

MEDIA STATEMENT - FOR RELEASE ON 26 JUNE 2020

RELEASED BY CEF (SOC) LTD ON BEHALF OF THE DEPARTMENT OF MINERAL RESOURCES AND ENERGY

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1. PRICE CHANGES TO BE EFFECTED ON WEDNESDAY 01 JULY 2020 IN GAUTENG (INCREASE) / DECREASE

Product:

Petrol 93 (ULP & LRP)	(163.00)	cents per litre increase in retail price
Petrol 95 (ULP & LRP)	(172.00)	cents per litre increase in retail price
Diesel 0.05% Sulphur	(173.00)	cents per litre increase in wholesale price
Diesel 0.005% Sulphur	(169.00)	cents per litre increase in wholesale price
Illuminating Paraffin (Wholesale)	(214.00)	cents per litre increase in wholesale price
Illuminating Paraffin (SMNRP)	(285.00)	cents per litre increase in the Single Maximum National Retail price (SMNRP)
Maximum Retail Price for LPGAS	(448.00)	cents per kilogram increase in the maximum retail price (based on the new working rules)

2. ECONOMIC FACTORS AFFECTING THE UNIT OVER/UNDER-RECOVERIES FOR THE PERIOD 29 MAY 2020 TO 25 JUNE 2020

The average international product prices for Petrol, Diesel and Illuminating Paraffin increased during the period under review. The Rand appreciated against the US Dollar during the period under review, on average, when compared to the previous period. The average Rand/US Dollar exchange rate for the period 29 May 2020 to 25 June 2020 was 17.1271 compared to 18.1715 during the previous period. This led to a lower contribution to the Basic Fuel Prices on petrol, diesel and illuminating paraffin by 33.41 c/l, 33.55 c/l and 30.13 c/l respectively.

3. ADJUSTMENT TO THE OCTANE DIFFERENTIAL BETWEEN 95 AND 93 BFP OCTANE DIFFERENTIALS

In terms of the Working Rules to administer the BFP, the differentials between 95 and 93 petrol grades are adjusted at the beginning of each quarter. The BFP differentials between 95 and 93 petrol grades have changed and therefore the different retail price adjustments to be effected country-wide.

4. AMENDMENT TO THE CALCULATION OF THE MAXIMUM REFINERY GATE PRICE FOR LPGAS

The Minister of Mineral Resources and Energy has approved the utilization of the Saudi Contract (CP) to calculate the import price of LPGas through the publication of the regulations in the Government Gazette. The Saudi CP import prices will be implemented effective 01 July 2020. The Department of Mineral Resources and Energy, in consultation with the LPGas stakeholders (including SAPIA) has developed and finalised the working rules on how to calculate the import price of Liquid Petroleum Gas (Annexure A).

5. SLATE LEVY

In line with the Self-Adjusting Slate Levy Mechanism Rules, the Slate levy on petrol and diesel will remain at 0.00 c/l with effect from 01 July 2020.

6. SINGLE MAXIMUM NATIONAL RETAIL PRICE FOR ILLUMINATING PARAFFIN (SMNRP)

The Single Maximum National Retail Price for the period 01 July 2020 to 04 August 2020 will be 882.0 c/l compared to 597.0 c/l for the period 03 June 2020 to 30 June 2020.

7. MAXIMUM LPGAS REFINERY GATE PRICE

The maximum refinery gate price will be R 8 742.32 per metric ton (485.20 c/l), excluding VAT, for the period 01 July 2020 to 04 August 2020.

8. PRICE ADJUSTMENT

In terms of the agreed mechanism:

- (a) Price changes are adjusted in such a manner that the over- or under-recovery during the prior month will be corrected in the following month; and
- (b) The unit over- or under-recoveries are rounded up or down to the nearest full cent so that the effect of rounding contributes to the clearing of the cumulative balance of the individual products on the slate.
- (c) In order to manage a negative balance in the Cumulative over/(under) recovery account (the Slate), a Self-Adjusting Slate Levy Mechanism (SLM) was implemented with effect from 7 January 2009 (the SLM is available on the website of the Department of Energy). A Slate levy will only be applicable on all petrol and diesel grades if the Slate balance is negative (cumulative under recovery) by more than R250.0 million.

9. ANALYSIS OF THE ELEMENTS THAT RESULTED IN THE BFP OVER/(UNDER)-RECOVERIES

The over/(under)-recoveries for the period under review were affected by the factors set out below, which can be quantified as follows:

Petrol 95 ULP c/l	Diesel 0.05% c/l	Diesel 0.005% c/l	Illuminating Paraffin c/l
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Movements in external factors

Movement in International Product Prices	(206.236)	(207.391)	(202.855)	(245.054)
Movement in Exchange Rate	33.410	33.549	33.780	30.127

BFP Over/(under)-recovery for the period 29/05/2020 to 25/06/2020

(172.826)	(173.842)	(169.075)	(214.927)
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10. BREAKDOWN OF PRICE ADJUSTMENT

Petrol 95 ULP & LRP	Diesel 0.05 (%) Sulphur	Diesel 0.005 (%) Sulphur	Illuminating Paraffin Wholesale	LPGAS (Gauteng, Zone 9C)
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The price adjustments in (1) above are based on the following actual data:

Average product over/(under)-recovery, measured for the 20 days from 29/05/2020 to 25/06/2020 (cents / litre) as detailed below

(172.826)	(173.842)	(169.075)	(214.927)	-
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Cumulative positive/(negative) slate balances end of May 2020 (R-million)

2 238.514	2 723.488	2 723.488	255.844	-
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The price adjustments consist of the following elements:

Average product over/(under)-recovery rounded to the nearest full cent for price (increase) / decrease

(172.000)	(173.000)	(169.000)	(214.000)	(448.000)
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Total price (increase) / decrease

(172.000)	(173.000)	(169.000)	(214.000)	(448.000)
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11. REPORT OF THE INDEPENDENT AUDITORS

The report of the independent auditors is available on request.

12.

**COMPOSITION OF THE MAXIMUM RETAIL PRICES FOR LPGAS AT THE COAST (ZONE 1A)
AND IN THE INLAND AREA (ZONE 9C) IN CENTS PER KILOGRAM
FOR THE PERIOD 01/07/2020 TO 04/08/2020 WILL BE AS FOLLOWS:**

Price element	Coast Zone 1A	Inland Zone 9C
Maximum refinery gate price	874.232	874.232
Primary transport costs	45.495	215.662
Operating expenses	446.452	446.452
Working capital	33.841	33.841
Depreciation	166.011	166.011
Gross margin: Cylinder-filling plant	212.125	212.125
Sub-total (1)	1 778.156	1 948.323
Retail Margin: (15% of Subtotal (1))	266.723	292.248
Sub-total (2)	2 044.879	2 240.571
Value Added Tax (15% Sub-total (2))	306.732	336.086
Maximum Retail Price (Rounded to full cents)	2 352.000	2 577.000

13. The annexure attached contains details of the composition of product prices as well as history of the price changes.

ANNEXURE 1

**COMPOSITION OF THE RETAIL PRICE OF PETROL AND THE
WHOLESALE PRICES FOR DIESEL AND IP IN GAUTENG
FOR THE PERIOD 01/07/2020 TO 04/08/2020 WILL BE AS FOLLOWS:**

	Petrol 95 ULP c/l	Petrol 93 ULP & LRP c/l	Diesel 0.05% S c/l	Diesel 0.005% S c/l	Illumi- nating Paraffin c/l
Wholesale margin	35.700	35.700	74.600	74.600	74.600
Secondary Storage	23.000	23.000	23.000	23.000	23.000
Secondary Distribution	15.200	15.200	15.200	15.200	15.200
Router Differential	0.000	0.000	0.000	0.000	7.400
Retail margin	211.600	211.600	0.000	0.000	0.000
Zone differential in Gauteng	63.700	63.700	63.700	63.700	84.500
IP Tracer levy	0.000	0.000	0.100	0.100	0.000
Fuel levy	377.000	377.000	363.000	363.000	0.000
Customs & excise duty	4.000	4.000	4.000	4.000	0.000
RAF levy	207.000	207.000	207.000	207.000	0.000
Petroleum Products levy	0.330	0.330	0.330	0.330	0.000
Slate levy	0.000	0.000	0.000	0.000	0.000
DSML	10.000	0.000	0.000	0.000	0.000
Pump Rounding	(0.300)	(0.300)			
Sub-total	947.230	937.230	750.930	750.930	204.700
<u>Contribution to the Basic Fuel Price</u>	564.770	545.770	552.630	557.030	499.128
<u>Retail Price</u>	<u>1,512.00</u>	<u>1,483.00</u>			
<u>Wholesale price</u>			<u>1,303.560</u>	<u>1,307.960</u>	<u>703.828</u>

STATISTICS OF PRICE CHANGES

Effective from:	Petrol 95 ULP		Diesel		Illuminating Paraffin		LPGAS	
	Gauteng SA c/l	Coast SA c/l	Gauteng SA c/l	Coast SA c/l	Gauteng SA c/l	Coast SA c/l	Gauteng SA c/Kg	Coast SA c/Kg
04-Jan-17	1 333.00	1 285.00	1141.830	1103.430	741.588	686.988	2 207.00	2 019.00
01-Feb-17	1 362.00	1 314.00	1162.830	1124.430	758.588	703.988	2 228.00	2 040.00
01-Mar-17	1 354.00	1 306.00	1160.830	1122.430	750.588	695.988	2 226.00	2 038.00
05-Apr-17	1 330.00	1 281.00	1150.330	1111.630	702.088	644.188	2 125.00	1 937.00
03-May-17	1 379.00	1 330.00	1180.330	1141.630	736.088	678.188	2 221.00	2 032.00
07-Jun-17	1 354.00	1 305.00	1157.330	1118.630	714.088	656.188	2 144.00	1 955.00
05-Jul-17	1 286.00	1 237.00	1097.330	1058.630	657.088	599.188	2 053.00	1 864.00
02-Aug-17	1 305.00	1 256.00	1126.330	1087.630	683.088	625.188	2 092.00	1 904.00
06-Sep-17	1 372.00	1 323.00	1170.330	1131.630	732.088	674.188	2 178.00	1 990.00
04-Oct-17	1 401.00	1 352.00	1212.330	1173.630	771.088	713.188	2 217.00	2 028.00
01-Nov-17	1 405.00	1 356.00	1235.330	1196.630	792.088	734.188	2 234.00	2 045.00
06-Dec-17	1 476.00	1 427.00	1295.630	1256.930	865.388	807.488	2 438.00	2 236.00
03-Jan-18	1 442.00	1 393.00	1273.630	1234.930	837.388	779.488	2 367.00	2 165.00
07-Feb-18	1 412.00	1 363.00	1256.630	1217.930	818.388	760.488	2 344.00	2 142.00
07-Mar-18	1 376.00	1 327.00	1209.630	1170.930	795.388	737.488	2 275.00	2 073.00
04-Apr-18	1 448.00	1 389.00	1274.830	1226.030	793.088	732.588	2 314.00	2 111.00
02-May-18	1 497.00	1 438.00	1333.830	1285.030	845.088	784.588	2 384.00	2 180.00
06-Jun-18	1 579.00	1 520.00	1418.830	1370.030	927.088	866.588	2 522.00	2 318.00
04-Jul-18	1 602.00	1 543.00	1444.830	1396.030	949.088	888.588	2 559.00	2 356.00
01-Aug-18	1 603.00	1 544.00	1440.830	1392.030	953.088	892.588	2 576.00	2 372.00
05-Sep-18	1 608.00	1 549.00	1440.830	1392.030	953.088	892.588	2 576.00	2 372.00
03-Oct-18	1 708.00	1 649.00	1564.830	1516.030	1057.088	996.588	2 755.00	2 551.00
07-Nov-18	1 708.00	1 649.00	1612.750	1563.950	1085.088	1024.588	2 694.00	2 490.00
05-Dec-18	1 524.00	1 465.00	1467.340	1418.540	951.678	891.178	2 451.00	2 238.00
02-Jan-19	1 401.00	1 342.00	1313.420	1264.620	828.678	768.178	2 319.00	2 106.00
06-Feb-19	1 408.00	1 349.00	1314.420	1265.620	823.678	763.178	2 308.00	2 095.00
06-Mar-19	1 482.00	1 423.00	1405.420	1356.620	899.678	839.178	2 409.00	2 196.00
03-Apr-19	1 613.00	1 549.00	1487.120	1432.920	962.678	895.478	2 580.00	2 367.00
01-May-19	1 667.00	1 603.00	1488.120	1433.920	965.678	898.478	2 664.00	2 451.00
05-Jun-19	1 676.00	1 612.00	1521.280	1467.080	973.678	906.478	2 657.00	2 443.00
03-Jul-19	1 581.00	1 517.00	1446.500	1392.300	916.678	849.478	2 524.00	2 310.00
07-Aug-19	1 592.00	1 528.00	1433.210	1379.010	914.678	847.478	2 555.00	2 342.00
04-Sep-19	1 603.00	1 539.00	1459.210	1405.010	938.678	871.478	2 539.00	2 326.00
02-Oct-19	1 621.00	1 557.00	1484.210	1430.010	963.678	896.478	2 556.00	2 343.00
06-Nov-19	1 608.00	1 544.00	1468.210	1414.010	940.678	873.478	2 526.00	2 313.00
04-Dec-19	1 630.00	1 566.00	1453.260	1399.060	922.728	855.528	2 628.00	2 403.00
01-Jan-20	1 616.00	1 552.00	1462.260	1408.060	927.728	860.528	2 604.00	2 379.00
05-Feb-20	1 603.00	1 539.00	1457.260	1403.060	924.728	857.528	2 603.00	2 378.00
03-Mar-20	1 584.00	1 520.00	1403.260	1349.060	856.728	789.528	2 571.00	2 346.00
01-Apr-20	1 396.00	1 326.00	1269.560	1209.260	672.828	591.728	2 193.00	1 968.00
06-May-20	1 222.00	1 152.00	1108.560	1048.260	449.828	368.728	1 931.00	1 706.00
03-Jun-20	1 340.00	1 270.00	1130.560	1070.260	489.828	408.728	2 129.00	1 904.00
01-Jul-20	1 512.00	1 442.00	1303.560	1243.260	703.828	622.728	2 577.00	2 352.00

MAXIMUM REFINERY GATE PRICE (MRGP) CALCULATION RULES

1. Reference Markets

The South African LPG imports originate from either Houston in the United States of America (USA) or Ras Tanura in Saudi Arabia. The price of LPG in the USA at times could be cheaper than the price in the Middle East region due to seasonality. However, due to the longer voyage from USA to South Africa than from the Middle East, it could cost more to land LP Gas at South African Ports. The Free on Board (FOB) prices of LPG in South Africa will be calculated based on 100% Ras Tanura (Saudi Arabia) to Richards Bay. The reference markets will be reviewed annually.

2. Saudi Propane and Butane Contract Prices (Saudi CP)

2.1 The majority of stakeholders support the utilisation of Saudi Aramco (Saudi CP) official selling price for Propane and Butane to calculate the Maximum Refinery Gate Price. Saudi Aramco publishes these prices on the first day of each month and the previous month number will be used in the calculations (i.e. the June prices will be used to calculate the July MRGP).

2.2 The contract price in US Dollars to be applied in the MRGP is then calculated as follows in line with the predetermined percentages in the LPGas mix of propane 60% and butane 40%:. For example: Propane, USD 280/ton and Butane, USD 260/ton.

➤ Propane: $\text{USD}280/\text{ton} \times 60\% = \text{USD } 168.00/\text{ton}$

➤ Butane: $\text{USD}260/\text{ton} \times 40\% = \text{USD}104/\text{ton}$

Saudi Contractual Price to be utilised in MRGP calculation: $(\text{USD}168.0/\text{ton} + \text{USD } 104/\text{ton}) = \text{USD}272.0/\text{ton}$

2.3. The price of USD 272.0/ton is converted to SA Rands utilising the average Rand/US Dollar exchange rate of previous fuel price review period. The Rand/\$ exchange rates are published by the JSE at 11h00 daily.

3. Freight, Demurrage and Cargo Dues

The freight cost from Ras Tanura (Saudi Arabia) to Richards Bay is based on a monthly average of the Argus “South Africa LPG Ras Tanura Richards Bay freight plus costs” index, which appears in the Argus International LPG report. It is calculated using a Time Charter Equivalent methodology that covers the cost of chartering and fuelling a medium sized LPG carrier (21,000t cargo) from Ras Tanura to Richards Bay and back on a route that avoids the piracy risk zones along the East African coast and includes discharge costs and applicable port fees in Ras Tanura and Richards Bay. The calculation will include six (6) days for loading and offloading of the LPG cargo as follows:

3.1 *The time a vessel is required*

- Distance Ras Tanura to Richards Bay including sea margin, avoiding piracy areas: 5,172 nautical miles
- Divided by average speed of 360 nm per day = 14.37 days (one way)
- Multiplied by two for round trip, plus 5 days in port (two days loading, one day bunkering and two offloading) = total voyage days of 34.
- Multiply this by daily time charter rate.

Add 1.25% broker fees to the Freight

3.2 *The ports and logistical charges*

- Ras Tanura port charges (1 Riyal per tonne of cargo)
- South Africa port charges for 38,000 gross tonnage vessel based on 1.5 discharges and one bunkering visit to Durban, including VAT
- Additional logistics for 1.5 port visits

3.3 *The fuel (0.5% sulphur fuel oil - 28t/day at sea, 8t/day in port) costs*

- Ras Tanura-Richards Bay (Fujairah prices \$259/t) multiplied by consumption of 402.29t;
- Richards Bay-Ras Tanura (Durban prices \$369.50/t) multiplied by consumption of 402.29t;
- Fuel cost on round trip Richards Bay-Durban to refuel; and
- Fuel cost during 6 days in port.

Add 3.1, 3.2 and 3.3 to get Total Freight

Divide the Total Freight by 21000t to get \$/t rate

3.4 Demurrage

The Time Charter rate includes all the cost associated with shipping and offloading LPG at South African port. Therefore, this element will be zero because there are no additional costs.

3.5 Cargo dues

The cost to utilise these harbour facilities is based on the tariff set by the National Ports Authority of South Africa and will be adjusted annually in April. The calculation is included under the Freight in 3.2 above.

4 Insurance

An element of 0.15 percent of the FOB-value and freight to cover insurance as well as other costs such as letters of credit, surveyors' and agents' fees and laboratory costs.

5 Evaporation

LPGas is transported in pressurised vessels with no evaporation. Therefore, this element will be excluded from the calculations.

6 Coastal Storage cost

The storage is regarded as that storage utilised after the cargo was discharged. This is to recover the cost of providing storage and handling facilities at coastal terminals. To be based on the tariff set by the National Energy Regulator of South Africa (NERSA) effective from 01 April each year. The calculations will be based on the weighted average of all the coastal storage used for to receive LPG imports. The information will be sourced from NERSA.

Note: Formula: **CSC = (Tariff Richards Bay + Tariff Saldanha)/2**

Where CSC – Coastal Storage Cost and Ave Tariff – Weighted Average of the NERSA tariff.

NB: Apply conversion factor of **0.535** to change cubic metres to tonnes

7 Stock Financing Cost

The stock financing cost is based on (i) the landed cost values of LPGas, (ii) seven (7) days of stockholding and (iii) the ruling prime interest. Formula: **SFC = [LCV x (PR) x 7/365]**

Where SFC – Stock Financing Cost, LCV – Landed Cost Value, PR – Prime rate.

8 MAXIMUM REFINERY GATE PRICE

The MRGP will be calculated as the sum of (2 to 7) in cents per kilogram.

9. FREQUENCY AND AMOUNT OF ADJUSTMENT

The adjustment will take place monthly at 00h01 on the first Wednesday of every month and will be announced publicly by the Department and CEF (Pty) Ltd on the Friday or Monday prior to the price adjustment.

10. AUDIT BY INDEPENDENT AUDITORS

CEF (Pty) Ltd will perform the calculations for determination of amounts for the monthly price change in terms of these Working Rules. An independent auditor appointed by the Department of Mineral Resources and Energy will, in terms of guidelines issued by the Department of Mineral Resources and Energy, audit the relevant calculations and certify them to be correct.

11. ANNOUNCEMENT OF PRICE ADJUSTMENT

The Department of Mineral Resources and Energy and CEF (Pty) Ltd will publicise the audited price adjustments on the Friday or Monday before it become effective.