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FOREWORD BY THE MINISTER OF MINERALS AND ENERGY



Hon. Ms. Phumzile Mlambo-Ngcuka, Minister of Minerals and Energy

This is the third occasion on which I have written a foreword to a Sapia Annual Report. It is pleasing, looking back to the previous report, to see that there has been significant progress on all the issues I raised last time.

This progress includes:

- Bringing to reality the empowerment targets set out in the "Charter for the South African Petroleum and Liquid Fuels Industry on Empowering Historically Disadvantaged South Africans in the Petroleum and Liquid Fuels Industry"
- Preparing an Integrated Energy Plan for South Africa
- Drafting the necessary legislation, The Petroleum Products Amendment Bill and the Pipelines Bill, to pave the way for the managed liberalisation of the industry
- Promoting efficiency in the use of energy
- Taking important decisions on product quality, notably the phasing out of leaded petrol and the lowering of the level of sulphur in diesel.
- Reviewing the petroleum products pricing structure,

in particular the development of a new system to replace the "IBLC" system.

Each is a significant development.

There has also been progress in terms of combating HIV/AIDS and the high level of crime. The large number of armed attacks on service stations is, however, a cause for grave concern and I appeal to the industry and the security authorities to take appropriate action to ensure the safety of all staff and customers at service stations. I would like to reiterate my condolences to the families and friends of the victims of these attacks.

ERADICATING POVERTY

Despite the progress I have referred to we are only just beginning the journey toward a South Africa free of poverty. There can be no lessening of the efforts that are being made. This remains our most important task. And the role of the provision of energy in this context cannot be underestimated. It has been a key message in each of my forewords. Overcoming poverty is also one of the key steps towards reducing the levels of both crime and HIV/AIDS.

"Working towards the goal of African renewal has to begin now . . ."

One of the most important events of the year for both the industry and my ministry was the World Summit on Sustainable Development (WSSD). The link between sustainable development and the eradication of poverty was well made at the WSSD. Eradication of poverty is indeed a global priority, and requires urgent action on many fronts.

DIVIDED WE FALL

Business in South Africa must not remain divided on racial lines.

Such divisions can be used to protect those with vested interests in an industry from those seeking to gain entry to the industry. This will ultimately damage our future well-being which depends on those who have been denied access to opportunities in the past not only being allowed entry, but in the words of the Charter, also being assisted by a “supportive culture”.

It makes business sense to nurture our future. We cannot expect to prosper and live in peace whilst huge imbalances between the haves and have-nots continue. Those who resist transformation should ponder this point. As is said in the Report “The more we work at empowerment, the less we will bleed in turmoil”.

CHALLENGES TO BUSINESS

I would like to put two challenges to business.

The one is to actively promote empowerment, and thereby help ensure our future, by creating “supportive cultures”.

Failure to bring about meaningful empowerment will mean that the future of South Africa will be bleak. Those who speak out against empowerment should consider this, as well as the competitive advantages

that businesses can gain by working with black partners. The other relates to investment. I read in this Report that the industry considers it to be incumbent on government to create a climate that is conducive to investment.

Government accepts this. However, related to what I have just said, government believes that it is also essential that investors accept that in South Africa there are certain social priorities that simply have to be dealt with. Business and investors should build these social priorities right into their business plans and act on them.

Whilst doing so may seem to add cost in the short term, it is my firm belief that the ultimate business rewards, not to speak of the social rewards, will be great. This is of particular importance to investors who invest for the long term, such as oil refiners.

The social priorities for consideration in business plans include:

- Economic empowerment
- Human resource development
- Environmental protection
- Anti HIV/AIDS efforts
- Development of rural areas
- Good governance

Finding innovative ways of remaining internationally competitive whilst also meeting the social challenges of South Africa is something that government and business must mutually engage on.

Sapia and its members, I am pleased to say, have taken note of each of these issues, and I call on them to continue to do so, increasingly so, and to be an example to others. If Sapia and government, as a team, can develop a way forward to meeting this challenge, as we have done on the Charter, we will indeed have done South Africa another service.

ENERGY A KEY TO DEVELOPMENT

Energy remains a prerequisite to economic development – and the cost and availability of energy to the poor is an area of grave concern.

We are engaged on this and work is underway to make paraffin and LPG more affordable to the poor. We are also establishing Integrated Energy Centres.

I would also like to highlight the work that is being done by my Department to promote renewable sources of energy. A draft White Paper on the Promotion of Renewable Energy and Clean Energy Development was published for comment in June. The government’s target is to increase renewable energy’s share of final energy consumption to 14% by 2012.

THE WAY AHEAD

The tasks that lie ahead are:

- Forging ahead with the goals set out in the Charter, especially on procurement and human resource development and ensuring the success of the equity deals.
- Continuing our work on making petroleum energy available, and affordable, to the poor.
- Making sure that the new pricing formula works.
- Making the revised Petroleum Products Act a success.
- Progressing towards the new higher quality products and making the necessary investments.
- Finding ways to be world competitive while meeting the social challenges of South Africa.

NEPAD

I believe that the New Plan for African Development within the African Union, offers immediate opportunities not only to local and multinational oil companies, but also to all global investors. There is no need to wait for Africa to become a continent of perfect, harmonious democracies before investing.

The Renewal of Africa by Africans supported by its partners has begun in NEPAD. Like the Marshall Plan, NEPAD provides a practical programme proposal that is meant to reconstruct Africa.

Priorities identified under NEPAD for broad intervention are:

- Peace, security, democracy and political governance.
- Economic and corporate governance.
- Human development – with emphasis on the eradication of communicable diseases, education, and poverty reduction.
- Infrastructure to facilitate sub-regional and continental integration – ICT, energy, transport, water and sanitation.
- The development of agriculture.
- Market access – diversification of production and exports, promotion of intra-Africa trade and increased access to the markets of industrialised countries, promotion of regional economic integration and fair international trade regime.
- Increased capital flows – donor assistance reforms, debt reduction, and foreign direct investment.

- Environmental management.

Ultimately NEPAD recognizes that the future of South Africa is bound up with the fortunes of the African continent and that of our neighbours. The success of the South African economy cannot be sustained in isolation.

Major oil companies are in a unique position to contribute towards growth and development – in particular by nurturing the much-needed African Private Sector. The presence of oil companies in every country, and their status as long-term investors, makes them partners of choice to NEPAD. Oil company contributions at a macro level such as those already made in the case of the Liquids Fuels Charter and specific micro programmes such as we have seen in the development of Integrated Energy Centres, can help serve poor communities and contribute towards building more Small, Medium and Micro Enterprises in Africa.

Sapia members, many of whom operate in many other parts of Africa, are well placed to be leaders in African renewal.

WORKING TOGETHER

I wish Sapia and its member companies well as they face the challenges of our mutual future. I call on them to continue to strive to be an example to organised business by demonstrating the value that can be added to South Africa when government and business act as partners. Too often today this relationship – so important to us all – is fragile. I have given some ideas on how we can seek to define our mutual priorities and seek to build a better life for all.

Salani kahle, Sapia – we have important issues to tackle. We need to display true leadership and be guided by a sound, shared, long-term vision of South

Africa's future. We must defeat poverty by creating economic growth that leads to job creation and sustainable empowerment.

That is my theme. I believe that it should also be the theme of visionary business people.