


# Department of Energy

PRESENTATION TO THE SELECT COMMITTEE ON  
ECONOMIC DEVELOPMENT  
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TRANSFORMATION IN THE PETROLEUM INDUSTRY




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# TRANSFORMATION IN THE PETROLEUM INDUSTRY



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# The Liquid Fuels Charter

## Introduction

- To bring transformation in the Industry
- Came into being in 2000 and it is the first Charter in the economic transformation drive in South Africa
- Applies to privately owned companies in all parts of the value chain
- It is part of the Petroleum Products Amendment Act of 2003 as such is mandatory
- PPAA of Act of 2003 provides for the review of the Charter – November 2010



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## PROGRESS - EMPOWERMENT REPORTS



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## BEE Deals in the Petroleum Industry

### Sasol Limited

- Tshwarisano- 20% of the global company shares designated for HDSA
- Inzalo – 25% Sasol Oil
- Chemcity- acts as a business incubator for HDSA/BEE companies- 85 enterprises/projects
  
- No progress reports on the uptake of these shares



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## BEE Deals in the Petroleum Industry - Continued

### Engen Limited

- 20% Worldwide African Investment Holdings
- 5% deficit on equity
- Afric Oil- BEE Company Jointly owned by Engen and WAIH

### British Petroleum

- Establishment of Masana ( R265 million deal)- Selling off of the commercial and industrial arm
- Masana - 35% owned by BP



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## Industry - Continued

### Chevron

- Chevron South Africa (PTY) LTD (which owns the Cape Town Refinery) 25% HDSA ownership
- Selling off of its wholesale business- HDSA prioritization.

### Shell

- Thebe 25% ownership of Shell South Africa Marketing
- BEE Retailer Development Programme
  
- Tocaso 25% share holding



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## Aggregate Assessment of the Petroleum Industry

- **Ownership**- (Described as equity participation and the ability to exercise rights and obligations, control of boards through shareholding)
  - Prior to Nov 2000- 5.8%
  - Shareholding not uniformly across total assets/value chain
  - Industry Sources- 26%- Independent Sources- < 20%
- **Procurement** - (% share of procurement spending by oil companies by HDSA suppliers)
  - Average 42% ( goods and services)
  - Prior to Nov 2000- 1.9%
  - Close to 70% of procurement spent is on crude( HDSA non existent)
  - HDSA portion of total procurement spent < 10%



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## Aggregate Assessment of the Petroleum Industry - Continued

### Management and Control

#### Management level Percentage of representation

- Black board member representation 36%
- Executive black management representation 41%
- Women board member representation 11%
- **Black executive board member representation 31%**



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## Aggregate Assessment of the Petroleum Industry - Continued

### - Employment Equity

- Occupational level Percentage of black
- Top management 32.40%
- Senior management 37.10%
- Specialists and mid-management 55.50%
- Skilled technical 70.90%
- Semi-skilled 89.70%
- Unskilled 95.20%
- Non-permanent 70.30%
- **Total percentage of black representation 70.92%**



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# Licensing Observations

- Licensing Dispensation -as provided by the PPAA of 2003.
- Tool through which transformation of the industry is effected and monitored
- Operationalised in 2006
- 15000 applications; 6000 retailers; 460 Wholesalers; 22 manufacturing and blending facilities
- Retail- 37% HDSA ownership
- Wholesale - 22 HDSA operators
- Manufacturing- 1 biofuels plant HDSA owned.



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# Challenges

- Women still lag far behind in all areas
- Management and control while significant- in peripheral areas of business
- Industry competitive pressures a constraint for enterprise development
- Few incubator programmes and not effective
- After 10 years no significant petro-entrepreneurs created
  - out of 22 HDSA wholesalers licenses issued very few have used their licenses, some have since been liquidated
  - HDSA retailers trapped within a vicious circle of sites that barely make it
- Capital intensive nature of the industry and Lack of Funding



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## Way Forward

- Charter audit currently underway
- Review of the Charter to usher a new empowerment dispensation- prioritisation of women
- Use of demographics effectively- HDSA criteria all embracing
- Creation of business space for HDSA wholesalers
- Focus on enterprise development- SASDA enhanced role
- Enhanced advocacy by the department
- Strengthen DoE compliance arm



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Thank you!



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