



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT: IMMEDIATE

ENERGY DEPARTMENT PUBLISHES DRAFT REGULATIONS IN A BID TO ENSURE SECURITY OF SUPPLY

The Department of Energy has published for public comment Draft Regulations regarding Strategic Stocks to be held by Oil Companies. These Regulations have been released as part of the broader review of Government's Strategic Stocks Policy.

South Africa already has about 10.3 million barrels (equivalent to 20 days stock at the time) of crude oil that is currently stored in Saldanah. It is however joining the rest of the world in developing policy that makes provision for strategic stocks of finished products to be held by oil companies to cater for catastrophes and emergencies.

We do not, as a country, have to store only crude oil, but we also need to store finished products in facilities that are located closer to the markets or points of need. However, in view of the current economic climate we have to slowly build up our country's stocks.

"The purpose of these draft regulations is to ensure that there is guaranteed security of supply even during the times of unexpected major disasters or catastrophes", the department said.

These draft Regulations are meant to ensure, amongst others, that Government is able to enforce the storage of stocks by companies in the event of severe fuel supply disruptions, and ostensibly to prevent what happened in December 2005 where there were major supply disruptions of finished products. These resulted in major industrial and societal loss.

These draft Regulations emanate directly from the endeavors of the Department of Energy which were given impetus by the recommendations of the Moerane Investigation which established that there were serious limitations in the movement of petroleum products from the coast to the inland and that the current strategic stocks policy has some shortcomings in that it, amongst others, places no legal obligation on oil companies to hold prudent commercial stocks and that the strategic stocks held by Government are only in crude oil.

As a result the Moerane Investigation also recommended that the strategic stocks held by Government should include refined products and that oil companies should be legally mandated to keep a certain level of finished products as strategic stocks.

The initial recommendations of the Department's study on strategic stocks (the so-called Task 135) were that the oil industry should keep 28 days of finished products as strategic stocks while Government would keep 18 days of finished products and 42 days of crude as strategic stocks.

Having carefully considered the existing realities and the recent change in the economic outlook, the Department has revised the mandatory stockholding by oil companies to 14 days. This effectively means that, ultimately, Government would still keep the larger portion of refined products as strategic stocks and therefore we would reasonably expect the oil industry, as a responsible corporate citizen, to contribute to the security of supply of liquid fuels for the country.

Enquiries

Bheki Khumalo

Spokesperson for the Department of Energy

Cell: 082 773 2388 or 012 444 4270