



**CHIEF DIRECTORATE: PETROLEUM COMPLIANCE MONITORING, ENFORCEMENT & FUEL PRICING**

**Compliance Monitoring and Enforcement ISSUES in the Petroleum Sector**

**GOMOLEMO MOLOKELE(Petroleum Compliance)**

**Date: 07 MARCH 2025,**



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# PRESENTATION OUTLINE

- **IMPLEMENTING STRUCTURE**
- **CHIEF DIRECTORATE KEY COMPLIANCE FOCUS AREAS OF OPERATION**
- **CHIEF DIRECTORATE OBJECTIVES**
- **REGULATORY/ LEGAL FRAMEWORK**
- **FRAMEWORK OBJECTIVES**
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- **TYPES OF NON-COMPLIANCE PREVALENT IN THE NW REGION.**
- **MENDORY COMPLIANCE SPECIFIC TO LICENCING**
- **RELEVANT/MEDETORY INFORMATION FOR FUEL PRICING AND COMPLAINCE IN FUEL PRICING**
- **FUEL STANDARDS AND SPECIFICATION**
- **CONCLUSION**

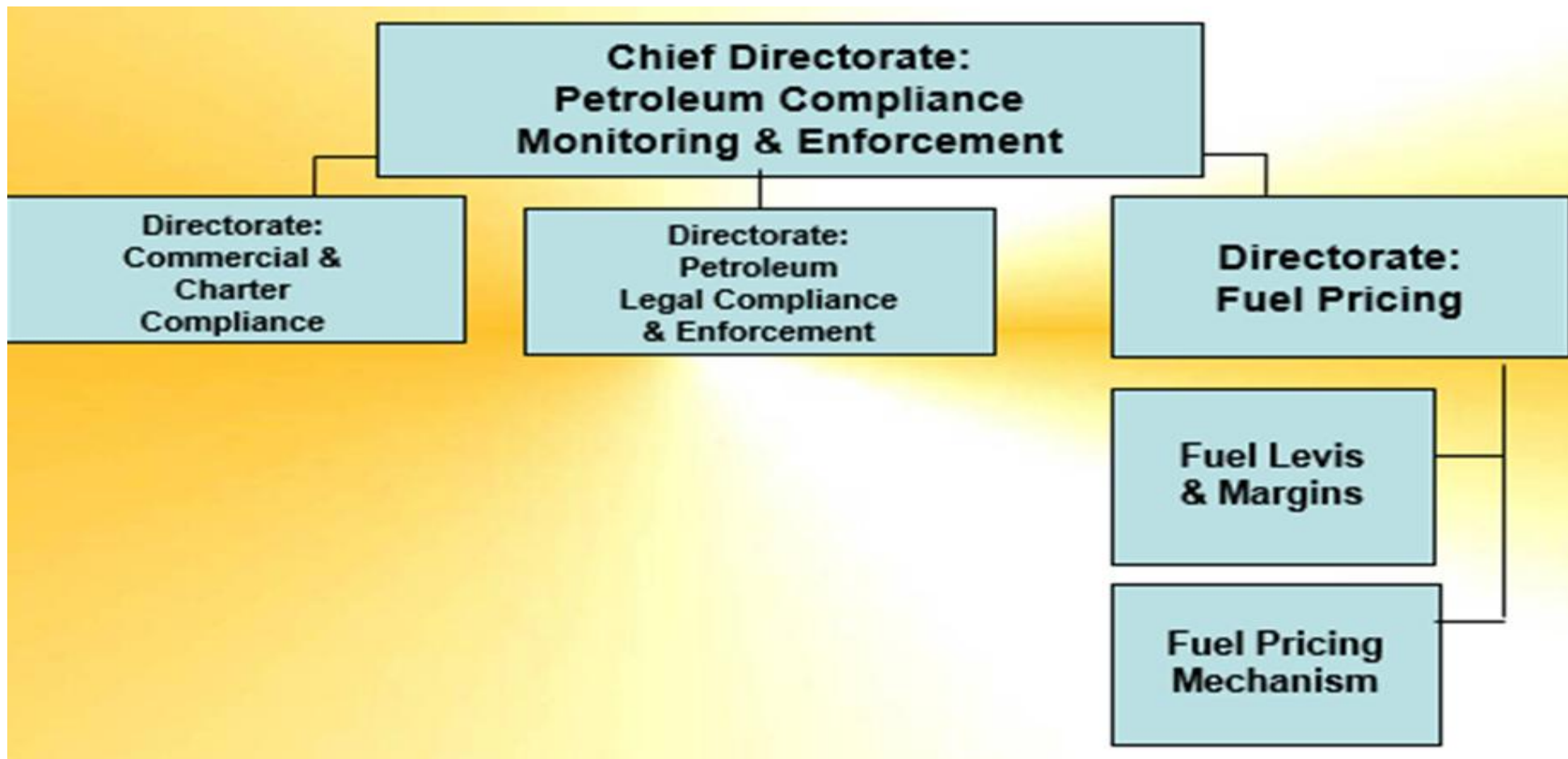


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# IMPLIMENTING STRUCTURE



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## CHIEF DIRECTORATE KEY COMPLIANCE FOCUS AREAS OF OPERATION

- Compliance Monitoring – Unit coordinate and monitor compliance to Fuel standards, licence conditions & regulations across the full Petroleum Products value chain (Retailing, Wholesaling and Manufacturing )
- Compliance Enforcement - ensures that appropriate legal or corrective action is taken against all unlawful activities and other regulatory transgressions or requirements.



# CHIEF DIRECTORATE KEY COMPLIANCE FOCUS AREAS OF OPERATION AND APP OBJECTIVES

STRATEGIC OBJECTIVES	MEASURE	TARGET
Monitor and Enforce Compliance	<ol style="list-style-type: none"> <li><b>Petroleum products retail site compliance inspections conducted</b></li> <li><b>Fuel quality monitoring</b></li> <li><b>Transformation monitoring and enforcement - B-BBEE Act, 53 of 2003 as amended &amp; Mineral and Petroleum Resources Development Act (MPRDA)</b></li> </ol>	<p>1500</p> <p>1080</p> <p>???????</p>



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# CHIEF DIRECTORATE OBJECTIVES

## CHIEF DIRECTORATE: PETROLEUM COMPLIANCE ENFORCEMENT AND FUEL PRICING

Our objective is to ensure that there is full **compliance** to Petroleum product Act, regulations and Fuel Standards in the **petroleum** sector. This will provide the mechanisms through which enforcement will be conducted as well as educate operators who will be affected by this, and this achieved through the following:

- Compliance Monitoring and Enforcement of transformation in the petroleum industry
- Compliance Monitor and Enforcement to petroleum Licence Conditions and Price Regulations
- Monitoring Fuel Quality
- Conduct random and scheduled site inspections
- Issuance on statutory Notices
- Handle and Manage Petroleum compliance complaints
- Compile inspection reports
- enforcement Compliance where non- compliance is identified

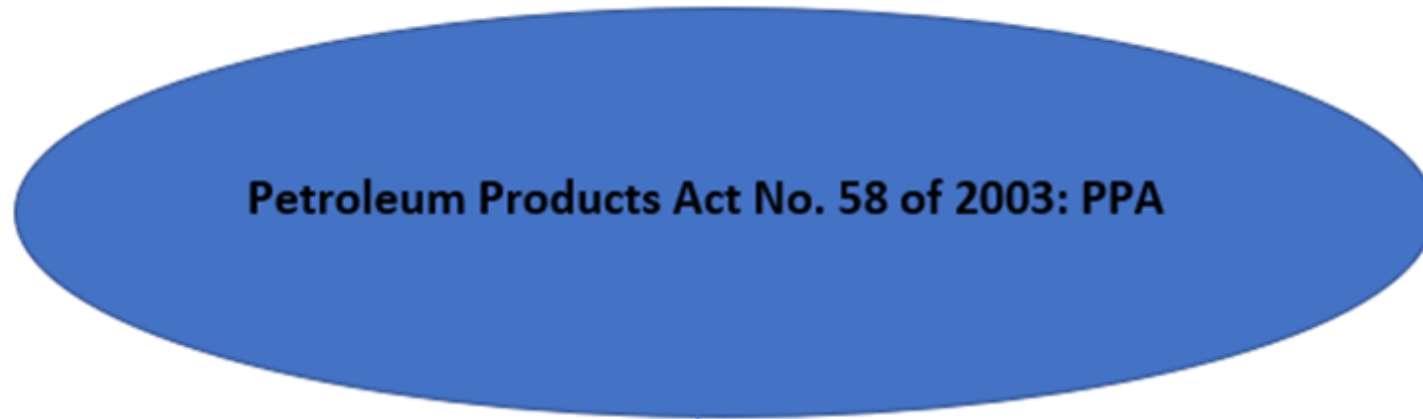


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# REGULATORY/LEGAL FRAMEWORK



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# REGULATORY/LEGAL FRAMEWORK (CONT.....)

The Compliance and Enforcement framework is guided by the Petroleum Products Act No. 58 of 2003 As Amended: The main legislation governing the regulation of petroleum products and regulations promulgated under the Acts as listed below:

- Regulations with respect to: Site/Retail licences, Wholesale licences and Manufacturing Licence Regulations : Government Gazette No. 28665 ) of 27 March 2006
- Amended Regulations regarding petroleum products specifications and standards :Government Gazette No. 35410 of 1 June 2012
- Regulations regarding the use of payment cards to purchase petroleum products at a retail site : Government Gazette Notice No. 731 of 9 July 2009
- Regulations regarding the display of prices at which petroleum products are available for sale :Government Gazette Notice No. 376 of 14 May 2010
- Regulations regarding the mandatory blending of biofuels with petrol and diesel :Government Gazette No. 35623 of 23 August 2012



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# FRAMEWORK OBJECTIVES

The framework has been developed with the objective to ensure that enforcement is applied transparently and consistently in line with the relevant laws. The framework also provide the basis for licensee compliance to protect and promote the interests of different stakeholders to achieve the following objectives:

- Fair pricing and Promotion of fair competition in the industry ;
- Protection of environment by ensuring that fuel sold in the country conform to standard and specification;
- Promote lawful conduct of petroleum operators;
- Deter and punish serious offences
- to ensure that petroleum operators comply with minimum fuel specifications and standards
- To promote transformation of South African petroleum and liquid fuels industry
- To provide or issue licences for manufacturers (refineries), wholesalers and retailers of petroleum products
- To prohibit certain actions relating to petroleum products
- To provide a room for appeal and arbitration
- Authorise the Minister of Energy to make specific regulations



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## PROHIBITED ACTIVITIES : PPA

In terms of the Petroleum Products Act as amended: a person may not engage in the following activities:

- Manufacture petroleum products without a manufacturing licence;
  - Wholesale prescribed petroleum products without an applicable wholesale licence;
  - Retail prescribed petroleum products without an applicable Retail licence
  - Hold or develop a site without there being a site licence for that site; and
  - Offering for sale, sell or provide one grade of petrol or diesel as another grade of petrol or diesel, as the case may be, is prohibited.
  - Self-service by consumers of petroleum products on the premises of a licensed retailer is prohibited.
  - No licensee shall mix any grade or other petroleum product with any other grade or quality of Fuel or other petroleum product for resale unless such mixture has been prescribed in fuel specification and standard regulation.
- 



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## TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION....

- **Dual operation : Wholesaler(1500 per transection) selling Fuel below the bulk prescription and in the process tap into retail margin- scheming**



- NB!! Regulation 15(d) states thus: - *“An applicant for wholesale licence must submit a declaration stating that the applicant is in compliance with the Act, these Regulations and all other national, provincial and local government laws applicable for the operation of the activity concerned that are in force at the time the application is made”.*
- Established a wholesale depot / storage facility for wholesaling of petroleum products without notifying the Controller about the development, which transpired after the issuance of wholesale licence



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## TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION...(Cont..)

- Sale fuel using Illegal Plastic containers that do not comply with SABS Standard: Safety Concern and this may results into explosions and loss of Property/lives.



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## TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION...(Cont..)

- **Self-Service at a forecourt : Various reason why such is prohibited**



### Various reasons:

- **Locally this could result in widespread unemployment/ add to growing unemployment.**
- **Motorists tend to fill their car with the wrong fuel.**
- **An invitation for thieves(Drivers may speed off before paying)**
- **Motorist may not pay attention on-site for safety or not be familiar with safety standard adopted at all filling stations**



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## TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION....(Cont..)

- Offer for sale, sell or provide one grade of petrol or diesel as another grade of petrol or diesel, as the case may be.....



### Examples:

- Sale of ULP 93 at the price of ULP 95,
- Heavily discounted diesel and
- mixture of diesel and paraffin.

➤ What to look For ???:

Watchout !! for Bowzers or retail pump that are not labelled or labelled suspiciously like the pump in the picture



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**TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION....(Cont..)-  
--Test results from the Pump**

➤ **Offer for sale, sell or provide one grade of petrol or diesel as another grade of petrol or diesel, as the case may be.....( Test results taken from the pump ...Confirms a low Quality ULP and below standards**

Appearance *	Visual	Clear & --- Bright	Pass	--
Benzene Content *	ASTM D6277C	1.8 % (V/V)	--	5
10 % Evaporated at	ASTM D86	50.5 °C	--	65
50 % Evaporated at	ASTM D86	98.7 °C	77	115
90 % Evaporated at	ASTM D86	154.0 °C	--	185
Final boiling point (FBP)	ASTM D86	188.7 °C	--	215
% Residue	ASTM D86	0.8 % (V/V)	--	2.0
Evaporated at 70 °C	ASTM D86	27.3 % (V/V)	Report	--
Aromatics *	ASTM D1319	27.4 % (V/V)	--	50
Manganese *	ASTM D3831	<0.1 mg/l	--	36 #
Motor Octane Number *	ASTM D2700	[81.8] Rating	85	--
Research Octane Number *	ASTM D2699	[92.0] Rating	95	--
Sulfur Content *	ASTM D5453	77 ppm (m/m)	--	500

[ ] - Out of Specification

# - Result is outside of test method limits and/or analytical range used in method precision study

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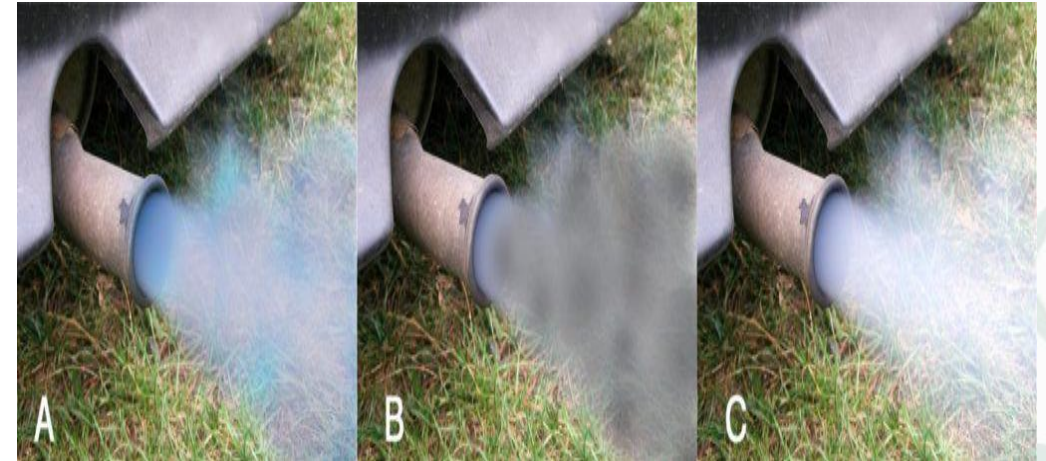


## TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION...(Cont..)

- Sale of off-specs fuel : Below ULP93 grade Specs as ULP95 to unsuspecting customers
- Mixing of Petrol with excessive manganese
- SALE OF DOGGY DIESEL/ Illegal Fuel mixing(diesel-paraffin mixture) : E.g. Diesel mixed with paraffin and sold at petrol stations- Doctored diesel

### ➤ End Results :

- Cause long-term damage to vehicle Engine
- Affect Research Octane Number(ROK) and Motor Octane Number(MON)



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## TYPES OF NON-COMPLIANCE AND PREVALENT IN NW REGION....(Cont.)– Typical Diesel results with traces of paraffin(IP)

- Sale of off-specs fuel : ULP93 grade sold as as ULP95 to unsuspecting customers
- Mixing of Petrol with excessive manganese
- SALE Of DOGGY DIESEL/ Illegal Fuel mixing(diesel-paraffin mixture) : E.g. Diesel mixed with paraffin and sold at petrol stations- Doctored diesel

SAMPLE COMMENT :		PRODUCT DOES NOT MEET SPECIFICATION			
PROPERTY	METHOD	RESULT UNITS	MIN	MAX	
Appearance *	Visual	Clear & --- Bright	Bright & Clear		
Cold Filter Plugging Point (CFPP) *	IP 309	-9 °C	--	3	
Total Contamination *	IP 440	3.0 mg/kg	--	24	#
A1 Marker Content *	HGM(A) - Authentix SA	[1.22] mg/l	--	1	
90 % Recovered at	ASTM D86	337.1 °C	--	362	
Flash Point by PMCC	ASTM D93 (Method A)	67.0 °C	55	--	
Sulfur Content *	ASTM D5453	25 ppm (m/m)	--	50	
Water Content *	ASTM D6304 (Procedure A)	63 ppm (m/m)	--	350	
----- End of Analytical Results -----					

[ ] - Out of Specification

# - Result is outside of test method limits and/or analytical range used in method precision study



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## TYPES OF NON-COMPLIANCE AND PREVALENT IN THE NW REGION....(Cont..)

- Work carried out : without development licence - Illegal Constructing a fuel station to carry out petroleum supply operations without a licence.
- A tendency of leasing retail licences instead of lodging change of hands application is increasing.
- Failure to declare storage and development of such *Bulk Fuel Storage* without notifying the department and NERSA

- End Results :
  - **Anyone operating in petroleum sector in South Africa should comply with the law and must apply for Retail Licence.**



## MENDEATORY LICENCING COMPLIANCE ISSUES : Annual fees and Payments

- Petroleum product Licence is not personal property i.e. is DMRE Property (if you sell decide discontinue with operation such licence must be surrendered to the Petroleum Controller)
- Annual information compliance
- Annual Information: licensee manufacturer, Retailer and wholesaler must submit to the Controller, not later than the end of February of each year, the annual information in respect of the preceding calendar year as required under the regulations,
- Annual payments: A licensee must pay to the controller of petroleum product an annually fee appropriate to the relevant licence.
- In accordance with Regulation 22(3)b of the Retail licence regulation: Licensee must pay the annual licence fee of R500.00.
- In accordance with Regulation 12(3)f of the Wholesale licence regulation: Licensee must pay the annual licence fee of R500.00.
- Regulation 11(3)i of the Manufacturing licence regulation the applicant must pay the annual licence fee of R5000.00 (in respect of petroleum products manufactured from any hydrocarbon including petroleum, crude oil, natural gas, natural gas liquids or coal)
- and annual fee of R500.00 (in respect of petroleum products manufactured from other raw materials).
- **NB! Any annual licence fee not received on the due date may result in a formal 'notice of noncompliance' letter being sent with a requirement that the fee be paid by a specified date. Failure to do so may incur a fine and the prescribed interest (for first offence). For subsequent offences, penalty interest and a fine may apply from the date of effect of the late payment. If the offence is major (very late or a large payment overdue), it may be appropriate for a 'show cause' notice to be sent in the first instance.**



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## RELEVANT INFORMATION FOR NOTING FOR FUEL PRICING AND COMPLIANCE IN FUEL PRICING

PPA regulate Fuel Prices: The petrol retail price is regulated by government, and The Price is changed every month (first Wednesday of the month).

- Petrol – wholesale and retail level
  - Diesel – Wholesale level
  - Illuminating Paraffin(IP) – Wholesale and Retail level
  - Liquefied Petroleum Gas – Wholesale and Retail level
- Petrol prices vary across the country depending MDZ zones and Prices in the coast being the lowest
- *It is illegal for the petrol station to sell petrol per litre below /above regulated price*

The regulation under the Act provide various Methods of payment in South Africa

- A retailer must accept payment in the form of cash
- A retailer may accept payment card including a credit card
- *A notice of the type of payment card must be displayed*
- *A notice of the type of petroleum product on sale also must be displayed*



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## RELEVANT INFORMATION FOR NOTING FOR FUEL STANDARDS AND SPECIFICATION

Current fuel sampling Status: DMRE Periodically Collect and analyse fuel samples across the nine provinces in RSA . The annually target is to collect a total of 1080 samples of petrol and diesel (combined) Nationally from selected retail outlets /wholesale depots across the country and conduct specified laboratory test to monitor fuel quality compliance to the national standard.

### Critical Testing properties in Petrol:

#### Include:

- Distillation ( ASTM D86)
- Benzene ( ASTM D6277)
- Total Aromatics ( ASTM D1319)
- Sulphur ( ASTM D5453)
- Motor octane number ( ASTM D2700)
- Research octane number ( ASTM D2699)
- Manganese ( ASTM D3831)
- Appearance ( Visual)



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## RELEVANT INFORMATION FOR NOTING FOR FUEL STANDARDS AND SPECIFICATION(Cont...)

### Testing properties for Diesel Petrol:

include:

- Sulphur ( ASTM D5453)
- CFPP ( IP 309)
- Total Contamination ( IP 440)
- Distillation ( ASTM D86)
- Flashpoint ( ASTM D93 -METHOD A)
- A1 Content ( IP Marker test: HGM-A GC-MS AUTHENTIX SA)
- Water Content ( ASTM D6304)
- Appearance ( Visual)

### Procedure followed:

Diesel/ Petrol samples are collected at each location (premium grades)

- 2 x 1L Diesel for testing and 1 x 1L for retention by the station owner
- 2 x 1L Petrol for testing and 1 x 1L for retention by the station owner

### Reporting

- DMRE Prepare report summarizing the results of analytical testing and comparing the results to relevant fuel specifications and standards as per Regulations;



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## RELEVANT INFORMATION FOR NOTING FOR FUEL STANDARDS AND SPECIFICATION{Cont....}

Each fuel sampling region has minimum number of sampling sites determined by DMRE and Fuel samples were collected at a targeted site .

- 2x1 litres of fuel samples of either petrol or diesel were taken to laboratory for testing and 1xlitre was retained by the station owner
- All samples were purchased the outlets and sealed witnessed by retail station representative, DMRE inspector and SgS inspector.



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# Important remarks

As much as the objective of the Act is to ensure full compliance to Petroleum product Act.

- - It is also the responsibility of the petroleum sector operators to acquaint themselves with the provisions of the relevant Acts and regulations governing the petroleum sector to ensure that there is compliance as they undertake their day-to-day activities associated with the provision of petroleum products Act.
  - At the same time, petroleum products Act makes provision for operators to be heard through representations as enshrined in the Petroleum Act.
  - They also have rights to appeal against decisions made by PETROLEUM CONTROLLER.
  - IP/Diesel MIXING(Also known as adulteration) IS BECOMING A BIG PROBLEM IN THE INDUSTRY: This produces an inferior quality product that lead long term damage to vehicles Engine , reduce their efficiency and increase the emissions of harmful pollutants. Therefore , Mixing diesel with paraffin to sell to unsuspecting customers is illegal and found report hat to DMRE
- Submit annual information on a yearly basis (due every February)
  - Adjust petrol price every 1st Wednesday of each Month
  - Maintain good relationships with the petroleum controller's office
  - Do not hide important non-compliance issues from the petroleum controller's office



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# Thank you

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