

# Department of Minerals and Energy

## Administration of the 95 Unleaded Petrol Inland Demand Side Management Levy (DSML)

### 1. INTRODUCTION

- I. Cabinet has mandated the Department of Minerals and Energy to manage the demand for 95 unleaded petrol in the inland area with effect from 1 January 2006.
- II. The Demand Side Management Levy (DSML) will only be applicable on 95 unleaded petrol sales in the inland area.
- III. The DSML will range from 0.0 c/l to 50.0 c/l.
- IV. With effect from 1 January 2006, as per Cabinet resolution, a DSML of 10.0 c/l will be effective on 95 unleaded petrol and only be managed upwards and downwards thereafter as described in the paragraphs that follow.

### 2. ASSUMPTIONS

- I. It is anticipated that the demand for unleaded petrol in the inland area will reach a market penetration of 45 percent by the end of December 2005.
- II. It is estimated that the total annual petrol pool demand in the inland area will amount to 6.4 million cubic metres per annum with effect from 1 January 2006.
- III. Based on the outcome of the Octane Study, to discourage octane wastage the 95 unleaded petrol demand in the inland area should be limited to a maximum of 30 percent of the total unleaded petrol pool demand in the inland area.
- IV. The market penetration of 95 unleaded petrol in the inland area will be restricted to 25 percent of the total inland unleaded petrol pool during the first 18 months after the introduction thereof in the inland area with effect from 1 January 2006.
- V. The monthly and cumulative inland demand consumption data for 95 unleaded petrol will be captured from industry sales statistics in the normal way.
- VI. The first 95 unleaded petrol inland demand data to be used for monitoring purposes will be the market penetration thereof as at the end of February 2006 which data will become available in March 2006 and the DSML to be adjusted, if necessary, on the first Wednesday of April 2006.

### 3. 95 UNLEADED INLAND DEMAND AND DSML ADMINISTRATION (FIRST 18 MONTHS)

- I. **DMSL administration: April 2006 (based on data of February 2006):**
  - a. Should the inland demand for 95 unleaded petrol be less than 15 percent of total inland unleaded petrol pool demand: keep DSML intact at 10.0 c/l.
  - b. Should the inland demand for 95 unleaded petrol be between 15 and 20 percent of total inland unleaded petrol pool demand: increase DSML by 2.0 c/l for each percentage point above 15 percent.
  - c. Should the 95 unleaded petrol demand be 20 percent or higher of the total inland unleaded petrol pool demand: increase the DSML from 10.0 c/l to 20.0

c/l for a 20 percent market penetration and by 3.0 c/l for each percentage market penetration above 20 percent.

**II. DSML administration from April 2006 to June 2007 (95 Unleaded petrol demand not to exceed 25 percent)**

- a. After the April 2006 adjustment, the DSML will be somewhere between 10 c/l and 35 c/l, assuming that penetration has not reached a level higher than 25 percent by February 2006. After April 2006, the DSML can continue to be managed between 10 c/l and 35 c/l using the above guidelines, provided that the penetration does not exceed 25 percent.
- b. Should 95 Unleaded petrol inland demand as a percentage of the total inland unleaded petrol pool demand increase above 25 percent: increase DSML by 3,0 c/l for each percentage above 25 percent, so that the maximum DSML of 50 c/l is reached at penetrations of 30 percent or above. The DSML should be maintained at the maximum level reached, unless and until the penetration falls below 25 percent again. If it reduces below 25 percent, it can again be managed in accordance with the guidelines in 3.1.1 and 3.1.3 above.
- c. The DSML should not be reduced below 10 c/l except in the unlikely event that penetration remains consistently below 10 percent, in which case it can be reduced by 1 c/l for each percentage point below 10 percent.

**III. DSML administration from July 2007 onwards (maximum 95 unleaded inland market penetration as percentage of total inland petrol pool demand-30 percent):**

- a. After 18 months the inland penetration level of 95 unleaded petrol should have stabilised at a level no higher than 30 percent, and the DSML should be somewhere between 10,0 c/l (or even less) and 50.0 c/l depending on the level at which it has stabilised. If that is the case, the DSML could be maintained at the prevailing level.
- b. These guidelines will be reviewed after 18 months to ensure their ongoing suitability.

**4. ADMINISTRATION OF DSML**

- I. A Ministerial Directive, in terms of the provisions of the Central Energy Fund Act, 1977 (Act No 38 of 1977) will be issued on all Schedule C Companies registered with CEF (Pty) Ltd.
- II. In terms of this Ministerial Directive, the DSML will be paid into the Central Energy Fund by Schedule C Companies registered with CEF (Pty) Ltd.
- III. CEF (Pty) Ltd will repay the DSML into the State Revenue Fund.