

RESPONSES TO QUESTIONS RAISED BY THE PORTFOLIO COMMITTEE ON ENERGY DURING THE CEF GROUP ANNUAL REPORT PRESENTATION ON 08 NOVEMBER 2016, WHICH WAS HELD AT STRAND HOTEL, CAPE TOWN AT 10:00

1. Why the delegation is male dominated? CEF senior management needs to be more gender representative

The CEF Group acknowledges and accepts that the gender parity / equality is an important element in the transformation agenda. The Group has a holistic approach of prioritizing the appointment of women in senior roles as part of our initiatives for the coming business quarters. We will consciously appraise the Committee on these developments. The Minister has also directed that 50/50 principle be applied in filling vacancies.

2. When are the vacancies going to be filled? Interim appointments do not instill confidence. High turnover rate at senior management.

The challenge of vacancies is receiving special attention, across the group, in an endeavor to foster stability and stakeholder confidence. Once the PetroSA Turnaround Plan has been approved the capacitation of vacant senior leadership posts will be executed as part of strategic initiatives for turning the business around in a sustainable manner. The timeline for this process is the end of the 2016/2017 Financial year.

3. Does CEF has an internship strategy?

CEF has a comprehensive internship program which covers various aspects of training from behavioural/personal mastery to functional areas as well as advanced technical training which is currently taking place. The GITs that have been developed by CEF are leaders in their respective industries today and have contributed to the transformation of the oil and gas sector. The full programme is as shown below.

**GIT
2016/2017 Programme Calendar Guide**

Internship Programme Outcomes:	1. Attainment of Performance Objectives
	2. Skills Development
	3. Personal Growth
	4. Career Development
	5. Professional Certification
	1. Learning and Development
	<i>Training</i>
	<i>Coaching</i>
	<i>Employee Engagement</i>

Functional Areas:	<i>Performance Management</i>
	2. HR Operations
	<i>Recruitment & Selection</i>
	<i>On-boarding</i>
	<i>Payroll</i>
Behavioural & Personal Development:	1. Conflict Management
	2. Communication
	3. Presentation
	4. Writing
	5. Work Ethics – Etiquette
	6. Team Development
	7. Interpersonal Skills
Generic Technical Skills:	1. MS Office
	2. Performance Management
	3. Microsoft Word
	4. Microsoft Excel
	5. PowerPoint
	6. Publisher
	7. Microsoft Outlook
	* 3 Site Visits
	* Energy 101
	* Procurement
	* Writing

4. Is the 10,2 million barrels in strategic stocks still in the tanks.

Yes

5. How many days strategic stocks do we hold? When is it going to be increased to 42 days?

Current cover is 60 days based on third party stock held in SFF tanks. When the market conditions are favorable the stock will be replenished.

6. Has CEF investigated the possibility of DMR deferring the abandonment liability

Yes, CEF has investigated the option of engaging DMR with a view of deferring the abandonment liability. The Central Energy Fund has approached the Regulator, Department of Mineral Resources and the Department of Environmental Affairs to find a sustainable solution whilst considering the prevailing uncertainties relating to the rehabilitation methods in the Oil and Gas sector. These departments process the commencement of the implementation of the Regulations. CEF has not requested for any exemption

in this regard and remains committed to fund the rehabilitation liability as a responsible corporate citizen would.

7. Any progress on the Chevron deal

CEF is not participating in the Chevron deal.

8. What penalty did Engen pay for cancelling the Project Irene deal. How much did Project Irene cost CEF?

Engen did not pay any penalty for the cancellation of the Irene deal as there was no legal obligation to do so. The cost of the transaction advisory services up to the time when the deal was terminated amounted to R66 million.

9. What is the cost of sale for stock rotation?

On the date of stock rotation the book value of the stock was R1.8 billion which represents the Cost of Sale.

10. How far is the legal review that was requested by the Minister? Is the due date of 2 December for the preliminary report on contracts review practical

The Legal Review as directed by Minister is underway. The preliminary results are expected by the 2nd week of December. This has been set as the deliverable for the company.

11. Was the Group profit purely based on the stock rotation? Is this asset stripping

No this is not asset stripping. At an Operational level, the Group made a profit of **R259 Million**, without taking stock rotation into consideration.

12. Has CEF responded to the SONA directives, Ten point plan, Operation Phakisa?

Briefing to the Portfolio Committee on Energy on the impact of 2016 SONA on 23 FEBRUARY 2016 and the Department of Energy's Nine Point Plan has been mainly cascaded to CEF to operationalize. CEF has done a thorough analysis of the SONA and developed a programme of action in line with the SONA Directive.

We have been partaking in Operation Phakisa/ Ocean Economy through various initiatives in the Group ranging from identification of reserves to realise offshore upstream projects, to participating in the Saldanha Offshore Supply Support Base to various LNG studies across different Ports that culminated in the Preliminary Information Manual that was recently issued by the Department of Energy.

13. What has happened to the CEF and PetroSA turnaround strategy . Do we have a long term sustainability plan? How is the CEF planning to reduce the country's dependence on multinational oil companies?

The Turnaround Plan is set for final approval by end of November 2016.

CEF is planning to do plant modifications to increase production in its Mossel Bay Refinery and get it back to 46,000 bbl/day. CEF wants to penetrate the product import space (through establishment of coastal storage and fully fledged trading unit) in order to close the gap created by the demanding exceeding supply in South Africa and an aggressive Sales and Marketing Downstream strategy have a national footprint and ensure security of supply to various magisterial zones.

CEF is planning to intensify its partnership strategy in order to attract other partners in all its projects to diversify risks and ensure timeous execution of projects with partners.

14. Where was CEF when all the bad decisions were taken all subsidiary level

CEF has intervened in the investigation around procurement at both PetroSA and SFF. CEF engaged the PetroSA Board once it became clear the volumes were not going to be realized. CEF has established the governance structure to monitor and control all major capital projects.

CEF engaged external independent parties to assist PetroSA in stabilizing their operations. CEF further seconded the resources to assist PetroSA business.

15. What bonuses were paid out to the CEF group during the last financial year

Bonus payment made in 2015/2016 financial year relating to the 2014/2015 financial year bonus provision R41, 995 million.

Bonus payment made in 2014/2015 financial year relating to the 2013/2014 financial year bonus provision R193, 387 million.

16. Does CEF has a mandate to play in the renewables space

The CEF Group of Companies derives its purpose and mandate from the CEF Act No. 38 of 1977 which established both the Central Energy Fund and the Equalisation Fund, and determined that CEF could take up the shares in SFF as well as use the Central Energy Fund for:

The acquisition of coal, the exploitation of coal deposits, the manufacture of liquid fuel, oil and other products from coal, the marketing of the said products and any matter connected with the said acquisition, exploitation, manufacture and marketing;

The acquisition, generation, manufacture, marketing or distribution of any other forms of energy (of which renewable is one) and research connected therewith;

This mandate was further extended by a number of Ministerial directives including the directive for the establishment of the South African gas development company (iGas) and the “High Level Business Plan of 2003” which mandated CEF to “catalyse and develop further” the renewable energy industry.

17. Please explain in detail the reasons for non-achievement of financial target.

We did not meet the target GTL volumes due to reduced gas reserves and other operational challenges. As part of the turnaround, we are increasing the refinery productivity.

SFF has not yet replenished stock after doing stock rotation. Therefore the days of stock coverage has not been met.

18. Please explain the Rompco loop line investment?

The 865 km Rompco gas transmission pipeline is a successful joint venture with the Mozambique Government and Sasol. Rompco continues to expand the gas transmission pipeline network. The pipeline transports a significant amount of natural gas to the Gauteng, Mpumalanga and Free State industrial hubs.

ROMPCO transports the natural gas from the Pande and Temane Gas Field in Mozambique, to Sasol’s plants in Secunda and Sasolburg and to the Gauteng markets. The pipeline is 50% owned by Sasol, 25% by iGas and the other 25% by the Mozambique Government. The existing pipeline is being expanded with the introduction of loop lines to ramp up to 188 million GJ

The new Loop Line 2 enables this extra flow of gas (7,8 MGJ/year) coming through the gas transmission system from the Pande/Temane gas fields in Mozambique to Secunda in South Africa.

Gas field sizes are expressed in Trillion standard cubic feet (Tscf). Gas flows can be expressed as standard cubic foot per day or standard cubic meters per day. The Rompco pipeline, unusually, uses the energy units of Million Giga Joules per day.

The gas fields at Pande/Temane can at present only sustain this extra flow, and that already committed to South Africa, until 2030.

19. Is the 7,8 MGJ for Mossgas refinery and Is this amount of gas sufficient to support the PetroSA refinery?

No this gas is not for the Mossgas Refinery. The amount of gas flow per year to enable the PetroSA Mossel Bay refinery to run at maximum design output is about 72 Million Giga Joules (MGJ) per year. So the extra gas flow from Mozambique to South Africa is about one tenth of the flow required to sustain the maximum design capacity of the Mossel Bay refinery.

20. Was the profit from associates related to the strategic stocks rotation?

No- This only related to income from the Mozambique partnership with ROMPCO on the gas pipeline. It does not relate to strategic stock.

21. Does the increase in tank rentals mean the tanks are full?

Increase in tank rental is due to additional rental for the 10 million barrels which we did not have when we owned the stock.

22. Is the 300 000 barrels transaction included on the contracts legal review?

Yes

23. What was the impairment charge for the 2015/ 16 financial year?

The net impairment charge for 2015/6 amounted to R254 million. This resulted from the revaluation of the foreign exchange component of the abandonment liability, offset by a part-reversal of impairment in PetroSA Ghana following some well-optimisation initiatives.

24. Was the LRA section 189 notice as a result of the impairment?

Section 189 is not related to the impairment but is rather related to the business initiatives of reducing operational costs and business performance optimisation.

25. What was the plan and criteria for the implementation of the notice?

These are two mutually exclusive events. The Section 189 process is as a result of poor business performance due to the sustained low oil prices and weak global economic recovery. Other oil companies were equally affected by these economic conditions.