

**MINISTRY OF ENERGY**

REPUBLIC OF SOUTH AFRICA

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 **Memorandum from the Parliamentary Office**

**National Assembly : 556**

**Mr K J Mileham (DA) to ask the Minister of Energy:**

**(1)** What is the (a) volume in barrels, (b) average cost in dollars per barrel and (c) value of the country’s strategic fuel reserve currently;

(2) what are the details of the Strategic Fuel Fund’s policy relating to the rotation of the strategic fuel reserves;

(3) (a) how often was a rotation of the strategic fuel reserve undertaken (i) in the (aa) 2016-17 and (bb) 2017-18 financial years and (ii) since 1 April 2018 and (b) what was the reason for each rotation undertaken in each case? NW679E

 **Reply:**

1. What is the (a) volume in barrels, (b) average cost in dollars per barrel and (c) value of the country’s strategic fuel reserve currently;

***Assuming*** the loan of Strategic Crude Oil Stock in April 2015 and the sale of Strategic Crude Oil Stock in December 2015 and January 2015 ***did not take place***:

1. volume in barrels – 10 300 000 barrels of Crude Oil.
2. average cost in dollars per barrel - $14.39 (based on ZAR:$ of 14,45)
3. value of the country’s strategic fuel reserve currently; - Historical Cost ZAR 2.1 Billion or Market Value ZAR 9.7 Billion
4. what are the details of the Strategic Fuel Fund’s policy relating to the rotation of the strategic fuel reserves;

Policy on Stock Rotation was being formulated when the sale took place.

1. (a) how often was a rotation of the strategic fuel reserve undertaken
2. in the

(aa) 2016-17

* April 2015 , December 2015, January 2016, February 2016

(bb) 2017-18 financial years and

* No Transaction
1. since 1 April 2018 and
* No Transaction
1. what was the reason for each rotation undertaken in each case?

It will only be possible to provide a comprehensive response to this question once the Forensic Report has been finalised.

Having said the above though it is important to record that the Executives were considering certain actions can be summarised as below:

Financial Reasons

Saldanha Tank Farm was storing the Strategic Crude Oil Stock that was not earning the company rental income because it was Government Stock. This was at a time when the Oil Traders were looking for space (Contango) to store crude oil and SFF wanted to generate revenue and thus SFF was incurring an opportunity cost of about R120 million (10M bbls X $0.10X10 ZAR:$) annually on a conservative basis.

One of the considerations was to loan out the Government stock (With the necessary approvals procured) to any Trader who would keep an equivalent quantity of that Trader’s Crude Oil in the Saldanha Tank Farm so that the Crude Oil Stock of that trader kept in Saldanha would be security for the stock we loaned-out. In this scenario, it was envisaged that SFF would earn a “loan fee” from the Trader on the loaned-out stock and also charge a rental for the stock kept in Saldanha Tank Farm by the Trader.

Operational Reasons

SFF Association is ought to be the lender of last resort in case of a crisis in crude oil supply.

For that reason, it is critical for SFF and the country that at all times that SFF is carrying Strategic Crude Oil Stock that can be processed by the South African Oil Refineries. However in a questionnaire that the company sent out in the year 2014-15 to the country refineries, the refineries that did respond came back indicating that as we suspected that 50% of the Strategic Crude Oil Stock was not compatible with the South African Refining Infrastructure.