



PetroSA

Strategic Plan 2013 – 2017

*Presented to the
Portfolio Committee for Energy
18 April 2013*

The Petroleum Refining and Gas Corporation of South Africa (Pty) Ltd. Reg. No. 2010/001594/07



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We are aware of the immense challenges facing South Africa, e.g

| | | | |
|----------------------------|-------------------------------------|----------------------|-------------------------|
| Low Growth rate <3% p.a | Extreme Poverty | Unemployment >25% | Inequality |
| Need for a greener economy | The need to improve energy security | Health | Need for Infrastructure |

We are aware that the Government's adoption of the National Development Plan is driven by the need to address these challenges and to build A Capable State.



As SA's NOC, we have developed a Corporate Plan that supports Government policy, including the NDP

Addressed by PetroSA plans

The National Development Plan states

Short term:

- ❖ Do exploratory drilling for economically recoverable shale gas reserves
- ❖ Develop offshore gas
- ❖ Promote investment in LNG landing infrastructure
- ❖ Introduction of clean fuels

Medium term:

- ❖ LNG infrastructure will be in place to power first CCGTs
- ❖ A decision will be made on whether RSA should continue with imports or invest in new refinery



But, before going into the Plan, a few words on progress since our last presentation to the Committee

General:

- We have continued to operate safely and profitably, in spite of challenging conditions, with declining indigenous feedstock and rising feedstock costs

Mossel Bay refinery sustenance has remained a key focus area.

- The Ikhwezi offshore gas project is progressing well
- Drilling has started and first gas is expected in 2nd half of 2013
- The weak rand increases rand capital costs and the cost of imported items



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Further changes since last presentation to the Portfolio

Mthombo refinery project continues to gather momentum

- Now recognised among the SIP3 projects
- Framework Agreement with Sinopec was signed on 27 March 2013

LNG Project is progressing.

- The EIA process has started, with the Department of Environmental Affairs having formally accepted the EIA application

Sabre acquisition, Ghana

- This acquisition has now been finalised
- This adds oil reserves and creates a new revenue stream
- We need more projects like these, but we have funding limitations

Transformation

- We have handed over our first Integrated Energy Centre, built at Mbizana, Eastern Cape.



PetroSA's first IEC was well received at Mbizana



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Of the many milestones we've achieved, none pleases us more than those that benefit our nation directly, like our Integrated Energy Centre (IEC) in Mbizana, in the Eastern Cape. Owned by the local community, the IEC houses an information centre, a convenience store, a car wash, an energy shop, abortion facilities and a fuels forecourt. In addition to creating employment, the centre puts safe, affordable and sustainable energy on this rural community's doorstep, proving yet again that we are more than just an oil company.



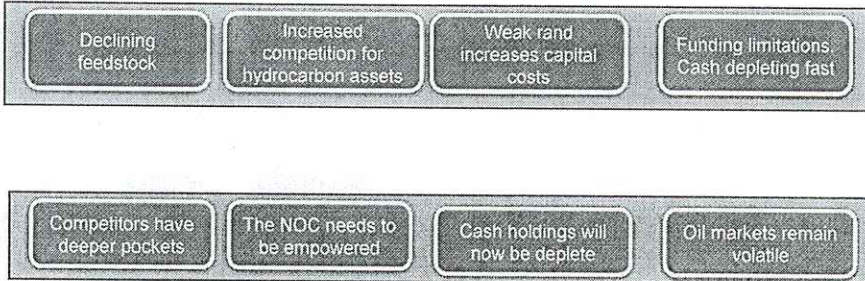
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However, PetroSA faces increasing challenges going into the future



However, as the company gets into full project execution mode, this year's good results will not be replicated in FY 2013/14



**STRATEGIC PLAN
2013 – 2017**



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The plan is aligned with the Shareholder

NDP:

Drive for strong growth, Job creation, greener economy, Infrastructure development, Building A Capable State.

CEF strategic intent:

"To provide energy resources for national energy security...minimising environmental impact...in pursuit of government policies"

DOE Mandate:

to ensure secure and sustainable provision of energy for socio-economic development

Vision 2020 focuses on sustainability, security of supply as well as transformation.

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In brief, the Proposed Plan...

- Advances the Shareholder's Security of Supply objectives
- Strengthens PetroSA's role as a sustainable NOC
- Is a tough, capital-intensive plan that is subject to significant internal and external risks
- Will reduce PetroSA's profitability for the next few years
- PetroSA will need:
 - strong partnerships, access to funding, Shareholder Support, an enabling regulatory environment, good governance & a resourced and capacitated organisation.*
- The plan will need support from all arms of the Government, including this Venerable Committee

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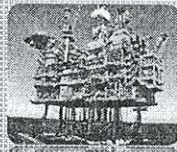


SUSTAINABILITY: Upstream

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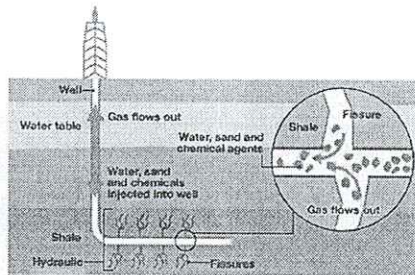
Domestic Upstream:

- Further exploration: next to existing infrastructure, e.g. close to Ikhwezi
- West Coast: influence JV partners to expedite work programmes.



Shale Gas:

- PetroSA will continue building internal capacity to explore and exploit shale gas
- There is a need for cost-effective, safe and environmentally sustainable ways of exploiting shale gas.



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GROWTH: Upstream

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Ghana (Sabre):

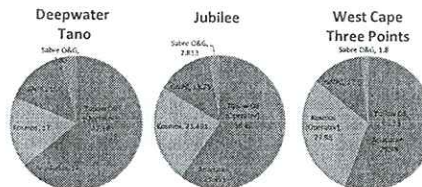
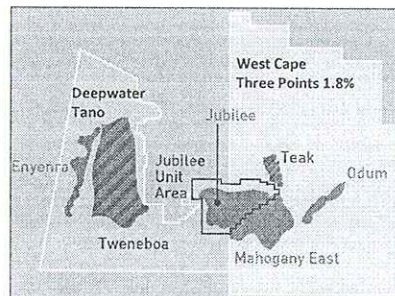
- PetroSA will consolidate the recent acquisition
- Jubilee is currently producing 110,000 bbl/day
- Further development opportunities exist to increase production
- The asset is profitable

Equatorial Guinea (Block Q):

- Finalise farming out of a 55% equity stake in block to minimise risk

Venezuela Project:

- Funding options are being explored
- This could lead to an asset acquisition by 2016



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Project Mthombo is making progress

Business case development

- Joint Concept Study with Sinopec completed
- Fuel specifications finalised
- Technical work initiated
- Expected outcome: Refinery capacity and configuration is 300kbb/d

"Equity Partner"

- PetroSA, IDC and Sinopec are finalising amendment of JSA for Feasibility Study
- Framework Agreement signed, which allows joint exploration of opportunities across value chain

Infrastructure Development

- Participation in PICC SIP-3 to align infrastructure requirements with stakeholders (CDC/ Transnet/ Eskom).
- Participation in CDC-led IDZ infrastructure development network
- Working-level meetings with Transnet held to discuss Mthombo co-operation agreement

Funding

- IDC to participate in Feasibility Study
- Further development of funding concept during Feasibility study

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Mthombo is getting support from the PICC for alignment and coordination of the multiple stakeholders

SIP 3: South Eastern node & corridor development

Promote rural development through a new dam at Umzimvubu with irrigation systems and the N2- Wildcoast Highway which improves access into KZN and national supply chains; strengthen economic development in PE through a manganese rail capacity from N Cape, a manganese sinter (NC) and smelter (EC); possible Mthombo refinery (Coega) and transshipment hub at Ngqura and port and rail upgrades to improve industrial capacity and performance of the automotive sector.



- Critical Infrastructure Development Stakeholders
 - Transnet (Rail, Port & Pipelines)
 - Coega Development Corporation
 - Eskom
 - Province & Municipality
- Ongoing engagement and reporting to the SIP coordinators and PICC on Project Status & Challenges
- Business Case was presented to PICC Management Committee 18 March 2013

Source: PICC Presentation 13/4/2012

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TRANSFORMATION



Enterprise and Supplier Development (ESD):

- The plan increases focus on the development of small, BEE businesses
- Will build on the Mossel Bay supplier development experiences
- The Vision 2020 initiatives, such as Project Mthombo, create new opportunities

Employment Equity:

- Promoting equal opportunity in all occupational categories and levels of the workplace through EE
- Partnerships with universities helps develop talent pipelines

Socio-economic Development:

- Social upliftment through targeted investment programmes

Preferential Procurement:

- Creating meaningful economic empowerment benefits through Preferential Procurement

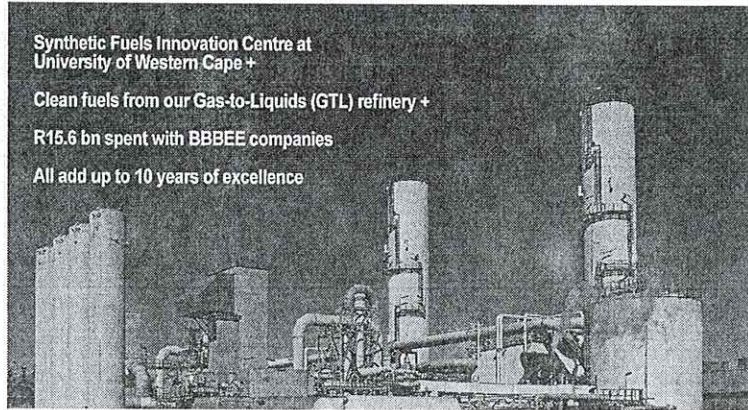


Synthetic Fuels Innovation Centre at University of Western Cape +

Clean fuels from our Gas-to-Liquids (GTL) refinery +

R15.6 bn spent with BBBEE companies

All add up to 10 years of excellence



Since our inception ten years ago, we've been on a path of innovation. We are excited about the possibilities of the future – like the introduction and production of clean fuels. Cleaner fuels mean more fuel-efficient vehicles, less harmful emissions, cleaner air and less fuel consumption. An innovation that benefits all South Africans, proving yet again that we are more than just an oil company.





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SHEQ & TECHNOLOGY

SHEQ

- Special attention to SHEQ aspects of scheduled Shutdown, due to take in October 2013
- Closure of all outstanding environmental audit findings
- Implementation of a Group HSE-MS
- Efforts to retain ISO 9001 Quality Management System certification
 - scope increased to include TS&L Depots

TECHNOLOGY

- Reposition Technology and R&D as enablers during 2013, through growing capacity
- Develop internal capacity for Shale Gas
 - strategic partnerships & secondments
- Licensing & commercialisation opportunities for PetroSA's technology assets
- Continued clean fuels research at the University of the Western Cape
- Develop Greenhouse Gas Reduction strategy

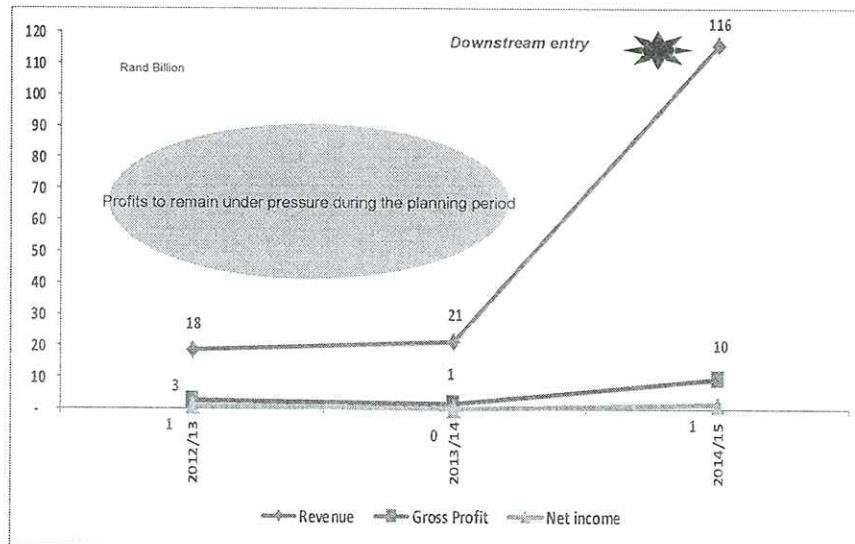
"The problems of tomorrow, will not be solved by the solutions of today . . ."

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Profitability Profile in the Planning Period



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Measures in place for Effective Project Management

We use

- The Project Execution Model which uses a gated approval process to ensure good Project Governance
- We use expert international project reviewers – Independent Project Analysis (IPA) Organisation that deals with project readiness benchmarking
- A strong PetroSA Owner's Team with Engineers, Project Managers, Contract Managers, Project Controls all with relevant experience to execute Mega-Projects (e.g. Ikhwezi)
- Strong Projects Controls per Levels of Authority meeting Governance
- Procurement and Legal Services: Strong governance around procurement and contract management using different contract types
- Policies and Procedures that are aligned to PetroSA Governance

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Measures in place for Improving Governance

Risk Management is now integral to our Corporate Strategy

The current PetroSA Governance Structures/practices are:

- ✓ Regular company-wide awareness sessions;
- ✓ Regular Management Group Assurance Committee meetings;
- ✓ Business Unit Compliance Champions for every Division;
- ✓ Management Representation Letters – Divisionally by Vice Presidents to the Group CEO and at Company Level by Group CEO to the Board Audit and Compliance Committee
- ✓ Executive Management Assurance Committee chaired by the Group CEO, with representation from all Vice Presidents and COO

PetroSA has very tight governance systems in place

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