



**Keynote Address by the Minister of Energy, Ms Dipuo Peters, MP
Ministerial Engagement with Historically Disadvantaged South
Africans Operating in the Petroleum Sector**

Protea Hotel Midrand, 4 December 2012

Programme Director

Officials from the Department

HDSA companies representatives

Distinguished Guests,

Members of the media

Ladies and Gentlemen

We meet during a period in our political calendar when the ruling party, the African National Congress, will once more gather at Mangaung to chart the way forward with regard to shaping the kind of society that we aspire to be. Indeed Mangaung will be more about policy discussions than what it is made out to be by detractors.

Key amongst the discussions will be issues of accelerating economic transformation, which we are also convened to ponder this morning. There is an acknowledgement that there

is still a lot of ground to cover particularly in the Petroleum Fuels Sector.

I am using petroleum instead of liquid fuels deliberately, because we dare not exclude gas and other related petroleum products. We are entering an exciting era which will involve extraction of hydrocarbons from shale. We expect you to participate right from the beginning as this is a new area of opportunity. In areas such as fuel oils, lubricants and polymers, we also would like to see some of you play in that space.

Program Director,

The results of the Liquid Fuels Charter Audit presented here today and the comments that you all made, shows that more still need to be done to transform this sector.

Since the release of the audit report on the 05th July 2012, I have personally met each of the oil companies to discuss the results and seek commitment to implement the recommendations.

I must commend most of the companies for the manner in which they have constructively engaged the audit outcomes. During our bilateral engagements in the past two months, most companies showed a positive commitment by identifying the

low hanging fruits that can be implemented in order to comply with the Charter.

Ladies and Gentlemen,

The audit revealed that on average strict compliance to the Charter is only 48%. This, as many of you confirmed today, the performance by those who voluntarily committed by signing the Charter in 2000 is dismal. As you are all aware, the audit looked at 13 strategic focus areas, with 34 sub-elements. Where there have been successes we must applaud the progress. Ownership and Management Control are the two areas where the audit revealed that companies are making strides.

However, many of the deals that HDSAs entered into were narrow based and the players were not operationally involved, defeating the objectives of the Charter. Similarly, we found that in some instances where HDSAs are put in management positions, they will be in areas associated with soft-skills which are non-core to the business.

The audit also revealed a disturbing trend in that the operational budget for HDSA's who are in management positions would be lower than their white counterpart.

No wonder, Program Director; many people say that these HDSA managers are put there to front.

This tendency of complex fronting is becoming prevalent and turns to defeat Government effort of ensuring true transformation.

Ladies and Gentlemen,

I also must warn you, because some of you are “selling short to traders” who are coming in to our country and the continent at large.

In the past few years, we have seen a consolidation by some of the multi-national companies, following an exit strategy in the downstream industry. This is a global phenomenon that some of these companies are doing, and sub-saharan Africa is one of the affected regions.

This presents opportunities for those of you who want to claim a stake, but equally so others have also seen an opportunity to come into these markets with a different business model. Most of these companies are just traders, who are not prepared to invest in infrastructure in countries they go into.

As HDSA's you must prepare yourselves for upstream opportunities. There is a growing interest from overseas companies seeking opportunities in this area, and it will be a sad day if they are to invest without your participation.

Program Director,

The performance on the other elements of charter still leaves a lot to be desired as was presented here today. However, during our engagement some of the companies have made serious commitment to address these areas. Some of the commitment made is that some of the companies have started procuring crude oil and finished products from HDSA post the LFC audit.

They also committed to initiate set-aside procurement programmes targeting HDSA's from 2013. What could also be of good example is the review of procurement procedures to include preference for Black Women owned companies.

Significant stride post audit in respect of enterprise development has also been noted. An example of this is the development of a Durban South basin Incubator Centre focusing on SMME's and a contract has been finalized with

Raizcorp- just to give indications, 20 SMME's will be trained in the first year; 20 for in the second year and another 10 during the third year, thus effectively incubating 50 SMME in 3 years.

An area where transformation is happening very slowly is the retail sector of the industry. In fact if we consider demographics, the performance is dismal. I trust that the commitment that I got from the oil companies in this respect will start to bear tangible fruits, otherwise we have to use policy instruments to enforce transformation in this sector.

The oil companies all committed that they will ensure that the retail landscape uptake is gradually aligned to the economically active population demographic.

One of the areas where the petroleum sector has been found wanting is gender equity. I must admit that in the last 12 months there has been an effort to seriously correct the situation. Government's track record on this front is there for all to see. Since I took office, we have sought to lead by example on gender equity.

I appointed a competent Director General, a Chief Financial Officer, a Chief Operating Officer in the Department of Energy, the Chairperson and CEO of NERSA, the Chairperson of

National Nuclear Regulator and a PetroSA CEO, all of whom have proven that they are equal to the task and their track record is out there for everyone to see. There is still more to be done though at other levels.

All of us are aware of the Industrial Policy Action Plan and its objectives.

The integration of localisation of Manufacturing into the petroleum empowerment framework has not yielded sufficient progress. We all know that SASDA's efforts were not given the necessary support, but I must admit that we also need to convince ourselves that the strategies used by SASDA were enabling to sustainable localisation. The current SASDA Board needs to ensure that the organisation is focussed and equipped to fulfil its one and only mandate of supplier development.

A number of you have in our interactions raised the issue of access to infrastructure as an impediment to transformation. There has to be visible movement on this front. I do not believe that we have extracted maximum benefit from the provisions of the Petroleum Pipelines Act and its Regulations. This is an area that can unlock access to infrastructure and we need to ensure that it does so.

We will engage with NERSA to unlock impediments where they exist. Transnet is already moving to remove some of the existing barriers at the ports. This however is not going to happen overnight.

Within the Department of Energy, we have restructured to focus the job of the Controller of Petroleum Products on ensuring compliance with the prescripts. As we had reported in July, there will be a Chief Directorate, which will be focussing on monitoring and compliance. As we monitor compliance, we will also be checking whether individual HDSA licence holders also keep to the undertakings they have made during the application process.

In conclusion let me request that you all commit to improving your competences in this area.

Do your research in this area and approach the majors knowing exactly what you want, and not ask them when you get to their offices about opportunities.

We will certainly be there to assist and enable you to succeed.

Thank you for your attention, and allow me to also use this opportunity to wish all of you a merry Christmas and a very prosperous 2013.