DEPARTMENT OF ENERGY

PRESENTATION TO THE PARLIAMENTARY PORTFOLIO COMMITTEE ON ENERGY ON THE LIQUID FUEL SECTOR

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energy

Department:
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Introductory Context

- South African economy relies heavily on Petroleum
- RSA is dependent on imported Oil and increasingly imported Petrol and Diesel imports
- Prices of both Crude Oil and Finished products stabilising at 100USD and above.
- No proven resource in the country yet except Shale Gas and potential in Southern Cape
- No significant footprint of crude externally
- Sector employs about **110 000 People (70000 Retail)**
- R270 billion Turnover per Annum

Mandating Provisions and Legal Tools

- Petroleum Products Act as amended and Regulations
- Extract of Powers of the Minister:
- Regulate Petroleum Products in a manner as the Minister deems fit
    - Efficient Use
    - Cost of Distribution
    - Supply including import/export
    - Pricing
    - Display of Prices – Retail
    - Appointment of the Controller of Petroleum Products
    - Appointment of Inspectors
- The Minister is appeal Authority on Decisions of the Controller

Key Stakeholders

- SAPIA – South African Petroleum Industry Association
- Oil Companies – **PetroSA**, **Sasol, BP, Shell, Chevron and Engen, Total**
- Retailers Associations, LPG Association and Labour organisations
- Licence Holders – Retail and Wholesale
- Members of the Public – Motorists in particular
- Transnet – Pipeline, Rail and Ports
- Airports Company South Africa
- Eskom
- **Strategic Fuel Fund – SFF**
- Security Agencies
- NERSA – Co-regulation

Key Sources of Crude Oil Supply

As at the end of 2013:

1. Saudi Arabia – 45%
2. Nigeria – 23%
3. Angola – 18%
4. Ghana – 4%
5. Others- 10%

Crude Oil Import Picture is like this due to the Sanctions on Iran imposed by the EU and the USA. The increase in imports from the continent is to be encouraged.

Key Infrastructure for Liquid Fuels

- Single Buoy Mooring (SBM) – 80% Crude Import
- Refineries – Durban (2), Cape Town, Sasolburg, Secunda and Mossel Bay
- New Multi Product Pipeline – NMPP
- Durban Johannesburg Pipeline - DJP
- Crude Oil Pipeline - COP
- Ports
- Rail network
- Fuel Depots
- Road transport – Road Tankers
- Gas Pipeline from Mozambique
- Crude Oil Storage in Saldanha and Milnerton
- Jet Fuel Storage Tanks – ACSA Airports

Fuel Security of Supply & Compliance Monitoring

Fuel security of supply

- Refinery Shutdown Schedule Monitoring
- Import/Export Permitting
- Supply Managers Meetings – Bi-monthly
- Logistics Planning Team (LPT) Meetings – Weekly

Compliance

- Fuel specification testing

Key National Challenges

- Continuously improving distribution infrastructure
- Liquid Fuel Emergency and Capacity to Respond
- No Significant Crude of our own as a country
- Economic Transformation – Less than adequate

Key National Challenges

- SACU Deficit expected to reach 200 000 by 2020 – PFC Energy (***Assumptions on Clean Fuels***)
- Refineries not operating at name plate capacity average 80%
- RSA becoming attractive to Traders – Vitol, Glencore, Mercuria, Trafigura etc.
- Refinery unreliability impacting at times, LPG and Bitumen
- Could impact Jet fuel in future – Already at 120 million litres per year.

Key Regional Challenges

- Except South Africa there is massive shortage of infrastructure in the region
- Lack of Pipelines – Trucking not efficient mode
- Lack of refineries in the region – Need to build more
- Need to upgrade import facilities – Mozambique has advanced
- Demand far outstrips supply – 700 000 barrels per day
- SADC – had total 250000 barrels per day deficit in 2012
- SADC – other than RSA only Luanda and Ndola (Zambia) have working refineries – Uganda planning to construct
- Utilisation of refineries amongst the lowest in the world

Stakeholder Expectations

- HDSA – Concerns on slow pace of **EMPOWERMENT**
- Retailers – Turnaround Times for Licences
- Higher Wages for Petrol Attendants
- Limited State market participation
- Clean Fuels II – Cost Recovery Mechanism
- Retailers – Minister to protect them from Oil Companies
- Biofuels Industry – Certainty on Pricing Framework

Key Issues for the Short Term

- Monthly Fuel Price Adjustments
- Revision of the Basic Fuel Pricing Elements
- **Fuel Efficiency Campaign**
- Decision on Biofuels Pricing Framework
- Liquefied Petroleum Gas (LPG) Pricing - MRGP
- Building Govt. partnerships on BEE enforcement (DTI)
- **Comprehensive Intervention for PetroSA Gas Supply**

Key Issues for the Medium Term

- Repositioning of Strategic Fuel Fund and PetroSA
- Govt to Govt Oil Allocation deals – Diversity
- Consideration of a Second Crude Import Facility
- Improved Import & Inland Distribution Infrastructure
- Shale Gas regulatory framework by DMR -Skills
- Capacity Building for Gas Policy and Regulation
- Aligned position on Carbon Tax and impact on Prices

Issues for the Longer-Term

- **Dieselization** of the South African vehicle Pool starting with the Government Fleet
- **Decision on Refining Capacity and Role of State**
- Replacement of Diesel by Natural Gas in Power Plants
- **Strategic Stocks Enhancement** – Currently Very Low
- Regional (SACU) Approach to Liquid Fuels Issues
- SADC and Sub-Sahara approach to infrastructure

Thank You