

**KEYNOTE ADDRESS AT THE LIQUID FUELS EMPOWERMENT
CHARTER AT GALLAGHER ESTATE**

BY

THE MINISTER OF ENERGY

MS DIPUO PETERS, MP

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AFRICAN MINERAL AND ENERGY FORUM (AMEF)

Programme Director Mr Gumede,
AMEF Chairman Mr M Radebe,
Central Energy Fund CEO, Mr Damane,
South African Petroleum Industry Association Director Mr Tshihularo,
Distinguished guests,
Media representatives,
Ladies and gentlemen.

It is a pleasure for me to address you today and I am pleased that **African Mineral and Energy Forum,(AMEF)** has invited me to such an important seminar which seeks to contribute towards the redrawing of the economic landscape of our country in our continued strive for it to benefit all sections of our society.

On the 22nd of April our people once again renewed the mandate of the African National Congress; under the clarion call of “**working together we can do more**”. The emphasis of this call is on the need

to eradicate poverty, and to work towards creating decent and sustainable jobs for all.

Our people's mandate is also very clear on the need to accelerate, in a meaningful way the transformation of the economy in all spheres of life including the energy sector.

Accordingly when we reflect on the path we have traversed thusfar, we should be mindful of the tasks at hand, and what should be done more to improve the lives of our people. The reports and briefings I have received thusfar , with regard to the work we have done in the actual implementation of the Liquid fuels Charter is not very impressive, to say the least. It is therefore heartening to hear that AMEF as one of the signatories of the Liquid Fuels Charter has remodelled itself as a forum for exchange of ideas on a number of topics confronting the sector.

We are all aware that the Charter was created as an instrument to bridge the economic divide, within the liquid fuel industry, the divide which was entrenched through a well orchestrated Apartheid system. The question that we need to pose is whether the charter has to this point, began to break the inequalities we have inherited, if not, why is it failing?

Programme Director

We are all fully conscious of the potential dangers posed by the perpetuation of inequality within our society; it is a direct threat to the very existence of our society, its stability and prosperity.

Accordingly, within the spirit of working together to do more, government, industry and the community at large must work together to push the frontiers of poverty. As members of the liquid fuel industry you equally have a role to play in this regard through the adherence to the implementation of the Liquid Fuels Charter commitments and AMEF must be the champion of this initiative.

Programme Director

With regard to the subject of our meeting today, I have been reliably informed that there is no evidence that indicates that the progress to date on the liquid fuels Charter is satisfactory. Perhaps in the discussions you will point out areas where irreversible and sustainable progress has been made.

As part of the information I have received is the fact that Empowerdex has conducted two evaluations to measure the progress on the implementation of the provisions of the Charter. The reports indicate that the industry had not been able to comply with the crucial elements of ownership, control and procurement.

That is why government together with the industry undertook in 2006 to review the implementation strategies of the Charter. The current

draft reports indicate that not even one of the privately owned companies will be able to meet the ownership and control requirements as projected in 2006. Although this might be partly due to the current world economic meltdown, but it has also got do with the manner in how some of these deals have been structured and financed.

I understand that a promise was made then that industry will review the deals in an effort to mitigate the highlighted constraints to the deals. From the reports I am getting it appears that this has obviously not been done. What is critical for all to note is that lack of transformation in the sector and failure to create an inclusive economy, is untenable. Just the other day I was confronted with information from the public broadcaster, with allegations that in certain parts of Kwazulu Natal, there is illegal selling of petroleum products at exorbitant prizes, at the receiving end obviously being the poor. This bring to the fore the need to transform our liquid fuel industry so that the poor do not suffer due to unscrupulous business people who prey on the poor and the most vulnerable.

We also hear of stories where in some parts of the Eastern Cape, especially the former Transkei area; where people mix paraffin with water, inorder to increase their volumes.

These very dangerous illegal deeds might come to an end if we can consider bringing liquid fuels services closer to our communities, in particular in deep rural areas.

Innovation and creative is required in this regard, what might seem as an unprofitable market for big business, can be the opposite for an emerging entrepreneur.

I suppose nothing stop us from creating cooperatives where feasibly possible, as a means aimed at broadening our economic base, and thus contributing to the creation of decent and sustainable jobs.

Programme Director

The matter of procurement of services and goods in any industry always serve as a catalyst for effective participation and entry of the previously disadvantaged into the industry. It is rather disappointing, to be informed that most companies have failed to achieve any meaningful change on spent procurement for the historically disadvantaged small and medium companies.

Most Oil companies that had made progress appear to have retrogressed. The procurement of non specialized products, for instance equipment for refineries, protective clothing, transportation services, office materials and so forth could have been used to affirm our emerging small entrepreneurs. The point here is that procurement benefits are immediate and by their very nature can assist more families compared to equity deals which only benefit a few, with the exception of the deals that have embraced an element of broad based strategy.

Programme Director

In an attempt to assist the industry in its advancement of the procurement agenda, South African Supplier Development Agent (SASDA) was created, during April 2004. The signatories to the declaration of intent that lead to the formation of SASDA were AMEF, Oil companies and government. The trio, declared “their intent to develop an empowerment supplier database and to investigate the establishment of the supplier development agency and a related programme to accelerate progress on empowering historically disadvantaged South Africans.” This intent, made in the spirit of the Charter was never realised as envisaged. Again the question we should ask ourselves is what is it that we should do differently to realize the objectives of the charter.

The collapse of SASDA for reasons known to us here has further created a vacuum in pursuit of the realization of the charter goals.

It is my sincerest wish that moving forward SASDA will be empowered to intervene decisively in the procurement side of the industry, it ought to have teeth in order to bite those who renege on our commitment to advance the cause of broad based black economic empowerment.

We should remind those who are captains of this industry, that for them to strive and prosper, they need a healthy and vibrant nation, therefore matters being raised has got nothing do with them doing us a favour, but more importantly about the wellbeing of our economy and society.

Programme Director

We must be aware of the call and commitment made by our government, as clearly articulated by our President during the State of the Nation address, of the need to atleast create 500 hundred thousand jobs by the end of the year 2009, and over four million by 2014, the liquid fuel industry must make its own contribution to this target.

We should not say because with got serious world economic challenges, we can't do anything about joblessness, infact the immediate task is the need to protect and preserve the jobs already there. At the same-time looking at what can be done to create new job opportunities.

Ladies and Gentlemen:

The progress made with regard to human resource development elements of the Charter especially employment equity and skills development, must be commended. This progressive positive change need to be applauded. I, however, need to inform you that transformation in the employment sector needs to focus more on women. Historically, gender inequality has been directly linked to division of labour in the spheres of production, reproduction and care. We cannot after fifteen years into our freedom and democracy still not find acceptable number of women in the decision making structures of major corporations. Government and other role-players in the

private sector have put in place concrete programmes and systems to affirm women and people living with disabilities, why is this industry found lacking behind.

As you are aware, the Charter is now part of the Petroleum Products Act. It is law. We therefore need to work together towards making sure that this legislation find concrete expression, in a real sense of transforming our liquid fuel industry, it should not only be globally competitive, but it must also have a strong local content.

We all fully understand that transformation is a process that we can collectively use to attain economic growth, which enhances development and lead to the eradication of poverty, and creating what our President in his recent State of the Nation defined as an “inclusive economy”. Any exclusive development is a time bomb and if we maintain the status quo of inequality we will be heading for a disaster. As government we will not allow that; and as such if industry players are unwilling to move, we would have to intervene.

The important factor at this moment is to create a platform where the industry and other stakeholders, can engage openly with me on what ought to be done to correct the imbalances within the sector.

Let me take this opportunity to thank AMEF for your continued commitment to the spirit of the Liquid Fuels Charter and encourage you to work harder to achieve the targets set by the Charter. To you, the participants, you need to think hard and remember those who are

poor and are still waiting for their economic independence here in South Africa. As the think tank, I await your recommendations and way forward with the transformation processes in the oil sector.

I thank you.

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