



PetroSA

**PRESENTATION TO
PORTFOLIO COMMITTEE ON MINERALS
AND ENERGY**

1st SEPTEMBER 2006



The Petroleum Refining and Distribution Company of South Africa (Pty) Ltd. Reg. No. 1975/001/01



PetroSA

AGENDA

1. BACKGROUND
2. BEE STRATEGY
3. BEE OBJECTIVES
4. BEE PERFORMANCE
 - Overview
 - CSI
 - Human Development
5. OPERATIONS AND TRADE, SUPPLY AND LOGISTICS
6. CHALLENGES
7. INTERVENTIONS
8. CONCLUSION



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1. Background

1.1. Purpose

- To drive transformation throughout the oil,gas,fuel and petrochemicals value chain in South Africa
- To champion and support Black Economic Empowerment
- To accelerate Employment Equity and capacity building in the Industry

1.2. Mandate

- To achieve transformation on a continuous basis

1.3. BEE Approach

- PetroSA regards BEE as a business imperative and a deliberate Socio-economic process or intervention strategy designed to redress the imbalances of the past and to facilitate the participation of Black people in the economy



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3. BEE Strategy

To pursue economic growth strategy through the seven black economic empowerment elements as informed by The Broad Based Black Economic Empowerment Act No 53 of 2003



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← objective include PSA



4. BEE Objectives

- Achieving Black (Including women) ownership to at least 25% in all operations of the liquid fuel and gas petrochemical
- Increase the number of black people, including woman, to have ownership and control of enterprises in the liquid fuel industry
- Focus on meaningful and relevant skills development
- Develop and increase black participation in the liquid fuel industry's supply chain
- Ensure CSI spend on sustainable projects and programmes



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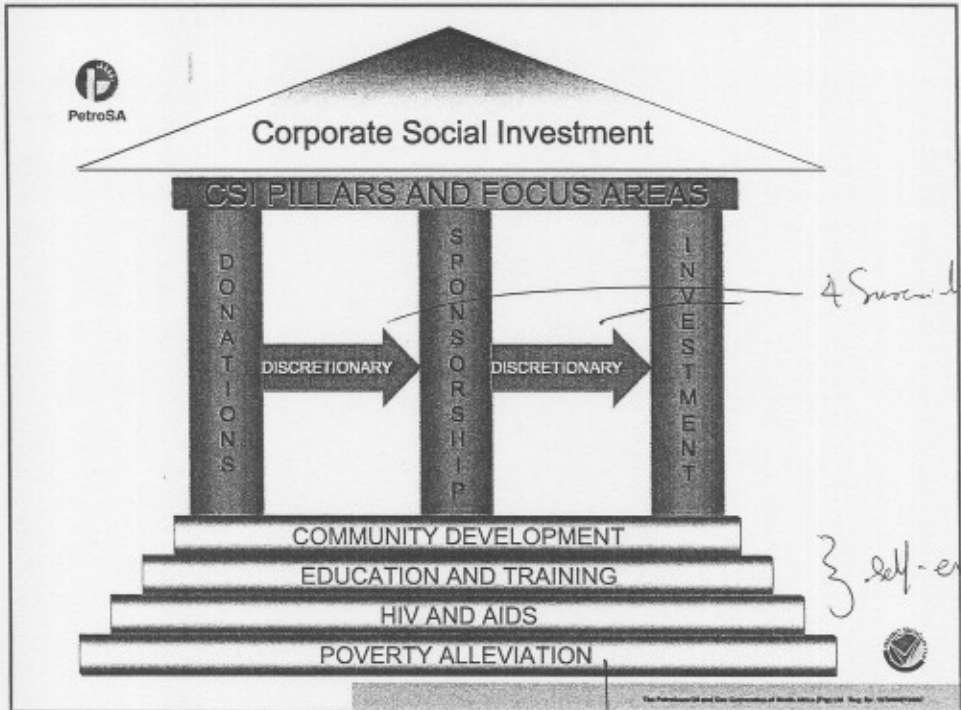


5. BEE Performance: 2005/06

BEE Element	PetroSA		DTI	Oil
	Target	Actuals	Generic Score Card	Industry Position
Equity ownership	25%	SOE EXEMPTED	25%	No Information Available
Management & control	80%	89%	50 + 1 Black Top Management	No Information Available
Employment equity	60:40	70:30	60%	53:47
Skills development	3%	5% of payroll	3% of payroll	2.05% of payroll
Preferential procurement	35%	40%	70%	2.4%
Supplier Development Programme - Enterprise Development	R10 Million	R10 Million	(2%) of EBITDA	-
Corporate Social Investment - Residual	R50 Million (3%)	R50.1 Million (3%)	3% of Net Profit	0.86% of Net Profit



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Progress on CSI

spent over R50 million on CSI

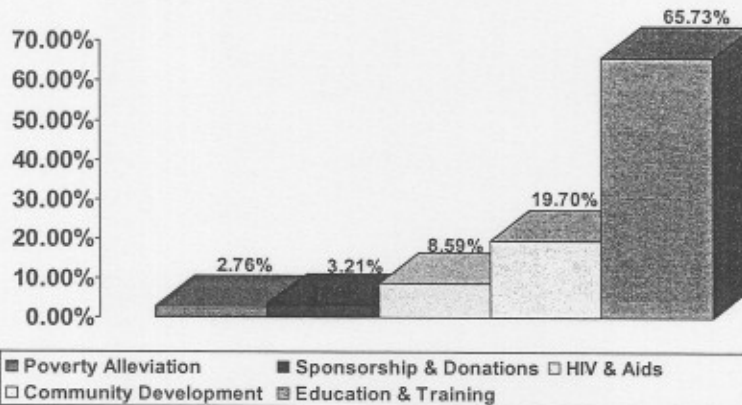
- Computer Science laboratory (Kwa-Nonqaba) – R3.8 million
- Furniture and equipment (32 Schools in Limpopo) – R12 million
- Teaching skills in Maths, science and technology (50 Schools) – R1.8 million
- Mankgaile primary school construction (Limpopo province) – R11.6 million
- Ablution facilities (6 schools across Cradock) – R3.1 million
- Mosselbay school (Mosselbay) – R13.8 million → full much by science lab.
- Pediatrician outpatient – HIV/AIDS (Kwazulu-Natal St Mary's hospital) – R4 million.

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Budget Breakdown 2006/07



■ Poverty Alleviation ■ Sponsorship & Donations □ HIV & Aids
□ Community Development ■ Education & Training



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PetroSA

Skills Development

Scholarships: External:

- 10 Students on Scholarships
 - 5 Female and 5 Male
 - Texas Tech University
 - petrochemical Engineering – 6
 - Houston University
 - Geophysics – 4

1166 people trained for:

- Supervisory
- Management Development
- Technical
- Other skills Programmes

NIPP Project

PetroSA has an agreement with Allseas and Subseas companies to train 45 employees on critical skills over three years as part of the two companies' fulfilling the National Industrial Participation Programme.



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Skills Development

Technical Skills Training

- COE Accredited Trade Testing Centre for the Western Cape Province
- Shutdown Network Forum R5,0M
- R60M Dept of Labour → in a loan, gets paid back a later.
- Training 3700 by 2010
- Current trainees 300
- Current training taking place: welding, electrical, mechanics etc
- Expanding COE to accommodate more trainees

Bursaries in disciplines – Students for the Previously disadvantaged in:

- Engineering;
- Geophysics;
- Geology;
- Marketing And Accounting.

Partnerships

PetroSA in conjunction with the University of Cape Town and Houston University, are establishing a Masters programme in Petrochemical Engineering and Geophysics.



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Skills Development

- 4 Employees – Msc Petroleum Engineering
Imperial College – UK

Sept 2005 – Oct 2006

- 2 Employees – Msc. Petroleum Engineering
- Herriot-Watt University – Scotland

Sept 2005 – October 2006

- Company Sponsorship – Vukani Training Institute
35 Matriculants recruited by Vukani
- Trained in basic Process control- Koeberg and PE – 1 year
 - 19 Placed in PetroSA, BlueWater & Orca Schlumberger for experiential learning
 - 10 Granted bursaries – study at Nelson Mandela University – Electr and Mech Eng
 - 6 Experiential Learning - Refinery

→ unemployed but want to get degrees.
} working w JEPSTA so work on this more



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Progress on Employment Equity

Occupational Levels	Male				Female				TOTAL	MP Ratio
	African	Coloured	Indian	White	African	Coloured	Indian	White		
Top Management	1	0	0	0	0	0	0	0	1	100:00
Senior management	9	1	2	7	2	0	0	0	21	90:10
Professionally qualified and experienced specialists and mid-management	94	44	15	191	34	8	7	14	317	80:20
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	103	213	13	250	49	53	4	60	735	79:21
Semi-skilled and discretionary decision making	65	123	1	11	30	28	0	5	272	73:27
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	270	381	21	269	124	89	11	69	1345	79:22
Non - permanent employees	108	89	2	27	54	22	1	6	309	73:27
TOTAL	378	470	23	296	178	111	12	75	1654	77:23

big challenge for recruitment for women in the mining



Supply Development Programme

Successes Achieved

- Five companies were identify for this programme ✓
- Developed 94 shareholders; (9% women)
from black-owned cos.
- Created 38 new jobs
- Provided services with minimum minor injuries and no disabling injuries (Turnarounds included)
- Demonstrated sustainability and profitability





Procurement

- Spend on BEE Suppliers for 2006 totaled R1,2 billion against a total of procurement expenditure of R3,1 billion ✓
- The company recorded a 40% spend on BEE enterprises during the 2006 financial year.



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6. Operations And Trade, Supply & Logistics

Operations Division:

BEE Highlights

- 2005-06 financial year BEE spent of R200 million at 28 % of total Operations procurement
- October 2006 Shutdown BEE spent – R 62 million (77% of awarded contracts value)
- 2006-2007 Operations BEE spent target – 40%



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6. Operations And Trade, Supply & Logistics

Operations Division: E & P

Spending Analysis 2005-06	Rm
White Owned	62
State Enterprises	72
Sole Source	1.2
Listed Companies	0.26
Government	0.27
Foreign	103
BEE	90
Total	328

BEE % = 27



→ what can't easily be served from within.



6. Operations And Trade, Supply & Logistics

Operations Division: GTL & R

Spending Analysis 2005-06	Rm
White Owned	72
State Enterprises	193
Sole Source	12
Listed Companies	3
Government	5
Foreign	8
BEE	110
Total	403

BEE % = 54



→ fairly much letter.



6. Operations And Trade, Supply & Logistics

Trade, Supply and Logistics Division:

BEE Activities in Trading YTD

- All Condensate purchased to date from BEE. ✓
- Out of 3 cargoes of crude oil, one was sold to BEE. (28% of R611 mil)
- Reformate has been purchased mainly from majors. (Approx. R431 mil) ✓
- Buying two import cargoes of Mogas and Diesel for the shutdown cover. BEE will be appointed to do the shipping ✓



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6. Operations And Trade, Supply & Logistics

Trade, Supply and Logistics Division:

BEE Trading Forecast

- Condensate Contract to BEE – from February 2006 to February 2007
– Value, Approx. R1.2 billion *was to spend this amount* } focus for this yr.
- Reformate – expect more BEE involvement but been experiencing challenges as a result of global shortages.
– Value, Approx. R358mil between Nov '06 to Mar '07 ✓
- Crude Oil Sales – expect more than 50% of sales to BEE



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6. Operations And Trade,Supply & Logistics

Trade,Supply and Logistics Division:

BEE Sales

	Volumes (tons)	Revenue (Rm)	Projected % of total production
Local Fuels	187	2.331	30%
Speciality Fuels	409	1.094	30%
TOTAL	596	3.426	



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6. Operations And Trade,Supply & Logistics

Trade,Supply and Logistics Division:

Key Success Factors

Accommodation ✓

BEE companies have to pick up products directly from Mosselbay. An accommodation agreement will allow the companies to pick up product at any major center in the country.

Credit

The cost of financing working capital for BEE companies is very high as they are seen as a high risk. A proposal has been put forward to enable the an extension of 30 days credit to BEE companies

Business Development ✓

PetroSA has committed to work with BEE companies to procure business. This involves joint presentations and discussions with prospective customers. This adds to the credibility of the BEE companies when they approach consumers

*working this out for BEE in 30 get credit
approved.*



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7. Challenges

1. At least meet 25% of BEE Equity Participation in our Projects, Partnerships and Joint Ventures
2. Although PetroSA has black majority Management and Control, we still have insufficient women we need to increase the number from 20%
3. Enterprise Development/Supplier Development/Preferential Procurement need more funding and entrepreneurial skills and development
4. Increase the BEE Spent to above 40% in the next financial years
5. Extreme shortage of technical skills, engineers, geologists;
6. Semi-monopoly of some services and goods that are sourced overseas and entailing substantial amount of funds

Stave and so don't have to meet 25%, but are still endeavoring to do

*from Employment Equity Act
add the pool of trained profs in country by other cos which change their m:w ratio for the worse.*



The Petroleum Bill and the Companies of South Africa (Pty) Ltd. Reg. No. 19399/13/07



8. Interventions

- Identify black owned & controlled enterprises to participate in our projects, partnerships and Joint Ventures
- Appoint talented black woman for senior managerial positions *→ for all in-field key positions*
- Develop black suppliers through SDP
- Working with our technology partner to identify and develop companies to supply professional and technical services on our GTL projects.



The Petroleum Bill and the Companies of South Africa (Pty) Ltd. Reg. No. 19399/13/07



9. Conclusion

Generally PetroSA performed better against both the set targets internally and the Petroleum Industry; however there are still challenges to comply with the Generic Scorecard targets in the area of Preferential Procurement, Equity Participation, Sufficient Women in Top Management and the Disabled People

- Indeed we are determined to reverse the areas of challenges identified above long before the ten (10) year period given by the Codes of Good Practice and the Broad Based Black Economic Empowerment Act no 53 of 2003



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Thank you & Questions



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