



MINISTRY OF ENERGY
REPUBLIC OF SOUTH AFRICA

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Memorandum from the Parliamentary Office

508. Mr G Mackay (DA) to ask the Minister of Energy:

- (1) Whether any plans are being considered for the upgrading of the Killarney Milnerton Storage Tank site; if not, why not; if so, what are the relevant details;
- (2) why was the construction of new private sector funded clean fuel storage tanks, which is currently being built by a certain company (details furnished), prioritised over the upgrade of the Killarney Milnerton Storage Tank site, that would have added a significant revenue stream to the Strategic Fuel Fund (SFF);
- (3) has the SFF considered the privatisation and sale of the Killarney Milnerton Storage Tank site? NW565E

Reply

- 1) As per 5-year SFF Corporate Plan developed for the period commencing 01 April 2017, SFF is planning to undertake technical feasibility work in the new financial year. The objective of this technical feasibility study is to ascertain the technical requirements for re-commissioning the terminal and also the operating philosophy that will ensure that the terminal operations are within safety limits in light of the recent property developments within the vicinity of the terminal.

- (2) SFF The private sector Clean Fuel Storage Tanks Project was never prioritised over the upgrade of the Milnerton Storage Tank Site.

In the second half of calendar year 2014, the oil prices started to fall and only then could a business case of refurbishing the Milnerton Terminal be justifiable hence in compliance with procurement prescripts, SFF went out on a public tender for services of a company that can carry out Integrity Tank Testing (which was to inform a Refurbishment Plan for the Milnerton Terminal) on the 9th of November 2014. From this procurement process, a service provider was selected and they partly carried out the service till its contract ran out in May 2016.

The Milnerton terminal is currently certified to handle crude oil only and the Burgan Oil terminal is certified for Clean Petroleum Products, hence it was possible for NERSA to grant the construction license for such infrastructure to be developed. These two terminals are not competing and are therefore serving two different markets i.e. Clean Products and Crude Oil. Upon the completion of the refurbishment program, SFF will generate revenues from the crude oil customer base.

In recognition of the fact that SFF can fulfill its mandate of Security of Supply for the country quicker when it is holding Clean Fuels than Crude Oil, when an opportunity arose to participate in a Clean Fuels Project, SFF did put support for the project with an intention to further its Security of Supply Mandate and we must mention that SFF has never invested any cash in this venture.

- (3) The privatisation or the sale of the Milnerton terminal is not in the 5-year SFF Corporate Plan. The Corporate Plan is a 5 year strategic road map for SFF. In this Corporate Plan SFF intends to continue with the Integrity Tank Testing and eventually refurbish and re-commission the Terminal and earn revenues from it.