

Department of Energy

Petroleum Licensing Processes

BLOEMFONTEIN OIL AND GAS INDABA

11 August 2010



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REPUBLIC OF SOUTH AFRICA

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PRESENTATION OVERVIEW

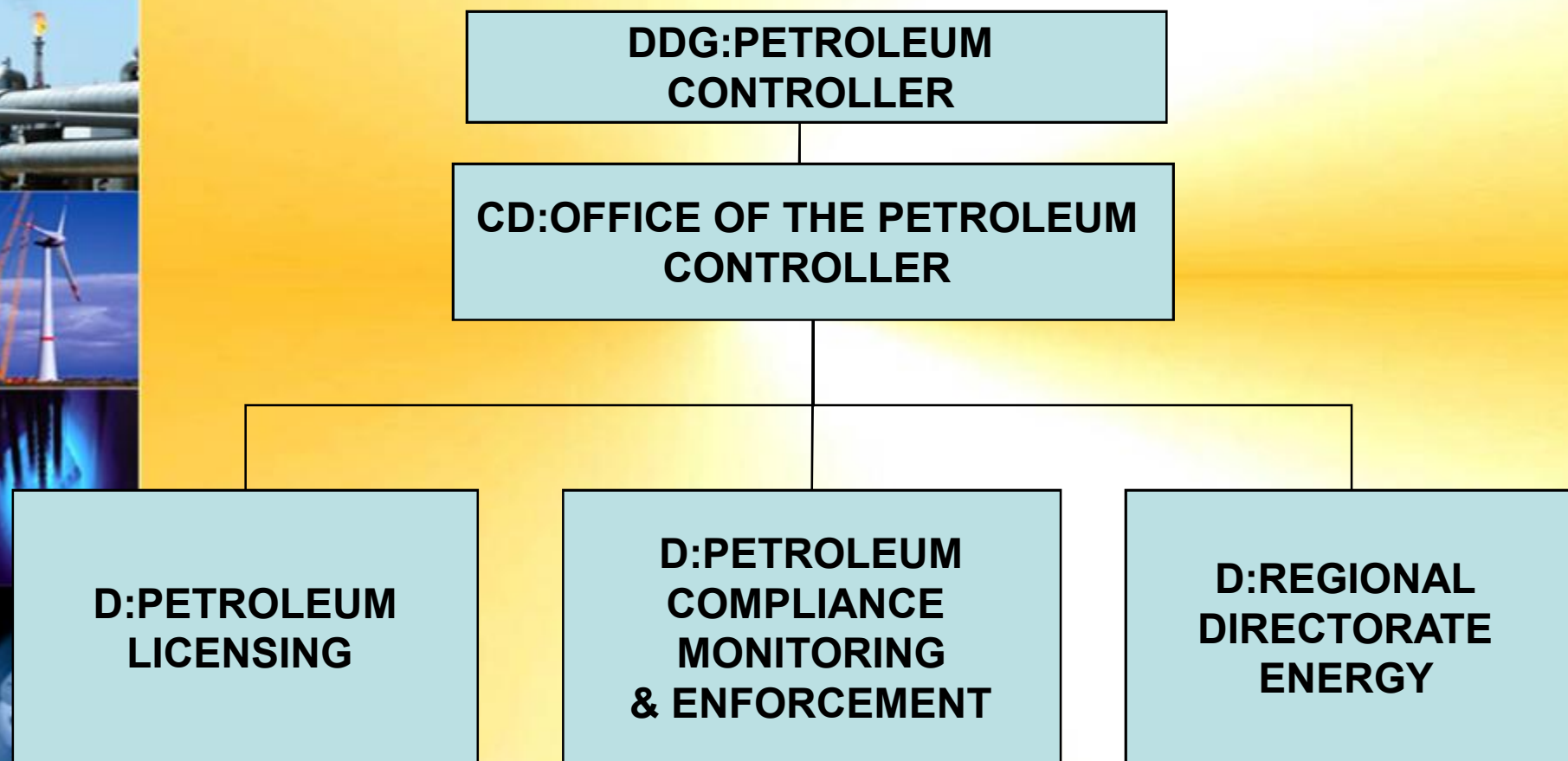
- PPAA IMPLEMENTING STRUCTURE
- MANDATE OF THE OFFICE OF THE PETROLEUM CONTROLLER
- LICENSING OBJECTIVES
- PROCESS OF APPLYING FOR A LICENCE
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PPAA IMPLEMENTING STRUCTURE



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MANDATE OF THE OFFICE OF PETROLEUM CONTROLLER

- Implement the Petroleum Products Amendment Act(PPAA),2003:-
- Managing the adjudication of the Manufacturing, Wholesale and Retail of Petroleum Products licenses as prescribed by the Petroleum Product Act
- Monitoring the Petroleum and Liquid Fuel Charter compliance by industry
- Processing of annual information submissions of the licensed manufacturing; wholesaling and retailing activities received by February each year in line with regulations 18; 17 and 26 for license types respectively.



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MANDATE OF THE OFFICE OF PETROLEUM CONTROLLER Cont:

- Publishing information as stipulated by Regulation 29; 28 and 39 for manufacturing; wholesale, site and retail license types respectively
- Facilitating the development of small businesses in the petroleum and liquid fuels industry by rendering advice on the formulation of bankable business plans in line with the licensing objectives.
- Stakeholder engagement and render advisory services on petroleum licensing process to facilitate the development of small business, e.g. development of business plans, license application and tracking process



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SECTION 2B: LICENSING OBJECTIVES

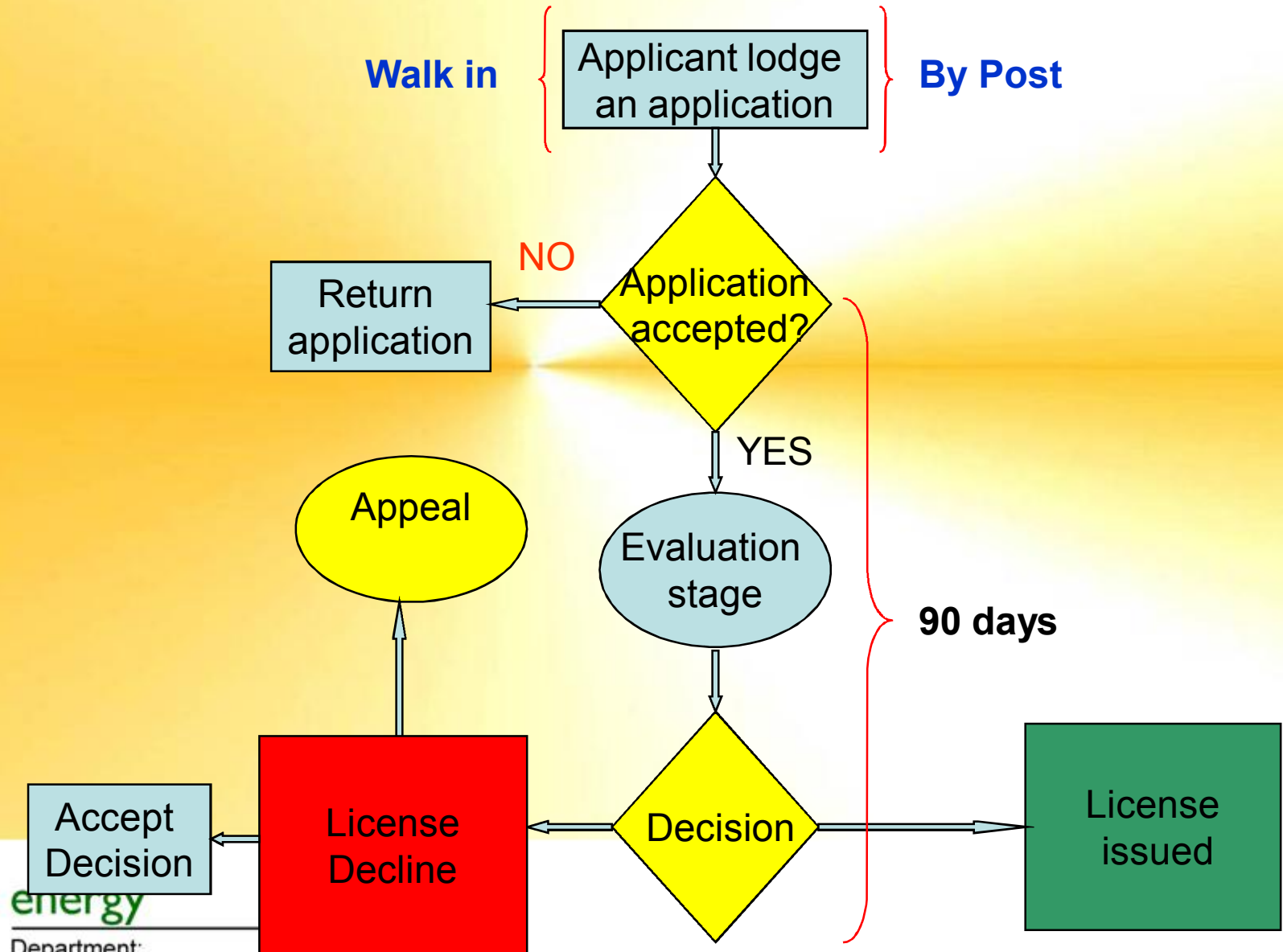
- In considering the issuing of any licences, the Controller shall give effect to the provisions of section 2C and the following objectives-
 - Promoting an efficient manufacturing, wholesaling and retailing petroleum industry
 - Facilitating an environment conducive to efficient and commercially justifiable investment
 - The creation of employment opportunities and the development of small businesses in the petroleum sector
 - Ensuring countrywide availability of petroleum products at competitive prices
 - Promoting access to affordable petroleum products by low-income consumers for household use



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PROCESS FOR APPLYING FOR A LICENSE



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Licensing under the PPAA



ACCEPTANCE OF A NEW APPLICATION IN GENERAL

- Regulations stipulating documents to be completed and attached are available at our 9 regional offices and on www.energy.gov.za (Click on Acts & Regulations, then Petroleum link)
- The application is accepted by the Office of the Controller through regional offices.
- The Applicant can post or hand-deliver the application.



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ACCEPTANCE OF A NEW APPLICATION IN GENERAL

- Before the application is captured to the PPALS system the following requirements have to be met:
 - the correct form was used
 - Site and Retail license applications have to be lodged simultaneously
 - Each application has come with its own set of attachments



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SITE AND RETAIL APPLICATIONS

- Retail license applications has to have the following attachments:
 - Motivation
 - Business registration documents in cases of individuals it should be Identity Documents.
 - NPV with all the assumption to check the viability of the business.
 - A HDSA declaration indicating the percentage
 - A declaration that they are not owned by a Wholesaler
 - If any of the above is not submitted the Applicant has to submit declaration stating reasons why.



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SITE AND RETAIL APPLICATIONS cont.

- Site License applications has to have the following attachments:
 - Motivation
 - Business registration documents
 - Title Deed/Deed of Transfer or Permission to Occupy
 - Land use zoning certificate authorising retailing from the site
 - The record of decision issued by an environmental authority
 - Permission from SANRAL if the site allows for access and exit to and from a national road
 - If any of the above is not submitted the Applicant has to submit declaration stating reasons why.



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MANUFACTURING APPLICATIONS

- Manufacturing license applications has to come with the following attachments:
 - Motivation
 - Business registration documents
 - Title deed/Deed of transfer or permission to occupy
 - Land use zoning certificate
 - Record of decision issued by an Environmental Authority



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EVALUATION PROCESS

- In evaluating an application the Controller may ask for additional information from an Applicant. The following are additional information that can be requested from applicants depending on the type of business or application received:
 - Business Plans are requested for all new applications
 - All new applicants have to publish a notice to inform the public of their intended activities in two different languages and two different newspapers, and proof of such publications should also be submitted
 - For Companies, shareholders agreements, share certificates, memorandum & articles of association and shareholders' identity documents are requested



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EVALUATION PROCESS cont.

- For trusts the identity documents of all trustees and beneficiaries are requested
- The expected number of employees that the business would like to employ categorized according to race and gender
- Franchise Agreements are requested where retailers are buying a Franchise from any of the oil companies
- Loan Agreements are requested when applicants borrow the money for the business from any financial institution



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EVALUATION PROCESS cont.

- In evaluating an application for any license, the Controller must give effect to Section 2C of the Act which states:
 - In considering licence applications in terms of this Act, the Controller of Petroleum Products shall;
 - promote the advancement of historically disadvantaged South Africans; and
 - give effect to the Charter



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EVALUATION PROCESS – SITE & RETAIL

- In evaluating an application for any retail license, the Controller must verify that:
 - the information and the documents submitted with the application form are true and correct;
 - the retailing business is economically viable;
 - there is a need for a site (determined by Site Visit);
 - the retailing business will promote the licensing objectives stipulated in sections 2B(2) of the Act;
 - where required, the notices contemplated in regulation 16(1) and 4 (1) were published;
 - In determining the economic viability, the Controller must be; and
 - satisfied that the net present value has been correctly calculated and is positive.



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EVALUATION PROCESS - WHOLESALING

- In evaluating an application for a wholesale license, the Controller must verify that:
 - the information and the documents submitted with the application form are true and correct;
 - The wholesaling business will be economically viable;
 - the wholesaling business will promote the licensing objectives stipulated in sections 2B(2) of the Act; and
 - where required, a notice contemplated in regulation 4(1) was published.



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CHALLENGES

- Non -Compliance with the LFC charter and the PPAA
 - Contravention of section 2 (a)5a
- Some Franchisee agreements not embracing the spirit and intent of the charter ; Energy Policy Whiter Paper and PPAA – addressing vertical integration
- Change of hands- Increase the number of new applications – chasing a moving target
- Women representation and participation are dismal
- Abuse of HDSA definition- white male transferred ownership to white females
- Non bankability business plans-lack of due diligence when a business plan is outsourced by the applicant



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THANK YOU

**QUESTIONS?
SUGGESTIONS
COMMENTS**



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REGIONAL ENERGY DIRECTORS CONTACTS

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Mr. Teboho Sethosa North West Office: 018 487 9820 Cell:082 735 9396 Address	Mr. Fuad Allie Cape Town Office:021 427 1018 Cell:083 459 7603 Address	Mr. Earle Cloete Port Elizabeth Office: 041 396 3910 Cell:082 441 9039 Address Eastern Cape Mount Croix Cnr Mount and Diaz Road Port Elizabeth 6000	Mr. James Machete Mpumalanga Office:013 656 1448 Cell: 082 766 3757 Address Cnr Paul Kruger and Botha avenue Witbank Province Building 1035
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