



# Department of Energy



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## KZN Regional Office

### **The Department of Energy**

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# Presentation Overview

- Introduction
- Purpose of the Presentation
- DoE: Overview: Regional Energy Structure
- Scope of Regional Energy Directorate
- Petroleum Products Amendment Act, 58 of 2003
- Purpose of the PPAA, 58 of 2003
- The Charter
- Licensing
- Non Compliance
- Conclusion



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# Purpose of the Presentation

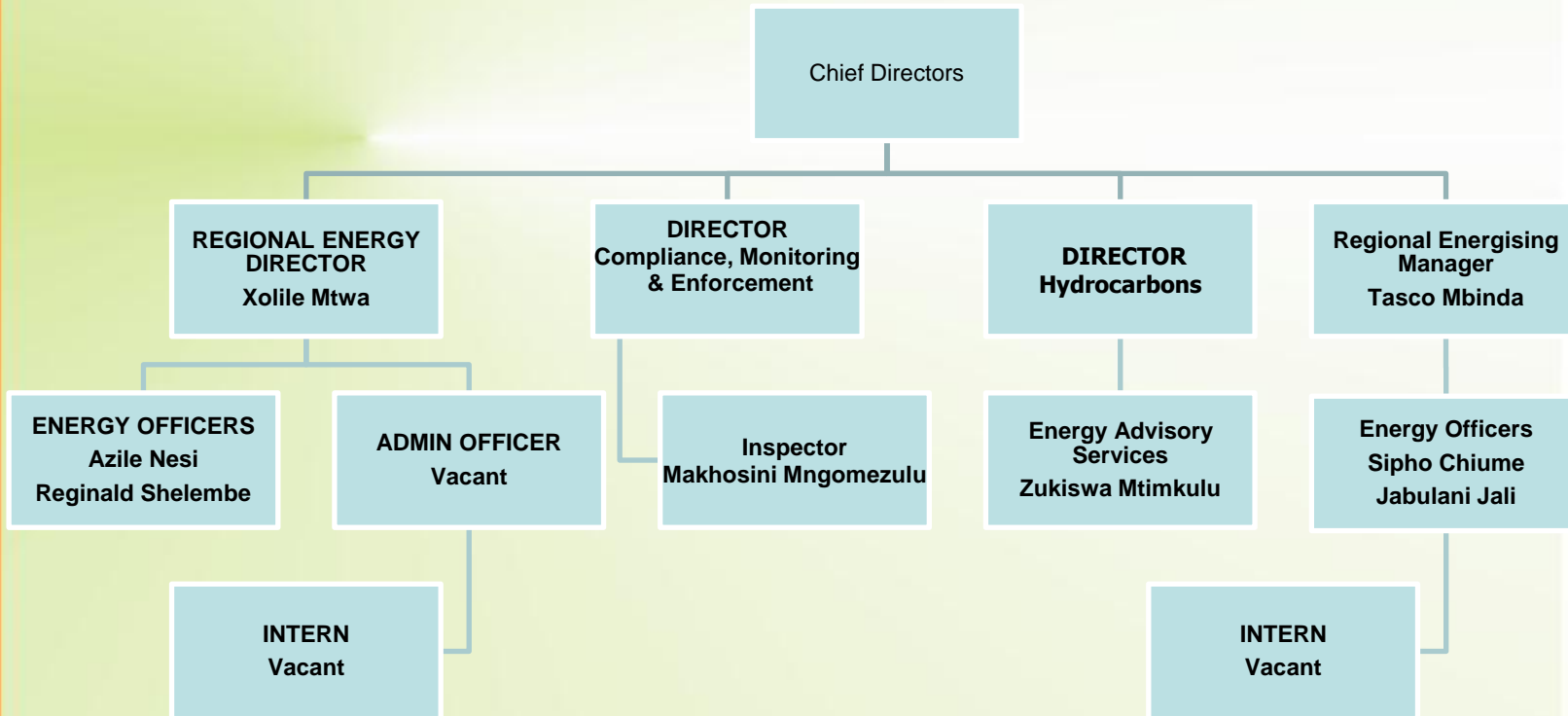
- Introduce the Regional Office
- Outline Regional Directorate functions
- Licensing
- Compliance



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# Regional Energy Directorate



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# Scope of Regional Energy Directorate

## Purpose

To regulate and transform the liquid fuels industry  
To increase access to electricity, achieving universal access.

## Functions

- Ensure industry compliance with respect to fuel and labeling specifications, standards, stock levels, pricing and other technical and economic legislative requirements
- Manage the regional petroleum licensing system and processes, and ensure timeous and efficient capturing of data
- Manage regional energy advisory services
- Consult and interact with stakeholders at regional level
- Facilitate the licensing of Petroleum Products
- Electrify KZN via Municipalities and Eskom



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# PPA: Structure

*Major thrust of the Act: Price control (R731, R2686, R2298)*

Sections	Regulation	Objectives
1		Expansion of definitions
2	R. 731 R. 2686 R. 2298	Expansion of price controlling powers Prescription of the quantity of oil or product to be maintained
2A		Prohibition of certain activities
2B	R. 286/7/8	Licensing
2C		Transformation of the industry
2D		Transitional licensing provisions
2E		System for the allocation of licences
2F		System for the allocation of licences for LPG and IP
12A		Appeal
12B		Arbitration
12C		Regulations



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# Purpose of the amendment of the PPA

- ❑ **Provide for the licensing of manufacturers (refiners), wholesalers and retailers of petroleum products**
- ❑ **Modernize the outdated Petroleum Products Act No. 120 of 1977**
  - ❖ amend, substitute or repeal obsolete provisions
- ❑ **Prohibit certain actions relating to petroleum products**
- ❑ **Provide for appeals and arbitration**
  - ❖ Balance of power between retailers & wholesalers
- ❑ **Promote the transformation of the RSA petroleum and liquid fuels industry**
  - ❖ "Give effect" to the Charter through licensing
- ❑ **Authorise the Minister of Energy to make specific regulations**
  - ❖ thereby ensuring that governance of the liquid fuels sector is in line with Government's policy objectives
  - ❖ give effect to policy issues identified in the Energy White Paper
  - ❖ allow for provision of information



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# OBJECTIVES OF LICENSING IN THE PPA

- ❑ Promoting an efficient manufacturing, wholesaling and retailing petroleum industry;
- ❑ Facilitating an environment conducive to efficient and commercially justifiable investments;
- ❑ The creation of employment opportunities and the development of small businesses in the petroleum sector
- ❑ Ensuring countrywide availability of petroleum products at competitive prices; and
- ❑ Promoting access to affordable petroleum products by low- income consumers for household use



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# LICENSING CONSIDERATIONS

In evaluating an application for any license, the Controller must give effect to Section 2C of the Act which states:

- In considering licence applications in terms of this Act, the Controller of Petroleum Products shall;
  - (a) promote the advancement of historically disadvantaged South Africans; and
  - (b) give effect to the Charter.



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# SCHEDULE 1: THE CHARTER

- ❑ **The Charter for the South African Petroleum and Liquid Fuels Industry - November 2000.**
- ❑ **Through the PPAA, the Charter is now law!**
  - ❖ It is annexed to the Petroleum Products Amendment Act (Act No 58 of 2003)
- ❑ **The scope: whole petroleum value chain**
  - ❖ Access and ownership, e.g., pipelines, storage, etc
  - ❖ Refining capacity, e.g., through shares or refinery upgrades or expansion
  - ❖ Retailing and wholesaling
  - ❖ Upstream – reserve not less than 9%
  - ❖ 25% HDSA ownership and control by 2010



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# Retail license application

Retail license application must have the following attachments:

- Motivation
- Business registration documents in cases of individuals it should be Identity Documents.
- NPV with all the assumption to check the viability of the business.
- A HDSA declaration indicating the percentage
- A declaration that they are not owned by a Wholesaler
- If any of the above is not submitted the Applicant has to submit declaration stating reasons why.



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# Site license application

Site License application must have the following attachments:

- Motivation
- Business registration documents
- Title Deed/Deed of Transfer or Permission to Occupy
- Land use zoning certificate authorising retailing from the site
- The record of decision issued by an environmental authority
- Permission from SANRAL if the site allows for access and exit to and from a national road
- If any of the above is not submitted the Applicant has to submit declaration stating reasons why.



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# Wholesale application

Wholesale License application must have the following attachments:

- Motivation
- Business registration documents
- A declaration stating that the Applicant is in Compliance with the Liquid Fuels Charter
- A list of all storage and distribution facilities, including the location and capacity of such a storage facility



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# Manufacturing application

Manufacturing license application must have the following attachments:

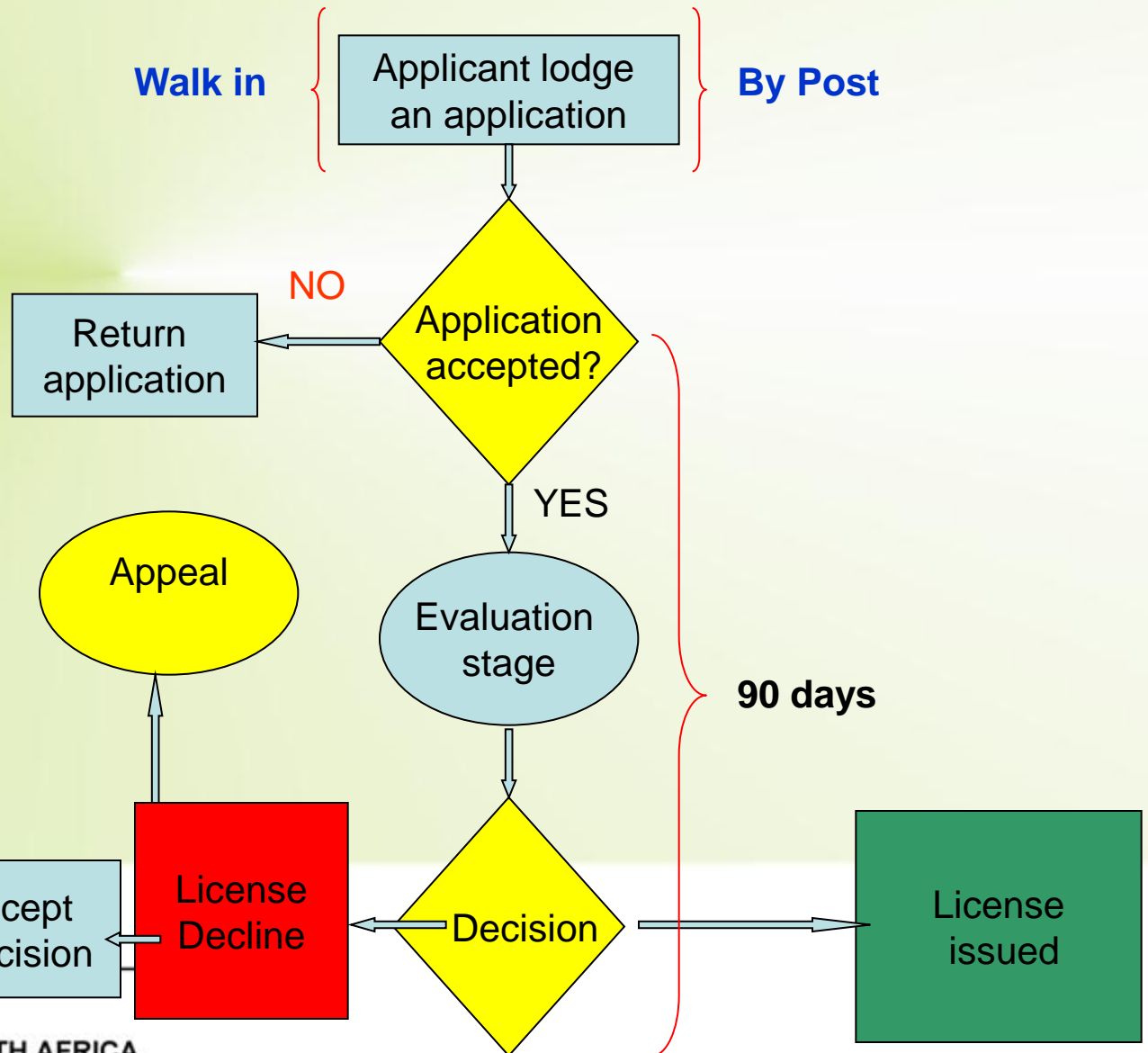
- Motivation
- Business registration documents
- Title deed/Deed of transfer or permission to occupy
- Land use zoning certificate
- Record of decision issued by an Environmental Authority



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# Process of applying for a license



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Licensing under the PPA



# NON COMPLIANCE

- Price Regulation
- Labeling specification
- Record keeping
- Display of prices



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# Price maintenance and payment

## Price maintenance

- A retailer must supply petrol at the price prescribed
- A retailer may not offer any benefit to a consumer as a result of any sale of petroleum products

*NB: no person may make use of a business practice, method of trading, agreement or understanding which is aimed at a licensed wholesaler holding a retail license*

## Forms of payment

- A retailer must accept payment in the form of cash
- A retailer may accept payment card
- A notice of the type of payment card must be displayed
- If no payment card acceptable a notice to that effect



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# Labelling specifications

## A label setting out the fuel specification must have:

- Lettering and numbering in Std and solid font, size not less than 55 reading from left to right
- Be alongside the nozzle and on the same side of the bowser indicating the price
- Petrol dispersed must be the petrol specified
- Diesel dispersed must be the diesel specified
- Metal-free unleaded petrol grade must be labelled with white lettering and numbering on a green background
- Lead replacement petrol must be labelled with white lettering and numbering on a red background
- Diesel must be labelled with white lettering and numbering on a black background.



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# Record keeping

A licensee must keep records of purchase and sale transactions-

- Grades of petroleum product purchased or sold
- Quantities of petroleum product purchased or sold
- Documentation w.r.t. purchase and payment for the batch
- Results of any test performed on a batch
- Records by which the petroleum product tested can be traced
- Port of entry in case of imported petroleum product

A motorist must keep records of purchase transactions

- Records are needed in a case where wrong fuel was used leading to an engine damage
- Wrong price was used
- Details of pump used



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# Our Expectations

## ❑ Report non compliance wrt the ff:

- ❖ Pricing regulation
- ❖ Conditional selling
- ❖ Unlicensed individual or company selling fuel
- ❖ Display of fuel prices electronically or manually



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# Conclusion

- ❑ Transactions value within the oil industry value chain are in excess of R430 billion
- ❑ This represents approximately 15% of the GDP
- ❑ Makes sense to regulate for the benefit of all South Africans, and
- ❑ Hence the decision to bring the petroleum licensing directorate closer to the beneficiaries; and
- ❑ Ensuring the integrity of supply, affordability; and wealth creation



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THANK YOU

QUESTIONS or COMMENTS

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