



**MINISTRY
ENERGY
REPUBLIC OF SOUTH AFRICA**

**Remarks by the Minister of Energy, Ms Dipuo Peters, MP,
at the Launch of the Petroleum and Liquid Fuels Charter
Audit: Cape Town
9 November 2010**

Deputy Minister;
Director-General Magubane;
Government officials;
Members of the media;
Distinguished guests;
Ladies and Gentlemen!

Today marks one of most important dates in the calendar of the liquid fuels industry as we are launching an audit process to determine the extent to which the industry is complying with the provisions contained in the Petroleum and Liquid Fuels Charter (the Charter).

This exercise will take place during the month in which we are marking the 10th anniversary of the charter. You will recall that the charter was conceived in order to transform the petroleum and liquid fuels industry to achieve the policy objectives of the 1998 Energy White paper. The White Paper was unequivocal about the need to “*achieve sustainable presence, ownership and control by Historically Disadvantaged South Africans of a quarter of ALL facets across the value chain*”.

There has been a call from some quarters for the deregulation of this sector. These calls are flying in the face of the reality that in some instances the industry is failing to even reach the minimum empowerment target of 25%.

This industry carries within it the possibility to contribute meaningfully to the creation of decent and sustainable jobs that are a critical plank upon which this government was elected. Accordingly, the issue of compliance with the provisions of the charter is not a matter of mere luxury created just for the sake of ticking the boxes. It is part and parcel of our project to de-racialise the structure of economic relations in our country.

In this regard it is regrettable that the department has not managed to conduct annual industry surveys to monitor and evaluate progress. I have instructed my department to ensure that measures are put in place to ensure that this evaluation does indeed happen.

In order to manage the somewhat distorted and contradictory assertions by some signatories to the Charter we are accordingly commissioning this audit to achieve the following objectives:

- To have a comprehensive, independent and representative assessment of the state of transformation within this industry against the targets contained in the charter;
- To determine whether or not signatories of the Charter are acting in compliance with previous evaluation reports;
- To identify bottlenecks in the implementation of the Charter and the interventions required thereof; and

- To develop some form of standardised criteria to assess and monitor transformation and compliance with the charter throughout the value chain

An independent company, Moloto Solutions CC, a black woman-led auditing firm, has been appointed to ascertain the extent of transformation of this sector over the decade of the existence of this charter. This exercise should be able to assist us to rectify the distortions that will be identified by this venture.

As we announce this exercise, we are not oblivious to the fact that some strides have been made in achieving some of the low hanging targets of the Charter. The scope of this exercise entails an audit of compliance which will be based on the latest financial information, as at or close to the period ending 31 October 2010, pertaining to the achievement of transformation in all elements of the Petroleum and Liquid Fuels Charter.

We also need to determine the following:

- As per the ownership definition of the Charter, whether indeed there is 25% equity participation and ability to exercise voting rights and obligations that accrue under such ownership by Historically Disadvantaged South Africans ;
- Whether there has been a supportive and an enabling environment in the procurement process including crude by HDSA's;
- The extent to which the industry skills gap was bridged;

- The extent of Broad based Economic Empowerment and women representation and participation across the value chain; and
- The constraints and the sustainability of **transactions**, including that of black fuel retailers, in terms of long term viability and adaptability through presence across the liquid fuels value chain. Specifically to determine what ventures were entered into over a 10-year period. How much were they? Are they perhaps still profitable?

This audit is being undertaken at the time during which our government has adopted an outcomes based approach that requires a well defined monitoring and evaluation system. The rationale for this important exercise is to get early warning signals of any potential deviation that might impede the achievement of the intended policy measures and targets; to develop intervention strategies timeously in instances where hurdles have been encountered; as well as to exchange experiences, challenges and identify possible solutions.

It is expected that the outcome of this exercise will provide us with the baseline to identify a set of transformation outcomes that are specific, measurable, attainable, realistic, time bound and sustainable within the context of the transformation objectives of the 1998 Energy Policy.

We are determined to play our part to address the twin challenges of unemployment and energy poverty. We are therefore going to pay special attention to the development of Small Medium and micro enterprises with a bias on the youth and woman participation.

I trust that we will receive credible outcomes when we receive the results of this audit in March next year.

I am confident that the industry will give their full support and cooperation to Moloto Solutions Cc as they go about their historic exercise.

In conclusion, the positive spirit that characterized the audit survey workshop yesterday has given me the confidence that history is on our side and that we shall rise to the challenge of transforming this sector.

I THANK YOU ALL