961	4 525	5 392	9 499

Crude and coal/gas to liquids refineries health & safety indicators

Indicator	2016	2017	2018	2019	2020	2021	2022
Fatalities	1	2	0	2	3	2	0
Lost time injuries (LTI)	47	44	55	23	33	19	37
Exposure hours	53 412 875	49 819 482	52 602 045	53 046 089	54 522 263	37 222 328	39 284 514
Occupational illnesses	25	6	36	62	53	29	22
Total Recordable Rate (TRR) (fatalities, LTI and medical treatment cases per 200k hours worked).	**0.99**	**1.5**	**1.29**	**1.5**	**1.13**	**1.15**	**0.4**

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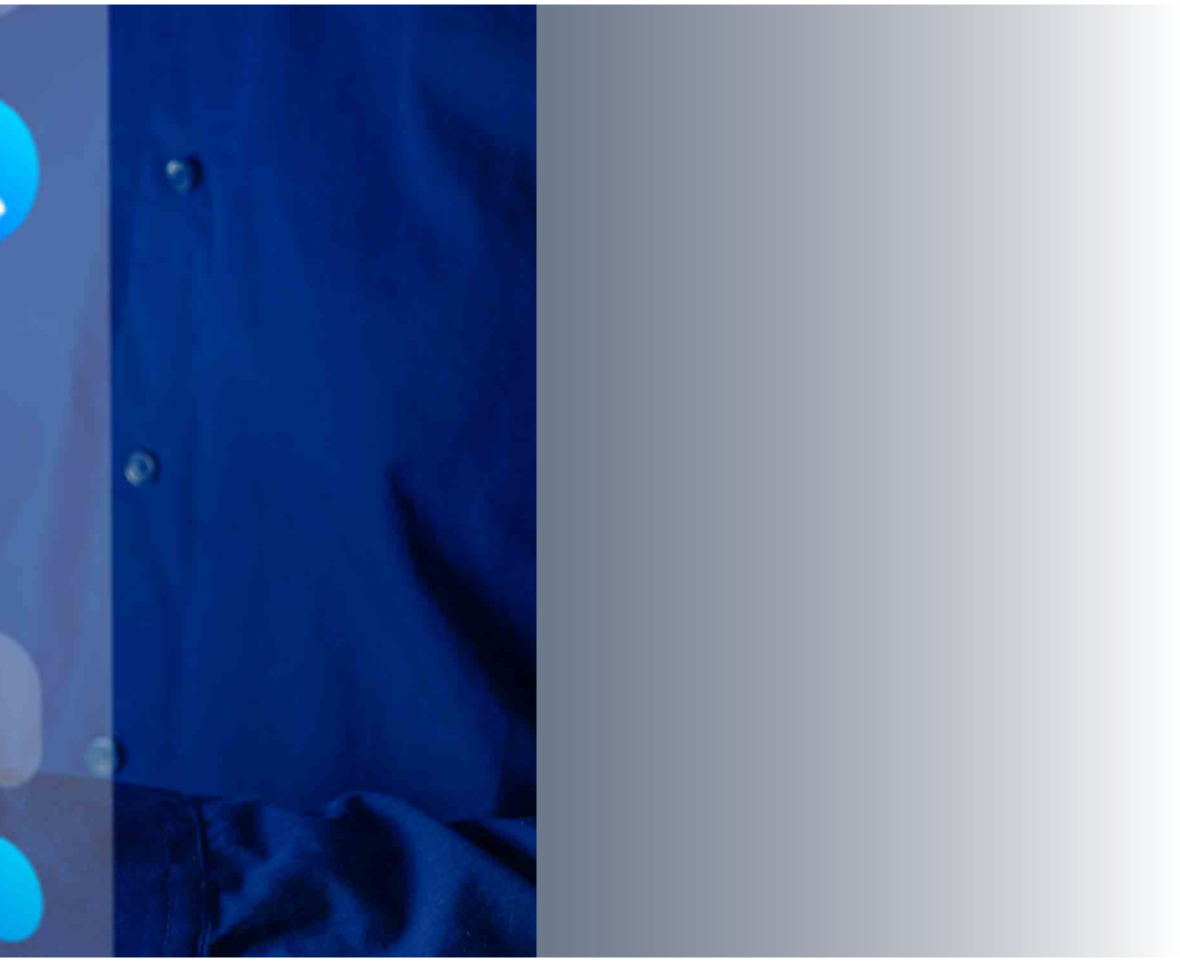

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Abbreviations

ACSA	Airports Company of South Africa
B-BBEE	Broad-based black economic empowerment
Bbl/day	Barrels per day
BEE	Black economic empowerment
BUSA	Business Unity South Africa
CHIETA	Chemical Industry Education and Training Authority
CO2e	Carbon dioxide equivalent
CSI	Corporate social investment
DOE	Department of Energy
HDSAs	Historically disadvantaged South Africans
HRD	Human resource development
IEA	International Energy Agency
IeC	Integrated Energy Centre
IK	Illuminating kerosene
INDC	Intended nationally determined contribution
IP	Illuminating paraffin
Kb/day	Thousand barrels per day
LFC	Liquid Fuels Charter
LOE	Leadership in Oil and Energy Certificate Programme
LPG	Liquefied petroleum gas
MMT	Methylcyclopentadienyl manganese tricarbonyl
MIBCO	Motor Industry Bargaining Council
MDZ	Magisterial district zones
MPP	Multi-product pipeline
MTT	Ministerial task team
NEMA	National Environmental Management Act
NEMA: AQA	National Environmental Management: Air Quality Act
NERSA	National Energy Regulator of South Africa
NICOLA	Network for Industrially Contaminated Land in Africa
NOSCP	National Oil Spill Contingency Plan
NPA	National Ports Authority
NPR	National Ports Regulator
NPEA	National Petroleum Employers Association
NSDS	National Skills Development Strategy
NSDS III	National Skills Development Strategy III
OPEC	Organisation of the Petroleum Exporting Countries
OPRC	Oil Pollution Preparedness, Response and Co-operation
PPA	Petroleum Products Amendment Act
PPC	Parliamentary Portfolio Committee
PPP	Public-private partnership
RAF	Road Accident Fund
RAS	Regulatory accounting system
RON	Research octane number
SAMSA	South African Maritime Safety Authority
SAPIA	South African Petroleum Industry Association
SBM	Single buoy mooring
SETA	Sector Education and Training Authority
SETs	Sectoral emission targets
SSP	Sector Skills Plan
TFR	Transnet Freight Rail
TOR	Terms of reference
TPL	Transnet Pipelines
WACC	Weighted average cost of capital

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