



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

EMBARGOED UNTIL 10:00 THURSDAY, 5 July 2012

**REMARKS BY MINISTER DIPUO PETERS AT THE LIQUID FUELS CHARTER
AUDIT MEDIA ROUNDTABLE BRIEFING THURSDAY, 5 JULY 2012**

- Director General of Energy, Ms Nelisiwe Magubane
- Deputy Director Generals and Senior Managers of the Department of Energy
- Members of the Media
- CEOs and senior Managers of Energy State Owned Entities
- Officials from other government Departments
- Ladies and Gentlemen

Good morning to you all

Allow me to share with you the outcomes of a process commenced by the Department of Energy on the 9th of November 2010. That was the day when I made the announcement of the commissioning of an audit of the Liquid Fuels Charter of 2000. Implemented through the services of an independent audit firm, the purpose of the audit was to achieve a comprehensive and representative assessment. In addition the audit serves to verify the status of compliance by charter signatories; identify bottlenecks in the implementation of the charter interventions; and develop standardised assessment criteria, and monitor transformation throughout the value chain.

To this end, Moloto Solutions CC – a black female owned auditing firm was appointed to ascertain the extent of transformation in the petroleum and liquid fuels sector over the 10 year period 2000 – 2010. The audit of compliance was based on the latest financial information pertaining to the achievement of

transformation on all elements of the Petroleum and Liquid Fuels Charter as at the period ending 31 October 2010.

Overall the findings of the audit are extremely disappointing given the timelines since the signing of the charter in 2000. In sharing the findings with the media and the sector in this manner, government's intention is to create a platform for a broader awareness of the status of the transformation of the petroleum and liquid fuels sector. This broader awareness of the current status should in turn promote open consultations among all interested parties on how to accelerate the transformation of the sector.

The target set by the Charter was for the industry to reach 25% of sustainable presence, ownership and control of all facets across the value chain. This was to be achieved over a period of 10 years. We are therefore disappointed that this compliance audit reveals that over these 10 years under scrutiny, overall compliance stands at a mere 48%. On ownership, the finding concludes that the average effective **narrow-based Black shareholding is 18.91%**. Out of this 18.91%, representation for Black women stands at a **meagre 6.72%**, while **only one (1)** Oil company has fully complied with the obligation for ownership by black shareholders. The poor representation of women in all strategic focus areas of the charter is of even greater concern when juxtaposed against the expectations of equity norms. The paucity of representation of women is apparent in particular areas such as management control, employment equity, crude oil procurement, and skills development. Yet, these are areas that have been identified as having the potential to put women on a faster trajectory of economic development and empowerment due to their ripple effects.

In terms of transformation across the greater petroleum and liquid fuels sector, government is also concerned at the dismal performance of the industry in the areas of **Enterprise Development; Skills Development; Employment Equity and Preferential Procurement**. *The figures in the report show that the status in this instance is worse than it was in 2006 with respect to both the Liquid Fuels Charter and Black Economic Empowerment frameworks.*

The report also shows that in the main, there has been some achievement in the partial ownership of assets by serial investors who are not actively involved in key operations within the sector as envisaged by the black economic empowerment imperatives. This type of investor beneficiary mentality is a drawback on this knowledge intensive industry and adversely impacts BEE imperatives.

Further, the audit shows that over the 10 year period under review, out of the six (6) oil companies operating in the country, **only two (2)** oil companies procured crude oil from previously disadvantaged entrepreneurs.

The lack of technical skills transfer has proven to be the biggest lost opportunity during the period under review. The tendency is that the highest scoring areas are the ones where remedies can be developed and implemented more quickly and involve a narrow base of beneficiaries. Yet the areas that lag behind are those with the widest reach and highest impact. What is evident is that the current state of affairs and structural nature of certain barriers requires more than just a covenant. Rather it requires a collaborative policy response from relevant cluster departments to effect meaningful transformation given the size of the value chain of this sector.

In conclusion, ladies and gentlemen, I'd like to inform you that the audit findings have also been presented to the Cabinet and we will be incorporating Cabinet's recommendations into the Department's way forward with the Charter. The overall reaction to the report was positive with a recommendation that it be referred to the Economic Cluster for a further review in terms of policy development with regards to the structural gaps identified between the DoE and other government departments. Thus, the form and shape of the way forward will be informed by the policy response and consultative processes.

The future empowerment framework still needs to be decided to see if it remains petroleum focused or is broadened to encompass the overall energy sector.

I thank you