

**REGULATORY AGREEMENT BETWEEN  
THE MINISTER OF MINERALS AND ENERGY,  
THE MINISTER OF TRADE AND INDUSTRY  
AND  
SASOL LIMITED  
IN TERMS OF SECTION 36 OF THE GAS BILL  
WITH REGARD TO  
A PROJECT TO IMPORT NATURAL GAS FROM MOZAMBIQUE**

**PREAMBLE**

Whereas the Government of the Republic of South Africa (hereinafter referred to as RSA) seeks to promote the orderly development of a commercial and competitive piped gas industry with active participation by the private sector;

And Whereas the RSA gas legislation is not yet in place;

And Whereas the Gas Bill provides that this Agreement will be binding on the Gas Regulator;

And Whereas SASOL LIMITED (hereinafter referred to as SASOL) through its Subsidiary Sasol Gas Ltd already conducts piped gas business, being the transportation, distribution and selling of hydrocarbon gasses produced from coal by means of pipeline networks;

And Whereas SASOL, through its Subsidiaries, holds rights to produce natural gas from certain natural gas fields in Mozambique;

And Whereas SASOL wishes to undertake a project ("The Project") in terms whereof it will:

- produce natural gas from the aforesaid fields;
- possibly with RSA and the Government of Mozambique (hereinafter referred to as GOM), construct a gas transmission pipeline from the fields in Mozambique to South Africa;
- possibly with the RSA and GOM, by means of such pipeline transport the natural gas to South Africa;
- supply such gas as a feedstock and energy source to its factories at Secunda and Sasolburg; and
- sell such gas to other consumers, distributors and reticulators within South Africa;

And Whereas, in the absence of existing specific gas legislation, SASOL has requested a regulatory dispensation that will be binding on the future Gas Regulator;

And Whereas such gas projects involve significant investment and risks and the RSA, GOM and SASOL will be required to provide guarantees and undertakings in order to enable The Project;

And Whereas the RSA desires to promote regional economic growth;

And Whereas the RSA has entered into a bilateral gas trade agreement with GOM to facilitate the transport of gas by pipeline across the border;

And Whereas the RSA is committed to promoting the introduction of natural gas in the South African economy at the lowest cost and as fast as possible;

And Whereas SASOL needs an environment that recognises the investment and risks that it will be taking;

Now Therefore the Ministers and SASOL have agreed as follows:

## 1 DEFINITIONS

- 1.1 "Agreement" means the Agreement between the Minister of Minerals and Energy, the Minister of Trade and Industry and SASOL as set out in this document;
- 1.2 "Brownfields Customer" means an External Customer receiving piped gas from SASOL before First Gas, including a customer which expands its facilities and thereby increases its gas consumption, but excluding those persons which convert their facilities after First Gas from other energy carriers to accept piped gas;
- 1.3 "Certified Proven Sales Reserves" means those quantities of natural gas which by analysis of geological and engineering data have been certified by a recognised independent petroleum engineering consultant using a deterministic methodology, estimated with reasonable certainty as being commercially recoverable i.e. the *in situ* reserves after the application of the recovery factor and minus the shrinkage due to flaring, use as fuel and removal of condensate, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations;
- 1.4 "Cottage Industry" means a business or manufacturing activity that is conducted from homes or on communal basis;
- 1.5 "EBP" means the European Benchmark Price as determined in accordance with the provisions of clause 8.2.3;
- 1.6 "External Customer" means a customer other than SASOL and its Subsidiaries but shall for the purposes of clauses 8.1 and 8.2.3 include a maximum of up to 3 million Gigajoules per annum of gas sold to Natref;
- 1.7 "First Gas" means the date upon which natural gas from Mozambique is first sold and delivered on a commercial scale and a continuous basis to pipeline customers in South Africa;
- 1.8 "Gas Bill" means the Gas Bill published in the *Government Gazette* No. 22162 of 23 March 2001;
- 1.9 "Gas Regulator" means the Gas Regulator as contemplated in the Gas Bill;
- 1.10 "GOM" means the Government of Mozambique;
- 1.11 "Government Backed Projects" means projects which receive financial assistance directly or indirectly, or legislative or Cabinet support, from the RSA;

- 1.12 "Greenfields Customer" means an External Customer who, after the date of signature of this Agreement, constructs a facility on a new Site and which facility receives piped gas from SASOL for the first time at or after First Gas;
- 1.13 "Greenfields Reference Price" means the reference price for Greenfields Customers referred to in clause 10;
- 1.14 "iGas" means the South African Gas Development Company (Pty) Ltd (registration number 2000/024548/07), wholly owned by the RSA;
- 1.15 "Landed Price at Secunda" means the average price per Gigajoule of the 120 million Gigajoules per annum of gas for The Project delivered to Secunda;
- 1.16 "Market Value Pricing" means determining the gas price by comparison with:
- (a) the cost of the alternative fuel delivered to the customer's premises or anticipated place of use (in the case of Greenfields Customers); plus
  - (b) the difference between all the operating costs of the customer's use of the alternative fuel and all the operating costs of using natural gas; plus
  - (c) the difference between the Nett Present Value (NPV) of the capital costs of the customer's continued use of the alternative fuel and the NPV of the capital costs involved in switching to natural gas, as would be reflected in the customer's accounts;
- 1.17 "Natref" means National Petroleum Refiners of South Africa (Pty) Ltd, registration number 1969/03571/07;
- 1.18 "Pipeline Company" means the company which owns or whose Subsidiaries will own the transmission pipeline from the Temane area in Mozambique to Secunda in South Africa;
- 1.19 "Price Cap" means the price cap determined in accordance with clause 8.2;
- 1.20 "Residential" means household use of gas in association with cottage industry;
- 1.21 "Resellers' Reference Price" means the reference price for distributors and reticulators referred to in clause 9;
- 1.22 "Reticulation" for the purposes of this Agreement means the division of bulk gas supplies and the transportation of bulk gas by pipelines with a general operating pressure of no more than 2 bar gauge to points of ultimate consumption, and any other activity incidental thereto, and "reticulate" and "reticulating" have corresponding meanings;
- 1.23 "SASOL" means, as the context dictates, Sasol Limited or any Subsidiary of Sasol Limited;
- 1.24 "Site" means a separate area of land with its buildings owned or rented by a gas consumer;
- 1.25 "Small Customers" means customers consuming less than 40 000 Gigajoules per annum of gas per Site;
- 1.26 "Special Regulatory Dispensation" means the regulatory dispensation provided for in this Agreement;
- 1.27 "Subsidiary" means a subsidiary or subsidiaries, as defined in the Companies Act, 1973 (Act 61 of 1973);

- 1.28 "SVWAGP" means the SASOL volume weighted average gas price as determined in accordance with the provisions of clause 8.2.3;
- 1.29 "The Project" means the project as contemplated in the preamble;
- 1.30 "Year" means any sequential period of 12 months with the first Year measured from the first day of the month in which First Gas occurs.

## 2 PURPOSE

The purpose of this Agreement is to set out the regulatory dispensation, binding the Gas Regulator, which will, to the extent detailed herein and for the period referred to in clause 3, be applicable to SASOL's current piped gas business, the proposed supply of natural gas from Mozambique and the sale of that gas into markets within South Africa.

## 3 VALIDITY OF THE SPECIAL DISPENSATION PERIOD

- 3.1 The period of validity of the Special Regulatory Dispensation contemplated in this Agreement will be linked to the Certified Proven Sales Reserves, and will be determined by the following formula up to a maximum of 10 Years after First Gas:

$$DispensationPeriod = 10 + (10 \times \left[ \frac{ProvenReserves - TGQ}{TGQ} \right])$$

Where: <i>Proven Reserves</i> =	The average of the Certified Proven Sales Reserves contained in the relevant audit reports at any time in million Gigajoules plus all quantities of gas already produced, less <i>Royalty Gas</i> , less <i>MISP</i> (Mozambique Iron and Steel Project) <u>or</u> <i>Mozambique Markets</i>
<i>Royalty Gas</i> =	Royalty gas taken in kind by the Government of Mozambique, calculated in million Gigajoules at the actual take-off rate at the time of calculation, for 25 years less the number of years that have expired since First Gas, and less any volumes that the Government of Mozambique has opted in writing to sell for use in South Africa.
<i>MISP</i> =	625 million Gigajoules
<i>Mozambique Markets</i> =	Up to 25 million Gigajoules per annum calculated at the actual annual take off at the time of calculation, including future contractual commitments.
<i>TGQ</i> =	120 million Gigajoules per annum multiplied by 25 years less 100 million Gigajoules of ramp-up gas

The formula for linking the period of the Special Regulatory Dispensation to Certified Proven Sales Reserves shall be subject to the following:

- (a) Certified Proven Sales Reserves shall be determined from assessment by two independent experts, namely DeGolyer and McNaughton and one other acceptable to the RSA and SASOL;
- (b) The average of the two independent assessments shall be used to determine the Certified Proven Sales Reserves;
- (c) The field partners are to pay for the reserve assessments; and
- (d) The reserves must be assessed after each of the work programs scheduled for 2003, 2006, 2008, 2010 and 2012 has been carried out as part of the exploration program contemplated in 1 to 4 below:

Agreed Minimum Exploration Commitments by SASOL to RSA

SASOL has taken on significant exploration commitments as part of the Petroleum Production Agreement and Production Sharing Agreement with the GOM. As is customary in the industry, it is SASOL's intention to prove the additional reserves required to support the 120 million Gigajoules per annum of gas sales to South Africa for 25 years by means of a development and exploration drilling programme in 2003, 2006 and 2008. SASOL will undertake the following gas field development and exploration programme in 2001, 2003, 2006 and 2008 as described below:

1. In calendar year 2001, SASOL will acquire a minimum of 590 km of 2D seismic data and reprocess all the existing seismic data (2 000 km) to further rank the existing exploration prospects and define further prospects. The results of the final interpretation and integration of the seismic data will be made available to iGas within one month of the completion of the said interpretation and integration.
  2. In calendar year 2003, SASOL will drill and complete six new development wells, complete the existing five wells in the Temane Field and will drill and test two exploration wells.
  3. In calendar year 2006, SASOL will drill and complete seven new development wells, complete two existing wells in the Pande Field and will drill and test one exploration well.
  4. In calendar year 2008, SASOL will drill and test one exploration well.
- (e) The reserves used for the calculation of the period of the Special Regulatory Dispensation should be Certified Proven Sales Reserves as defined.;
- and
- (f) The parties shall repeat the calculation process in clause 3.1(a) through to 3.1(e) above until one of the following occurs:
- 1) the period of the Special Regulatory Dispensation set out in this clause equals 10; or
  - 2) the end of 2012.

**4 GAS RESERVES**

4.1 SASOL undertakes to use its best endeavours to supply 120 million Gigajoules per annum of natural gas from Mozambique to South African markets for twenty five years after First Gas.

4.2 SASOL hereby confirms that the Certified Proven Sales Reserves of natural gas in Mozambique under SASOL's control will be used to supply markets in the following order:

- 4.2.1 First Call gas is for the Maputo Iron and Steel Project Phase One (MISP 1); 25 million Gigajoules per annum for twenty five years, plus such quantities of Royalty Gas as are taken in kind by GOM, up to a maximum of 5% calculated on all quantities of gas produced for MISP. Should SASOL present to the Gas Regulator a written confirmation signed by either SASOL and Enron Southern Africa Development Limited jointly, or by SASOL and GOM jointly that MISP 1 will not proceed, this First Call expires.
- 4.2.2 Second Call gas is for SASOL to market 120 million Gigajoules per annum of natural gas for twenty five years after First Gas for The Project, plus such quantities of Royalty Gas as are taken in kind by GOM, up to a maximum of 5% calculated on all quantities of gas produced.
- 4.2.3 Third Call gas is for markets in Mozambique in the event of MISP 1 not proceeding, up to 25 million Gigajoules per annum, and then only in the event of there being Certified Proven Sales Reserves in addition to those necessary to supply Second Call gas.
- 4.3 Should Sasol not ensure the order of supply of natural gas as set out in clause 4.2 above, then, for purposes of clause 3 'Mozambique Markets' shall mean 625 million Gigajoules less any volumes that the Government of Mozambique has opted in writing to sell for use in South Africa.
- 4.4 SASOL shall be obliged to supply such documentation as the Gas Regulator may justifiably require with regard to the extent of the natural gas reserves within SASOL's gas fields in Mozambique and the supply of natural gas related to The Project.

## 5 LICENCES

- 5.1 For the purposes of this clause:
- (a) "Industrial Area" means an individual area zoned by the relevant town or regional planning authorities as an industrial area or zone.
  - (b) "Licences" means construction, operation and/or trading licences granted for a period of 25 years after First Gas.

The Gas Regulator will, subject to SASOL submitting appropriate applications, either within one year of signature of this Agreement, or within one month after the appointment of the Gas Regulator, whichever is the later, issue SASOL's subsidiaries licences as follows:

### Transmission Licences:

- Transmission (as defined in the Gas Act) Licences for SASOL's transmission pipelines existing at the time application is made; and
- Transmission Licences for such transmission pipelines that are contained in SASOL's proposed future growth plan for a period up to five years after First Gas.

Transmission Licences issued for future transmission pipelines to be constructed within a five year period after First Gas shall be subject to a development plan acceptable to the Gas Regulator submitted to the Gas Regulator within one year of signature of this Agreement, or within one month after the appointment of the Gas Regulator, whichever is the later. In the event that a transmission pipeline specified in a development plan is not developed or fully developed within five years of First Gas this transmission pipeline, or such portion thereof that has not been developed, may be excised from that License.

**Distribution Licences:**

- Distribution (as defined in the Gas Act) Licences for areas in which SASOL distribution pipelines and customers exist at the time application is made. Where SASOL's existing infrastructure and customers are within an Industrial Area, the area to be licensed shall consist of the whole of such Industrial Area;
- Where SASOL's existing infrastructure and customers are within a licensed Industrial Area, the portion of that area that has not yet been developed shall be considered a future growth area;
- Distribution licences for Sasol's proposed future growth areas for a period of five years after First Gas;

Distribution Licences issued for future growth areas for a five year period after First Gas shall be subject to a development plan acceptable to the Gas Regulator submitted to the Gas Regulator within one year of signature of this Agreement, or within one month after the appointment of the Gas Regulator, whichever is the later. In the event that an area specified in a development plan for a licensed area is not developed or fully developed within five years of First Gas this area, or such portion thereof that has not been developed, may be excised from that License.

- 5.2 The Gas Regulator will issue a transmission licence to the Pipeline Company for construction and operation for a period of 25 years after First Gas for the transmission pipeline from the Mozambican border to Secunda.
- 5.3 The Licences issued in terms of clauses 5.1 and 5.2 will contain the provisions of this Agreement as conditions of such Licences. The Licences will provide that the aforesaid provisions will remain as conditions of such Licences until ten years after First Gas, or such shorter period as may be determined in accordance with clause 3.
- 5.4 The aforesaid licensees may, after the 25-year period, apply for the renewal of their Licences in accordance with the provisions of the Gas Act.

**6 SASOL's OBLIGATION TO SUPPLY**

SASOL will be obliged to supply distributors outside SASOL's distribution areas contemplated in clause 5.1, and customers and reticulators with gas, provided that:

- a. It is technically feasible and/or economically viable to do so;
- b. Uncommitted capacity is available in the pipelines transporting the gas supplied by SASOL; and
- c. New distributors and reticulators are responsible for making the necessary connections to the pipelines transporting the gas supplied by SASOL.

**7 ACCESS TO PIPELINES**

- 7.1 Mandatory third party access to the pipelines listed in clause 7.2 will apply only to Greenfields and Brownfields Customers who consume a quantity of gas equal to or in excess of the quantity set out hereunder in respect of each of them.

**Greenfields Customers**

<u>Period from First Gas</u>	<u>Annual gas consumption per Site</u>
0-5 Years:	8 million Gigajoules per annum
6-10 Years:	6 million Gigajoules per annum

## **Brownfields Customers**

### Period from First Gas

### Annual gas consumption per Site

0-5 Years:

No mandatory access

6-10 Years:

8 million Gigajoules per annum

7.2 The pipelines in respect of which the abovementioned customers shall have access in terms hereof, and which are as demarcated in Annexure One are:

- SASOL's Secunda to Witbank to Middelburg pipeline
- SASOL's Secunda to Springs pipeline
- SASOL's Springs to Pretoria/Rosslyn pipeline
- SASOL's Springs to Sasolburg pipeline
- SASOL's Wadeville to Olifantsfontein pipeline
- The Mozambique to South Africa transmission pipeline

7.3 Access will only be granted in terms hereof in the event that there exists uncommitted capacity in the relevant pipeline/s and will be subject to normal commercial terms and practices.

7.4 Access granted in terms hereof shall be to the applicable abovementioned pipeline/s only and not to any current SASOL spurline that may be connected thereto. Any categorisation or classification of SASOL's existing pipelines referred to in clause 7.2 above that may be necessary for this Agreement shall be only for the purpose of this Agreement and shall not set a precedent for the classification of these pipelines for any other purpose either during or after expiry of this Agreement. For the purposes of this clause 7.4 "current SASOL spurline" includes those spurlines reflected in SASOL's 5 year expansion plans contemplated in clause 5.1.

## **8 PRICING TO CUSTOMERS**

8.1 The average gas price to External Customers will be subject to a Price Cap.

### **8.2 Price capping mechanism**

#### **8.2.1 Countries**

The following countries will be used to establish the Price Cap: Netherlands, Italy, France, Germany, Spain and Belgium.

#### **8.2.2 Data sources**

The gas price data published for Energy Advice by the World Gas Intelligence report (WGI), Oil Price Assessment Limited's (OPAL) Energy Pricewatch and Eurostat will be used to establish the Price Cap. All prices will exclude taxes and Government imposts.

<b>Specific volume category</b>	<b>Publication</b>
100 000 cubic meters per year (3 770 Gigajoules per annum)	World Gas Intelligence (WGI)
1 million cubic meters per year (37 700 Gig Joules per annum)	World Gas Intelligence (WGI)
35 million kilo Watt hours per year (125 900 Gigajoules per annum)	Oil Price Assessment Ltd (OPAL)
10 million cubic meters per year (377 000 Gigajoules per annum)	World Gas Intelligence (WGI)
50 million cubic meters per year (1 885 000 Gigajoules per annum)	World Gas Intelligence (WGI)
Additional volumes (1 885 000 Gigajoules per annum)	World Gas Intelligence (WGI)

### 8.2.3 Calculation

All prices will be smoothed by means of a 12-month rolling average i.e. the rolling average price for a particular month will be the monthly average of that month and the 11 preceding months.

A single European Benchmark Price (EBP) weighting the above relevant rolling average European prices according to SASOL's market volume profile will be calculated for each Year as follows:

- (a) SASOL's External Customers will be ranked and numbered by order of gas consumption for each Year, from the smallest to the largest.
- (b) The cumulative average gas consumption per External Customer for the Year (i.e. cumulative consumption divided by cumulative number of External Customers) will be calculated beginning with the smallest External Customer.
- (c) The cumulative average gas consumption per External Customer for the Year will be matched exactly to the first European specific volume (3 770 Gigajoules per annum) and any excess volume from the last (i.e. largest) External Customer in this category will be carried over to the next category.
- (d) The total gas consumption for all SASOL External Customers in this category will be multiplied by the equivalent European specific volume rolling average price for the 6 countries contemplated in clause 8.2.1 for the Year to obtain the turnover for this category.
- (e) For the next category (37 700 Gigajoules per annum) the cumulative average gas consumption per External Customer for the Year will begin with the volume carried over from the last External Customer in the 3 770 Gigajoules per annum category (paragraph (c)).
- (f) The cumulative average gas consumption per External Customer for the Year will be matched exactly to the European specific volume (37 700 Gigajoules per annum) and any excess volume from the last (i.e. largest) External Customer in this category will be carried over to the next category.
- (g) Once again the total gas consumption for all SASOL External Customers in this category will be multiplied by the equivalent European specific volume rolling average price for the 6 countries contemplated in clause 8.2.1 for the Year to obtain the price volume product for this category.
- (h) The price volume product will be calculated similarly for all the other categories except for the 1 885 000 Gigajoules per annum category.
- (i) For the 1 885 000 Gigajoules per annum category, all the remaining External Customers consuming less than 10 million Gigajoules per annum will be included, even though the cumulative average per External Customer per Year would exceed 1 885 000 Gigajoules per annum. The final cumulative volume for this category will then be multiplied by the European specific volume price for 1 885 000 Gigajoules

per annum for the 6 countries for the Year to obtain the price volume product for this category.

- (j) The total of the price volume products for all the categories will then be divided by the total volume for the Year for all the categories to obtain the EBP.

The SVWAGP will be calculated for the Year by dividing total income from the sale of piped gas by the total volume of sales of piped gas to External Customers, excluding customers consuming more than 10 million Gigajoules per annum.

The EBP will then be converted into Rands at the average of the daily exchange rates for the Year as obtained from the Business Day, the South African national morning newspaper, and quoted as being the closing South African Rand exchange rate against the US Dollar, that reflects the value of the last currency transaction that was completed on the previous trading day.

If the Business Day is not available for any reason whatsoever or ceases to publish the above mentioned exchange rate, the parties shall in good faith agree on an alternative mechanism.

#### 8.2.4 Slate mechanism

At the end of each Year:

- If the average SVWAGP for the Year is below the average EBP for the Year then there will be no mandatory refund in terms of the Price Cap mechanism.
- If the average SVWAGP for the Year is above the average EBP for the Year then SASOL will refund the over-recovery equitably to its External Customers in proportion to the amount paid for gas during the Year.

#### 8.3 Basis for pricing

The basis for pricing within the constraints of the Price Cap will be Market Value Pricing.

#### 8.4 Commencement date

The application of the Price Cap will commence one Year after First Gas.

### 9 PRICES TO DISTRIBUTORS AND RETICULATORS

SASOL will negotiate the price of gas with all distributors and reticulators on an individual basis, but subject to the maximum price levels shown in the following table. However, prices for distributors and reticulators purchasing quantities in excess of ten (10) million Gigajoules per annum will not be subject to a maximum price level.

Volume Category Gigajoules per annum.	Maximum price level
0 – 500 000	Resellers' Reference Price × 1.5
500 001 – 1 000 000	Resellers' Reference Price × 1.25
1 000 001 – 2 000 000	Resellers' Reference Price × 1.10
2 000 001 – 3 000 000	Resellers' Reference Price
3 000 001 – 4 000 000	Resellers' Reference Price × 0.9
4 000 001 – 5 000 000	Resellers' Reference Price × 0.88
5 000 001 – 10 000 000	Resellers' Reference Price × 0.83
>10 000 000	Not applicable

The Resellers' Reference Price is R20,50/Gigajoule for the year 2000 and will escalate once per annum on 1 January of each year, commencing on 1 January 2001, as follows:

- a. 50% with the Production Price Index (PPI) as published by Statistics South Africa (Table 1.1 – for consumption of all groups in South Africa).
- b. 50% with monthly average price of the daily mean of high and low high sulphur fuel oil (HSFO) 180 centi Stokes (cSt) as quoted on the Singapore spot market and reported by Platts Global Alert.

This formula is applied as follows:

$$PR_i = (PR_{(i-1)} \times PPI_i \times 0.50) + (PR_{(i-1)} \times HSFO_i \times 0.50)$$

Unless  $HSFO_i = 0$ , then

$$PR_i = PR_{(i-1)} \times \left[ 1 + \left[ \frac{\sum_{n=1}^{12} PPI_n}{12 \times 100} \times 0.50 \right] \right]$$

Where:

$PR_i$  = The new gas price for the relevant year.

$PR_{(i-1)}$  = The gas price for the preceding year.

$$PPI_i = 1 + \frac{\sum_{n=1}^{12} PPI_n}{12 \times 100}$$

$PPI_n$  = Full Production Price Index Percentage Variation on an actual basis as published by Statistics South Africa (Table 1.1 – for consumption of all groups in South Africa) for the months December (month 1) to November (month 12) respectively, immediately preceding the applicable adjustment date.

$$HSFO_i = \frac{\sum_{n=1}^{12} HFO_{i-1}}{\sum_{n=1}^{12} HFO_{i-2}}$$

$HSFO_{i-1}$  = Monthly average of the daily mean of high and low HSFO 180 cSt as quoted on the Singapore spot market and reported by Platts Global Alert expressed in South African Rand per kilolitre for the months December (month 1) to November (month 12) respectively, immediately preceding the applicable adjustment date.

For the purpose of computing in any Accounting Month the RSA Rand equivalent, the rate of exchange to be used shall mean the average of the closing rate of exchange between South African Rand and United State's Dollar as quoted on the first three Tuesdays (or if a Tuesday is a public holiday, then on the first business day preceding that Tuesday in question) of each calendar month, as published by the daily newspaper, Business Day, on the Wednesday following the Tuesday in question. The Business Day

being the South African national morning newspaper, and the exchange rate quoted as being the closing South African Rand exchange rate against the US Dollar, that reflects the value of the last currency transaction that was completed on the previous trading day. (Should this information no longer be available from Business Day, a suitable alternative source of public information will be used.) Furthermore "Barrel" as per Platts Global Alert shall mean a unit of 159 litres.

HSFO<sub>i-2</sub> = As defined for HSFO<sub>i-1</sub>, but for the previous year.

If the Full Production Price Index is no longer published, then an index shall be determined in writing by the Regulator within 30 (thirty) days of the publication ceasing, which index shall be as close as possible in type and use to the Full Production Price Index to be replaced with such adjustments only thereto as may be necessary to reflect more closely the movements thereof. The Full Production Price Index shall always be the index calculated on the 1995 base year, and accordingly, should the base year of the index be changed at any time during the currency of this Agreement, the conversion factor published by Statistics South Africa shall be used to calculate the index based on the 1995 base year.

At the date of signature of this Agreement SASOL is supplying gas to only one Reseller. Should SASOL at any time grant to such Reseller a more favourable price or price adjustment formula than the one set out above, then such more favourable price or price adjustment formula shall, from the date that it is applicable to such Reseller, replace the above price and/or price adjustment formula.

#### 10 PRICES TO GREENFIELDS CUSTOMERS (GAS VOLUMES PER GEOGRAPHICALLY SEPARATED SITES)

SASOL will negotiate the price of gas with Greenfields Customers on an individual basis, but subject to the maximum price levels shown in the following table.

QUANTITY GAS PURCHASED	PRICE
3 – 5 million Gigajoules per annum	Greenfields Reference Price
5 – 8 million Gigajoules per annum	Greenfields Reference Price less 5%
More than 8 million Gigajoules per annum	Customer may choose between securing own gas supply or Greenfields Reference Price less 7,5%

- The Greenfields Reference Price for the year 2000 is R23.11/ Gigajoule. This price will escalate annually on 1 September of each year, commencing on 1 September 2001 as follows:
  - a. 50% with the Production Price Index (PPI) as published by Statistics South Africa (Table 1.1 – for consumption of all groups in South Africa).
  - b. 35% with monthly average of the daily mean of high and low high HSFO 180 cSt as quoted on the Singapore spot market and reported by Platts Global Alert
  - c. 15% with SEIFSA Steel (all types) Price Index, Table E, as published by the Seifsa Economics Division
- The period used for indexation will be 1 July in each year to 30 June of the following year.

This formula is applied as follows:

$$PR_i = (PR_{(i-1)} \times PPI_i \times 0.50) + (PR_{(i-1)} \times HSFO_i \times 0.35) + (PR_{(i-1)} \times SSI \times 0.15)$$

Where:

$PR_i$  = The new gas price for the relevant year.

$PR_{(i-1)}$  = The gas price for the preceding year.

$$PPI_i = \frac{\sum_{n=1}^{12} PPI_n}{1 + \frac{\sum_{n=1}^{12} PPI_n}{12 \times 100}}$$

$PPI_n$  = Full Production Price Index Percentage Variation on an actual basis as published by Statistics South Africa (Table 1.1 – for consumption of all groups in South Africa) for the months August (month 1) to July (month 12) respectively, immediately preceding the applicable adjustment date.

$$HSFO_i = \frac{\sum_{n=1}^{12} HFO_{i-1}}{\sum_{n=1}^{12} HFO_{i-2}}$$

$HSFO_{i-1}$  = Monthly average of the daily mean of high and low HSFO 180 cSt as quoted on the Singapore spot market and reported by Platts Global Alert expressed in South African Rand/kilolitre for the months August (month 1) to July (month 12) respectively, immediately preceding the applicable adjustment date.

For the purpose of computing in any Accounting Month the RSA Rand equivalent, the rate of exchange to be used shall mean the average of the closing rate of exchange between South African Rand and United State's Dollar as quoted on the first three Tuesdays (or if a Tuesday is a public holiday, then on the first business day preceding that Tuesday in question) of each calendar month, as published by the daily newspaper, Business Day, on the Wednesday following the Tuesday in question. The Business Day being the South African national morning newspaper, and the exchange rate quoted as being the closing South African Rand exchange rate against the US Dollar, that reflects the value of the last currency transaction that was completed on the previous trading day. (Should this information no longer be available from Business Day, a suitable alternative source of public information will be used.) Furthermore "Barrel" as per Platts Global Alert shall mean a unit of 159 litres.

$HSFO_{i-2}$  = As defined for  $HSFO_{i-1}$ , but for the previous year.

$SSI_{i-1}$  = SEIFSA Steel (All types) Price Index, Table E, as published by the Seifsa Economics Division for the months July (month 1) to June (month 12) respectively, immediately preceding the applicable anniversary date.

$SSI_{i-2}$  = As defined for  $SSI_{i-1}$ , but for the previous year.

$$SSI_i = \frac{\sum_{n=1}^{12} SSI_{i-1}}{\sum_{n=1}^{12} SSI_{i-2}}$$

If the Full Production Price Index is no longer published, then an index shall be determined in writing by the Regulator within 30 (thirty) days of the publication ceasing, which index shall as close as possible in type and use to the Full Production Price Index to be replaced with such adjustments only thereto as may be necessary to reflect more closely the movements thereof. The Full Production Price Index shall always be the index calculated on the 1995 base year, and accordingly, should the base year of the index be changed at any time during the currency of this Agreement, the conversion factor published by Statistics South Africa shall be used to calculate the index based on the 1995 base year.

SASOL hereby confirms that the above Greenfields Reference Price and price adjustment formula is that applicable to its largest customer in the metal industry for gas supplied and delivered in the Gauteng province. It is recorded that the above price is, at the date of signature of this Agreement, still under review by SASOL and such customer and accordingly should SASOL and such customer agree to a different price for the year 2000, such different price shall constitute the Greenfields Reference Price for purpose of this clause. Should SASOL at any time grant to such customer a more favourable price or price adjustment formula than the one set out above, then such more favourable price or price adjustment formula shall, from the date that it is applicable to such customer, replace the above price and/or price adjustment formula.

#### 11. PRICES TO BROWNFIELDS CUSTOMERS

SASOL will negotiate the price of gas with Brownfields Customers on an individual basis, but additional quantities purchased after First Gas by Brownfields Customers purchasing a total of between two (2) and eight (8) million Gigajoules per annum will be subject to the maximum price levels shown in the following table, but only from the fifth anniversary of First Gas:

ADDITIONAL QUANTITIES PER ANNUM	DISCOUNT
Up to 20%	No discount
From 20 to 50%	5% discount on the relevant customer's then current contractual price
More than 50%	7,5% discount on the relevant customer's then current contractual price

#### 12. PRICES TO SMALL CUSTOMERS (GAS VOLUMES PER GEOGRAPHICALLY SEPARATED SITES)

SASOL will negotiate the price of gas with Small Customers on an individual basis, but subject from First Gas to the discounts shown in the following table:

<b>ANNUAL QUANTITY PURCHASED</b>	<b>DISCOUNT</b>
0 – 5 000 GJ/a	12% discount on the relevant customer's then prevailing market value price
5 000 – 15 000 GJ/a	6% discount on relevant customer's then prevailing market value price
15 000 – 40 000 GJ/a	4,5% discount on relevant customer's then prevailing market value price

### **13. PRICES TO RESIDENTIAL AND COTTAGE INDUSTRIES**

Notwithstanding the provisions of the Regulatory Agreement, the RSA and SASOL will negotiate in good faith a special gas price for piped gas sold to distributors outside of SASOL's licensed distribution areas and to reticulators for the purpose of on-selling such gas to Residential and Cottage Industry that consumes less than 90 Gigajoules each per annum in Government Backed Projects.

### **14. GENERAL PRICING PROVISIONS**

- 14.1 There will be transparency in the pricing of all SASOL's gas sales, to the extent necessary to enable the Gas Regulator to fulfil its functions as envisaged in this Agreement.
- 14.2 The foregoing pricing provisions will not preclude SASOL from increasing its prices to new customers, reticulators and distributors in order to recover capital if it is required to invest in the construction of long distance connections to supply such new customers, reticulators or distributors. The portion of the gas price required to recover the capital investment will be billed separately and will not be taken into consideration in calculating the SVWAGP.
- 14.3 75% of the transmission tariff payable to Petronet for transporting piped gas from Secunda through the Secunda – Empangeni - Durban transmission pipeline will be deducted from the prices payable by customers within KwaZulu-Natal for purpose of calculating the SVWAGP.
- 14.4 From First Gas, no gas user purchasing gas shall pay less than the Landed Price at Secunda, plus the cost of delivery from Secunda to that user. The Gas Regulator shall be responsible for monitoring compliance with this principle.
- 14.5 All prices referred to in this Agreement are exclusive of South African Value Added Tax.
- 14.6 Once the Gas Bill is promulgated and subject to the provisions of Section 34, Regulations will be published for public comment, incorporating *inter alia* the following principles that relate to Section 21(1)(p):-
- (a) a definition of classes of customers, which classes will be based on the volume of gas consumed;
  - (b) overall prices to allow a reasonable profit;
  - (c) maximum prices to be approved;
  - (d) prices for service elements other than the price of gas, will not be regulated unless there is a pattern of abuse; and
  - (e) associated costs of supplying the customer will be allowed according to Section 22 of the Gas Bill.

**15. REVIEW**

- 15.1 SASOL will use its reasonable endeavours to satisfy any increase in the market demand for piped gas and will not cause prejudice to the growth of the piped gas market within South Africa, failing which the Gas Regulator will in good faith consider appropriate changes to the relevant licenses.
- 15.2 Should SASOL be unable to make a reasonable return on its investment as a result of the EBP reducing, the Gas Regulator will, in good faith, consider appropriate changes to the Price Cap mechanism.
- 15.3 The foregoing is not intended to interfere with SASOL's normal way of doing business, i.e. to grow the market, to optimise profits and to conduct business under normal business practices. It will also not be used to overcome bad management practices or to stifle good management efforts.

**16 GENERAL**

- 16.1 SASOL will be permitted to conclude all gas sales agreements with its customers on the basis of a separate, independent contract for each geographically separated Site.
- 16.2 New transmission pipelines which are not referred to in clause 7 above are excluded from the provisions of this Agreement, provided, however, that if such new pipelines make use of the pipeline network referred to in clause 7.2, then such pipelines will be subject to the terms of this Agreement.
- 16.3 Parties that make use of or source their gas through the pipeline network referred to in clause 7.2 will be subject to the terms of this Agreement.
- 16.4 Matters not specifically provided for in the Agreement will, to the extent that they are not inconsistent with, or have not been amended by, the contents hereof, be governed by the Gas Act (when promulgated).
- 16.5 The Gas Regulator will be responsible for the administration of this Agreement.
- 16.6 Except for the obligations imposed on SASOL in terms of clause 6 to supply reticulators with gas and the obligation imposed on SASOL in terms of clause 9 to grant reticulators special prices, this Agreement does not apply to the reticulation of gas, which is undertaken within the area of jurisdiction of any local government.

**17. PERIOD OF OPERATION**

The provisions of this Agreement will come into effect on the date of signature thereof and shall be valid up to a maximum of ten years after First Gas (as set out in Clause 3), except Clause 4 which shall be valid for twenty five years after First Gas, provided that First Gas occurs before the end of 2004, failing which, except for delays caused by *vis major*, the whole of this Agreement shall become null and void: Provided that in such event all licenses issued in accordance with this Agreement shall continue to be valid, but shall be subject to such conditions as the Gas Regulator may impose and which are relevant and necessary in accordance with the Gas Act.

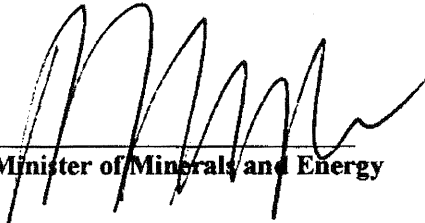
**18. SAVING CLAUSE**


The parties agree that neither will have any claim for specific performance or damages of any kind against the other should the circumstances set out in clause 17 arise or should the Gas Act, for whatever reason, not bind the Gas Regulator to the terms of this Agreement. Provided that the parties shall endeavour to keep to the provisions of this Agreement as far as legally possible in the event that the Gas Act does not bind the Gas Regulator to the terms of this Agreement.

**19 JURISDICTION**

It is the intention of the RSA that this Agreement will be regulated by the Gas Regulator and to this end the RSA will use its best endeavours to ensure that the Gas Regulator shall as soon as is practicable after its appointment, and after section 36 of the Gas Act has come into effect, enter into an agreement with the Competition Commission as contemplated in sections 3(1A), 21(h), 82(1) and 82(2) of the Competition Act, 1998 (Act No. 89 of 1998), as amended. In concluding such agreement with the Competition Commission, the Gas Regulator shall use its best endeavours to give due emphasis to the provisions of this Agreement.

Signed at Cape Town..... this 26<sup>th</sup> day of September..... 2001

  
Minister of Minerals and Energy

  
Minister of Trade and Industry

Signed at Cape Town..... this 26<sup>th</sup> day of September..... 2001 for and on behalf of SASOL Ltd. by an Executive Director, he being duly authorised thereto.

  
SASOL Ltd Executive Director

# APPENDIX 1

