sapia | South African Petroleum Industry Association

Annual Report 2008

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Introduction

SAPIA (South African Petroleum Industry Association) represents the common interests of the petroleum industry and promotes an understanding of the industry's contribution to economic and social progress.

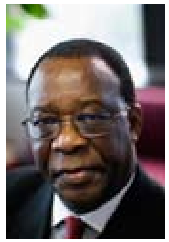
SAPIA'S CORE BELIEFS

SAPIA supports:

- a liberalised market, reached by an orderly, fair and inclusive process;
- the empowerment of historically disadvantaged South Africans by member companies;
- the upliftment of rural areas;
- the sustainable development of our nation;
- co-operation with Government in the achievement of national economic objectives;
- an economic climate that fosters competitive efficiency; and
- continuation of world-class standards in our petroleum industry.

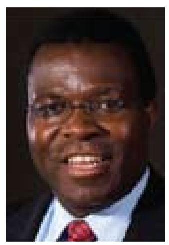
Board of Governors 2008

Advocate Rams Ramashia
BP Southern Africa



James Seutloadi
(SAPIA Vice-Chairperson)
Chevron South Africa

Rashid Yusof
Engen Petroleum



Sipho Mkhize
PetroSA

Maurice Radebe
Sasol Limited

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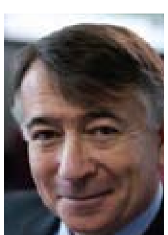
Douglas Zulu
(SAPIA Chairperson)
Shell South Africa

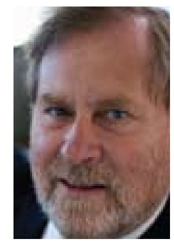


Jean-Denis Royère
Total South Africa

The SAPIA team

Avhapfani Tshifularo
Executive Director

Nkhensani Machumele
Office Manager



Anton Moldan
Environmental Adviser

Azola Timothy
Administrative Assistant

Althea Banda-Hansmann
Human Resource Development (HRD) Project Leader

Cornel van Basten
Economic Regulation Adviser

Foreword by the Minister of Minerals and Energy

Honourable
Buyelwa Sonjica

It is a great pleasure for me to continue the tradition of the Minister of Minerals and Energy writing a foreword to the SAPIA Annual Report, whic. contains a great deal of information on the performance of the industry and challenges that are facing the sector.

A dramatic year

2008 will be remembered for many things. Most notably, it will be remembered as the year which saw an economic meltdown in the United States of America. This meltdown created serious ripple effects throughout the world and did not leave South African unscathed.

The sharp fuel price increases in the first half of 2008 presented challenges for South Africans. The price of Brent crude oil reached record highs of $147 per barrel in July 2008 and the petrol price broke the R10 a litre barrier. After a large decline in price in the third quarter, the volatile crude oil price lingered at around $40 per barrel for the last part of the year. This was the lowest level in more than four years. In an effort to stabilise prices, OPEC announced supply cuts totalling 2.2 million barrels per day.

Despite the global economic challenges, the South African economy still experienced growth in 2008.

However, we now need to focus our attention on what lies ahead and implement plans to ensure our future prosperity when the economic upturn comes, as it inevitably will. For example, when the economy begins to recover, the demand for the products of the liquid fuels industry will increase. This will present a challenge for the industry because of its infrastructure constraints.

To address this challenge, the petroleum industry, Transnet pipelines and Transnet rails must continue with their infrastructure investment programmes to ensure that we are able to meet the growing demand for petroleum products, provide efficient delivery of quality products to markets and ensure accessibility to the infrastructure.

A key sector

The importance of the energy sector cannot be emphasised enough. Energy is a key strategic sector of the South African economy underpinning the growth and developmental objectives set out by Government, with particular reference to the Accelerated and Shared Growth Initiative for South Africa (AsgiSA). AsgiSA has its origins from the commitment to halve unemployment and poverty by 2014. It is a critical programme for this sector because of the close association between energy and economic growth - with a growing economy, the energy needs of our country will continue growing. The Liquid Fuels industry is also one of the largest contributors to Government revenue.

It is well known that certain facets of the petroleum industry are still subject to Government regulation. This regulation is carried out in terms of various Acts of Parliament such as the Petroleum Products Act, the National Energy Regulator Act and the Petroleum Pipelines Act. This regulation is carried out in a fair and transparent way so as to balance the interests of consumers and producers.

Security of supply

As we continue to sustain our growth, ensuring security of energy supply is of paramount importance to the South African Government.

Over the past few years we have experienced significant economic growth which has placed pressure on our country's capacity to supply the resultant increased demand for fuels, particularly for the inland markets. In response to this, Cabinet approved the Energy Security Master Plan in 2007, which addresses the challenges that we are facing in the liquid fuels energy sector.

We have started addressing challenges related to continued availability, such as the insufficient local production of refined product and the inadequacy of the logistics infrastructure to support uninterrupted supply.

Traditionally, South Africa has relied on importing product to meet demand. Naturally, the growing dependence on imported products brings with it many unfavourable issues.

In response to this challenge, we fully endorse PetroSA's plan to fast-track and build a $9-billion, world-class crude refinery at Coega in the Eastern Cape. This will alleviate our dependency on imports and provide opportunities for BEE companies. The Coega refinery will have a capacity of producing 400 000 barrels per day. It will create 8 000 direct and 39 000 indirect employment opportunities, and once commissioned it will bring much needed commercial activity to the Eastern Cape.

There are a number of other initiatives underway such as the upgrade of discharge and storage facilities at Cape Town, provisions for additional storage cover at Mossel Bay and product handling terminals at Coega.

In collaboration with the oil industry and Transnet, we are working very hard to ensure adequate port, pipeline and rail capacities to guarantee uninterruptible supply of liquid fuels into the country, particularly in the build-up to the 2010 FIFA World Cup.

South Africa, while not well endowed with crude oil, is fortunate to be the world's leading producer of synthetic liquid fuels from both coal and natural gas. This capability should stand the nation in good stead in the event of any interruption in global oil supplies.

National Energy Act

One of the greatest challenges of our time is the issue of energy and energy security. This is so vital that many countries regard it as a threat to our security, our planet and our economy.

We are facing a moment in history where as US President Barack Obama puts it, *'the consequences of our inaction are so dangerous'.* We must act boldly and innovatively to protect our country's energy security. It is for this reason that we have sought to address the security of energy supply challenge in an integrated manner, through the revision of the National Energy Act which became effective in 2008.

This Act enjoins us to make a concerted effort to ensure continued and uninterruptible supply of energy, as it will allow for the means to do proper planning, not only for the supply of energy but also for the demand of energy.

We will achieve this by putting in place measures for the holding of strategic or contingency energy feedstocks and energy carriers at a national level; and by putting in place measures to ensure adequate investment in energy infrastructure as well as infrastructure maintenance.

Energy efficiency

The Department of Minerals and Energy (DME) has taken the lead in terms of running energy efficiency communication and awareness campaigns in partnership with the National Energy Efficiency Agency and GCIS. Furthermore, the department in collaboration with the South African Bureau of Standards is working on the following standards:

- Standard for energy efficiency building
- Energy efficiency labelling for light motor vehicles
- Standard for energy efficiency in industrial motors
- A working group for non-utility boilers' standard has been established and currently working on the development of new energy efficiency standard
- Standards for white appliances (washing machines, dish washers and tumble driers) are under revision.

2008 Oil Summit

As a result of spiralling oil prices and other economic anomalies, the DME, in partnership with the petroleum industry and related stakeholders, hosted an

Oil Summit in October 2008. We believe that a united approach, combined with regular stakeholder engagement and ongoing debate will pave the way towards finding solutions to the challenges we face.

The summit focused on the entire value chain of the petroleum industry. This ranged from the pricing regime of the petroleum products employed in South Africa to logistical and related infrastructural investment requirements. It looked at the global impact of internationally traded commodities, security of supply, the role of the state as well as alternative energy sources.

Liquid Fuels Charter

The Liquid Fuels Charter, signed in 2000, was the first ever transformational charter in South Africa. The Charter remains vitally important because transformation is at the core of the development of the South African economy and our ability to meet AsgiSA targets. Industry is aware of the importance of complying with the law and that the targets set out in the Charter need to be achieved by 2010.

To date, commendable progress has been made in achieving the requirements set out in the Charter. Some of the industry's achievements include:

- All private sector members, most of whom are multi-national companies, have completed equity ownership deals.
- There is a considerable improvement with regards to employment equity.
- Commendable progress in human resource development, with particular reference to SAPIA's Leadership in Oil and Energy Programme. This falls within 'Capacity Building' in the Charter.

However, women empowerment and gender representation at all levels of employment remains a concern. While the Charter has not stipulated a percentage representation based on gender, it is equally important to empower women and I hope subsequent compliance reports will show improvements.

However, women empowerment and gender representation at all levels of employment remains a concern. While the Charter has not stipulated a percentage representation based on gender, it is equally important to empower women and I hope subsequent compliance reports will show improvements. AsgiSA has highlighted the potential for women to help halve poverty and unemployment by 2014 and we need to work towards this target.

In addition, affirmative procurement still requires further attention. Procurement is an important element and measurable target of the charter compliance because it has immediate returns to investments and is accessible to small and medium enterprises that are owned and controlled by Historically Disadvantaged South Africans.

We are fortunate to have the South African Supplier Development Agency (SASDA) supported by both Government and industry which is able to support the industry by grooming small companies to procurement opportunities in the sector. The industry needs to use this resource more in order to grow their domestic and BEE procurement spend. At the estimated level of 3.8% procurement, industry is far from reaching the expected target of 25%.

Petroleum licensing

The implementation of the Petroleum Products Amendment Act promotes an efficient manufacturing, wholesaling and retailing petrol industry by creating an environment conducive to commercially justifiable investment in the industry. In accordance with this Act, approximately 13 580 petroleum licence applications were received by March 2008. We have subsequently processed 3 981 licence applications; issued 980 licence certificates and analysed a further 3001 licence applications. Regardless of the adequate preparations that were made in terms of the operational system and human resource, a backlog was experienced due to the fact that applicants collected and brought their retailers applications in bulk and at the last minute. A plan is underway to eliminate all backlogs and process applications efficiently.

Biofuels

In December 2007, Cabinet approved the Biofuels Industrial Strategy for the development of a biofuels industry in South Africa. This strategy will act as a catalyst for the growth of the industry. The strategy outlines the development of a minimum of 2% (400 million litres per annum) biofuels industry in the next five years using first generation technology. Due to rising concerns on food security, maize which is staple food crop, was excluded and the use of jatropha has been prohibited for its toxicity and other environmental reasons. The biofuels feedstocks will mainly be derived from the underutilised agricultural production areas and the focus will be the use of surplus agricultural production. It is envisaged that the biofuels industry would meet 35% of the renewable energy target as outlined in the White Paper on Renewable Energy.

Environment

To deal with climate change and other negative impacts on the environment, the DME has in place policies and strategies that are in line with climate change mitigation, environmentally sound and cleaner energy technologies. Our second edition of the *Environmental Management Plan*, published in 2008, outlines plans and programmes related to security and protection of the environment, including responsibilities that are aimed at the achievement of sustainable development objectives.

The DME has to ensure that measures to a clean environment and to climate change are properly directed and carried out with a national focus and in line with the objectives of sustainable development. We recognise that the country requires a proactive approach towards reducing its environmental footprint through a strategy to support a less carbon intensive energy economy. We are striving towards this goal.

Use of paraffin

My department, through the Central Energy Fund, has commissioned an external organisation to conduct a safe paraffin appliance pilot project in selected areas. The main aim of the project is to test the robustness and safety of newly designed paraffin stoves to minimise accidents associated with the handling and usage of paraffin-fuelled and related appliances. The results of the pilot study will feed into the SABS paraffin stove standards that are currently under review.

In closing, I call on SAPIA and its member companies to continue leading the way in working with Government to deliver a better future for the people of South Africa.

Also on the safety front we, at the DME, in collaboration with municipalities and other stakeholders, embarked on a paraffin awareness campaign to educate communities on how to handle and use paraffin appliances. The campaign communicated various messages related to energy, such as alternative energy sources, energy efficiency and safety issues.

Liquefied Petroleum Gas

A difficult part of energy security is ensuring affordability of energy. Current Liquefied Petroleum Gas (LPG) retail prices are too high. This has prompted us to investigate an appropriate and cost effective way to deliver LPG to our people hence our decision to embark on pilot programmes in partnership with municipalities which is proving to be very successful. The pilot is demonstrating that LPG uptake is on the increase and that households are eager to use it. My department has developed draft regulations in respect of the maximum retail price of LPG supplied to residential customers. The objective of these regulations is to regulate the price of LPG to make it more affordable for households.

Closing

In closing, I call on SAPIA and its member companies to continue leading the way in working with Government to deliver a better future for the people of South Africa. The petroleum industry can contribute by:

- successfully implementing the targets set out in the Charter;
- ensuring security of supply of petroleum products;
- speeding up projects to build new capacity and assisting alternative energy sources;
- seeking ways to make fuels affordable;
- minimising its environmental footprint and paying attention to health and safety issues; and
- supporting the campaign to save energy.

As Government, we will continue to ensure that we create an enabling environment for business in general, and for the petroleum industry in particular by ensuring fair and transparent regulation.

As for the industry, we would then expect to see the investment that meets the needs of the economy being made.

I have no doubt that the petroleum industry will continue to be a major contributor to the South African economy and reaffirm its role as a principal player now and in the future.

'One of our guiding lights must be to ensure that our children and grandchildren can enjoy the availability of sufficient, clean and affordable energy.'

Report by the Chairperson of the South African Petroleum Industry Association

Mncedi Douglas Zulu

As an energy producer, supplier and consumer, the industry is concerned about energy issues. Energy efficiency in all our activities is essential if we wish to enhance competitiveness, reduce our energy supply dependency, combat climate change and minimise our environmental footprint.

We want to enhance the quality of our lives and make the world a better place for future generations. To achieve this, we need to conduct our business in a sustainable manner. Many South African companies are already responding to the global call for the implementation of meaningful sustainable development principles and practises. Indeed, our member companies are doing outstanding work in this regard and there are simply too many excellent initiatives to include in this annual report, but you will read about some of the achievements from an industry perspective.

In her foreword to this annual report, Minister Sonjica mentions the energy efficiency communication and awareness campaigns taking place and the new standards created by the South African Bureau of Standards to promote energy efficiency. These are positive steps towards sustainable development and companies need to follow this example by implementing their own energy efficiency campaigns aimed at employees, suppliers and business partners.

Transformation

Transformation is one of the most important tasks facing the industry because it will assist in poverty alleviation and shared economic growth. I am pleased to report that the industry continues its progress towards meeting the Liquid Fuels Charter targets. SAPIA member companies engage rating agencies to evaluate their progress towards complying with the targets set out in the Liquid Fuels Charter. SAPIA and its member companies are also working on proposals for measurement and reporting criteria the Liquid Fuels Charter beyond 2010.

Some of industry's achievements include:

- completion of equity ownership deals by all private sector members;
- progress on procurement;
- increased black employee representation at various occupational levels;
- successful skills development programmes such as The Artisan Skills Training Project and the Leadership in Oil and Energy programme;
- completion of valuable scarce and critical skills research and plans to close the skills gap; and
- launching an informative bi-annual industry human resource development journal, *The Petroleum Professional.*

Competition compliance audit

The competition compliance audit, commissioned by SAPIA in the third quarter of 2007, did not find any instances where there has been a contravention of the Competition Commission Act. The audit confirms SAPIA's belief that it is legitimate for its members to make representations to Government on issues relating to regulated pricing, taxes and energy policies or on the promotion of safety and environmental standards. A key recommendation is that SAPIA should only establish committees where they are objectively necessary to deal with non-competitive issues.

On this note, it is fit to mention that the Competition Amendment Bill, published in the Government Gazette on 29 May 2008, emphasises the importance of complying with competition laws as part of risk management and corporate governance. A breach of competition laws is one of the most consequential risks that companies can face. Administrative fines for engaging in prohibited practice or failure to comply with an order of the Tribunal or Competition Appeal Court are up to 10% of the firm's annual turnover in the Republic and its exports from the Republic during the firm's preceding financial year. In addition, some of the changes to the Bill envisage exposure for people with 'management authority' to criminal charges and if it is found that a person in management authority caused or knowingly agreed to the anti-competitive behaviour of the company, the company may face legal action (Section 157 of the Companies Bill).

Early in 2008, industry put measures in place to mitigate these risks by providing competition law training to members of SAPIA committees about the potential competition risks and preventative measures to avoid such risks. However, further action needs to take place. Companies must ensure that employees have a good understanding of competition law and how it relates to their working environment. In addition, companies should conduct audits regularly and put in place structures that allow for and protect whistle-blowers within the company.

Security of supply

The South African economy continued to grow in 2008, but a combination of factors resulted in a marked slowdown in the economy. Oil prices have been highly volatile, with Brent crude hitting an all-time high of $147 per barrel in July 2008 and subsequently plunging to below $40 a barrel in December 2008, approaching a four-and-a-half year low.

In the first quarter of 2008, aggregate sales of major petroleum products showed an increase of 4% in comparison with the first quarter of 2007. However, combined sales of major petroleum products in the third quarter of 2008 showed a decrease of 6, 9% in comparison with the third quarter of 2007, caused mainly by the increase in product prices. Prices for all products were much higher in 2008 than in 2007, hence the overall decrease in combined sales of major petroleum products in 2008.

Industry is calling for investment in the building of new pipelines and storage facilities, which will include some participation by the private sector. Beneficial conditions should also be created for the industry and other private players to invest in new storage and pipeline capacity and Government should play a key role in facilitating this requirement.

In this turbulent environment and despite the overall decline in petroleum product sales, industry is preparing for an eventual increase in product demand and focusing on ensuring security of supply.

The South African inland fuel market constitutes the biggest core market for petroleum products in the country. For this reason, additional petroleum product pipelines and storage capacity are needed to serve the inland market because a fuel shortage in this critical market has the potential to harm the country's economy and derail the Government's projected growth target.

Industry is calling for investment in the building of new pipelines and storage facilities, which will include some participation by the private sector. Beneficial conditions should also be created for the industry and other private players to invest in new storage and pipeline capacity and Government should play a key role in facilitating this requirement.

Cabinet approved the DME's Energy Security Master Plan on 8 August 2007. The plan's short-term strategic objectives are to address challenges in the petroleum products logistical infrastructure in the areas such as ports operations, distribution depots, inland transport, LPG supply and stock levels at airports. The medium-to-long term objectives are the inland supply of fuel by pipeline, new refining capacity, integrated energy modelling and planning.

In line with the Energy Security Master Plan (ESMP), the National Energy Regulator of South Africa (NERSA) has approved the building of two new pipelines; one of which will be funded by Government via a state-owned enterprise. The ESMP's proposals and new pipelines are likely to lead to an increase in investment in the storage capacity in member companies' depots. Industry has also been forced to increase fuel road freight because the Durban to Johannesburg pipeline is running at full capacity and industry is relying on importing petroleum products to meet product shortages.

Swift construction of new pipelines and storage facilities needs to take place urgently. Both the Government and NERSA should be engaged to ensure tariffs are set or approved in a manner that enables licencees to recover the investment, operate and maintain facilities and make a profit commensurate with the risk. SAPIA looks forward to continuous engagement with Government to implement sustainable solutions to ensuring security of supply.

Future fuels

The improvement of air quality in South Africa's major cities is becoming a high priority as inputs of harmful emissions from various sources continue to increase. Clearly, vehicle emissions do contribute to air quality degradation and need to be managed in a holistic and integrated manner, together with the other sources of atmospheric emissions.

It is clear from interventions in other parts of the world that the management of vehicle emissions needs to be addressed by means of a systems approach involving both the vehicle engine technology as well as the appropriate fuel to ensure that the technology functions optimally. With this in mind, SAPIA members are involved in a process to determine the fuel specifications that will be required in the future that will enable the engine technology needed to reduce harmful emissions.

SAPIA has conducted a number of studies and reviews during the year in order to provide the necessary information on which to base the decisions that will need to be taken regarding the most appropriate fuel formulations for the future. A long-term 'roadmap', based on requirements of the future vehicle parc and air quality targets, is being developed and will be finalised during 2009. This will provide the basis for discussions with all stakeholders as how to effectively manage vehicle emissions in the best interests of the country as a whole.

Acknowledgements

On behalf of the Board of Governors ofSAPIA, I thank Government and its key departments for their continued support and constructive dialogue. In particular, I thank Minister Sonjica and her team at the DME for continuing to build common ground and constantly supporting our industry.

We also thank Chairperson of the Portfolio Committee on Minerals and Energy, Honourable Nqaba Ngcobo. the Director General of the Department of Minerals and Energy, Advocate Sandile Nogxina; and Deputy Director General for Hydrocarbons, Energy Planning and Clean Energy, Nhlanhla Gumede, for their continued support and encouragement.

We congratulat. the former Chairperson of the Portfolio Committee on Minerals and Energy, Honourable Nathi Mthethwa, for progressing from the chief whip of the majority party in Parliament to the Minister of Security and Police.

This year we bid farewell to some of our board members. Monwabisi Fandeso of Shell South Africa and Philip Jordan of Total South Africa are moving on after years of diligent service to SAPIA. We thank them for their contribution and wish them well in their future endeavours.

James Seutloadi, Chairman of Chevron South Africa, has been elected as the Chairperson of SAPIA for the year 2009. It gives me great pleasure to welcome my successor and I am sure Mr Seutloadi's tenure will be successful and gratifying.

As we approach what I am sure will be an equally demanding yet rewarding year in 2009, SAPIA remains passionate about the challenges we face and looks forward to making a constructive contribution.

Report by the Executive Director of the South African Petroleum Industry Association

Avhapfani Tshifularo

SAPIA plays a role in many facets of the industry; it is a conduit between Government, the public and the seven member companies. We aim to promote an understanding of the industry's contribution to economic and social progress, encourage co-operation among members and become a source of information about the industry. This annual report addresses these objectives and will provide you with insight into issues such as economic regulation, security of supply, the competition compliance audit, and the exceptional progess industry is making on the environmental, transformation, human resource development and corporate social investment arenas.

It has been a challenging year on several fronts; the turbulent global market, the changing political environment and record-breaking oil prices, to name a few. South Africans found themselves in a very different environment and although we were relatively sheltered from international economic troubles, the challenges facing the nation continue to be significant.

With this in mind, we need to start looking at how each one of us can make a difference in our sphere of influence. Tackling issues like security of supply requires significant intervention from Government and industry, but individual citizens can make a difference by applying fuel-saving principles, understanding the concept of demand-side management and taking action to become more energy efficient. There is more on this topic in the Chairperson's message and on pages 30 – 37.

Environment

As energy efficiency shifts into the global spotlight, I am proud to reflect on some of the achievements with regard to environmental performance. Industry takes a collective approach to managing environmental issues and examples of the benefits of this approach can be found on pages 31 – 32.

Since the 1970s, oil companies have worked closely together to develop common standards aimed at minimising any negative environmental impacts. The SAPIA Engineering and Environmental Committee ensures that environmental considerations are taken into account in the engineering design at service stations, depots or other distribution sites. This allows industry to take preventative action against the potential pollution of soil and water at any of its distribution sites. The committee also keeps abreast of international trends in environmental issues and develops best practice guidelines relating to issues such as fire fighting, environmental impact assessments and air quality control.

On the fuel specifications front, industry is reviewing current fuel specifications with a view to making changes that will improve urban air quality for all South Africans. We believe this means evolving fuel technologies to harmonise with vehicle technology, among other things. This is a mammoth, long-term initiative and will only be achieved by collective action from the automotive industry, fuel users and Government.

Other environmental achievements include:

- progress towards implementing the Energy Efficiency Accord through a combined industry strategy;
- recycling 85-million litres of used oil under the auspices of the National Oil Recycling Association;
- collecting and recycling more than 350 tons of metal cans and 100 tons of plastic containers from service station forecourts through the Recycling Oil Saves the Environment Foundation;
- promotion of safer domestic fuels through multi-million rand educational programmes facilitated by the Paraffin Safety Association of Southern Africa (PASASA);
- launch of PASASA's pilot Safe Stove Project in Cape Town and Johannesburg; and
- liaison with Government to promote regulatory mechanisms to better control the use of paraffin.

Transformation

The Liquid Fuels Charter, signed by the industry in 2000, aims to ensure the sustainable presence, ownership and control by approximately 25% of historically disadvantaged South Africans across the industry value chain by 2010. As the first industry to sign such a charter, we prioritised the critical need to correct the imbalances of the past, long before the Broad-Based Black Economic Empowerment Act of 2003 was enacted. I'm pleased to report that significant progress is being made across all seven pillars of black economic empowerment. This section of the report provides an update on the industry's transformation progress and challenges.

Human resource development

Highlights for 2008 include the successful completion of SAPIA's scarce and critical skills research and the launch of the association's first human resource development journal, *The Petroleum Professional*. The bi-annual journal, with a current circulation of 5 000 copies, aims to share the industry's ongoing human resource development journey and is an informative, educational resource for petroleum companies, learning institutions, suppliers, Government, business associations and the general public.

Other achievements include the graduation of learners from the third successive Leadership in Oil and Energy Certificate programme and SAPIA's review of workforce trends in its annual employment equity and skills development research project.

Corporate social investment

The industry is walking the talk when it comes to corporate social investment (CSI) by doing innovative work across the country. During 2008, our members contributed over R100-million towards CSI programmes in South Africa. Whilst the various oil companies have different CSI focus areas, the fundamental rationale behind CSI remains the same: improving the quality of life for less fortunate people and enhancing the socio-economic well-being of society in a sustainable manner.

It is important to ensure corporate social investment activities are supported by sound business principles. Our member company's social investment decisions are aligned with their strategic objectives.

It is important to ensure corporate social investment activities are supported by sound business principles. Our member company's social investment decisions are aligned with their strategic objectives. For example, by providing health care in the communities where they operate, increasing levels of literacy and improving schooling, especially in the areas of Mathematics, Science, Technology and subjects relating to the oil industry.

For the purpose of this report, we have taken a snapshot of the CSI projects and grouped them into the following focus areas. education and training; health and welfare; job creation; community development and skills development; environment; arts, culture and sport development; and road safety. Read more about these initiatives on pages 47–52 and visit our members' websites to find out more about these inspiring projects.

Crime and security

Crime remains a serious problem and cause of great concern. SAPIA's Oil

Industry Security Forum is reviewing crime prevention measures and engaging with other industry representative bodies, Government and the South African Police Service (SAPS) to address the problem.

Recent crime deterrent measures include:

- enhanced service station design, centred on the installation of improved forecourt lighting and access restriction to sensitive areas;
- installation of bullet-proof glass at some convenience store point of sale areas;
- installation of panic buttons, safety locks and enhanced video surveillance equipment;
- establishment of emergency response links with armed response companies and the SAPS;

The National Energy Act provides a strategic long-term solution to energy issues. It aims to give resources for the broad planning of energy security and supply including environmental, social and economic issues.

- a full investigation of every crime related incident and the incorporation of the relevant findings into security procedures;
- closer liaison with the Metro Police senior management; and
- the formulation of useful security, safety, crime prevention and governance guidelines for the industry and its security service providers.

Economic regulation and legislation

The liquid fuels industry in South Africa is highly regulated. Currently there are licensing requirements and regulations pertaining to, among other things:

- Importation and exportatio. of crude oil
- Importation and exportation of petroleum products
- Importation and exportation of blending components
- Operation of petroleum pipelines, including setting of tariff structures
- Operation of storage facilities and loading facilities, including approval of tariff structures
- Manufacturing of petroleum products
- Wholesale of fuels
- Retailing of fuels, including the pump price of petrol by grade and location
- Recovery of transport costs
- Liquefied petroleum gas refinery gate price
- Retail price for illuminating paraffin
- Retail and wholesale margins
- Petroleum products specifications and standards

A separate section of the report on page 22 deals with regulatory changes in 2008.

On the legislation front, the President assented to the National Energy Act 34 of 2008 and the Act was published for general information in the Government Gazette in November 2008. The National Energy Act provides a strategic long-term solution to energy issues. It aims to give resources for the broad planning of energy security and supply including environmental, social and economic issues. The National Energy Act is an encouraging step towards integrated energy planning in South Africa, and its implementation is eagerly awaited.

Challenges

The main challenges facing the industry include:

- meeting growing demand and ensuring security of supply;
- achieving Liquid Fuels Charter targets, particularly preferential procurement;
- adapting to legislation and regulatory models;
- producing cleaner fuels; and
- efforts to make LPG and paraffin more affordable.

Finding solutions to these challenges will require collaborative action from all stakeholders and significant investment by the industry. In the 2006 SAPIA Annual Report, former SAPIA Chairperson Advocate Rams Ramashia said that our great-

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est challenge will be to arrange our affairs so that we not only run businesses that generate the returns that our investors require, to enable them to support our future capital expenditures, but that we also contribute towards ensuring shared economic growth takes place in South Africa. These words remain relevant today.

Closing

I take this opportunity on behalf of the association and its member companies to offer sincere thanks to all our stakeholders, including the Government and, in particular, the honourable Minister of Minerals and Energy, the Department of Minerals and Energy, the Department of Environmental Affairs and Tourism, the Department of Water Affairs and Forestry, the members of the Parliamentary Portfolio Committee for Minerals and Energy and the media for their ongoing encouragement and dedication. In addition, we thank our member companies, the general public and most importantly, our valued customers. Without your collective support, SAPIA would cease to exist because our main role is to serve you and promote a better understanding of the industry and its contribution to society.

I bid farewell to my two predecessors, Colin McClelland after 13 years and Connel Ngcukana after two years of directing SAPIA. McClelland is the founding director of SAPIA and he laid the foundations for the association.

In closing, I would also like to thank the SAPIA Board of Governors, SAPIA staff members and all the committees for their valuable contributions and steadfast service. I look forward to working with all of you during my tenure and developing mutually beneficial partnerships that will take the industry to even greater heights.

About SAPIA

SAPIA was formed in July 1994 with the objective of representing the common interests of the petroleum industry and promoting an understanding of the industry's contribution to economic and social progress.

Since the petroleum industry underpins the economy of South Africa, the formation of a strategic association by the seven SAPIA members involved in the refining, distribution and marketing of petroleum products has a vital role to play in finding solutions to the many pressing issues facing the industry.

Objectives

SAPIA's objectives are to:

- promote an understanding of the industry's contribution to economic and social progress with all stakeholders;
- represent the industry;
- be a source of information;
- encourage co-operation among members; and
- encourage good ethics and governance.

SAPIA and its members were among the first organised business sectors to enter into a partnership with Government to create a better life for all South Africans. SAPIA members can proudly lay claim to being one of the pioneers in economic transformation in the country by adopting the Liquid Fuels Charter in 2000. The Charter is held as a model for black economic empowerment and has given a tremendous boost to equity transactions in fuel marketing and distribution.

Membership

The current SAPIA members are:

BP Southern Africa (Pty) Limited

Chevron South Africa (Pty) Limited

Engen Petroleum Limited,

PetroSA (Pty) Limited,

Sasol Limited

Shell SA (Pty) Limited

Total South Africa (Pty) Limited

SAPIA has a small staff complement who are independent of its members.

Structure of SAPIA

SAPIA operates under a Board of Governors comprising seven members from participating companies. The chairperson revolves annually.

Mncedi Douglas Zulu, Sales and Operations Manager for Shell South Africa, was elected Chairperson of SAPIA with effect from 1 July 2008. Zulu has been with Shell for more than 30 years. During this time, he held several senior positions and directorships within the Royal Dutch Shell group and has worked overseas.

The following individuals were members of the Board of Governors in 2008:

BP Southern Africa (Pty) Limited	Advocate Rams Ramashia
Chevron South Africa (Pty) Limited	James Seutloadi
Engen Petroleum Limited	Rashid Yusof
PetroSA (Pty) Limited	Sipho Mkhize
Sasol Limited	Maurice Radebe
Shell SA (Pty) Limited	Mncedi Douglas Zulu (Chairperson)
Total South Africa (Pty) Limited	Jean-Denis Royère

The Board of Governors convenes at least four times per year and more often should circumstances require it. The primary function of the Board is to identify key issues facing the industry, agree on solutions in respect of each issue and deal with matters arising from the various SAPIA Committees.

Avhapfani Tshifularo was appointed as the Executive Director of SAPIA with effect from 1 November 2008. Tshifularo has been working on petroleum products pricing and taxation matters within SAPIA for more than ten years. He has worked for the Department of Minerals and Energy and the South African Revenue Service.

SAPIA's staff complement includes an Environmental Adviser, a Human Resource Development Project Manager, an Economic Regulation Adviser and an Office Manager.

SAPIA Committees

There are 16 SAPIA committees that comprise of individuals from member companies and SAPIA staff members. These committees engage on non-competitive issues and are fully aware of competition laws and the risks of anti-competitive behaviour.

The following SAPIA committees exist to address issues facing the industry:

Board of Governors

The Board of Governors convenes at least four times per year and more often should circumstances require it. The primary function of the Board is to identify key issues facing the industry, agree on solutions in respect of each issue and deal with matters arising from the various SAPIA committees.

Task Force

The Task Force committee alerts the Board of Governors about issues that need to be addressed. Comprising of highly experienced individuals from SAPIA and member companies, this committee also proposes solutions to address industry challenges and monitors the activities of the other SAPIA committees.

Communications and External Affairs Committee

This committee supports SAPIA in developing and implementing appropriate communication strategies to enhance the reputation of the liquid fuels industry within South Africa. In addition, the committee is responsible for communicating industry concerns to stakeholders, informing the public of any pending shortages in fuel supply, communicating price changes, media liaison and management of industry-related campaigns such as the Global Road Safety Partnership and the National Road Safety Campaign.

Transformation Committee

The mandate of this committee is to advance industry transformation in a holistic manner to achieve the Liquid Fuels Charter objectives and the Broad-Based Black Economic Empowerment Codes of Good Practice.

Environmental and Engineering Committee

Primarily concerned with ensuring sound engineering standards in the distribution and retail sectors, this committee also develops and oversees implementation of best practice guidelines for fire-fighting, environmental impact assessments, air quality control and prevention of pollution.

Refinery Managers' Environmental Forum

This forum resolves common environmental issues among refiners to ensure that a united approach is adopted to achieve the sustainable development goals as envisaged under the National Environmental Management Act. The committee also engages Government and environmental NGOs on shared environmental issues.

Technical Committee

The Technical Committee aims to be recognised as the spokesbody for the petroleum industry in Southern African Development Community (SADC) countries on fuel specifications, quality, market performance and related issues. The principle objectives of the committee include reviewing future fuel specifications to ensure realistic market requirements are met and to ensure that technical matters which affect customers are of higher importance than individual company issues.

Controlled Product Regulatory System Team

This team co-ordinates all aspects of the pricing regulatory system to ensure streamlined engagement with Government regarding all components of controlled prices. This extends to issues such as minimising price volatility, suggestions to increase the slate levy, and clean fuels pricing and incentives, to name a few.

Customs/Fuel Taxation Team

The Customs/Fuel Taxation Team provides guidelines and manages all aspects of customs and excise. The team meets quarterly unless there are new urgent issues to be introduced.

Oil Industry Security Forum

The Oil Industry Security Forum ensures that industry works together to improve the safety of customers, staff and assets. The forum deals with violent crime, theft of product and implements measures to combat crime. It also facilitates the sharing of information about incidents among members. From a procurement perspective, the forum sets common standards for suppliers relating to matters affecting the individual companies, such as cash-in-transit protocol.

Representatives from the Fuel Retailers' Association and South African Petroleum Retailers' Association also belong to this forum.

Road Transport Liaison Committee

This committee works towards enhancing the technical and safety specifications of vehicles, shares best practice principles relating to transport issues, develops driver training and improves accident management strategies.

Legal Committee

The Legal Committee addresses common issues among members if they arise and ensures member companies are aware of industry competition law requirements.

Human Resources Managers' Committee

This committee oversees the development and implementation of the SAPIA Human Resources Development 2005 – 2010 Strategy to ensure sustainability of skills for the future, within the context of the Liquid Fuels Charter, with specific focus on employment equity, skills development and creating a supportive culture.

Human Resource Development (HRD) Transformation Working Group

This group works with the Human Resources Managers' Committee to implement industry projects at company levels and advise on practical implementation issues. It also provides strategic HRD transformation expertise and implements the SAPIA HRD Strategy in the context of the Liquid Fuels Charter and the Chemical Industries Education and Training Authority's (CHIETA) National Skills Development Strategy.

Supply Managers' Forum

The Supply Managers' Forum is chaired by the DME and covers operational issues critical to security of supply within the industry. Members of the Supply Managers' Forum include SAPIA members, DME, Transnet Pipelines and Transnet Freight Rail. Meetings are held once a month.

Logistics Planning Team

The Logistics Planning Team is a sub-committee of the Supply Managers' Forum and monitors fuel supply on a regular basis.

Financial statement

SAPIA's expenditures are essentially funded by the annual contributions of its members.

Personnel costs represent the biggest share of SAPIA's expenditure. Other expenditures cover office accommodation, representation and travel, consultants, lawyers and auditors.

Income (thousand rands)	2007	2008
Membership subscriptions	5 790	5 413
Other income (including interest)	235	459
Total income	**6 025**	**5 872**

Expenditure (thousand rands)	2007	2008
Personnel/payroll	3 352	3 382
Other expenditure (including interest)	2 673	3 059
Total expenditure	**6 025**	**6 441**

Issues update

Economic regulation

Legislation

Security of supply

Competition compliance audit

Electricity crisis

Crime and security

Economic regulation and legislation

Slate levy schedule

Government notice for the determination of slate levies applicable on petrol and diesel was published in the Goverment Gazette on 2 October 2007. As from this date, the Minister of Minerals and Energy determined slate levies applicable on petrol and diesel. The slate was set at 4.810 cents per litre. The slate levy is included in the price structure to ensure that cumulative slate balances which have built up during preceding calendar months are managed to maintain such balance within reasonable limits. With the rate at which international product prices are strengthening, it is now more difficult to maintain balance within reasonable limits.

Petroleum pipelines levy

The National Energy Regulator of South Africa (NERSA) published the proposed levy on petroleum pipelines of 0.24 cents per litre in the Government Gazette on 7 February 2007. The levy was implemented in the petroleum products price structures on 7 March 2007. The levy is used to cover NERSA's costs for regulating the petroleum pipelines industry.

Adjustments to duties and levies

With effect from 2 April 2008, fuel levy was increased by 6 cents per litre to 127 cents per litre and 111 cents per litre on petrol and diesel respectively. The payment of any road accident fuel levy was increased by 5 cents per litre to 46.5 cents per litre on both petrol and diesel.

The extent of refund for eligible diesel purchases that may be claimed for on-land activities from SARS was increased to 90.9 cents per litre on 80% of the total eligible purchases; for offshore and electricity generation plants activities to 157.5 cents per litre; for harbour vessels and rail to 46.5 cents per litre.

Petroleum products levy

The Minister approved the mechanism for determining the collection of monies paid by shippers in terms of the Petroleum Pipelines Levies Act on 1 April 2008. The petroleum products levy is collected and administered by the Central Energy Fund. The levy is used to reimburse oil companies for the petroleum pipelines levy that is paid to the Energy Regulator. The levy became effective on 2 April 2008.

Regulatory accounting

DME accounts

DME is reviewing the methodologies for setting wholesale, distribution and retail margins of petroleum products to remove hidden costs and cross subsidies between regulated and unregulated activities and between rural and urban retail sites. It will also prepare the sector for eventual deregulation.

The review proposed the use of regulatory accounts to set appropriate margins. Regulatory accounts are generally applied in the transportation of energy in industries such as electricity, gas and petroleum pipelines. But in South Africa, regulatory accounts are about to be applied in the petroleum industry's regulated activities. Petroleum wholesalers and retailers will be expected to prepare regulatory accounts for submission to the Department of Minerals and Energy for price control purpose. The regulatory accounts will be submitted for the wholesaling, marketing, distribution, storage and handling of regulated activities.

Regulatory accounts and reporting will be introduced to revise the regulatory pricing system. It means the storage, handling and delivery costs, wholesale margin and retail margin are going to be calculated from the reported regulatory accounting data.

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NERSA accounts

The Petroleum Pipelines Act stipulates that NERSA must set the tariffs of a petroleum pipeline and approve the tariffs for storage facilities and loading facilities. The Act requires that a tariff charged be based on a systematic methodology and that it is fair, non-discriminatory and transparent, among other things.

SAPIA participated in NERSA's workshop on tariff methodology for petroleum pipelines on 16 March 2007 and public hearing on 14 November 2007.

The purpose of the tariff methodology is to enable the licensee to recover the investment, operate and maintain the system and make a profit commensurate with the risk. SAPIA is eager to review the NERSA methodology for approving tariffs for storage facilities and loading facilities.

The regulatory reporting manual for petroleum pipelines was gazetted on 10 September 2008. The purpose of the manual is to prescribe and provide guidance to the regulated entities in the petroleum pipeline industry on the format, content, preparation and submission of required information to the Energy Regulator.

Magisterial district pricing zones

The magisterial district price zones are based on the cost of moving fuels from coastal refineries to the inland distribution centres by pipeline, rail, road or by private bulk petroleum product transporters. Transport tariffs are adjusted annually subject to the approval by the Minister of Minerals and Energy. The Department of Minerals and Energy was reviewing price zones because, over the years, road transport has been taking over from rail. The review was shelved pending the outcome of the DME pricing elements study. One of the key outcomes of this study is to address magisterial district zones tariffs, especially the inability to deliver products cost-effectively to inland markets due to current pipeline constraints.

The Spoornet rail transport tariffs in the fuel price structure require immediate attention. The regulatory oversight of Spoornet, a division of Transnet, is with the Department of Public Enterprises (DPE) whereas the petroleum products transport costs are regulated by the DME. For almost five years now, DME approved the rail transport tariffs based on an increase in the annual Consumer Price Index less 1%, while Spoornet's tariff-setting formula is based on a rate of return on assets under management.

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SAPIA, in conjunction with DME, started reviewing the magisterial district pricing zones in 2007. SAPIA expects the Minister of Minerals and Energy to approve the implementation of the revised magisterial district zone during 2008.

Incremental inland transport cost recovery

The inland market faces a severe and growing supply constraint that will remain until a new pipeline is commissioned. It is SAPIA's view that to ensure security of supply to the inland market, wholesalers should be reimbursed for costs related to the alternative mode of transportation of petroleum products from the coast to the inland market due to capacity constraints on the pipeline. SAPIA worked with the DME to devise a system to address the recovery of incremental inland transport costs. The system was eventually presented to the Minister. On 6 May 2008, the Minister approved the system and determined the Incremental Inland Transport Cost Recovery levies applicable on petrol, diesel and jet fuel and the collection and reimbursement procedures. The Incremental Inland Transport Cost Recovery System was implemented on 7 May 2008.

Customs and Excise Act rewrite

The Customs and Excise Act rewrite process is continuing in stages.

A major review of the Excise Rebates Schedule (Schedule 6 to the Customs and Excise Act) that focuses on structural changes was undertaken with the purpose of simplifying the process and making excise rebates more available to industry. The provisions of the new revised Schedule 6 took effect from 1 April 2006.

Industry is looking forward to the review of penal provisions of the Customs and Excise Act.

Western Cape provincial fuel levy proposal

In December 2002, the Provincial Treasury of the Western Cape Government commissioned the Bureau for Economic Research (BER) at the University of Stellenbosch to conduct research and investigation into the feasibility of the application of a fuel levy in the province.

The proposal is to impose a levy of between 10 cents and 50 cents per litre on diesel and petrol sold in the Western Cape Province. The Minister of Finance informed Parliament on 29 August 2006 that the proposal was circulated to provinces and discussed at the Budget Council in terms of the Provincial Tax Regulation Process Act. The Budget Council recommended that the province be given the approval to introduce a fuel levy.

The Provincial Treasury of the Western Cape Government has reported in its 2007 budget overview that the Minister of Finance granted approval for the implementation of this tax, subject to a number of conditions including:

- *'An inception rate of up to 10 cents a litre, without the provision of a band;*
- *That the implementation date and any future adjustments to the levy and the date of such adjustments be done with concurrence of the Minister; and*
- *That steps be taken to mitigate the possible adverse impact that the provincial fuel levy may have on sectors that qualify for a refund of the national diesel fuel tax.'*

National enabling legislation is required before the proposal may be presented to the Provincial Parliament for consideration. The province is currently awaiting the national enabling legislation.

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According to the 2008 budget review, it appears that as a possible alternative to the proposed provincial fuel levy, provinces will receive a share of the general fuel levy revenue based on the fuel sales per province. These revenues will be expressed in terms of cents per litre to ensure greater transparency and provide certainty. The national fiscus will receive the balance which is about 20% of the total revenue.

Liquefied Petroleum Gas price

DME is striving to get affordable Liquefied Petroleum Gas (LPG) into poorer homes throughout the country. This was emphasised in June 2007 in the Budget Vote Speech by the Minister of Minerals and Energy. The LPG industry is to be regulated, DME launched a pilot project in partnership with municipalities in Tshwane and Tembisile to provide 30 000 households with modern thermal fuels, in the form of LPG. This pilot allows DME to review regulatory framework on the promotion of a more energy efficient carrier as an electricity demand side management initiative and for the development of an appropriate pricing mechanism for LPG. The pilot projects will help identify an appropriate supply chain which will in turn highlight correct energy carrier choices. Correct energy carrier choices will result in increased security of energy supply and efficiency of energy utilisation.

Regulation of the maximum refinery gate price of LPG was introduced in December 2001. The DME and industry have been considering various alternatives that could be used to set an alternative maximum LPG refinery gate price.

In December 2005 the DME has awarded a tender for the investigation into the margins of the LPG wholesaling, distribution and retailing sectors with the view to control the retail price of LPG in order to make LPG more affordable and accessible.

On 28 March 2008, the Minister invited comments on the draft regulations in respect of the maximum retail price of LPG supplied to residential customers. DME is still considering public comments.

Liquefied Petroleum Gas regulation amendment

The Minister of Minerals and Energy approved amendment to the regulation in respect of the maximum refinery gate price of LPG on 1 April 2008. The amendment was effective 2 April 2008. The main changes were in density from 0.74 to 0.75 and the application of the regulation to the inland refineries. Inland refineries may increase transport cost factor equal to the cost of transporting LPG from coastal port to the applicable inland destination or manufacturing facility.

Liquid fuel dispensers

In 2008, petroleum products prices reached all time highs. Certain liquid fuel dispensers in South Africa were restricted to displaying a three-digit maximum price of R9.99 per litre. As petroleum products prices increased to a four-digit number (i.e. R10.00 or more per litre), the dispensers were no longer able to display the full price accurately. This created misunderstandings among consumers. This problem was dealt with by the South African Bureau of Standards (SABS) and the Department of Minerals and Energy (DME) permitting that the price per litre marked on the affected pumps was marked up at a tenth the price of the official gazetted petrol price. This meant that both the price per litre and the price to pay display were multiplied by ten. Decals depicting X10 were attached to pumps at both the price per litre and total amount to pay.

All owners of liquid fuel dispensers were immediately required to replace or modify affected liquid fuel dispensers. The replacement or modification process was completed by the end of 2008.

Security of supply

The Cabinet approved the Energy Security Master Plan (ESMP) for liquid fuels on 8 August 2007. The ESMP short-term strategic options are to address challenges in the petroleum products logistical infrastructure in areas such as ports operations, distribution depots, inland transport, LPG supply and stock levels at airports. The medium to long term strategic options are the inland supply of fuel by pipeline, new refining capacity, integrated energy modelling and planning. SAPIA looks forward to engaging with Government to develop viable and sustainable solutions to the challenges facing the infrastructure, policy and governance of the petroleum industry.

As stakeholders started engaging on ESMP implementation, it became apparent that for planning to be effective and efficient, industry should be 'designated' – which if granted by the Minister of the Department of Trade and Industry - would qualify the agreement concerned for exemption from the Competition Act.

The designation application was filed during the fourth quarter of 2008. Government notice inviting interested parties wishing to comment on the proposed designation of the petroleum industry, in respect of monthly industry supply forums led by the Department of Minerals and Energy, was published in the Goverment Gazette on 8 August 2008. This is a step in the right direction and will make it possible for stakeholders to jointly discuss security of supply issues in the short, medium and long term. The designation is still under consideration.

Work on the security of supply strategy commenced in the fourth quarter of 2004. Progress on this front in 2008 entails a comprehensive review of the strategic stock policy with an aim of recommending changes to the policy if necessary; a complete reassessment of South Africa's supply continuity; and an analysis of the country's fuel supply with proposed solutions to the challenges. Once the strategy is approved by Cabinet, it will provide the groundwork and roadmap to ensure security of supply of products.

Competition compliance audit

SAPIA commissioned a competition compliance audit by Bowman Gilfillan in the third quarter of 2007. The audit focused on SAPIA's activities, particularly the SAPIA committees and teams.

The audit confirmed SAPIA's belief that it is perfectly legitimate for its members to make representations to Government on issues relating to regulated pricing, taxes, energy policies and the promotion of safety and environmental standards.

The audit recommended guidelines for SAPIA's future activities. A key recommendation is that SAPIA should establish committees only where they are objectively necessary to deal with non-competitive issues.

The audit did not find any instances where there has been a contravention of *per se* prohibition of the Competition Commission Act. A *per se* prohibition relates to conduct that is prohibited outright where the firms concerned have no opportunity to raise technology, efficiency or other pro-competitive gains that outweigh any anti-competitive effects of their conduct.

Electricity crisis

Industry was not immune from the 2008 electricity crisis. Operations cease when there is no electricity, head office and regional offices are unable to support storage, loading facilities and manufacturing facilities. During the electricity crisis, Eskom's Open Cycle Gas Turbine (OCGT) sometimes ran up to eight hours a day. The OCGTs are powered by large quantities of diesel. South Africa is short of diesel and this means Eskom's requirement was met via imports.

Industry is contributing towards crafting a solution to the electricity crisis via Business Unity of South Africa and industry forums. The insight gained from the experience will be used by industry to plan for the future supply of petroleum products throughout its distribution network.

Crime and Security

Crimes perpetrated against SAPIA members and their service stations continue to escalate and are a major problem. The high level of violent crime and corruption in various industries disheartens the spirit of South Africans, hinders the country's potential to reach its full potential and is an obstacle to socio-economic growth. The increase in crime is not only a South African phenomenon, but seems to be a multi-national trend.

Previously, the industry relied on information about crime statistics collected from service stations and oil companies. The process of data collection and co-operation has changed in the establishment of alliances with other industries and law enforcement agencies. Information between other industry representative bodies is now being shared on a daily basis. The new process of data collection and co-operation with these partners could have caused the perceived increase in crime as a high number of incidents are being reported by the partners.

Oil Industry Security Forum

SAPIA's Oil Industry Security Forum (OISF) aims to help the industry identify, implement, maintain and review effective security and crime prevention measures as well as specific needs of oil companies at its refineries and depots, service stations and retail fuel facilities. The monthly meetings of the OISF are attended by SAPIA members, retail representative bodies and the South African Police Service. Security issues of mutual interest such as crime prevention form the focus of these meetings. Concerns, problems and progress on crime fighting projects are also monitored.

OISF members and Retail General Managers of the member companies meet occasionally to address identified threats. All representatives agree on a joint strategy to improve communication, enhance the endeavours of the oil companies and maximise the interaction with other industries and the Government.

Co-operative action

The petroleum industry continuously engages with other industry representative bodies on a strategic and operational level to address the crime problem. These bodies include:

- Business Against Crime
- South African Banking Risk Information Centre (SABRIC) – representing the banking industry

- The Cash in Transit Crime Prevention Forum
- The Consumer Goods Council – representing the retail industry
- Council of Shopping Centres
- Tourism South Africa
- Jewellery Association
- Security Industry Alliance
- South African Insurance Association, and
- The Post Office.

The petroleum industry is also one of several economic sectors engaged in collective and separate negotiation with Government to address the crime problem. The concern about crime gave rise to the establishment of a Violent Organised Crime (VOC) working group as part of the Anti-Crime Leadership Forum, co-chaired by the Minister of Safety and Security and businessman Derek Cooper representing the business sector. Quarterly review meetings between the working groups and the South African Police Service provide guidance to the initiative. Feedback sessions to the South African President are convened on an annual basis.

Crimes against the industry

Crimes perpetrated against the petroleum industry can be categorised into three main groups:

- Violent crimes including robberies with aggravated circumstances. This category includes ATM crimes on service station forecourts perpetrated with explosives, attacks on drop-safes with explosives and cash-in-transit robberies on forecourts.
- Bulk fuel thefts and other thefts including housebreaking.
- Commercial crime including fraud and corruption.

Actions being taken

SAPIA believes that the roles of crime prevention and security management should not be limited to the State. Instead, the management of these critical portfolios should be a collective effort amongst all stakeholders. Accordingly, SAPIA maintains an active, industry-wide security and crime prevention programme aimed at maximising the security and wellbeing of employees and assets, especially at service-station forecourts, which are vulnerable to armed robberies and other crimes.

SAPIA has approved the introduction of a Communication Centre and two security consultants to monitor and conduct analysis and co-ordinate investigations and liaison between SAPIA member companies and the South African Police Service investigation officers.

The Violent Crime Security Consultant visits each site in Gauteng where a crime was perpetrated and does a scientific risk assessment of the site to determine what mitigating actions should be implemented to prevent a reoccurrence of a similar incident on that site. Information collected is shared with the authorities to improve the apprehension of perpetrators and the rate of successful prosecution.

The Bulk Fuel Theft Security Consultant will obtain information from all the member companies about incidents of fuel theft and maintains a database of the information. Regular meetings take place between the consultant and stakeholders to determine strategies to limit the phenomena. A high degree of confidentiality regarding the available information of the various member companies is maintained. The co-operation of fuel transporters is being sought for sharing of information regarding suspects and recipients of stolen product.

Various initiatives to address pressing concerns such as the losses incurred between service stations and the banks are receiving the necessary attention through workshops between petroleum industry representatives, cash-in-transit companies, South African Reserve Bank, banks and the South African Banking Risk Information Centre. Methods to limit the availability of cash by introducing card systems are also receiving attention through the Banking Association, DME and all concerned parties.

A review of 2008

Robberies at service stations continued throughout 2008 and appear to be on an upward trend. Worldwide tendencies show an increasing trend whilst the SAPS crime statistics indicate a 23% increase in violent crimes perpetrated against the business sector. The increase in incidents against the petroleum industry could be attributed to improved reported and data collection, economic realities in South Africa and the deflection of crime resulting from huge investments by other industries to prevent armed robberies. Another contributing factor is the increase in the fuel price resulting in larger cash amounts on forecourts.

Joint Operational Committees (JOCOM) on national and provincial levels were introduced and developed into a more permanent structure under the auspices of the SAPS. All the divisions of the SAPS as well as representatives from the private sector including the banks, petroleum industry, cash-in-transit companies, SABRIC, the South African Post Office and the Consumer Goods Council are involved. Provincial JOCOMs are operational in Gauteng, KwaZulu-Natal, Eastern Cape, North West, Western Cape and Mpumalanga. The private sector was invited to identify representatives to attend these meetings.

Service station robberies increased from 590 incidents in 2007 to 785 incidents in 2008. The total number of violent crimes increased from 875 in 2007 to 1139 during 2008. These figures include cash-in-transit incidents, ATM and drop-safe explosions and murders.

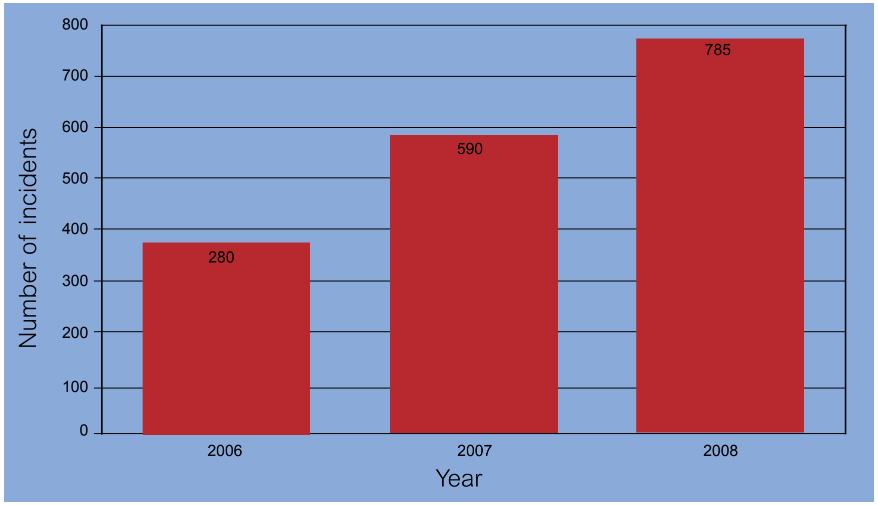

Figure 1: *Service station robberies*

The OISF database is currently more reliable which means predications are more accurate. All oil companies, working in partnership with service station owners, franchisees and their staff, continue to manage strict cash-handling procedures. The use of drop-safe technology seems to have reached its 'sell-by-date' and new innovative cash handling equipment and procedures are being introduced in accordance with the Reserve Bank's envisaged cash handling procedures. The objective is still to maintain the smallest possible cash float in every retailer till with the bulk of cash being secured in a facility that is inaccessible to anyone on site and to outsource the risk. All cash dropped into the facility will be electronically counted and a proper record of all cash drops will be available.

Several other security precautions and crime deterrent measures have been implemented in recent years, including:

- enhanced service station design, centred on the installation of improved forecourt lighting and access restriction to sensitive areas;
- minimum standards for closed circuit television (CCTV) installations which now provide clear images of perpetrators;
- installation of bullet-proof glass at some convenience store point of sale areas;
- installation of panic buttons, safety locks and enhanced video surveillance equipment;
- establishment of emergency response links with armed response companies and the SAPS; and
- enhanced SAPS Sector and Community Policing Forum approach.

Some other recent crime prevention practices and systems established include:

- liaison within the industry so that petroleum companies can share best practice in the areas of safety and health management;
- closer liaison with the SAPS senior management, SAPS Hitech Unit, nationa. and provincial JOCOMs, Crime Information Centre, local clusters and provincial management;
- the full investigation of every crime related incident and the incorporation of the relevant findings into security procedures (this information is shared between oil companies);
- closer liaison with the Metro Police senior management; and
- the formulation of useful security, safety, crime prevention and governance guidelines for the industry and its security service providers.

In the industry's retail sector, the focus on the improved security of retailers, their employees and their customers continued to receive priority attention. The industry assists in the development of specialised training programmes for service station personnel in the area of robbery prevention and survival techniques. Through a joint initiative between the South African Petroleum Retailers' Association, Fuel Retailers' Association and the Retail Motor Industry Organisation in conjunction with the Mechanical Engineering Sectoral Education and Training Authority (MERSETA), these training courses are presented free of charge to retailers and their staff. This project is set to continue with more funds being made available by the MERSETA. From available statistics it is evident that this initiative is successful as the number of incidents on forecourt employees has diminished.

Environmental performance

Environmental best practice

Fuel specifications for the future

Global warming, greenhouse gases and energy efficiency

Recycling

Safer domestic fuels

Environmental best practice

There are many compelling reasons why all business activities need to be managed in an environmentally sustainable manner. Prime among these is that everyone has '*the right to an environment that is not harmful to their health or well-being and to have the environment protected for the benefit of present and future generations…*' (South African Bill of Rights: Section 24).

We need to ensure that we do not damage the environment to the extent that our own health and that of our children could be adversely affected. Additionally, no business can today operate successfully in a manner that is seen to negatively impact on the environment – it does not make for good business practice. Regulatory pressures are justifiably increasing, with significantly more stringent sanctions being applied to those that do not comply with the norms of sound environmental management. Sound environmental performance is no longer an option – it is an imperative.

The South African oil industry is involved in the manufacturing and distribution of products that have the potential to cause harm to the environment if not managed correctly. Many different activities take place between the time that crude oil is imported into the country and the final usage of the end product. We have all seen the impact of major oil spillages at sea and the effect that this has on marine life. It is therefore necessary to take a 'cradle to grave' approach whereby all parts of the product's life cycle are properly addressed.

The South African oil industry believes it is more effective to manage environmental issues from a collective industry perspective. The oil industry sector has always maintained a highly competitive relationship in its production and marketing operations but this competitive relationship does not extend to matters dealing with environmental protection and management – just the opposite. Ever since the early 1970s, when the oil companies formed the Oil Industry Environment Committee, they have worked closely together to develop common standards aimed at minimising any adverse impacts that their activities may have on the environment – the common goal of environmental protection overrides their sense of competition in the market place. The Oil Industry Environmental Committee has now joined forces with the Oil Industry Engineering Group to form the SAPIA Engineering and Environmental Committee (SE&EC). This ensures that environmental considerations are taken into account in the engineering design work, whether it is at service stations, depots or other distribution sites.

A good example of the way in which SAPIA members work together is reflected in a standard protocol that has been developed to ensure that contamination resulting from the leakage or spillage of any of their products is cleaned up without any delays. An agreement has been signed among all the companies which requires the oil company with a facility situated closest to a site where contamination is found to manage the remediation of that site and for companies with facilities within a 500m radius of the contaminated site to contribute to the clean-up costs. In this way, clean-up commences without the actual source of the contamination having to be found which could result in long delays. This is one example of the way that industry members collectively take a pragmatic and practical approach to reduce potential harm to the soil and groundwater resources arising from spilled products.

The SE&EC, in collaboration with the regulatory authorities, has developed a number of other anti-pollution protocols and strategies for many of their activities. These include:

- The provision of jointly-owned oil spill response equipment at all ports and harbours in order to contain and recover any oil spills that might occur in these areas. A partnership has been formed with the Transnet Ports Authority to enable all of the response equipment to be used by either of the parties in the ports should a spill occur from whatever source.
- The positioning of 40 jointly-owned oil spill response trailers on road and rail transport routes in South Africa and the neighbouring states. These are used as a “first aid” response to clean up any oil spills that may result from road or rail accidents.
- The development of common standards for the construction and installation of fuel storage and distribution facilities to prevent leaks or spillages that could lead to environmental harm. During the year, new uniform standards for detecting leaks from underground storage tanks have been developed which will become mandatory through the SABS process.
- Establishment of the Refinery Managers’ Environmental Forum to enable a uniform approach towards minimising environmental impacts from refinery operations and to liaise with Government to form partnerships towards the meeting of this goal.
- Joint monitoring of air emissions at shared facilities, such as terminal sites, in order to achieve a consistent approach in the management of releases to the atmosphere.
- Development of techniques to evaluate the risk of leakage from underground storage tanks so as to effectively prioritise the replacement of tanks that have the potential to leak.

These are some examples of the benefits that can be achieved from industry-wide co-operation. A number of these approaches are developed specifically for South African conditions but at the same time the experiences of oil companies operating in other countries are drawn upon to ensure that international best practice is employed. SAPIA is also an Association Member of the International Petroleum Industry Environmental Conservation Association (IPIECA) which allows local practices to be benchmarked against those implemented in other countries around the world. IPIECA, amongst other things, provides a forum for international experiences and successes in environmental management in the oil industry to be broadly shared.

These are some examples of the benefits that can be achieved from industry-wide co-operation. A number of these approaches are developed specifically for South African conditions but at the same time the experiences of oil companies operating in other countries are drawn upon to ensure that international best practice is employed.

Fuel specifications for the future

South Africa is lagging behind major developed countries, such as Europe and the USA, in introducing fuel specifications that meet more stringent standards. There are increasing pressures locally, from the Government and the motor industry, to make certain changes to current fuel specifications that enable alterations in vehicle technology which will lead to a reduction in harmful vehicle exhaust emissions.

The complete phase-out of lead in petrol in South Africa by 2006 was the result of a multi-stakeholder process that started in 1986. This significantly reduced harmful lead concentrations entering the atmosphere and enabled the introduction of vehicle technology, which further reduces harmful vehicle emissions. At the same time, sulphur levels in both diesel and petrol were lowered in an effort to reduce the amount of particulates and sulphur dioxide in exhaust emissions.

There is now a need to further review the current fuel specifications with a view to making changes that might be needed to enable the introduction of cleaner vehicle technology in order to improve urban air quality in South Africa. This review needs to take the best interests of the country as a whole into account. In order to achieve the full air quality benefits, an integrated systems approach, including the introduction of cleaner vehicle technology together with the required enabling fuels, as well as the introduction of vehicle inspection and maintenance programmes and traffic management schemes needs to be considered.

At the start of 2008 SAPIA embarked on a process of gathering information, through review and study, which can be used in developing a long-term roadmap for future fuel specifications by means of a multi-stakeholder process. This includes a review of all available South African data linking vehicle emissions to air quality impairment, the current and projected South African car parc, the relative contribution of different interventions in reducing harmful vehicle emissions, plus a number of other studies, the results of which will assist in the determination of a rational future fuels road map for South Africa. It has been recognised that a long term road map (covering the next 20 years) is required so as to provide the necessary regulatory certainty which will enable a sustainable investment strategy for the refineries.

SAPIA is keen to get the multi-stakeholder process underway as soon as possible as a lead time of about five years (after the long term fuel specification changes have been determined) is required to make the necessary refinery process changes.

It is also clear that the much talked about introduction of biofuels into the fuel stream of South Africa needs to be taken into account while developing the future fuels roadmap. The DME issued the Biofuels Industrial Strategy for South Africa in November 2007. This strategy sets a target for the uptake of biofuels at 2% by 2013. Although this is designed as a voluntary target, SAPIA members need to prepare themselves for the eventual uptake of these fuel components to ensure that the end product remains ‘fit for purpose’.

SAPIA recognises the potential advantages of introducing biofuels into the local energy supply such a. job creation, energy security and a reduction in greenhouse gas emissions. However, it is clear that there are many complexities associated with the uptake of biofuels and these need to be adequately addressed to ensure that unintended consequences are not encountered. These complexities include: maintaining cost neutrality for the consumer; fuel quality issues; fuel distribution issues; and ensuring that biofuels are produced in an environmentally and socially sustainable manner. SAPIA supports the view that expert work groups be established to address these complex issues so that when the time comes for biofuels to be introduced into the fuel stream it is done in a manner that does not compromise the interests of any of the involved parties. Government will also need to develop a regulatory framework that will enable biofuels to be effectively taken up in the liquid fuels stream. This will need to cover issues such as pricing, incentivisation and licensing of blending facilities.

It is also clear that the much talked about introduction of biofuels into the fuel stream of South Africa needs to be taken into account while developing the future fuels roadmap.

Global warming, greenhouse gases and energy efficiency

There is no doubt that the climate changes that are currently being experienced globally and those that are predicted for the future are linked to the increase of greenhouse gases, such as carbon dioxide, in our atmosphere. This realisation has lead to a major international effort to curb the release of these greenhouse gases. Although South Africa has signed the Kyoto Protocol, being a developing country, we are not bound by the carbon reduction targets as are the developed nations of the world. However, SAPIA members realise that even though it is not mandatory, it is essential that all industries commit to playing their own role in reducing the carbon emissions from their activities.

In this regard, SAPIA and its members signed an Energy Efficiency Accord with the Minister of Minerals and Energy in May 2005 and committed to promote the efficient use of energy in the oil sector. In terms of the accord, *'Industry signatories acknowledge the target of a national final energy demand reduction of 12% by 2015, expressed as a percentage reduction against the projected national energy use in 2015, with a final energy demand reduction target for the industry and mining sector as a whole of 15% by 2015.'*

SAPIA members are currently working towards the implementation of this accord through a combined industry strategy.

SAPIA members realise that even though it is not mandatory, it is essential that all industries commit to playing their own role in reducing the carbon emissions from their activities.

Recycling

SAPIA members, together with other lubricating oil marketing companies, founded the Recycling Oil Saves the Environment (ROSE) Foundation in 1994. ROS. manages the collection, storage and recycling of used lubricating oils in South Africa. Specially designed tank trucks collected used oil from over 9 000 mini tanks located at workshops, service stations and central collection points. This oil was then taken to environmentally accredited depots in Cape Town, Port Elizabeth, Durban and Krugersdorp, from where it was sent for recycling and re-use. Member companies funded the process through a contribution on each litre of new lubricating oil sold. Well over 380-million litres of oil were collected under this programme – a major portion of which may have polluted the environment.

During 2007, this approach changed when ROSE facilitated the formation of the National Oil Recycling Association of South Africa (NORA-SA), with some 80 members, to promote the collection and recycling of used oil on a wider scale and to ensure that this is done in an environmentally friendly manner, as certified through the ISO 14001 process. This initiative has had significant job creation spin-offs and has advanced black economic empowerment considerably. During 2008, some 85-million litres of used oil were collected under the auspices of NORA-SA, totalling 165-million litres collected by the NORA-SA members since the formation of the association. ROSE still incentivises the collection of used oil by the independent NORA members to the tune of 10c per litre (30c per litre in outlying areas).

ROSE embarked on a programme to collect empty lubricating oil cans from service station forecourts in Cape Town, Port Elizabeth, Johannesburg, Pretoria and Durban in November 2008. By the end of 2008, more than 350 tons of metal cans and 100 tons of plastic containers were collected. This waste material would have taken up valuable space on our limited landfill sites whilst at the same time resulting in the recycling of the materials.

During 2008, ROSE initiated an auditing protocol for drum reconditioners which, it is expected, will be widely adopted during 2009. This protocol is designed to ensure compliance with the relevant health, safety and environmental regulations as they apply to the drum reconditioning process.

Safer domestic fuels

SAPIA members are concerned about the potentially harmful effects of their products. This is particularly so when it comes to the domestic use of paraffin which, if not properly handled, can result in fires, burns and poisoning through accidental ingestion by children. These risks can have a major social impact, especially in the poorer communities where illuminating paraffin is the most commonly used domestic fuel.

Thirteen years ago SAPIA members established the Paraffin Safety Association of Southern Africa (PASASA) which manages a multi-million rand programme to minimise the incidence of fires, burns and poisonings. This initially entailed the provision of child-resistant closures and bottles for safe storage of paraffin as well as extensive educational programmes on how to minimise the risks of improper paraffin usage. The educational programmes continue in earnest, entailing door-to-door campaigns, initiatives at hospitals and clinics, schools and municipalities. Paraffin Safety Days are also held in each of the provinces to raise awareness of the safety issues associated with improper handling of paraffin.

PASASA has also been working closely with Government departments to promote regulatory mechanisms to better control the use of paraffin. The best example of this is the introduction of a new standard by the South African Bureau of Standards which outlaws the sale of wick-based paraffin stoves which are considered to be unsafe. New standards have also been written for pressurised paraffin stoves and other flame-based appliances. A pilot Safe Stove Project has also been launched in Cape Town and Johannesburg. SAPIA members are also actively promoting the use of safer domestic fuels, such as LPG, and assisting in making the LPG appliances more affordable for the end user.

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Socio-economic performance

Industry transformation

Corporate social investment

Industry transformation

The goal of the Liquid Fuels Charter (LFC), signed by the industry in 2000, is to ensure sustainable presence, ownership and control by approximately 25% of historically disadvantaged South Africans (HDSAs) across the industry value chain by 2010. To this extent, the industry made significant progress in all transformation areas for the period under review. This section of the annual report provides an update on the industry's transformation progress on various elements of the charter in 2008. The 2008 industry transformation review is based on 2007 data.

2008 industry transformation review

The DME's results for the industry's 2008 transformation review were not complete at the time of publishing this SAPIA annual report. In order to report on industry transformation progress in the 2008 annual report, SAPIA collated industry averages in various empowerment areas. These statistics are unaudited results and may contain slight differences in comparison with the final audited DME liquid fuels industry transformation progress report.

SAPIA eagerly awaits the final audited 2007 industry report from the DME.

The agreed industry measurement framework is outlined in Table 1.

The goal of the Liquid Fuels Charter (LFC), signed by the industry in 2000, is to ensure sustainable presence, ownership and control by approximately 25% of historically disadvantaged South Africans (HDSAs) across the industry value chain by 2010.

Liquid Fuels Charter Scorecard

BEE Factors	Regulatory objective
Direct empowerment	
Ownership	**Effective ownership of enterprises by black people** Encourages the sharing of equity and voting rights with black people and black women.
Management control	**Effective control of enterprises by black people** Encourages senior black decision making at executive board and senior top management levels.
Human resource development	
Employment equity	**Equity in the workplace** Encourages companies to identify and recruit black people at professional, middle and lower management positions.
Skills development	**Development of competencies of black employees** Encourages companies to develop talent of black people through skills development spend on learning programmes, learnerships and overseas placement.
Indirect empowerment	
Preferential procurement	**Procurement of goods and services from strong B-BBEE recognition level suppliers** Encourages procurement from BEE compliant companies. Encourages spend on small and micro-enterprises, >50% black owned companies and >30% black women owned companies.
Enterprise development	**Assist and accelerate the development and sustainability of other enterprises** Encourages development or expansion of black small, medium enterprises particularly along the value chain.
Socio-economic development	**Promote access to the economy for black people** Encourages initiatives intended to directly provide black people with the means of generating income for themselves.
Supportive culture	**Create an enabling environment for transformation** Encourages companies to appoint managers who will understand the spirit and background of the charter to create a supportive and enabling environment for business success and drive a process of transformation and a change of culture.

Table 1: *Framework for transformation in the petroleum and liquid fuels industry*

Ownership

All privately owned members have concluded equity ownership deals. The average industry ownership by BEE companies is 26% in 2007, exceeding LFC targets set for 2010.

Management control

The Boards of Directors and senior management levels of SAPIA members comprise of the following:

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%

Table 2: *Management control of oil companies in 2007*

Preferential procurement

The industry's BEE procurement spend is 42% of total budget for goods and services excluding BEE spend on crude oil and petroleum products. Crude procurement and supplier development remain a challenge. The industry and the South African Supplier Development Agency (SASDA) are working together to make progress on this front.

Enterprise development

Member companies are expected to spend 3% of net profit on enterprise development. Business enterprises that benefited from spend in the category spanned industry retail networks such as Africa Oil, Masana, LPG projects, business skills training and retail dealer development programmes. Historically disadvantaged South Africans operate 38% of the industry retail network.

Socio-economic development

The industry's average spend on Corporate Social Investment (CSI) is over R175 873 080. CSI spend includes areas of national and sector priority. This includes spend on education, job creation, social development, environment, HIV/Aids, road safety campaign, bursaries, heritage, LPG donations and poverty alleviation.

Employment equity

SAPIA undertakes to research employment equity trends across its member companies on an annual basis. The 2008 research analysis was conducted comparing member companies' employment equity statistics as per the reports submitted to the Department of Labour with South Africa's economically active population (EAP) statistics. In this way, the industry has gone beyond the requirements of the Charter and measured itself against the EAP stretch targets. The representation of black South Africans employed by the petroleum industry in 2007 is tabled below.

Occupational level	Percentage of black representation
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%**

Table 3: *Workforce representation of black people by occupational level*

EAP statistics refer to eligible individuals in any country between the ages of 15 – 65 years old who either are employed or are actively seeking employment. In South Africa, the EAP statistics are used as a benchmark to develop company employment targets and measure progress on workforce diversity at all occupational levels.

A comparison between South African EAP statistics and the 2008 workforce analysis shows industry's progress and highlights the challenges. These include the following:

Industry achieved 25% representation of black people at all occupational levels, as per the Charter requirement.

At the lower occupational levels, industry employment equity targets are aligned to most indicators for EAP benchmarks and in some cases have been exceeded.

While there is clear movement towards meeting the EAP benchmark for race, the same is not the case for gender. Women remain consistently under-represented across all occupational levels.

Representation of people with disabilities was 0.57% for the period under review. Efforts to include and increase representation of people with disabilities remain a challenging area of workforce diversity across all SAPIA member companies.

Skills development

Industry learning programmes

Developing industry leaders

The industry continued implementation of its two programmes, namely the Leadership in Oil and Energy Programme and the Artisan Skills Training Project aimed at creating a cadre of skilled employees in areas of scarce resources. Fifty-seven industry employees graduated from the 2008 Leadership in Oil and Energy Programme; bringing the total of graduates from the programme to 147 since the programme's inception in 2006. In 2007, 96% of graduates were women and 4% were men. Speaking at Wits Business School during the Johannesburg graduation, Total South Africa HR General Manager Dr Jerry Gule, said it was gratifying for him, as a member of the SAPIA HR Committee, to see the fruition of what started as a small project. The industry research and analysis shows that women development, particularly previously disadvantaged women, has to be accelerated and the Leadership in Oil and Energy Programme is accomplishing this.

Developing artisans

The lack of appropriately skilled artisans is one of the top five scarce skills across SAPIA member companies. To address this skills shortage the Artisan Skills Training Project launched in 2004 to recruit artisans required by the Oil, Gas and Chemical Manufacturing (OGCM) companies. It is encouraging to note that the participating OGCM companies honoured their commitment to the project and there are currently some 1 400 learners in the system. In addition,

209 learners have qualified at NQF Level 4 trade qualification. The project is currently structured to produce in excess of 500 NQF level 4 certificated learners per year from 2009 onwards. With current funding, the project is on track to produce 1 200 qualified artisans by the end of 2010.

Identifying scarce and critical skills

SAPIA conducted research across its member companies to identify the demand for scarce skills across SAPIA member companies between 2007 and 2010 and identify required learning interventions to breach these industry identified skills shortages. Major findings show that a robust learning infrastructure with appropriate petroleum industry learning interventions are required to ensure the sustainability of skills into the future. Participating member companies included BP Southern Africa, Chevron South Africa, Engen Petroleum, PetroSA, Sasol Oil, Shell South Africa and Total South Africa. Member company refineries and blending plants such as Blendcor, Natref and Sapref were also included.

There are 128 scarce occupations across the 24 value chain areas of the petroleum industry. The total projected demand for people resources within these occupations is 1 892 based on respondent submissions. This represents an increase of 16.2% on the combined industry workforce of 11 682 as determined in 2008.

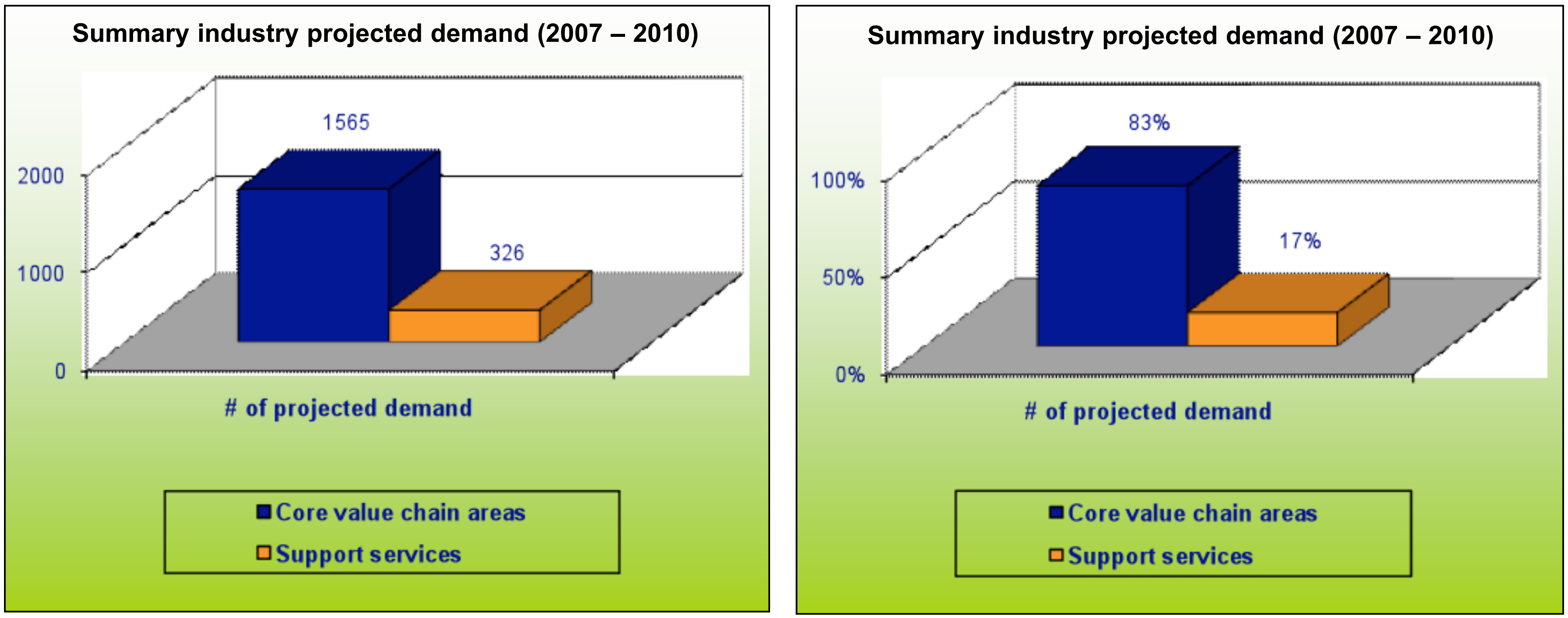

Figure 1 *Summary of scarce skills and projected demand by industry value chain area (core and support areas)*

Scarce skills refer to occupations in which there is a scarcity of qualified and experienced people, currently or anticipated in the future, either because such skilled people are not available or they are available, but do not meet employment criteria.

Critical skills, in keeping with international trends, refer to specific key or generic and 'top up' skills within an occupation

The 12 core value chain areas account for 83% of total projected demand. Manufacturing is the value chain area with the highest demand for people resources to fill scarce occupations, followed by logistics. Combined, these two value chain areas have 60% of overall demand for people resources across the industry.

There are 12 business support value chain areas with a total projected demand for 326 people resources. Finance is the support value chain area with the highest number of scarce occupations (11), as well as the highest demand with 117 people resources required. This represents 36% of the overall demand across support value chain areas.

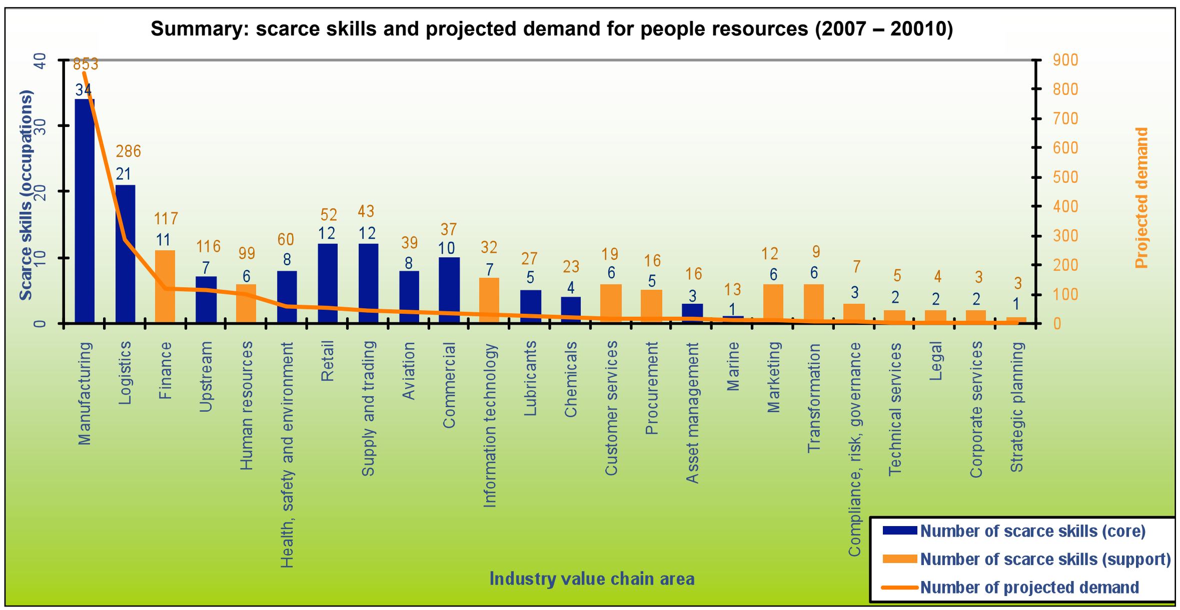

Figure 2: *Summary of scarce skills and projected demand by industry value chain area (2007 – 2010)*

The projected demand for people resources span across eight categories as defined by the Organising Framework for Occupations (OFO). The OFO category with the highest demand is Technicians and Trade Workers (659 resources or 34.8% of the total demand), followed by Professionals (demand for 633 resources or 33.5% of the total demand). A total of 210 Managers are required.

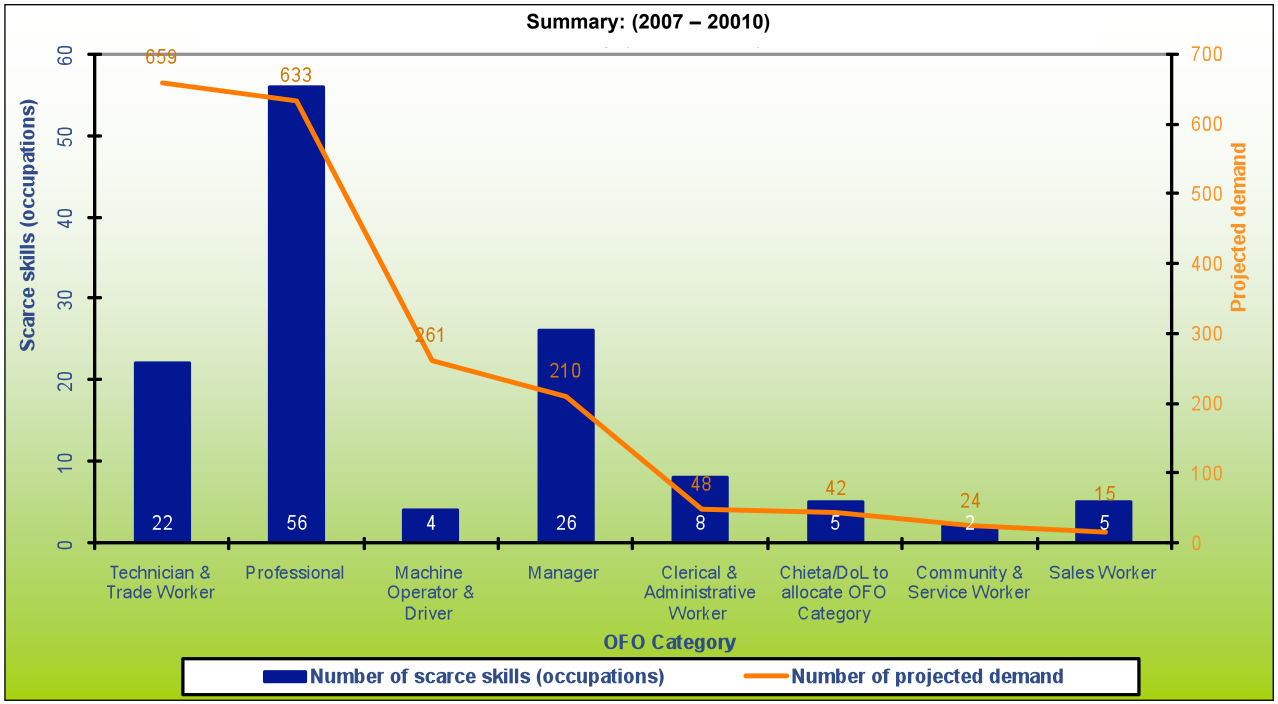

Figure 3: *Summary of scarce skills and projected demand by OFO category (2007 – 2010)*

Learning interventions

More than a third (34.7%) of learning interventions required to close scarce skills gaps fall in the category of occupationally-directed learning with a formal contract. This includes interventions such as learnerships, apprenticeships and institutional instruction with structured, supervised experiential learning. Currently most of the available petroleum industry training in South Africa is not accredited by the South African Qualifications Authority. The need for formally accredited learning to close industry skills gaps must be addressed.

Academic training, combined with some practical learning (e.g. with an employer or in a work simulated environment) is required for 20% of all learning interventions. This is typically obtained through a technical degree, diploma or certificate.

Less than 10% of the learning interventions require theoretical academic training where practical training is not required. Most of these interventions are required for scarce occupations that fall within the professional or manager OFO categories.

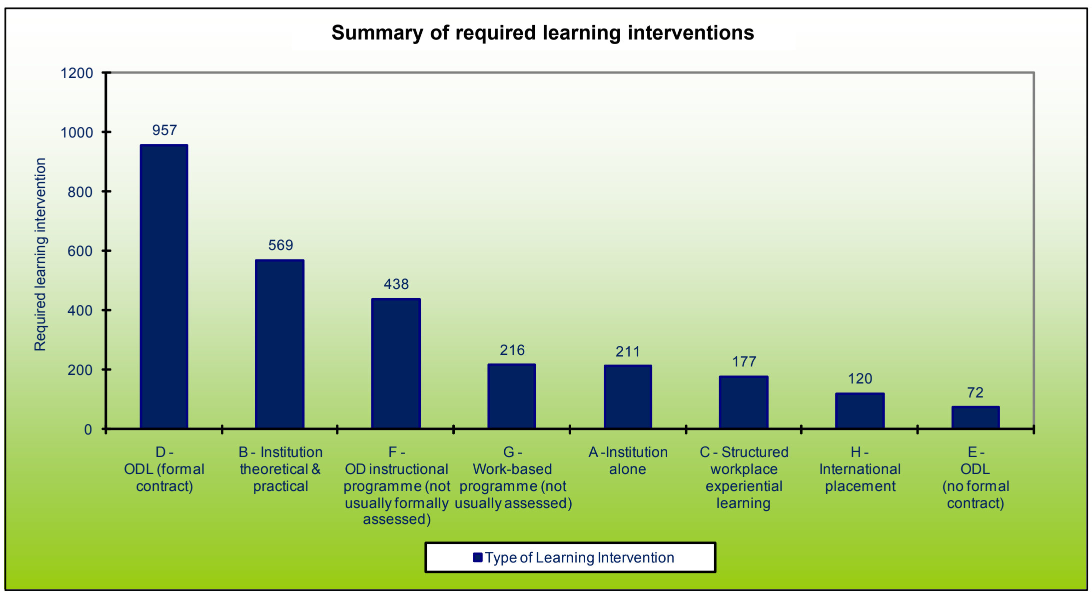

***Figure 4:** Summary of required learning interventions*

See appendix 12: Learning programme matrix used to identify industry leaning programmes required

Value chain area	Number of scarce skills	Projected demand (2007-2010)	Learning interventions							
			A	B	C	D	E	F	G	H
Manufacturing	34	853	85	137	24	573	40	193	82	71
Logistics	21	286	2	22	64	187	4	14	61	
Finance	11	117	20	49	28	20		37		
Upstream	7	116	4	108			4			46
Human resources	6	99	61	51		35	6	13	9	
Health, safety and environment	8	60	6	10	2	22		55	7	
Retail	12	52	1	18	12	24	3	12	1	
Supply and trading	12	44	6	21	8	16		13	13	3
Aviation	8	39		6	5	29		5	5	
Commercial	10	37	6	10	17	2	8	3		
Information technology	7	32	3	29				25	5	
Lubricants	5	27	10	14	10	14	3	9	9	
Chemicals	4	23		19	4	15				
Customer services	6	19		19		9				
Procurement	5	16	1	9	2		4	16	3	
Asset management	3	16	4	12						
Marine	1	13		13				13	13	
Marketing	6	12		10				12	2	
Transformation	6	9				8			1	
Compliance, risk, governance	3	7		6	1			7		
Technical services	2	5	1					5	4	
Legal	2	4	1	3				3	1	
Corporate services	2	3				3				
Strategic planning	1	3		3				3		
	Total	**1892**	**211**	**569**	**177**	**957**	**72**	**438**	**216**	**120**

Table 4: *Summary of projected demand and learning interventions by value chain area*

The main reasons cited for scarce and critical skills gaps are:

- potential candidates lack required levels of petroleum industry knowledge and experience;
- ageing workforce;
- shortage of suitably qualified employment equity candidates; and
- required replacement demand is not available in the marketplace.

The research identified a significant need for the industry to develop customised industry-specific programmes to close identified skills gaps. SAPIA plans to work with its members to develo. academic qualifications to address industry skills gaps.

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Supportive culture

Celebrating women in the petroleum industry

August 2008 was filled with many activities throughout South Africa in celebration of Women's Month. On 21 August, the Johannesburg branch of the Businesswoman's Association (BWA) joined SAPIA to present a themed lunchtime function: *Women in the Petroleum Industry.* The lunch was hosted by Wits Business School and attended by over 150 women.

The objectives of the function were to:

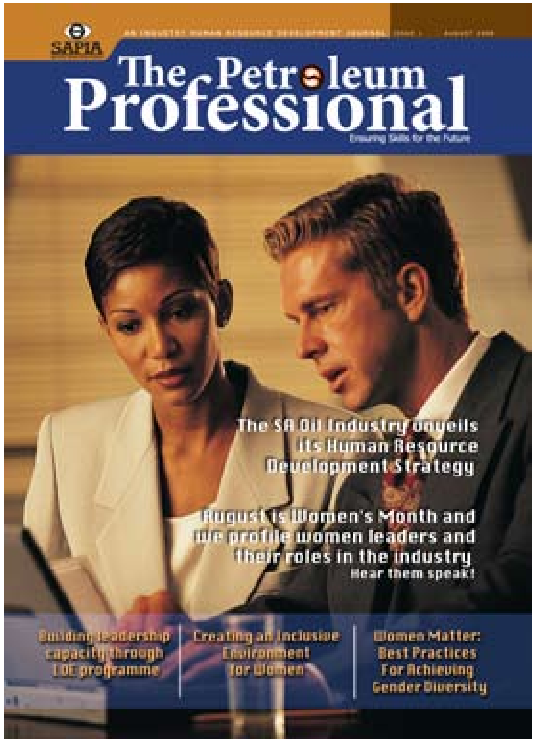
- celebrate the successes of the petroleum industry around women empowerment;
- discuss challenges for women in the industry;
- broaden understanding of the sector, including energy supply and value chain management;
- explore professional and economic development of women in the industry; and
- discuss acceleration of women's career paths, meaningful job creation and enhancement for women.

An outstanding panel, representing each of the seven SAPIA member companies, provided many insights into the industry. The discussion was facilitated by Esther Letlape, Sasol Oil's HR Manager and former Johannesburg BWA Chair, Clara Priester. The topics covered included an overview of the petroleum industry and the location of women in the industry, oil price, gender equity challenges in the workplace, a transformation journey, successes in women empowerment and work-life balance. In addition to presentations from each company and robust panel discussions, member companies set up exhibits where attendees could talk to company representatives.

The Women's Day celebration was a significant transformation milestone achievement for the petroleum industry and contributed towards creating a supportive industry culture for women. The industry envisages hosting similar events in the future, together with key partners.

Launching *The Petroleum Professional*

SAPIA launched its first human resource development journal called *The Petroleum Professional* in August 2008. The journal focuses on sharing informative and educative research, topical company stories, facts and current affairs about SAPIA's human resource development and transformation journey as well as other petroleum industry issues of interest to stakeholders and the broader public.



The circulation started at 5000 copies and will increase to 12 000 in future. The target audience includes petroleum companies and their associated refineries and blending plants, suppliers, learning institutions, students, national and international business associations, Government, international subscribers and the public.

Broad-Based Black Economic Empowerment

Following the formalisation of the BEE Codes of Good Practice, SAPIA began a journey to demonstrate its commitment to Broad-Based Black Economic Empowerment (B-BBEE). More specifically, the industry is contributing significantly to B-BBEE by embarking on a project to ensure alignment of the Liquid Fuels Charter and Codes of Good Practice beyond 2010. Industry is also working with SASDA to facilitate enterprise/supplier development and this led to the subsequent roll-out of a logistics-based pilot project.

The 2008 transformation review detailed in this annual report shows that industry is making significant strides in respect of the pillars spelled out in the BEE Codes of Good Practice. SAPIA members are thus achieving both broad-based ownership and broad-based black economic empowerment.

However, there are some challenges in the transformation journey which ultimately aims to achieve broad-based black economic empowerment. These include:

- procurement of crude oil;
- the need to increas. credible BEE suppliers;
- availability of accredited petroleum industry learning programmes; and
- increasing the representation of people with disabilities.

Despite these challenges, industry remains on track to achieve the Liquid Fuels Charter aspirations.

Corporate social investment

SAPIA recognises the important role that companies play in bringing about transformation and making a sustainable contribution to the future of South Africa. In this regard, SAPIA is particularly proud of its member companies for the difference they are making to our country through their Corporate Social Investment (CSI) programmes. During 2008, our members contributed over R100-million towards CSI programmes.

Focus areas

Education and training

Education is the most beneficial focus area for our members and a major part of their CSI budgets are spent on education and skills development.

A good education provides a solid foundation and promises a prosperous future not only for the child who receives it, but for the nation as a whole. Our members recognise that gaps in education remain one of South Africa's biggest challenges and they are therefore committed to assisting Government in its efforts to bring better education to our children. In particular, our members focus on maths, science and technology education – a national education imperative and an area that speaks to our members' own need for a sustainable skills base in the future.

Some of these projects are:

Vision 2000 project

This project is a secondary school learning initiative run by the Durban Institute of Technology in association with the Tshwane University of Technology. The programme encourages young learners to follow a career in mechanical or industrial engineering. Our member sponsors a versatile mobile classroom and laboratory equipped with engineering demonstrations, computers, audiovisual displays, brochures and folders. The mobile classroom reaches thousands of learners each year as it travels to township and rural schools throughout the country.

Metrology Department for the University of the Western Cape (UWC)

Our member has donated R10-million to build a new Metrology Department at UWC. The Faculty of Natural sciences at UWC is at the forefront of research efforts, involving the development of alternative energy resources in South Africa. In particular, it has focused on the development of materials and components for hydrogen production, separation and storage as well as fuel cells. It is hoped that this partnership can lead to productive collaboration in research and developmen. towards a hydrogen-based economy for South Africa.

Computer laboratory for Thembalethu High School

Thembalethu High School received a major boost when it was given a R500 000 high-tech computer laboratory and media centre from a SAPIA member. The installation features a data projector, an interactive white board and wireless connectivity that enable learners to access e-mail and internet. The school is situated near a refinery in Mossel Bay. This facility is yet another indication of the industry's commitment to encourage studies in technology so as to build a talent pool for the gas and oil industry.

Boitjhorisong Centre

Partnerships between today's corporate sector and educational centres servicing previously disadvantaged communities are bridging the skills divide for tomorrow. An example of such an initiative is the Boitjhorisong Centre, located in the Free State.

Boitjhorisong, which means 'a place to sharpen one's skills' in Sotho, relies on funding from corporates to sustain many of its programmes, which include career guidance, computer literacy, science and technology. This funding is also in line with our member's own CSI strategy that seeks to uplift communities in which it operates, with the centre situated near the Natref refinery

Maths and Science Schools of Excellence

Our member company's Maths and Science Schools of Excellence programme achieved a 92% pass rate. Nine students from the programme received full bursaries from our member company and are studying engineering, commerce and marketing. At present they have 43 bursary recipients in academic institutions across the country. Mobile libraries in rural Western Cape remain a key feature.

St Mary's Alexandra Outreach project

Our member company has funded a Saturday school programme for Alexandra learners and educators. St Mary's High School initiated the programme in 1990, with the aim of improving the standard of mathematics, science, chemistry and physics for Alexandra Secondary Schools. Th. project has produced a large group of learners with university exemptions.

Health and welfare

Health and welfare projects cover a wide variety of issues. A substantial amount of our members' total CSI spend is on addressing developmental challenges in the community.

Access to health care facilities, clean water and addressing the special needs of the disabled all form part of our members focus.

Global Fund to Fight AIDS, Tuberculosis and Malaria

As part of its $30-million contribution to the Global Fund to Fight Aids, Tuberculosis and Malaria, our member has provided $5-million to combat HIV/Aids in South Africa. These funds support a number of initiatives in the Western Cape, including Cotlands and Living Hope. Cotlands is a hospice primarily for children with HIV. It also provides a place of safety for other children who are at risk. It offers palliative care – including an antiretroviral drug regime – and a nurturing environment for children up to the age of 14. Most of its residents are under the age of 7. Living Hope Community Centre is a hospice, most of whose residents are people living with full-blown Aids.

St Mary's Hospital

Our member company provided funds for the construction of a pharmacy at St Mary's Hospital in Marian Hill which means that members of the community now have access to anti-retroviral drugs. Before construction of the pharmacy, St Mary's Hospital did not have access to certain types of treatment, especially anti-retroviral therapy (ART). The hospital constantly had to return its ration of anti-retroviral drugs to the relevant health authorities as the hospital did not have suitable facilities to store these life-saving medicines.

Soul City Institute

This initiative aims to educate people and raise awareness about health and development issues, mostly related to HIV/Aids. Soul City drives its message through print and electronic media to reach an estimated 20-million South Africans. The initiative consists of six TV and radio drama series and 15 information booklets, of which about 17 million copies have been distributed. A second multi-media programme for children called Soul Buddyz has also been developed.

Ikhaya Lobomi (Home of Life)

Our member company is well aware of the devastating impact of HIV/Aids on South Africans and supports initiatives that ease the distress of people living with the illness. Our member company has been supporting Ikhaya Lobomi since 2005 and in 2008 granted the project R600 000. With no permanent funding, the centre relies entirely on donations from the public to finance the day-to-day running of the centre. This funding is not the only support Ikhaya Lobomi's work has attracted. Three Government departments have joined forces with the eThekwini municipality to expand Ikhaya Lobomi's capacity, with a new 45-bed facility opening in 2008. The new facility has male, female and children's wards, consultation rooms and a children's day-care centre.

Red Cross Children's hospital

Our member company has sponsored R4-million towards the Burns Operating Theatre at the Red Cross Children's hospital which is now in operation.

Sports Heroes Walk Against HIV/Aids

Our member company has been a partner in the Sport's Heroes Walk Against HIV/Aids since 2004. Local sport heroes walk from Gauteng to one province per year. The walkers host sport clinics, voluntary counselling and testing and HIV/Aids educations in small communities along the walk. Creating openness and an enabling environment is key to addressing discrimination.

Tomorrow Trust and Heartbeat

Heartbeat is a national NGO providing community-based care for orphans. Our member company works with Tomorrow Trust and Heartbeat addressing the continual educational needs of the orphans to ensure that these children can step out of the cycle of poverty.

Job creation

Members' objectives are to contribute to the economic development of our country. They therefore ensure that projects in which they invest yield job opportunities. They identify communities that are not able to participate in the economy because they lack the entry level skills. They are often the most vulnerable and therefore most marginalised. Their goal is to encourage independence and self actualisation by partnering to provide skills and resources.

Some of the projects are:

The South African National Biodiversity Institute

Junior Achievement, the US international non-profit organisation founded to address youth unemployment, was launched in South Africa nearly 30 years ago and has helped at least 370 000 local youngsters in job creation. Our member company has invested close to R1-million in the project already.

Female Farmer of the Year Award

Bongiwe Kali (27) is the youngest woman ever to be crowned South African Female Farmer of the Year. The award is sponsored by our member company in partnership with the National Department of Agriculture which recognises the contributions that female farmers like Bongiwe are making towards poverty alleviation. By providing the prize money for the award, our member company is also helping these women foster commercially viable enterprises, establish food security and create jobs in their local communities

Community development/skills development

Zakheni Early Learning Centre

Our member supports the Zakheni Early Learning Centre, established in 1997 to care for pre-school children in Soweto while their parents are at work. The centre offers constructive learning and scheduled play activities in a safe environment. As an early childhood development initiative, the real impact of this project becomes evident when the children move on to primary school, because they are well prepared for the formal environment and classroom environment. The centre employs full-time teachers and involves parents in fundraising and community-driven projects.

As an early childhood development initiative, the real impact of this project becomes evident when the children move on to primary school, because they are well prepared for the formal environment and classroom environment.

Youth Enterprise Development

The Winterberg School Trust located in Tarkastad strives for the sustainable growth of the Winterberg farming community, through education and creating opportunities for social and economic upliftment.

In order to break the circle of learners aspiring to become farm workers like their parents and grandparents, our member company donated R1-million to the school to establish the Youth Enterprise Development programme. The programme will provide young adults (ages 16 to 25) who have attained their Grade 9 General Education and Training Certificates with an affordable opportunity to further their education.

As a result of the partnership with Ikhala Public FET College in Queenstown, students are able to enrol for two pre-matric courses at the WST campus: The National Certificate: Business Studies N2 and The National Certificate: Business Studies N3. Computer practice and secretarial catering are among the subjects offered. Students are also required to complete a work experience component in addition to the requirements of the prescribed national curriculum.

Efata School for the Deaf and Blind

Home to 350 blind and 139 deaf learners, Efata has a long and proud history of excellence in education. Among other things, the school can boast a consistent 100% pass rate in the matriculation examination over the last few years. The school, which caters for special-needs children from the ages of 5 to 21, was started by the Dutch Reformed Church over 40 years ago, and now falls under the Eastern Cape School Board. Our member company wanted to ensure that learners obtained skills that would truly empower them and it was with this in mind that they decided to donate sewing machines to the school.

Sparrow Schools Centre

Our member company has supported a Sophiatown programme to equip learning and intellectually-challenged youth with motor mechanic skills, enabling them to confidently take part in South Africa's economy and help address the chronic shortage of skilled artisans. They donated over R300 000 to the motor mechanics vocational skills training sector at Sparrow Schools, where about 80 of the 300 learners gain basic skills before progressing to a tertiary institution to qualify at N1, N2 and N3 levels. Their funding covers items such as salaries, consumables, new equipment and health and safety upgrading.

Employee and Dealer Community Partnership Programmes

Our member company's dealers and employees continue to work closely with communities supported by the company through the Employee Community Partnership Programme and Dealer Community Partnership Programme. Crime prevention and HIV/Aids training of forecourt staff formed a big part of dealer involvement including welfare support of communities around their operations.

In this financial year, employees raised R85 000, which the company matched. A donation of R150 000 was made to Whole World Women's Association for women affected by the xenophobic attacks. They also donated R300 000 to national causes during the xenophobic attacks.

The Beekeeping Project

The Beekeeping Project is a partnership between our member company, Mondi and Agricultural Research Council. This is a self-sustaining community-based initiative whereby members of the community of Qakwini in Matubatuba (mainly women) are trained in beekeeping.

Rejuvenation of Metsimaholo

Rejuvenation of Metsimaholo is a business / community / Government partnership through which R30-million has been invested in more than 40 projects towards the social development of Metsimaholo over the past seven years. Rejuvenating Metsimaholo focuses on economic and social development, education, the environment, sport and recreation. Extensive research was done which culminated in the development of master plans for all five focus areas that tie in with the Integrated Development Plan (IDP) of the Metsimaholo Local Municipality.

Environment

Nature conservation cannot be successful if separated from people's needs, and our members therefore seek to empower people, especially those in marginalised communities, to enjoy the financial benefits of becoming involved in conservation.

One member's focus with the environmental projects is to preserve and rehabilitate elements within the ecosystem. Therefore projects include training communities how to plant sustainable food gardens to ensure food safety, greening of deforested areas with indigenous plants, preserving wild dog packs, research, community education as well as facilitating access to experience the outdoors for disabled or disadvantaged communities.

Nature conservation cannot be successful if separated from people's needs, and our members therefore seek to empower people, especially those in marginalised communities, to enjoy the financial benefits of becoming involved in conservation.

Another member is passionate about ensuring that our rich natural resources are conserved for the sustained enjoyment and benefit of future generations. Ever aware of the potential impacts of our business on the natural world, this member has committed the largest portion of its corporate social investment budget to environmental projects.

Keep Kruger Clean

As part of its long-standing relationship with the Kruger National Park, our member company is a proud sponsor of the Keep Kruger Clean campaign, an initiative that aims to eradicate litter from the Kruger National Park and raise awareness among young people about the value of their environmental heritage. Litter is a serious problem in the Kruger National Park because it presents a very real danger to wildlife, with rangers often finding animals that have ingested plastic, glass and other forms of litter. In addition to this campaign, our member is a principal sponsor of the My Acre of Africa initiative in the Kruger National Park and has donated R7,5-million over the past three years.

Tweekuilen River Project

Our member company backs the ground-breaking rehabilitation project located behind its Logistics Base Operation in Voorbaai, Mossel Bay. They have pledged R500 000 annually for the next three years to a Mossel Bay environmental initiative, the Tweekuilen Project, that also provides jobs and training for 1. previously unemployed people from the community. They have collaborated with the Mossel Bay Environmental Partnership (MEP) to empower community members with skills to clean and rehabilitate the river. The project also ensures the removal of alien vegetation and re-establishes indigenous plants, and wildlife in the area.

South African Foundation for the Conservation of Coastal Birds

2008 marks the 26th anniversary of an annual donation of vitamin tablets by our member company to the South African Foundation for the Conservation of Coastal Birds (SANCCOB) to assist recovering penguins and other oiled sea birds. Manufactured by BP's Nutrition Company, the tablets (enough to feed 20 000 birds) are especially shipped from London to relieve the stress of being hand-fed and aid digestion during the rehabilitation process. Each pill is shaped so that it can be inserted through the beak and into the gullet of each bird. These pills contain high levels of vitamins and minerals including dried yeast and glucose. Feeding supplements are essential for birds that are fed dead fish because they contain the vitamins that only a live fish can produce and these are crucial to the recovery.

World Wildlife Fund

As a member of the World Wildlife Fund, our member participates in environmental activities with the communities and schools in the Durban South Basin in partnership with environmental groups and non-Governmental organisations. In addition to this, they play a big role in the community through recycling used drums and encouraging the community to participate in recycling.

Arts, culture and sport development

Knowing where you come from is as important as knowing where you're going to and our members are proud to support South Africa's rich, cultural and artistic heritage. With so many pressing challenges facing our country, the arts are all too often forgotten but they form a vital part of the tapestry of our country, adding richness to the lives of people from different walks of life. Theatre, art and music have played a vital part in South Africa's struggle history and, by providing a window into different ways of being in the world, have the power to bring about empathy and change.

Our members' continued support ensures the success of many cultural events such as festivals and exhibitions, as well as helping talented individuals reach their full potential.

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Isicathamiya Choir Festival

Our member has sponsored the prestigious Isicathamiya Choir Festival, organised by the Durban Black Drifters, for the past five years. The competition's main objective is to promote and preserve South Africa's world famous indigenous choral music among youth at city and township schools. More than 60 high school choirs participate in the song and dance contest. This sponsorship has won the Business & Arts South Africa award for 'Innovative and successful business sponsorship of the arts'.

Nelson Mandela Bay Soccer Tournament

Our member company believes that local soccer tournaments enhance community life and provide an excellent opportunity to demonstrate the company's commitment to social development. For this reason, when the South African Football Association (SAFA) Nelson Mandela Bay approached the company for sponsorship of the Combined Squads Inter-District Tournament, the company was happy to sign a five-year sponsorship deal. They committed R60 000 to the first tournament, which covered administrative costs, the hiring of grounds and prize money. They also provided the winners' trophies, medals and sports kits for the participating teams.

The Ochrim School of Music

Through the Ochrim School of Music, children from disadvantaged backgrounds have access to music instruction and instruments to develop their talent. This music school catered for students within Pretoria and Soshanguve initially, but now has students from as far as Limpopo Province. Students are taught music theory and how to play musical instruments such as the violin, piano, recorder and guitar. They are exposed to different kinds of music such as jazz, classical and opera.

Road safety

During the last few years, our members have been involved in a number of road safety education programmes.

One member recently identified this area as a key pillar of its community investment strategy for the next five years. By virtue that the industry's products fuel the wheels of the economy and that so many people rely on its products for mobility, the member's involvement in road safety is a logical one.

Community Chest

Our member company facilitates a road safety education programme every February for primary school children who receive little or no exposure to the correct rules of the road. About 1000 learners from 30 underprivileged schools in the Cape Peninsula enjoy an exciting day out experiencing real life road situations and even driving a pipe car on a miniature driving arena. The learners enjoy lectures that highlight practical issues, such as the importance of buckling up seatbelts, being vigilant at zebra crossings and safe cycling. Partners in the programme include the Community Chest, and the Road Safety Education arm of the Metro Police. The facilitators are assisted by Khayelitsha's non-profit Palesa National Road Safety Forum and health/safety representatives and first aiders from our member company.

Education and awareness campaigns

Our member company ran successful education and awareness campaigns on road safety and paraffin safety during May to September 2008. The campaigns were aimed at the general public and were run at 99 taxi ranks in all provinces and in 26 vernacular community radio stations in eight languages.

Our member company facilitates a road safety education programme every February for primary school children who receive little or no exposure to the correct rules of the road.

Facts and Figures

Appendix 1 – Marketing of Petroleum Activities Return (MPAR)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006	2007	**2008
MPAR return (%)	(1,6)	3,4	8,7	13,9	12,0	9,2	6,8	8,8	9,7	7,3	4,0	3,8	1,9	9,72	21,22	–	–	–	–
Indicated margin increase (c/l)	4,0	4,0	2,3	0,0	0,0	2,7	4,9	3,6	2,5	3,81	6,75	6,93	8,97	3,21	(4,21)	–	–	–	–
Increase granted (in succeeding year)	-	4,0	4,0	0,5	0,0	0,0	0,0	2,0	1,0	0,5	1,23	2,58	6,93	8,97	2,0*	–	–	–	5,4
Margin at year end (c/l)	5,6	9,6	13,6	14,1	14,1	14,1	14,1	16,1	17,1	17,6	18,8	21,4	28,3	37,3	39,3	39,3	39,3	39,3	44,7

The MPAR system was historically used to determine the wholesale margin for industry.

**The MPAR system was no longer in use from 2005. A new system is being developed.*

***The Minister of Minerals and Energy approved a wholesale margin increase of 5,4% from 6 August 2008.*

Appendix 2 – Crude oil price movements: January 1998 to December 2008

Average monthly prices (US$/bbl)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai	Brent	Dubai
January	15,1	13,4	11,1	10,7	25,6	23,4	25,7	22,9	19,5	18,5	31,3	28,0	31,2	28,9	44,2	37,9	63,0	58,4	53,7	51,7	92,0	87,4
February	13,9	12,3	10,2	10,0	27,9	24,7	27,5	24,8	20,2	19,0	32,6	30,0	30,8	28,6	45,4	39,9	60,1	57,6	57,4	55,8	95,0	90,0
March	13,1	11,5	12,5	12,4	27,3	25,1	24,4	23,4	23,7	23,0	30,5	27,4	33,8	30,8	52,9	45,8	62,1	57,8	62,1	58,8	103,7	96,8
April	13,4	12,2	15,3	15,0	22,7	22,1	25,7	24,2	25,7	24,5	24,9	23,5	33,2	31,7	51,8	47,2	70,3	64,1	67,5	64,0	109,0	103.4
May	14,4	12,8	15,3	15,4	27,6	25,6	28,5	25,6	25,3	24,7	25,7	24,4	37,8	34,7	48,6	45,4	69,9	65,0	67,2	64,6	122,7	119,5
June	12,0	11,8	15,8	15,5	29,8	27,2	27,8	25,7	24,1	23,9	27,5	25,5	35,0	33,4	54,5	51,2	68,7	65,2	71,4	65,7	132,4	127,8
July	12,0	12,1	19,0	17,9	28,5	26,1	24,6	23,4	25,8	24,7	28,3	26,7	38,3	34,7	57,6	52,8	73,7	69,2	77,0	69,5	133,2	131,3
August	12,0	12,3	20,3	19,5	30,1	27,0	25,7	24,5	25,8	24,7	29,8	27,7	43,0	38,5	64,1	56,6	73,1	68,8	70,7	67,4	98,1	95,9
September	13,4	13,1	22,5	21,9	32,7	30,0	25,6	24,1	25,8	24,7	27,1	25,4	43,3	35,6	62,9	56,5	61,7	59,8	76,9	73,4	98,1	95,9
October	12,6	12,8	22,0	21,5	30,9	30,5	20,5	19,6	27,6	26,3	29,7	27,3	49,6	37,5	58,6	54,0	57,8	56,4	82,5	77,1	71,9	67,4
November	11,0	11,7	24,7	23,1	32,6	30,1	19,0	17,7	24,1	23,3	28,7	27,7	42,8	34,8	55,2	51,4	58,9	56,7	92,6	86,9	52,5	49,8
December	9,9	10,1	25,6	23,6	25,1	21,7	18,7	17,8	28,7	25,7	29,8	28,1	39,5	34,1	56,9	53,2	62,3	58,7	91,0	85,6	40,3	40,5
12 month average	**12,8**	**12,2**	**17,7**	**17,2**	**28,4**	**26,2**	**24,5**	**22,8**	**25,0**	**23,8**	**28,8**	**26,8**	**38,2**	**33,6**	**54,4**	**49,3**	**65,1**	**61,5**	**72,5**	**68,4**	**97,0**	**93,6**


Brent
Dubai
US$/bbl
135.00
130.00
125.00
120.00
115.00
110.00
105.00
100.00
95.00
90.00
85.00
80.00
75.00
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30.00
25.00
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10.00
1998
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2000
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2005
2006
2007
2008
2009

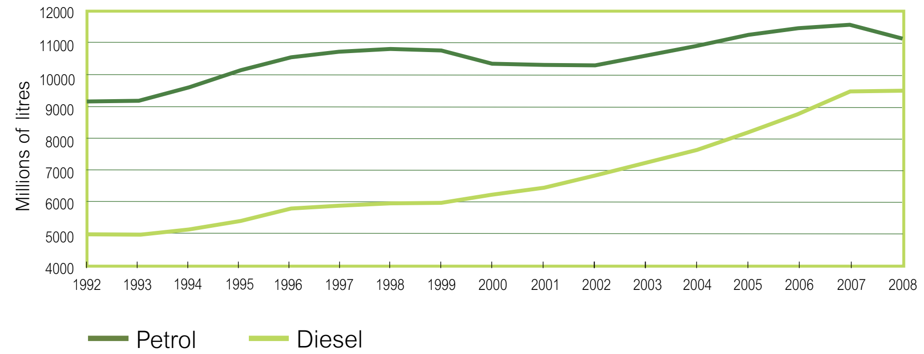
Appendix 2a – Brent Rand crude prices

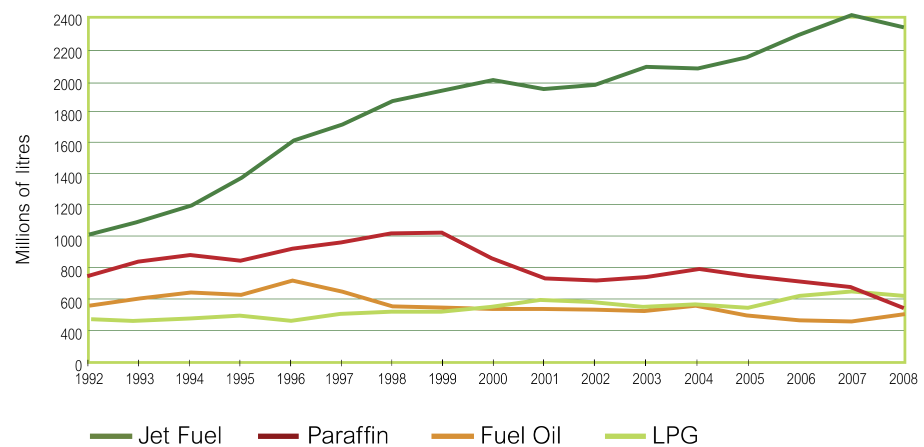
	Average monthly prices bbl										
	1998 Brent	**1999 Brent**	**2000 Brent**	**2001 Brent**	**2002 Brent**	**2003 Brent**	**2004 Brent**	**2005 Brent**	**2006 Brent**	**2007 Brent**	**2008 Brent**
Average US$ Price	12,8	17,7	28,4	24,5	25,00	28,83	38,2	54,4	65,31	72,30	66,20
Average Rand Price	69,90	109,37	197,76	208,02	258,60	218,05	246,85	347,52	443,44	511,49	548,53

Appendix 3 – Inland consumption of petroleum products

Year	Millions of litres					
	Petrol	Diesel	Paraffin	Jet Fuel	Fuel Oil	LPG
1988	7 995	5 409	641	784	524	406
1989	8 395	5 350	678	835	546	432
1990	8 612	5 273	723	866	576	434
1991	8 906	5 130	725	861	526	464
1992	9 171	4 950	743	1 009	549	465
1993	9 202	4 940	834	1 095	595	454
1994	9 630	5 110	875	1 193	633	485
1995	10 153	5 432	850	1 368	616	472
1996	10 566	5 759	917	1 601	704	450
1997	10 798	5 875	970	1 777	635	502
1998	10 883	5 959	1 052	1 877	574	523
1999	10 861	5 993	1 054	1 995	561	540
2000	10 396	6 254	857	2 020	555	567
2001	10 340	6 488	786	1 924	555	599
2002	10 335	6 831	745	1 967	536	586
2003	10 667	7 263	769	2 099	528	558
2004	10 985	7 679	797	2 076	569	563
2005	11 165	8 115	761	2 180	489	550
2006	11 279	8 708	738	2 260	476	605
2007	11558	9755	696	2402	465	636
2008	11069	9762	532	2376	555	613

In 2008 all the major products, other than diesel, have shown a decrease in demand over 2007. The combined decline in demand of all products over 2007 was 2,4%.





Appendix 3 (continued) – Diesel/petrol ratio

Appendix 4 – Demand/refining capacity balance

	Millions of litres		
	2008 Refining capacity actual**	2008 Demand actual	2008 Surplus/ (shortfall) actual
Petrol	10 571	11 069	(498)
Diesel	9 205	9762	(557)
Kerosene*	3 261	2908	(353)

** Kerosene includes jet fuel and illuminating paraffin*

***Joint Oil Data Initiative (Available from: www.jodidb.org) (Accessed: June 2009)*

Appendix 5 – Capacity of South African Refineries

	Capacity (bbl/day)			
Refineries	**1992**	**1997**	**2007**	**2008**
Sapref	120 000	165 000	180 000	180 000
Enref	70 000	105 000	125 000	125 000
Chevref	100 000	100 000	100 000	100 000
Natref	78 000	86 000	108 000	92 000**
Sasol	150 000*	150 000*	150 000	150 000
PetroSA	45 000*	45 000*	45 000	45 000
Total	**513 000**	**651 000**	**708 000**	**692 000**

These figures reflect the expansion in capacity at the conventional refineries since the early 1990's.

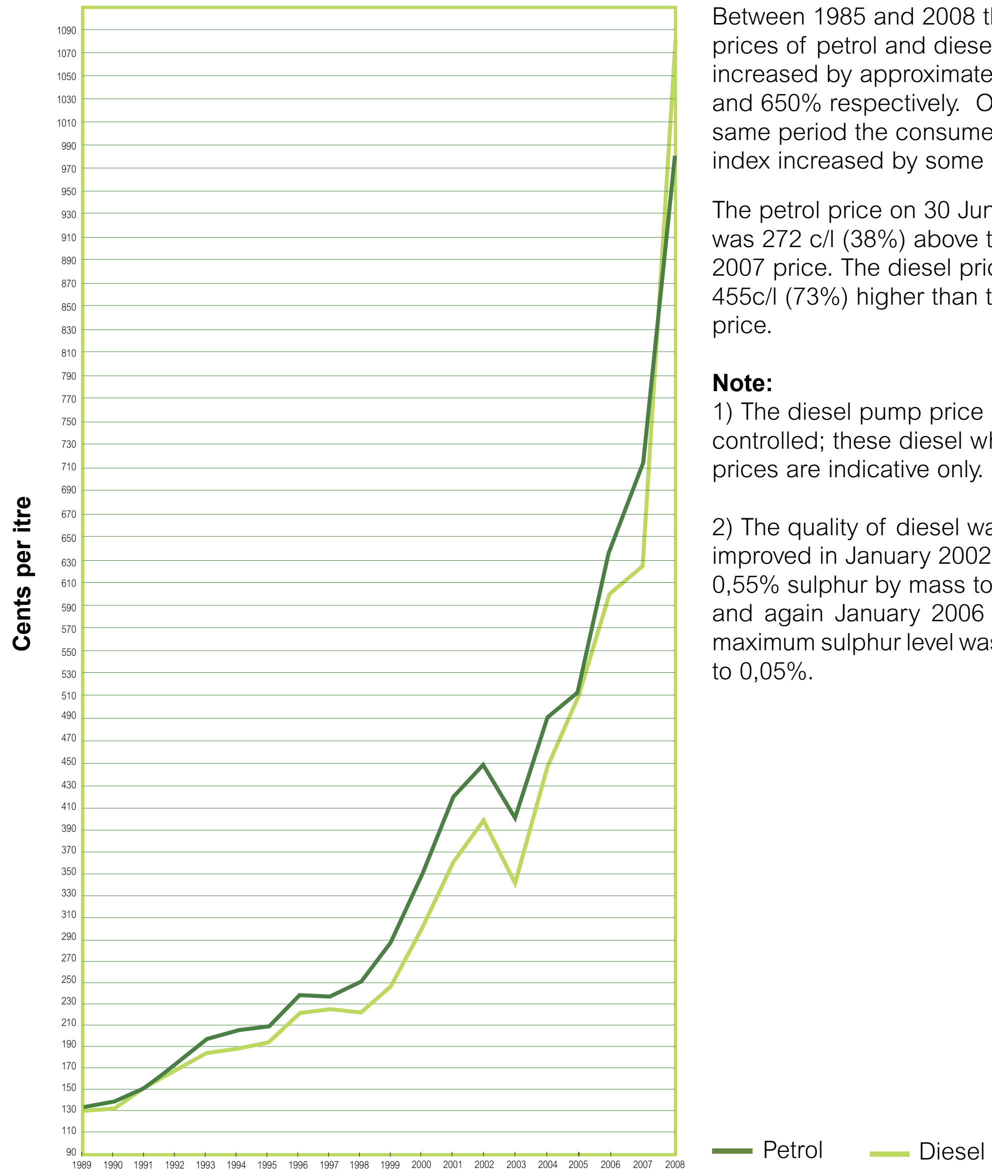
PetroSA came on stream in the 4th quarter 1992.

** Crude equivalent*

***Natref disinvested capacity from 108kb/d to 92 kb/d in order to downscale for clean fuels and in 2008 for the required electricity consumption reduction.*

Appendix 6 – Petrol retail prices and diesel wholesale prices in Gauteng: 30 June each year

Year	Leaded Petrol Cents per litre	Diesel Cents per litre
1985	90,1	91,7
1986	83,0	84,0
1987	83,0	84,0
1988	82,0	76,0
1989	112,0	109,0
1990	118,0	111,0
1991	130,0	131,0
1992	152,0	146,0
1993	175,0	162,0
1994	183,0	166,0
1995	187,0	172,0
1996	219,0	202,0
1997	217,0	207,0
1998	232,0	203,0
1999	268,0	226,0
2000	331,0	284,0
2001	401,0	341,5
2002	419,0	378,0
2003	361,0	320,0
2004	471,0	428,0
2005	506,0	498,0
2006	636,0	600,1
2007	711,0	625,4
2008	938,0	1080,3



Between 1985 and 2008 the retail prices of petrol and diesel have increased by approximately 706% and 650% respectively. Over the same period the consumer price index increased by some 769%.

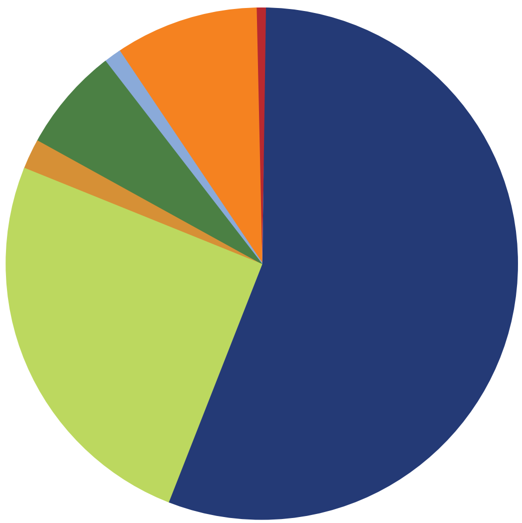
The petrol price on 30 June 2008 was 272 c/l (38%) above the June 2007 price. The diesel price was 455c/l (73%) higher than the 2007 price.

Note:
1) The diesel pump price is not controlled; these diesel wholesale prices are indicative only.

2) The quality of diesel was improved in January 2002 from 0,55% sulphur by mass to 0,3%, and again January 2006 when the maximum sulphur level was reduced to 0,05%.

Appendix 7 – Petrol and diesel price breakdown

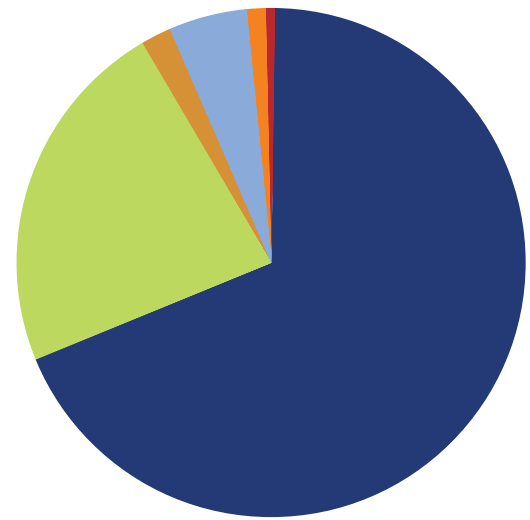
93 Octane petrol: Gauteng retail price 718,0 c/l in December 2008



Contribution to the Basic Price 402,88 c/l*	56,1%
Government Duties & Taxes 177,65 c/l	24,7%
Zone Differential 14,5 c/l	2,0%
Industry Margin 44,7c/l	6,2%
Service Differential 9,5c/l	1,3%
Dealer Margin 67,3c/l	9,4%
Incremental Inland Transport Recovery Levy 1,5 c/l	0,2%

**Including slate levy*

Diesel: Gauteng wholesale price 822,30 c/l in December 2008



Contribution to the Basic Price 590,5 c/l*	71,8%
Government Duties & Taxes 161,7 c/l	19,7%
Zone Differential 14,5 c/l	1,8%
Industry Margin 44,7c/l	5,4%
Service Differential 9,5c/l	1,2%
Incremental Inland Transport Recovery Levy 1,5 c/l	0,2%

Source: Media release by Department of Minerals and Energy

Appendix 8 – Fuels taxation history - South Africa

(Rates as at 31 December each year)

	Petrol 1)					Diesel 3 & 4)					Illuminating 2 Paraffin	
Year	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Total Imposts	Customs & Excise Duty	Fuel Levy	Road Accident Fund Levy	Equalisation Fund Levy	Total Imposts	Equalisation Fund Levy	GST% # VAT%
1988	4,0	22,9	3,6	7,0	37,5	4,0	19,9	2,1	7,0	33,0	5,3	12% #
1989	4,0	31,9	3,6	7,0	46,5	4,0	31,4	2,1	7,0	44,5	7,0	12% #
1990	4,0	31,9	4,2	7,0	47,1	4,0	31,4	2,1	7,0	44,5	7,0	12% #
1991	4,0	46,9	4,2	7,0	62,1	4,0	33,4	2,4	7,0	46,8	7,0	10%
1992	4,0	54,9	6,2	7,0	72,1	4,0	47,4	4,0	7,0	62,4	7,0	10%
1993	4,0	60,9	9,2	7,0	81,1	4,0	47,4	4,0	7,0	62,4	7,0	14%
1994	4,0	60,9	9,2	9,4	83,5	4,0	53,4	6,0	8,0	71,4	7,0	14%
1995	4,0	62,9	9,2	9,4	85,5	4,0	53,4	6,0	8,0	71,4	7,0	14%
1996	4,0	71,6	10,5	5,4	91,5	4,0	61,6	5,8	5,0	76,4	Nil	14%
1997	4,0	76,6	12,5	0,4	93,5	4,0	63,6	6,8	3,0	77,4	Nil	14%
1998	4,0	86,6	14,5	8,0	113,1	4,0	76,1	10,3	8,0	98,4	Nil	14%
1999	4,0	90,6	14,5	8,0	117,1	4,0	76,1	10,3	8,0	98,4	Nil	14%
2000	4,0	95,6	14,5	Nil	114,1	4,0	79,1	10,3	Nil	93,4	Nil	14%
2001	4,0	98,0	16,5	Nil	118,5	4,0	81,0	16,5	Nil	101,5	Nil	Nil
2002	4,0	98,0	18,5	Nil	120,5	4,0	81,0	18,5	Nil	103,5	Nil	Nil
2003	4,0	101,0	21,5	Nil	126,5	4,0	85,0	21,5	Nil	110,5	Nil	Nil
2004	4,0	111,0	26,5	Nil	141,5	4,0	95,0	26,5	Nil	125,5	Nil	Nil
2005	4,0	116,0	31,5	Nil	151,5	4,0	100,0	31,5	Nil	135,5	Nil	Nil
2006	4,0	116,0	36,5	Nil	166,5	4,0	100,0	36,5	Nil	140,5	Nil	Nil
2007	4,0	121,0	41,5	Nil	176,7	4,0	105,0	41,5	Nil	150,7	Nil	Nil
2008	4,0	127,0	46,5	Nil	189,2	4,0	11,0	46,5	Nil	163,2	Nil	Nil

Gauteng retail price c/l - December 2008	822,3	Gauteng wholesale price c/l - December 2008	718	N/A
Taxes and levies as a % of this retail price	19,84%	Taxes and levies as a % of this wholesale price	26,34%	N/A

Appendix 9 – The total annual amounts of fuel taxes collected on petrol, diesel and paraffin (calculated on 2008 volumes at June 2008 unit rates)

	Million Rands			
	Petrol	Diesel	Illuminating Paraffin	Total
Customs / Excise duty	443	390	-	833
Fuel Levy	14 058	10 836	-	24 893
Road Accident Fund*	5 147	4 539	-	9 686
Equalisation Fund Levy*	-	-	-	-
Value Added Tax (VAT)	-	-	-	-
Demand Side Management Levy (DSML)**	47	-	-	-
IP Marker Levy	-	1	-	1
Petroleum Products Levy***	17	15	-	31
Total	**19 711**	**15 781**	**-**	**35 445**

** The Equalisation Fund Levy was not applicable in 2008.*

*** Only applicable to 95 Octane unleaded petrol sold in the inland zones. DSML only on 95 ULP in zones 07A, 07C, 08A, 08C, 09A, 10A, 09C, 10C, 11A, 11C, 12C, 13A, 13C, 14C, 15C, 15A, 16C, 17A, 17C and 19A.*

****The levy is used to cover the cost of the National Energy Regulator for regulating the petroleum pipelines industry.*

Appendix 10 – Health, safety and environment performance indicators

Performance Indicators (Not including refineries)	**2004**	**2005**	**2006**	**2007**	**2008**
Safety: Staff and Contractors					
Fatalities	25	35	18	7	17
Lost time injuries	66	68	73	49	70
Hours worked	29,3 million	30,9 million	33,7 million	28,15 million	91,59 million
Total Recordable Rate (TRR), fatalities plus lost time injuries per 200 000 hours worked	0,62	0,92	0,943	0,81	1,06
Environment:					
Fires	41	67	2	24	25
Health:					
Occupational Illnesses	5	1	1	1	1
Security:					
Hijackings: on Retail Forecourts	16	20	16	17	11
Cash in transit robberies	41	29	71	49	56
Retail robberies	297	358	376	651	782

SAPIA is pleased to present a selection of health, safety and environment performance indicators. In future years it will be possible to monitor trends over a longer period using these indicators.

These figures are the aggregate of incidents at SAPIA member companies' operations and exclude refinery incidents.

Appendix 11 - Workforce profile

Occupational Level	Gender	African	Coloured	Indian	White	Foreign National	Total	People with Disabilities
Top Management	Female	1	0	1	1	1	**4**	0
	Male	10	5	5	24	20	**64**	0
Top Management Total		11	5	6	25	21	**68**	0
Senior Management	Female	15	10	5	31	11	**72**	1
	Male	38	44	29	153	40	**304**	3
Senior Management Total		53	54	34	184	51	**376**	4
Specialists & Mid-Management	Female	220	155	102	268	16	**761**	5
	Male	475	315	296	919	55	**2 060**	17
Specialists & Mid-Management Total		695	470	398	1 187	71	**2 821**	22
Skilled Technical	Female	546	445	157	474	6	**1 628**	10
	Male	1 132	703	508	941	17	**3 301**	18
Skilled Technical Total		1 678	1 148	665	1 415	23	**4 929**	28
Semi-skilled	Female	243	151	38	119	1	**552**	8
	Male	1 408	387	124	152	1	**2 072**	3
Semi-skilled Total		1 651	538	162	271	2	**2 624**	11
Unskilled	Female	55	22	0	2	0	**79**	**1**
	Male	229	112	3	20	0	**364**	**1**
Unskilled Total		284	134	3	22	0	**443**	**2**
Non-Permanent	Female	52	34	16	12	5	**119**	**0**
	Male	112	66	16	70	38	**302**	**0**
Non-Permanent Total		164	100	32	82	43	**421**	**0**
Grand Total		**4536**	**2449**	**1300**	**3186**	**211**	**11682**	**67**

Appendix 12 - Learning programme matrix

Label	Short Description	Narrative Description	Delivery Mode	Learning Site	Learning Achievement
A	• Formal academic qualification • Theoretical training only	Institution based theoretical instruction alone – formally assessed by the institution	Institutional instruction • Face-to-face • Distance learning • eLearning	Institutions such as universities and colleges, schools, ABET providers	Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution
B	• Formal academic qualification • Theoretical training plus practical learning	Institution based theoretical instruction **as well as** some practical learning with an employer or in a simulated work environment – formally assessed through the institution	Mixed mode delivery with institutional instruction (face-to-face, distance learning or e-learning) as well as supervised learning in an appropriate workplace or simulated work environment	Institutions such as universities and colleges, schools, ABET providers Practical learning in the workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a • technical degree, • technical diploma, • technical certificate, or • professional degree (e.g. medical doctor) issued by an accredited or registered formal institution of learning
C	• Structured workplace learning required for professional registration or licensing	Recognised or registered structured experiential learning in the workplace **that is required after the achievement of a qualification** – formally assessed by a statutory occupational or professional body	Structured learning in the workplace with mentoring or coaching, e.g. • Internship • Articles • Placements	Workplace	Occupational or professional knowledge and experience formally recognised through registration or licensing
D	• Workplace learning with a focus on developing specific occupational skills • Formal training that results in certification	Occupationally directed instructional and work based learning programme that requires a formal contract and is formally assessed by an accredited body	Institutional instruction together with structured, supervised experiential learning in the workplace, e.g. • Learnership • Apprenticeship	Institution (face-to-face, distance or e-learning) and workplace	Theoretical knowledge and workplace learning, resulting in the achievement of a South African Qualifications Authority (SAQA) registered qualification, a certificate or other similar occupational or professional qualification issued by an accredited or registered institution of learning
E	• Workplace learning with a focus on developing specific occupational skills • Formal training that could count towards certification	Occupationally directed instructional and work based learning programme that does not require a formal contract, but is formally assessed by an accredited body	Structured, supervised experiential learning in the workplace which may include some institutional instruction, e.g. skills programmes	Workplace and some institutional as well as ABET providers	Credits awarded for registered unit standards

Label	Short Description	Narrative Description	Delivery Mode	Learning Site	Learning Achievement
F	• Workplace learning with a focus on developing specific occupational skills • Informal training with attendance certificates only	Occupationally-directed instructional programme that is not formally assessed	Structured information sharing or direct instruction involving workshops, seminars, conferences and short courses	• Institutions • Conferences • Meetings	Continuing professional development (CDP) attendance certificates and credits against registered unit standards (in some instances)
G	• Informal training	Work-based informal programmes – not formally assessed	Informal training on the job or other life experience	Workplace	Increased understand of job or work context, improved performance and enhanced skills
H*	• International placement	International placements outside of South Africa for a period of 3 months to 4 years with the specific purpose of building capacity or training	Any international placement e.g. secondments, assignments, cross postings, understudy/job shadow roles abroad for capacity building and/or training	Workplace	Increased understanding of job and work context, improved performance and experience, enhanced skills

* Category H is an additional learning intervention category agreed by SAPIA member companies due to capacity building and employment equity requirements of the Petroleum and Liquid Fuels Charter.

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