



**PetroSA**

# **Strategic Plan 2014 – 2018**

*Presented to the  
**Parliamentary Portfolio Committee for Energy**  
01 July 2014*

# Chair, we are aware of the immense challenges facing South Africa, e.g.

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Low Growth Rate

Poverty

High Unemployment  
Levels

Inequality

Need for a greener  
economy

The need to improve  
energy security

Health

Need for infrastructure

We are aware that government's adoption of the National Development Plan is driven by the need to address these challenges, and build a capable state.

# As NOC, we have developed a Strategic Plan that supports government policy, including the NDP

Addressed by PetroSA plans

## Amongst other initiatives, the NDP states...

Short term:

- ❖ Develop **offshore gas**.
- ❖ Do exploratory drilling for economically recoverable **shale gas** reserves.
- ❖ Promote investment in **Liquefied Natural Gas ("LNG")** landing infrastructure.
- ❖ Introduce **cleaner fuels**

Medium term:

- ❖ **LNG infrastructure** will be in place to power first CCGT's.
- ❖ A decision will be made on whether RSA to continue with imports or invest in **New Refinery**.





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# Progress since the last PCE presentation

## General:

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

## SHEQ

- We have continued to operate within the target safety standards.
- We have successfully retained the ISO 9001: 2008 quality certification, expanding the certification to include offshore operations and inland depots.

**Mossel Bay** refinery sustenance has remained a key focus area.

- Ikhwezi project is progressing.
- Asset Development Plan (ADP): Studies commenced to secure long term Business solution for the Moss gas Refinery. Business case to be presented at the end of the 2014 Financial Year.
- We successfully completed the statutory Shutdown in Nov 2013, resulting in a saving of R42 mill.
- The weak rand increases rand capital costs and imported feedstock costs.



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# Progress since the last PCE presentation

**Mthombo** refinery project is progressing

- A key component of SIP 3 in the National Infrastructure Plan.
- Funding is being finalised

**LNG Project** continues to gather momentum

- This is for importation of LNG for onsell to Power generation and for use in our Mossgas Refinery.
- Environmental Impact Assessment (EIA) in progress

**PetroSA Ghana**

- Continued production, providing additional much needed income to PetroSA.



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# Progress since our last presentation to the Committee (continue)

## Transformation:

- In September 2013, we established a **Women's Forum**, a platform for women to discuss and advance issues of common interest.
- We exceeded our **Preferential Procurement** targets by a 50 % margin (Actual of 101.7% vs. 50% target).
- 1st **Integrated Energy Centre (IeC)** in Mbizana completed in 2012, work on 2nd IeC, in Qamata has commenced.
- **Enterprise and Supplier Development (ESD) Programme** has gained traction, with a number of companies identified for support programs.

# However, PetroSA continues to face challenges of sustainability

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Declining  
feedstock

Increased  
competition for  
hydrocarbon assets

Weak rand  
increases capital  
costs

Funding limitations.

Competitors have  
deeper pockets

The NOC needs to  
be empowered

Cash holdings  
depleting fast

Oil markets remain  
volatile



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# Company Overview

- PetroSA was established in 2002\*
- Employs ~1900 total staff
- Owns one of the world's largest, fully operational GTL refinery
- Business spans petroleum value chain
- Currently produces ~ 5% of RSA fuel needs
- Produces diesel, gasoline, kerosene and specialty products
- Has produced ~70 MMbbl crude oil & 1 Tcf of natural gas to date.
- Has upstream presence in South Africa, Equatorial Guinea, Ghana & Mozambique.
- Has a trading office in Rotterdam.



\* Following the merger of Soekor E & P and Mossgas Pty Ltd



## Our Mandate

**Operate as a commercial entity and create value for the shareholder**

- Pay tax and dividends

**Advance national objectives in the petroleum industry**

- Spearhead industry transformation

**Complement & promote Government policy & strategic thrust**

Advance energy goals and objectives as set out in various policy instruments , E.g. Energy White Paper (1998), Energy Security Master Plan ( 2007), Medium Term Strategic Framework (2009-2014), National Development Plan

## Vision & Mission

### Our Vision

To be the leading African energy company

### Our Mission

To be the leading provider of hydrocarbons and related quality products, by leveraging our proven technologies and harnessing our human capital for the benefit of our stakeholders

# ***STRATEGIC PLAN*** ***2014 – 2018***

## *The proposed plan, in brief...*

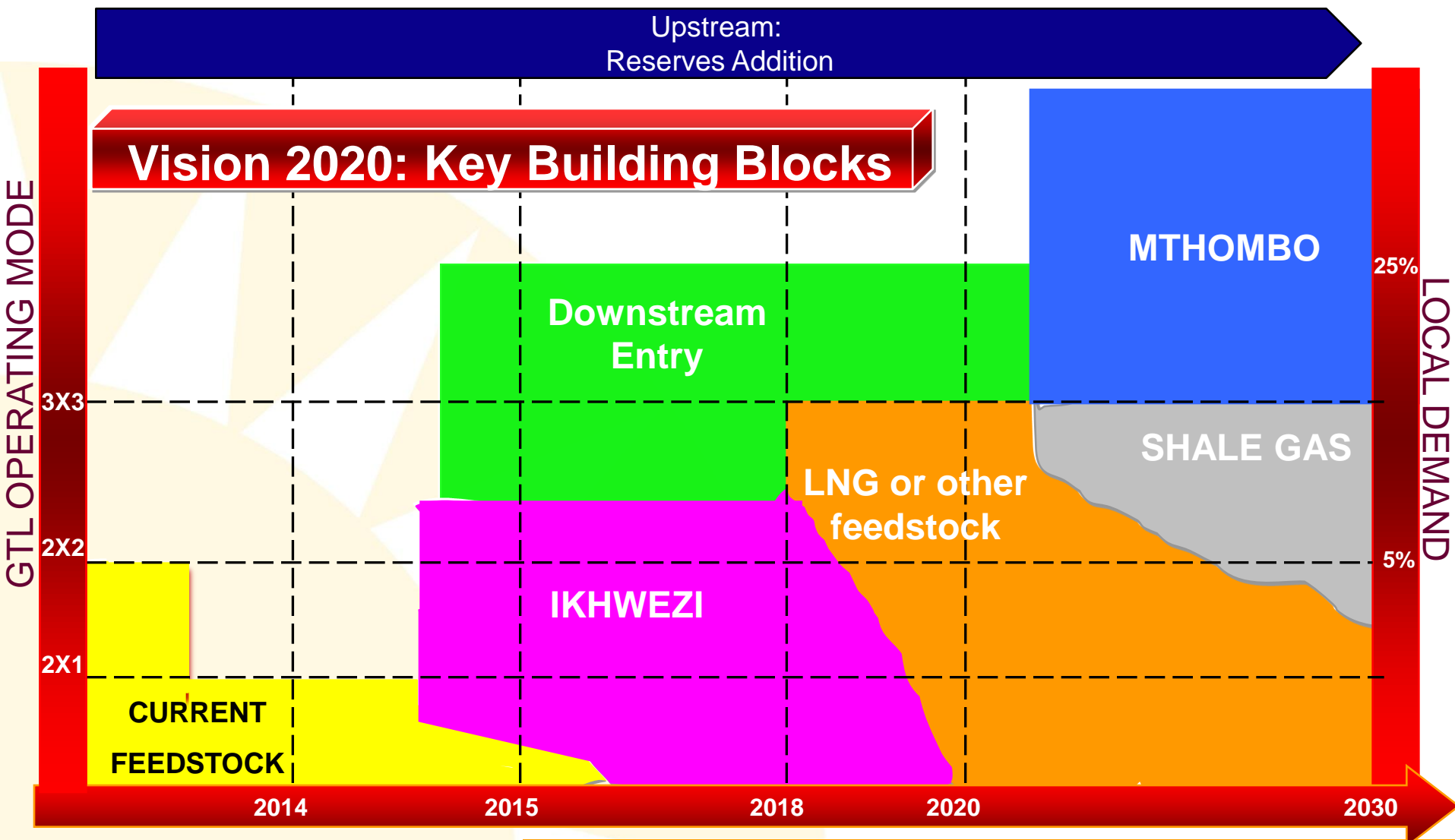
- Advances shareholder's security of supply objectives.
- Strengthens PetroSA's role as a sustainable NOC.
- Is a **tough, capital intensive plan** that is subject to significant internal and external risks.
- PetroSA's **profitability will be reduced** for the next few years.
- PetroSA will need:
  - strong partnerships, access to funding, shareholder support, an enabling regulatory environment, good governance & a resourced and capacitated NOC.*
- Achievement of the plan is premised on government support.



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## Strategic Objective

*To be a sustainable, fully integrated, commercially competitive National Oil Company supplying at least 25% of South Africa's liquid fuel needs by 2020.*



# Transformation remains a key strategic pillar



## Enterprise and Supplier Development (ESD):

- The Plan increases focus on the development of BEE small businesses.
- Will build on the Mossel Bay supplier development experiences.
- Vision 2020 initiatives e.g. Mthombo, creates new opportunities.

## Employment Equity:

- Promoting equal opportunity in all occupational categories and levels of the workplace via 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.

## Education and Skills Development:

- Will introduce Leadership Development Programmes and ensure skills transfer.

The Plan also prioritises the **Empowerment of Women and People Living with Disabilities**

# The Strategic Plan 2014-18 supports government's development agenda

***And advances PetroSA's sustainability and growth strategy, whilst supporting transformation.***

- Sustains the Mossel Bay GTL refinery, saving jobs.
- Develops and beneficiates local hydrocarbon resources, whilst considering a long-term solution for Mossel Bay Refinery.
- Helps diversify PetroSA's income ensuring sustainability.
- Creates presence in the downstream market.
- Develops a LNG import facility for power generation and high value petrochemicals creating long term value add.
- Promotes addition of gas to the energy mix.
- Helps move RSA towards a greener economy.
- Promotes transformation, advancing social equity and organisational capacity.

**But, a tough operating environment is envisioned, with PetroSA expecting reduced profitability in the planning period as we gear up for sustainability.**

# End

## Thank you for your attention

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