

RULES TO ADMINISTER THE SELF-ADJUSTING SLATE LEVY MECHANISM

1. INTRODUCTION

- 1.1 The Minister of Minerals and Energy, on 24 August 2008, approved:-
- The implementation of a self-adjusting Slate Levy Mechanism to finance the cumulative (all petrol and diesel grades) under recovery realised by the South African petroleum industry in respect to daily changes between the Basic Fuels Price (BFP) of all grades of petrol and diesel and the BFP applicable in the petrol and diesel and price structures as announced by the Department of Minerals and Energy in the monthly Fuel Price Media Release;
 - That the Slate levy on petrol and diesel be set to zero once the **cumulative negative** industry Slate balance, as available at the time of the approval referred to above, (money owed by fuel consumers to the South African refining industry) is equal to or less than R250million (two hundred and fifty million Rands); and
 - Once the Cumulative Slate balance is equal to or less than R250.0 million (negative), the Slate levy on petrol and diesel be decreased to zero (0) and the Self-adjusting Slate Levy Mechanism be implemented simultaneously.
- 1.2 In terms of paragraph 5 of the Working Rules to administer the Basic Fuels Price (BFP) [Date effective: 2 March 2003 (revised 28 October 2005)], the BFP adjustment to be effected will include a **rounding** and a **1.0 c/l Slate adjustment factor**. The rounding mechanism will still remain to be affected, whilst the 1.0 c/l Slate adjustment factor will be terminated simultaneously with the implementation of the Self-adjusting Slate Levy Mechanism. The Working Rules referred to above will be amended accordingly.
- 1.3 **SAPIA** will continue to calculate the Cumulative Slate balances on a monthly basis and distribute these monthly Cumulative Slate Balance templates to CEF (Pty) Ltd and the Department of Minerals and Energy. Cognisance should be taken that after the end of each month, sales volumes must be submitted by "Undertakings" to SAPIA, SAPIA has to collate these sales volumes and do the necessary calculations. The new individual product and Cumulative Slate balance for a particular month will only be submitted to the said institutions approximately two weeks after the end of a calendar month. **For this reason, Slate Levy adjustments, if necessary, to be effected in the petrol and diesel price structures on the first Wednesday of each month will be based on the Cumulative Slate balance available at that time, e.g. fuel price changes to be effected in November 2008 must be based on the Cumulative Slate balance as at the end of September 2008.**

- 1.4 All reimbursements made by CEF (Pty) Ltd to Undertakings in a particular month must be recorded on the Cumulative Slate Account template in the same month.
- 1.5 In terms of the provisions of the Slate Levy Schedule (as promulgated in the Government Gazette on 4 November 2008):
- “Undertakings” must deposited the cumulative Slate levy income into a bank account of CEF (Pty) Ltd within 30 days after the end of the Undertaking’s accounting month, e.g. for the month of September 2008, the deposit should be made on or before the last working day of October 2008;
 - CEF (Pty) Ltd will make payments to “Undertakings” within 14 days after the end of a calendar month, e.g. CEF must make a payment before the 14th of each month.
 - CEF, based on sales volumes and the unit over/under recovery rates for the different petrol and diesel grades (calculated by CEF), determines the monthly movement in the petrol and diesel Slates of individual Undertakings.
 - Based on the individual Undertaking’s monthly Cumulative Slate contribution by product group, CEF will reimburse the total Slate Levy proceeds as available at that time to individual Undertakings.
- 1.6 The Slate levy on petrol and diesel will be similar at all times. The proceeds of the Slate levy on which product there is a positive Slate balance will not be reimbursed to Undertakings, whilst the proceeds of the Slate levy on which there is a cumulative under recovery, will be utilised for reimbursement until the negative Cumulative Slate balance is equal to or less than R250.0 million. The balance of funds in the CEF account will be administered by CEF and interest on this balance will be credited to the said account.

2. **MONTHLY ADJUSTMENT IN THE SLATE LEVIES APPLICABLE IN THE PRICE STRUCTURES OF PETROL AND DIESEL**

- 2.1 The Slate levies on petrol and diesel will be adjusted in line with the corresponding cumulative Industry Slate balances as reflected in **Annexure A**.
- 2.2 The Slate levy will always be expressed to two decimal points.
- 2.3 The Slate levy will always be determined on the value of the Slate Account as indicated in column **B (refer Annexure A)**.
- 2.4 There will be no limitation to the negative Slate balance on which the Slate levies will be determined. The ranges will continue to be R250 million.

- 2.5 The annual consumption volumes on which the Slate levy is determined will be adjusted on a bi-annual basis starting on 1 January 2009.
- 2.6 The Slate levy will be based on a period of six months to reimburse the Slate Account balance (refer paragraph 1.3).

ANNEXURE A

SELF-ADJUSTING SLATE LEVY MECHANISM

BASED ON ANNUAL VOLUMES (1 JANUARY 2009): 19,000 Million litres

FULL BALANCE RECOVERABLE PERIOD: 6 Months

-250 means the Cumulative Slate account is negative (cumulative under recovery by the industry)

A	B	C
Industry Cumulative Slate Account Balance (Rands Million)	Industry Cumulative Slate Account Balance (Rands Million)	Slate levy (c/l) on petrol and diesel
Positive	-250	0.0
-250	-500	4.38
-501	-750	6.58
-701	-1000	8.78
-1001	-1250	10.96
-1251	-1500	13.16
-1501	-1750	15.36
-1751	-2000	17.54
-2001	-2250	19.74
-2251	-2500	21.92
-2501	-2750	24.12
-2751	-3000	26.32
-3001	-3250	28.50
-3251	-3500	30.70
-3501	-3750	32.90
-3751	-4000	35.08
-4001	-4250	37.28
-4251	-4500	39.48
-4501	-4750	41.66
-4751	-5000	43.86
-5001	-5250	46.06
-5251	-5500	48.24
-5501	-6000	52.62