ECONOMIC TRANSFORMATION AND GOVERNANCE IN THE OIL INDUSTRY: Benefits of Liquid Fuels Charter
Presentation Outline

1. **Introduction**
   1.1. Legislative mandate
   - Petroleum and Liquid Fuels Charter
   - Petroleum Products Amendment Act, 2003

2. **Key strategic focus areas for transformation**
   2.1. Ownership
   2.2. Management control
   2.3. Capacity Building
   2.4. Employment Equity and Supportive Culture
   2.5. Procurement
   2.6. Access to Facilities and Wholesaling
   2.7. Retailing

3. **Results summary**
   3.1. Summary comparison: LFC vs. BEE
   3.2. Conclusions and Impact Analysis
Introduction

1. **Energy Policy White paper**
   **Transformation Objective:**
   To achieve 25% of sustainable presence ownership or control of all facets of the industry of the various entities that hold the operating assets of the South African oil industry.

2. **Petroleum and Liquid Fuels Charter (LFC)**
   - Framework for progressing Historically Disadvantaged South Africans
   - Mindful of: imperatives of redressing historical, social and Economic inequalities as stated in the constitution of republic of South Africa
   - Pioneer of all charters in south Africa
   - It was signed in 2000
   - It is annexed to the Petroleum Products Amendment Act (Act No 58 of 2003)
   - **Through the PPAA, the LFC is law!**

3. **Petroleum Products Amendment Act (Act No 58 of 2003)**
   Objectives amongst others:
   - Prohibition of certain activities
   - To provide for the licensing of persons involved in the manufacturing or sale of petroleum products
   - To promote transformation of the South African and Liquid Fuels Industry
Did we as country achieve the legislated mandate as espoused in
• Energy Policy White paper
• Petroleum and Liquid Fuels Charter (LFC)
• Petroleum Products Amendment Act (Act No 58 of 2003)
• The only way to objectively determine this with was to have an independent audit

The Department of Energy in 2010 commissioned an audit to assess compliance to the LFC by the signatories & related progress towards transformation of the industry

Audit Interviewees
◦ BEE Consortium Leaders,
◦ Chairpersons, Black Directors, CEOs,
◦ Divisional Heads, Staff,
◦ HDSA Suppliers, Retailers, Wholesalers

LFC Weaknesses
The LFC thus lacks the following as compared to the BBBEE framework:
• Weights (not clear which requirements carry more weight and priority).
• Targets (no clear compliance targets for all elements except Ownership and Management Control).
• Categories / indicators (no measurable indicators for some elements, e.g. on EE).
• Broad Base (the LFC is biased towards ownership and enterprise development).

However the LFC has a number of key requirements not accommodated in the Codes, e.g.: Crude procurement, & Specific ED initiatives.
### Key strategic focus area: Ownership

<table>
<thead>
<tr>
<th>Economic Interest</th>
<th>Voting Rights</th>
<th>Sustainability</th>
<th>All Value Chain Segments</th>
<th>Voting Rights of Black Women</th>
<th>Economic Interest of Black Women</th>
<th>Black Designated Groups</th>
<th>Ownership Fulfillment</th>
<th>Net Value</th>
<th>New Entrant Value</th>
<th>Compliance Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.91%</td>
<td>18.29%</td>
<td>90%</td>
<td>100%</td>
<td>7.31%</td>
<td>6.72%</td>
<td>6.09%</td>
<td>0%</td>
<td>12.74%</td>
<td>5.94%</td>
<td>50%</td>
</tr>
</tbody>
</table>

**Other Observations**

- It is the **second – highest scoring** LFC element.
- The average effective black shareholding is **18.91%**
- Black women representation is **6.72%**.
- **None** of the black shareholders have **fully fulfilled obligations** of ownership except for one Oil company (Total SA).
- Most of the **black women ownership is as trust beneficiaries or junior consortium partners** i.e. there is no attendant participation as shareholders.
- **White women largely excluded** from all deals.
- So far **only a trickle dividend** received by most.
- Most of the **black shareholders are passive**, serial investors than active entrepreneurs
- Most of the **deals are relatively clean** - with no contentious clauses and **Black shareholders experience** owing partly to B-BBEE reviews over the past few years.
- **Voting pool arrangements** sometimes cause tension among black shareholders.
- Some **errors/alternative interpretations on some BEE certificates** point to complexity
- **Impasse in all the problematic deals** until review.
### Directors & Executives by Race & Gender

<table>
<thead>
<tr>
<th>Category</th>
<th>RACE</th>
<th>GENDER</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total HDSA</td>
<td>White foreign</td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>RACE</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>51.5%</td>
<td>3.0%</td>
<td>4.5%</td>
<td>59.1%</td>
<td>40.9%</td>
<td>100%</td>
<td>73%</td>
<td>27%</td>
<td>100%</td>
</tr>
<tr>
<td>Coloured</td>
<td>4.5%</td>
<td>13.0%</td>
<td>4.5%</td>
<td>59.1%</td>
<td>40.9%</td>
<td>100%</td>
<td>73%</td>
<td>27%</td>
<td>100%</td>
</tr>
<tr>
<td>Indian</td>
<td>32%</td>
<td>13.0%</td>
<td>8%</td>
<td>53%</td>
<td>47%</td>
<td>100%</td>
<td>78%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>59.1%</td>
<td>40.9%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Executive Directors

<table>
<thead>
<tr>
<th>Total Overall</th>
<th>Total HDSA</th>
<th>Total White</th>
<th>Total Overall</th>
<th>Total HDSA</th>
<th>Total White</th>
<th>Total Overall</th>
<th>Total HDSA</th>
<th>Total White</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>14%</td>
<td>17%</td>
<td>64%</td>
<td>40%</td>
<td>24%</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Contrasting HDSA responsibility Levels

The Participation, Job Content and Budget Responsibility levels of the HDSA’s and depicting the imbalance:

- Compliance is very high. **This is the highest scoring element** in terms of both the LFC and BEE.
- Mostly white males and foreign nationals occupy strategic and senior positions as key decision makers.
- **Highest population of HDSA’s** is in Human Resource, Strategy & Procurement (excl. crude).
- **Highest population of whites /foreign nationals is in Refinery Management, Finance & Planning**
- **Expectation gap regarding black directors:**
  - They are mainly non executives; fewer executives and independents.
  - Influence is also curtailed by multinational leadership structures.
  - For some the monitoring of progress on transformation is seemingly not a key focus area or priority.
  - They are more concerned with securing own business interests.
- **The rotation of foreign national CEOs** sometimes results in loss of transformation momentum.
- **Chevron and Total hardly had black people** at the executive level and very few at senior management level.
### Key strategic focus area: Capacity Building

#### LFC Key percentages and compliance requirements

<table>
<thead>
<tr>
<th>Rating category</th>
<th>Core, Priority and Scarce Skills</th>
<th>Learner-ships</th>
<th>Mentorships</th>
<th>Talent pool</th>
<th>Overseas training</th>
<th>% Black Delegates</th>
<th>Overall HDSA spend %</th>
<th>Annual progress reports rating</th>
<th>Bursaries</th>
<th>Scholarships</th>
<th>Compliance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>% black participants</td>
<td>66.70%</td>
<td>94.07%</td>
<td>21.19%</td>
<td>23.74%</td>
<td>64.11%</td>
<td>79.50%</td>
<td>55%</td>
<td>N/A</td>
<td>72.25</td>
<td>47.84%</td>
<td>34%</td>
</tr>
<tr>
<td>LFC Quality ranking</td>
<td>64%</td>
<td>46%</td>
<td>11%</td>
<td>11%</td>
<td>24%</td>
<td>50%</td>
<td>N/A</td>
<td>N/A</td>
<td>34%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NB: High percentage spend on HDSAs does not equal high quality performance.

#### Capacity Building Interventions

- **Core, Priority and Scarce skills** training is in:
  - Health, Safety and Environment, Risk Management, Petrochemicals, Planning and Marketing courses.
  - **Learner-ships** include Welding, Boiler Making, Mechanical Fitting, National certificate in Professional Driving.
  - The **Internships** include among others, Process Engineering, Chemical and Mechanical Engineering.
  - Most **Bursaries** are in Project Management, Mechanical Engineering and Chemical Engineering.
  - Most **HDSA’s are not in the core scarce fields** (Upstream Manufacturing, Supply and Trading).
  - But in the non-core scarce skills, like Project Management, Finance, HR.
  - Most interventions dominated by HDSA’s, both genders except for overseas training which indicates more males.

- **Overseas training** mostly entails attendance of conferences and short courses with very little operational exposure over a length of time.
- Little evidence of fast tracking particularly of HDSA’s in most companies.
- Also most companies did not have formalized mentorship programs for proper skills transfer.
- It is the worst performing element under the BBBEE framework, largely due to the lack of work-based exposure and assessed programmes.
- Some progress made, on certain capacity building initiatives, in particular, bursaries, scholarships, (some) learnerships and internships.
- However training on artisan skills required for refurbishments, renovations and expansion of refineries and other facilities as well as for other strategic projects is lacking.
- Another opportunity loss was the acquisition of trading knowledge and expertise by HDSA’s, as the function has been relocated and is now mainly performed through overseas operations.
- **Average spend on HDSAs has decreased** from 71% to 55% since 2006. The actual rand amount expenditure also decreased during this time.

- This was the second worst performing element due mainly to lack of mentorship programs, overseas exposure, talent pool identification and fast–tracking & effectiveness reviews.
### Key strategic focus areas:

#### Employment Equity and Supportive Culture

<table>
<thead>
<tr>
<th>Employment Equity Performance Results</th>
<th>Employment Equity Compliance Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>% HDSA (ABCDE)</td>
<td>% HDSA (EDC)</td>
</tr>
<tr>
<td>74.3%</td>
<td>71.2%</td>
</tr>
</tbody>
</table>

#### Supportive Culture Performance / Compliance Status

- Main Coordinator Seniority
- Board Level Transformation Committee
- Appropriate Managers
- Fostering Supportive Culture
- Appropriate Policies
- Compliance Level

| | Middle manager | No | 51% | 44% | 49% | 49% |

### Supportive Culture Observations

- Lack of awareness of the LFC within the companies, even at senior level.
- A relatively high turnover of blacks, because of frustration.
- Perception that blacks are set up for failure as the culture not supportive.
- Most line managers seen as the major stumbling blocks.
- The dedicated managers’ seniority level has been lowered over time:
  - From executive director level to middle manager level.
  - Suggesting a view that this function is now viewed as superfluous.
  - Yet input from HDSA staff, suppliers & customers suggests otherwise.
- The function in most of the companies is performed by HDSA managers.
- Implementation is driven from HR instead of line functions for buy-in.
- The positions represented in the teams are from HR, BEE Strategy, External Affairs, Procurement. One company has included Retail Management.

### Employment Equity Observations

- This is the third lowest scoring element.
- Fair progress in respect of black representation overall.
- However, women representation is still too low especially on the higher levels.
- Some inexplicable higher representation of the Indian population in management levels of 1 company & to lesser extent 2 others.
- Black representation in all the management levels is below the EAP target of 87.5%
Key strategic focus area: Procurement

LFC Sub-Element Compliance Status

<table>
<thead>
<tr>
<th>Supportive policies</th>
<th>procurement</th>
<th>Scope of preferential procurement to include crude</th>
<th>List of HDSA suppliers</th>
<th>Vessels used in transportation to meet HSEQ standards</th>
<th>Average compliance status in the industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>50%</td>
<td>71%</td>
<td>100%</td>
<td>69%</td>
<td></td>
</tr>
</tbody>
</table>

Outsourcing and Procurement Category

<table>
<thead>
<tr>
<th>Outsourcing and Procurement Category</th>
<th>Total spend for use within South Africa (Rand Mil)</th>
<th>Share to HDSA companies (R’000)</th>
<th>Share to HDSA companies (%)</th>
<th>Spend split by % HDSA ownership/Control %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Over 50%</td>
</tr>
<tr>
<td>Total Discretionary Spend</td>
<td>31,867,492,552</td>
<td>8,568,760,067</td>
<td>26.9%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Crude Oil</td>
<td>91,972,032,709</td>
<td>4,506,922,764</td>
<td>4.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Grand - Total</td>
<td>163,124,949,850</td>
<td>14,039,520,031</td>
<td>8.6%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Grand – Total less PetroSA</td>
<td>155,358,749,850</td>
<td>12,810,857,531</td>
<td>8.2%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

- **Spend analysis from >50% HDSA companies**
  - Expenditure of at least 25% - Civil and Maintenance, Transport and Service Industries.
  - Expenditure of below 5% - Packaging, Crude Oil, Telecommunication, Natural Gas, Other Capex, Additives, finance & Insurance and Coal.
  - Procurement from HDSAs is less than 5% for about 50% of the product lines.
- **Only 3 of the 6 oil companies comply** with this element, the main differentiator being Crude. The third company’s last purchase was however, in 2009.
- Most Crude and other imports procurement and supply is **controlled by international parent companies**.
- The challenge of buying crude from local traders is that they **do not really trade but are brokers / facilitators**. It is thus generally more expensive to buy from them.
- **The support to and from SASDA** has not worked according to plan for various reasons. Among others the casualty of this is an industry – wide HDSA **Supplier database**.
- **Supplier development efforts** are also sparse, unstructured and seemingly not effective.
- **No visibility of technically qualified & competent suppliers** including black owned and black women owned enterprises for among others construction projects in forecourt, and mechanical, engineering, civil and processing jobs.
- Some HDSA suppliers fail **Health and Safety** requirements.
- **Lack of development finance**.
Key strategic focus area: Access to Joint Infrastructure & Wholesaling

### LFC Key Requirements

<table>
<thead>
<tr>
<th>Access to refining</th>
<th>Refining Capacity</th>
<th>Wholesaling</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fair Ownership opportunities</strong></td>
<td><strong>No access by HDSAs</strong></td>
<td><strong>Compliance Status</strong></td>
</tr>
<tr>
<td>70%</td>
<td>16%</td>
<td>43%</td>
</tr>
</tbody>
</table>

### Other Access to Joint Facilities Observations

(No regulatory enforcement / refinement)

- Non adherence to own regulations / act by NERSA worsens problem.
  - Licensees to provide information on uncommitted capacity
  - Lodgments of allocation mechanism for uncommitted capacity within 6 months of license
  - Annual submissions on commercial arrangements for the participation of HDSA’s
  - NERSA must use such information to facilitate ownership, control or management of operations of petroleum pipelines, storage facilities and landing facilities

- No access to Transnet pipeline to move product from coast to inland
  - Transnet not aggressively employing empowerment legislation / policies

- A lot of facilities (especially inland storage and distribution deposits) were **closed down without availing them to HDSA’s**
  - As outside NERSA’s control

- **Competition Act** lately cited as reason to withhold information
- Minimal recent efforts in remote areas
- **Too much uncertainty** on modus operandi & applicable policies
- **Concurrent legislation** – LFC / BEE / PPPFA / Ports Act / PPA / PPAA
  - Compliance with one could mean breach with another

### Other Wholesaling Observations

Negative competitive position

- Challenge of competing with oil major trading divisions on price for spot crude.
- Have to comply with more stringent license conditions
- HDSAs cannot vertically integrate. Oil majors already vertically integrated
- Allegations of illegal operators
- More expensive credit

**Too many HDSA wholesalers??**

- Perception that too many wholesalers acquire licenses’ without the requisite knowledge
- The pie is too small to share. Need to enable current HDSA wholesalers businesses to grow?
- A strategy by one company is to cap the number of HDSA’s used so as to accelerate their growth.

Ineffective / insufficient support

- Least supported group is importing wholesalers
- A few of the oil companies offer discounts or premiums
- Experience of some is that the relationship with so-called supportive oil companies
  - is only good on paper.
- Only 3 oil majors buy crude from HDSAs
- We could not confirm wholesale volumes & related percentages because of information dearth

Oil major challenges

- Cash flow constraints
- Insufficient commitment
- No benefit / incentive and more expensive
Key strategic focus area: Retailing
(Exc. Shell & Sasol Oil)

LFC key percentages and compliance status

<table>
<thead>
<tr>
<th>%HDSA Retailers</th>
<th>%HDSA Volumes</th>
<th>African Total owned</th>
<th>Coloured Total owned</th>
<th>Indian Total owned</th>
<th>Analysis of BEE Ownership percentage</th>
<th>Equitable retail opportunities to HDSAs</th>
<th>Average compliance status of the industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>41.25%</td>
<td>13%</td>
<td>5%</td>
<td>23%</td>
<td>30%</td>
<td>32%</td>
<td>31%</td>
</tr>
</tbody>
</table>

**Dealer Owned**

**Company Owned**

**Transient Race% - Volume**

- **Indians do better** in volumes than other black groups
- The Ownership of and **volumes pumped by Whites outnumber** those of the HDSA’s collectively.
  - White dealers pump 3 x more than Indians who are 2\(^{nd}\) in dominance.
  - There is still a challenge of ensuring equitable site allocation to HDSA’s for various reasons, including **limited site availability**.

**Oil company challenges**

- Some **old evergreen agreements** with white retailers, property owners and developers.
  - Especially with respect to the more lucrative opportunities e.g. transient sites.

**HDSA Retailer challenges/needs**

- Lack of Capacity to negotiate and manage contracts
  - e.g. the structure of royalties and rental payments
  - And the treatment of unreliable product suppliers.
- **Regulatory process anomalies and turn-around times.**
- **Goodwill** is not regulated, therefore the seller is at liberty to charge any price.
- **Entrepreneurship and business skills** are not provided in the initial training
- The **modus operandi for stock items** is not friendly towards local small businesses
Results Summary

Stringent Basis:
- Average **19% rate of full compliance**; = “Yes” responses.

Performance Levels:
- The average **performance rate is 48%**.

Compliance Levels:
- The **compliance rate is 62%**; = All “Low to Yes” performance levels
  - = The converse of “No” and “Unknown” answers.
- On average **3.5 out of 7 companies (50%) complied** with each element.
- **BBBEE performance rate = 70%**.
  - The performance rate gap between the 2 frameworks is thus 22% (70-48).
- The oil companies **scored as follows under BEE**:
  - 2 level 3's, 4 level 4's & 1 level 6

Progress since 2006
All the indicators showed improvement, due to the large time gap. There are however, decreases, all of concern, viz: (%decrease)
- **Supportive Culture**: Full time exec director - 43 – 0 % (100%)
- **Capacity Building**: Total HDSA skills spend - 71% - 55% (22.5%)
- **Capacity Building**: Learnerships: From 96% - 94.07% (2.01%)
- **Employment Equity**: Semi & unskilled blacks 95% - 82% (13.68%)
- **Retailing**: All sites for all companies - 44% - 40% (9%)
Summary Comparison LFC/BEE

<table>
<thead>
<tr>
<th>Core component of BEE</th>
<th>BEE Average %</th>
<th>LFC Numeric Score %</th>
<th>BEE Ranking</th>
<th>LFC Charter Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>73.20%</td>
<td>86.7%</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Management Control</td>
<td>87.80%</td>
<td>88.6%</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employment equity</td>
<td>71.67%</td>
<td>38.2%</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Skills development</td>
<td>28.73%</td>
<td>34.5%</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>72.15%</td>
<td>68.6%</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>80.80%</td>
<td>34.4%</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>75.00%</td>
<td>N/A</td>
<td>3</td>
<td>N/A</td>
</tr>
<tr>
<td>Average</td>
<td>69.91%</td>
<td>48%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- The two frameworks have **different areas of emphasis / priority**.
- The **current LFC is not clear enough in terms of expectations**, resulting in anomalous results,
  - e.g. in procurement i.e. it did not provide weightings for each requirement
  - e.g. even though crude procurement was clearly a priority, not weighted differently to other (sub)elements.
- The **two top performing elements** to the LFC were Management Control and Ownership.
- The **worst performing elements** were Enterprise Development, Skills Development and Employment Equity.
- The **focus on BEE has been detrimental** to key LFC requirements, especially Enterprise Development:
  - Some of the sub-elements involved there-in are **not scored under the BEE codes**,
    - There is thus **insufficient incentive** for the oil companies to improve on these areas:
      - **Retailing** (This could be partly why this element ‘s performance has actually regressed since 2006),
      - **Synfuel Supply**, Local wholesaling (reselling) and
      - **Import wholesaling / Crude procurement** (treated as an exclusion by the BEE codes)
    - There is **no minimum target** (under which the element will score zero points), and **no bonus incentive** for improving on the following: **Access to key infrastructure & Import wholesaling / Crude procurement**

A future framework to **ensure that performance on agreed sectoral priorities / imperatives is rewarded** adequately and **non-performance dis-incentivised**.
Conclusions & Impact analysis

Focus and key concern for oil companies has largely been BEE compliance:

- Given that the bottom 3 performing elements in respect to both the LFC and BEE are:
  - Enterprise Development; Skills Development; Employment Equity and Preferential Procurement
  - The biggest lost opportunity over the past 10 years is technical skills transfer:
    - There was insufficient training to directly transfer the skills.
    - Due to less than desirable levels of promotion and employment of HDSAs, they were thus not afforded the opportunity for at least on the job training.
    - Black entrepreneurs were also not capacitated through enterprise development and trial/gradually improving procurement levels to afford them the experience.
  - The highest scoring areas are the quickest to remedy and involve a narrow base of beneficiaries, whereas the laggers generally take long to set up and implement – yet they have wider reach.
  - What was initially envisaged was fair ownership of assets, across the value chain by HDSA entrepreneurs who are significant players in the SA oil sector.
  - What was achieved was partial ownership of some assets by serial investors not very actively involved in key operations within the sector.
  - Support of the other and greater number of entrepreneurs, including retailers, and wholesalers is also the most wanting area.

Oil companies have only made progress regarding some LFC requirements only in the last 2 years i.e. 2008/09 – 2009/10
**Recommendations**

**Ownership**

DOE to:

- Cause all companies that failed to make the 25% mark to be required to commit to concrete plans to address the gaps, within a set time frame.
  - A further disincentive by way of lower points in the new scorecards is required.
- Consider increasing HDSA ownership requirements to ensure there is always an incentive to achieve more.
  - Women, broad-based and marginalized groupings including youth to be prioritized.
- Develop the capacity of staff to assess the BEE deals and interrogate the related structures during the processing of license applications.
- Play a pro-active role of ensuring that the best possible advantage is gained by HDSAs and women in particular, from all the divestments from downstream operations.
- Consider a strategy similar to the equity equivalents scheme/combined with appropriate incentives for locating the Upstream business of Oil Majors in South Africa and structuring BEE deals around them.
- Facilitate amicable and mutually beneficial solutions for the deals under pressure and where there is impasse and set up mechanisms to help pick up such signs sooner and more systematically in future.

**Management Control**

- Appropriate measurable stretch targets and incentives for women appointments to be built into the future scorecard.
- Oil companies to focus more on executive and independent directors in future.

**Supportive Culture**

- Reliable organizational climate checks should be regularly conducted. To be managed directly by CEO’s and reported on to the Boards.
- The relevant supportive culture targets to be included in the performance contracts of senior managers as part of their Key Performance Indicators (KPIs).

**Employment Equity**

- Oil Companies should ensure that there is equitable allocation of budget and job content responsibilities to black executives and managers.
- Job-shadowing should be implemented as one of the means of fast-tracking HDSAs, particularly women.
  - Adequate and realistic incentives to be provided to the shadower to ensure success.
- Oil companies to ensure balance amongst the black groups as well
  - DOE to seek guidance from the DOL on how to approach these instances and
  - To reach an understanding with the relevant companies on how the situation is being managed.
- Government should enforce penalties on companies that are not advancing HDSA’s in Employment Equity, in a joint strategy / intervention programme with the Department of Labour.
Recommendations

Capacity Building

• More practical and formally assessed exposure should be provided to black trainees.
  – Any future framework should adequately incentivize these interventions.
  – DOE to collaborate more with CHIETA and SAPIA to ensure that appropriate work related training programmes are developed and delivered, including fast-track type interventions.

• Scarce skills occupations to be continuously communicated to institutions of higher learning for training and development.

• There must be an effective partnership among DOL, DOE, DHE and the industry for development of programmes.

Procurement

• Parent oil companies to allocate a set percentage of Crude oil Procurement from HDSA companies.

• DOE to include minimum specified levels of crude procurement in the future procurement scorecard

• HDSA’s to be granted longer term projects that would facilitate sustainability.

• DOE to investigate why SASDA is not fully supported by Oil companies and address the gaps so identified.

• Appropriate incentives for women-owned and small businesses

Access to Joint Infrastructure and Wholesaling

• Facilitate the alignment of all legislation and tools to promote HDSA participation (through a coherent strategy) and ensure adequate enforcement. In particular:

  Legislative Regulations

  • Resolve the conflicting regulatory objectives between Competition Authorities and the DoE/LFC.
  • Revise the regulatory barriers which disadvantage the HDSA wholesalers
  • Address inadvertent unfair competition by oil Majors, through vertical integration.
  • Better regulate importing by oil companies in order to allow HDSA’s to be competitive.
  • Set measurable stretch targets for wholesaling
    ◦ with clear indication of requirements with respect to all types of wholesalers.
    ◦ Consider rationalising number of licensed wholesalers
  • Set and enforce stricter conditions for continued operation by licensed importers and consequences of not following through on the intended purpose.
  • Enforce all legislation in this regard
  • Investigate allegations of use of unlicensed wholesalers and illegal activities by licensed wholesalers.
  • Ensure finalization and full implementation of NERSA’s Allocation Mechanism guidelines.

Enterprise Development

• Help TransNet to more aggressively implement an empowerment framework for HDSAs.

• Facilitate funding model for HDSA’s in importing crude through one or more of the DFIs.

• Facilitate allocation of minimum capacity in the New Multi Products Pipeline to HDSAs.

• Facilitate development of beginners’ guides into wholesaling clearly setting out critical success factors.

• Facilitate creation of a benchmark for realistic HDSA wholesale license conditions.
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Questions & Answers