



DEPARTMENT OF ENERGY

Petroleum Licensing Processes

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PRESENTATION OVERVIEW

- *PPAA IMPLEMENTING STRUCTURE*
- *MANDATE OF THE OFFICE OF THE PETROLEUM CONTROLLER*
- *LICENSING OBJECTIVES*
- *PROCESS OF APPLYING FOR A LICENCE*
- *ACCEPTANCE OF A NEW APPLICATION IN GENERAL*
- *SITE AND RETAIL APPLICATIONS*
- *WHOLESALE APPLICATIONS*
- *MANUFACTURING APPLICATIONS*
- *EVALUATION PROCESS*

SITE AND RETAIL

WHOLESALE

MANUFACTURING

CHALLENGES



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INTRODUCTION



The Petroleum and Petroleum Products branch at Department of Energy, is responsible for managing the regulation of Petroleum Products to ensure optimum and orderly functioning Petroleum Industry to achieve government's developmental goals.

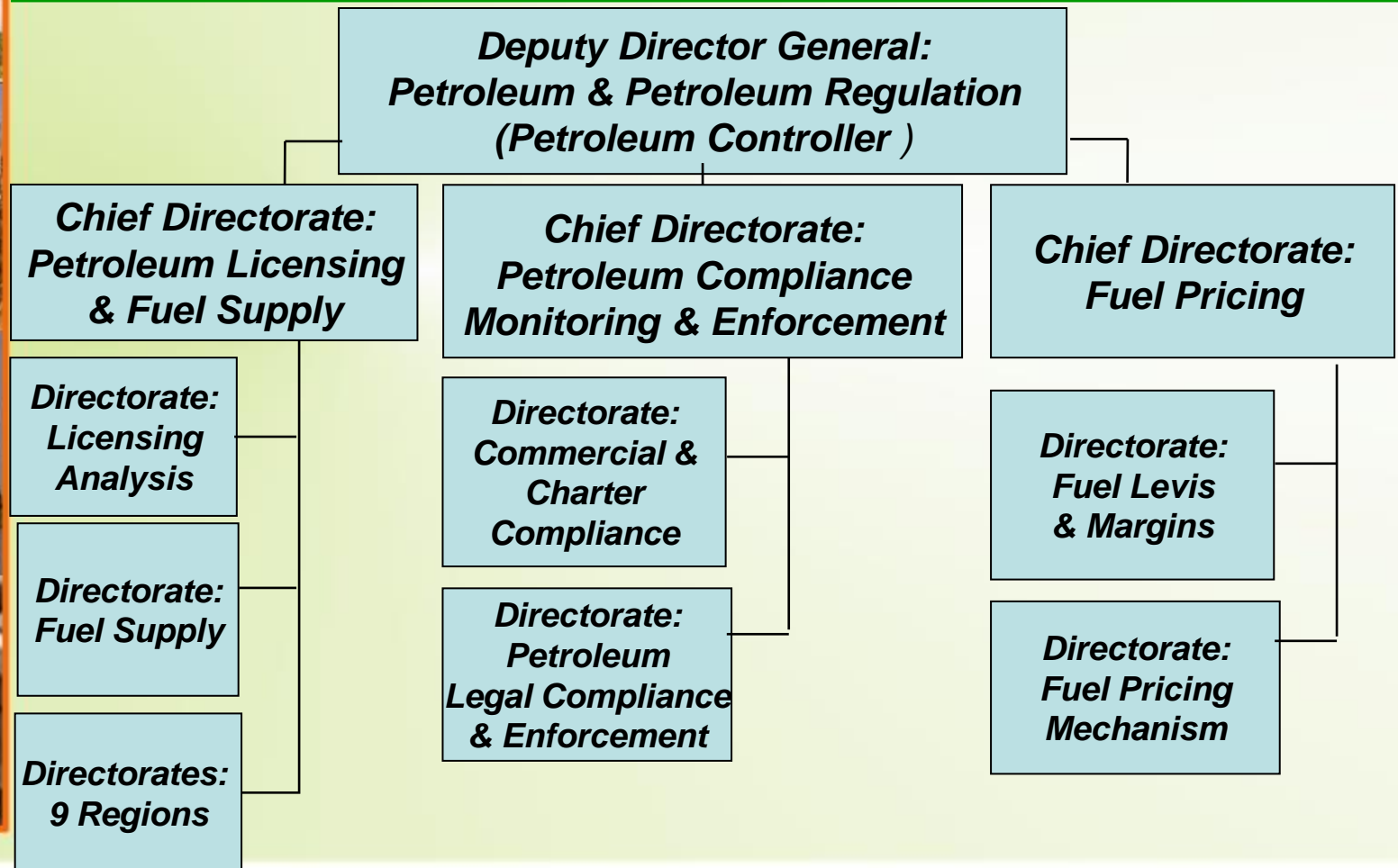
The Petroleum Licensing directorate in particular is responsible to facilitate the participation of Historically disadvantaged Individuals in the petroleum sector by enforcing compliance by Wholesalers, manufactures and retailers with the Liquid Fuel Charter in the adjudication of licences on an ongoing basis.



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PPAA IMPLEMENTING STRUCTURE



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MANDATE OF THE OFFICE OF PETROLEUM CONTROLLER

Implement the Petroleum Products Amendment Act(PPAA),2003:-

Managing the adjudication of the Manufacturing, Wholesale and Retail of Petroleum Products licenses as prescribed by the Petroleum Product Act

Monitoring the Petroleum and Liquid Fuel Charter compliance by industry

Processing of annual information submissions of the licensed manufacturing; wholesaling and retailing activities received by February each year in line with regulations 18; 17 and 26 for license types respectively.



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MANDATE OF THE OFFICE OF PETROLEUM CONTROLLER Cont:

Publishing information as stipulated by Regulation 29; 28 and 39 for manufacturing; wholesale, site and retail license types respectively

Facilitating the development of small businesses in the petroleum and liquid fuels industry by rendering advice on the formulation of bankable business plans in line with the licensing objectives.

Stakeholder engagement and render advisory services on petroleum licensing process to facilitate the development of small business, e.g. development of business plans, license *application and tracking process*



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SECTION 2B: LICENSING OBJECTIVES

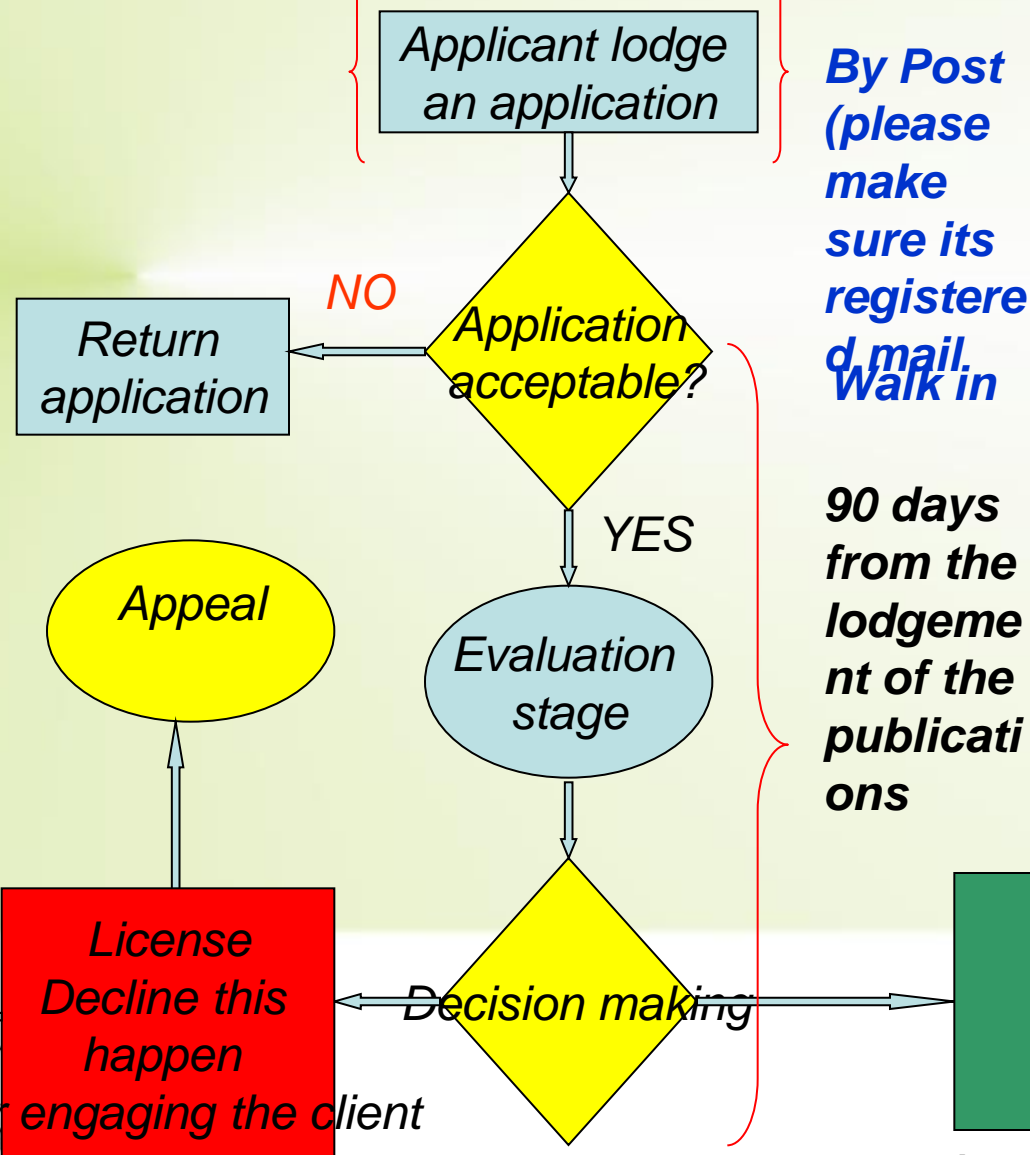
- In considering the issuing of any licences, the Controller shall give effect to the provisions of section 2C and the following objectives-
 - Promoting an efficient manufacturing, wholesaling and retailing petroleum industry.
 - Facilitating an environment conducive to efficient and commercially justifiable investment.
 - The creation of employment opportunities and the development of small businesses in the petroleum sector.
 - Ensuring countrywide availability of petroleum products at competitive prices.
 - Promoting access to affordable petroleum products by low-income consumers for household use.



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How applications are processed



ACCEPTANCE OF A NEW APPLICATION IN GENERAL

- Regulations stipulating documents to be completed and attached are available at our 9 regional offices and on www.energy.gov.za (Click on Acts & Regulations, then Petroleum link)
- The application is accepted by the Office of the Controller through regional offices.
- The Applicant can post or hand-deliver the application.



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ACCEPTANCE OF A NEW APPLICATION IN GENERAL Conti....

- Before the application is captured to the PPALS system the following requirements have to be met:
 - the correct form was used
 - Site and Retail license applications have to be lodged simultaneously
 - Each application has come with its own set of attachments



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SITE AND RETAIL APPLICATIONS

- Retail license applications has to 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 AND RETAIL APPLICATIONS cont.

- Site License applications has to 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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MANUFACTURING APPLICATIONS

- Manufacturing license applications has to come with 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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EVALUATION PROCESS

- In evaluating an application the Controller may ask for additional information from an Applicant. The following are additional information that can be requested from applicants depending on the type of business or application received:
 - Business Plans are requested for all new applications
 - All new applicants have to publish a notice to inform the public of their intended activities in two different languages and two different newspapers, and proof of such publications should also be submitted
 - For Companies, shareholders agreements, share certificates, memorandum & articles of association and shareholders' identity documents are requested



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EVALUATION PROCESS cont

- For trusts the identity documents of all trustees and beneficiaries are requested
- The expected number of employees that the business would like to employ categorized according to race and gender
- Franchise Agreements are requested where retailers are buying a Franchise from any of the oil companies
- Loan Agreements are requested when applicants borrow the money for the business from any financial institution



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Economic Transformation for Petroleum Industry.

- 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;
 - promote the advancement of historically disadvantaged South Africans; and
 - give effect to the Charter



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EVALUATION PROCESS – SITE & RETAIL

- In evaluating an application for any retail license, the Controller must verify that:
 - the information and the documents submitted with the application form are true and correct;
 - the retailing business is economically viable;
 - there is a need for a site (determined by Site Visit);
 - the retailing business will promote the licensing objectives stipulated in sections 2B(2) of the Act;
 - where required, the notices contemplated in regulation 16(1) and 4 (1) were published;
 - In determining the economic viability, the Controller must be; and
 - satisfied that the net present value has been correctly calculated and is positive.



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EVALUATION PROCESS - WHOLESALING

- In evaluating an application for a wholesale license, the Controller must verify that:
 - the information and the documents submitted with the application form are true and correct;
 - The wholesaling business will be economically viable;
 - the wholesaling business will promote the licensing objectives stipulated in sections 2B(2) of the Act; and
 - where required, a notice contemplated in regulation 4(1) was published.



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EVALUATION PROCESS MANUFACTURING

- Feedstock /Sources of products
- Environmental Authorisation/ Record of Decision
- Land Use Zoning Certificate
- Publications: Two National and Two locals and on of which must be English
- ISO certification
- Water Licence



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CONDITIONS OF SITE LICENCE

1. A site licence, or a certified copy thereof, must be prominently displayed at the place of business, where any person entering the site may read it.
2. A Licensee must inform the Controller, in writing, of any change of address or telephone number within 30 days of the relevant change taking effect.
3. A corresponding retail licence, or a certified copy there of, must be prominently displayed at the place of business, where any person entering the site may read it.
4. A licensee must at all times –
 - a) comply with the Act and Retail licence Regulations; and
 - b) carry out legitimate instructions from the Controller.



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CONDITIONS OF RETAIL LICENCE

1. The licensed retailing activity must remain a going concern.
2. A licensed retailer must only –
 - a) retail from the site specified on the retail licence; and
 - b) purchase petroleum products from a licensed wholesaler or a licensed manufacturer.
3. A licensed retailer must –
 - a) inform the Controller in writing of any changes of address or telephone number within 30 days of the relevant change taking effect;
 - b) **pay the annual licence fee determined in the Site and Retail Licence Regulations before the anniversary of the licence issued;**
 - c) comply with the Liquid Fuels Industry Charter;
 - d) **submit the information set out in regulation 26;**
 - e) **allow any person authorised by the Controller in accordance with the Act access to the relevant site for the purposes of inspections or conducting an investigation;**
 - f) **at all times –**
 - i. comply with the Act and the Site and Retail Licence Regulations; and
 - ii. carry out legitimate instructions from the Controller;



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CONDITIONS OF RETAIL LICENCE



- g) that might be required for regulatory purpose if so instructed, submit to the Controller on a date and in the manner specified in the instruction -
 - i. information necessary for the regulation of prices of petroleum products;
 - ii. data on petroleum products purchased or sold during a specified period and stock levels of the petroleum products;
 - iii. information relating to progress in complying with the objectives of the Liquid Fuels Industry Charter; and
 - iv. any other information s.
- 4. A retail licence, or a certified copy thereof, must be prominently displayed at the place of business, where any person entering the site may read it.
- 5. A corresponding site licence, or a certified copy thereof, must be prominently displayed at the place of business, where any person entering the site may read it.
- 6. A licensed retailer ,must mot allow self-service by consumers of petroleum products o the premises of the licensed retailer.
- 7. A retail licence is not transferable.



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CHALLENGES

- Non -Compliance with the LFC charter and the PPAA
 - Contravention of section 2A (5) (a).
- **None Compliance with License Conditions.**
- **Duplicated /identical business plans**
- Some Franchisee agreements not embracing the spirit and intent of the charter; Energy Policy Whiter Paper and PPAA – addressing vertical integration.
- Women representation and participation are dismal.
- Abuse of HDSA definition- white male transferred ownership to white females.
- Non bankability business plans-lack of due diligence when a business plan is outsourced by the applicant.



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THANK YOU

QUESTIONS? & COMMENTS



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