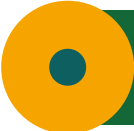


DEPARTMENT OF MINERAL AND PETROLEUM RESOURCES

DIRECTORATE: PETROLEUM COMPLIANCE & ENFORCEMENT



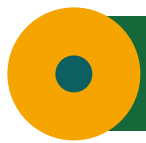
Presented by: Mr. Ngwako Kekana

25 JUNE 2025

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1. Petroleum Products Amendment Act, 2003 (“Act No. 58 of 2003”) (“the PPAA”)
2. Branch: Mineral & Petroleum Regulation Organogram
3. Mandate: Petroleum Compliance and Enforcement Directorate
 - 3.1 Section 12B arbitration
 - 3.2 Fuel Quality Monitoring Programme
 - 3.3 Dual operation
 - 3.4 Illegal LPG operations
4. Enforcement
5. Collaboration





- ❖ Provide for the **licensing of Manufacturers (refiners), Wholesalers and Retailers** of petroleum products.
- ❖ **Modernize** the outdated Petroleum Products Act No. 120 of 1977:
 - Amend, substitute or repeal obsolete provisions.
- ❖ **Prohibit certain actions** relating to petroleum products (Section 2A).
- ❖ Provide for **Appeals and Arbitration (Section 12B)**:
 - Balance of power between Retailers & Wholesalers.

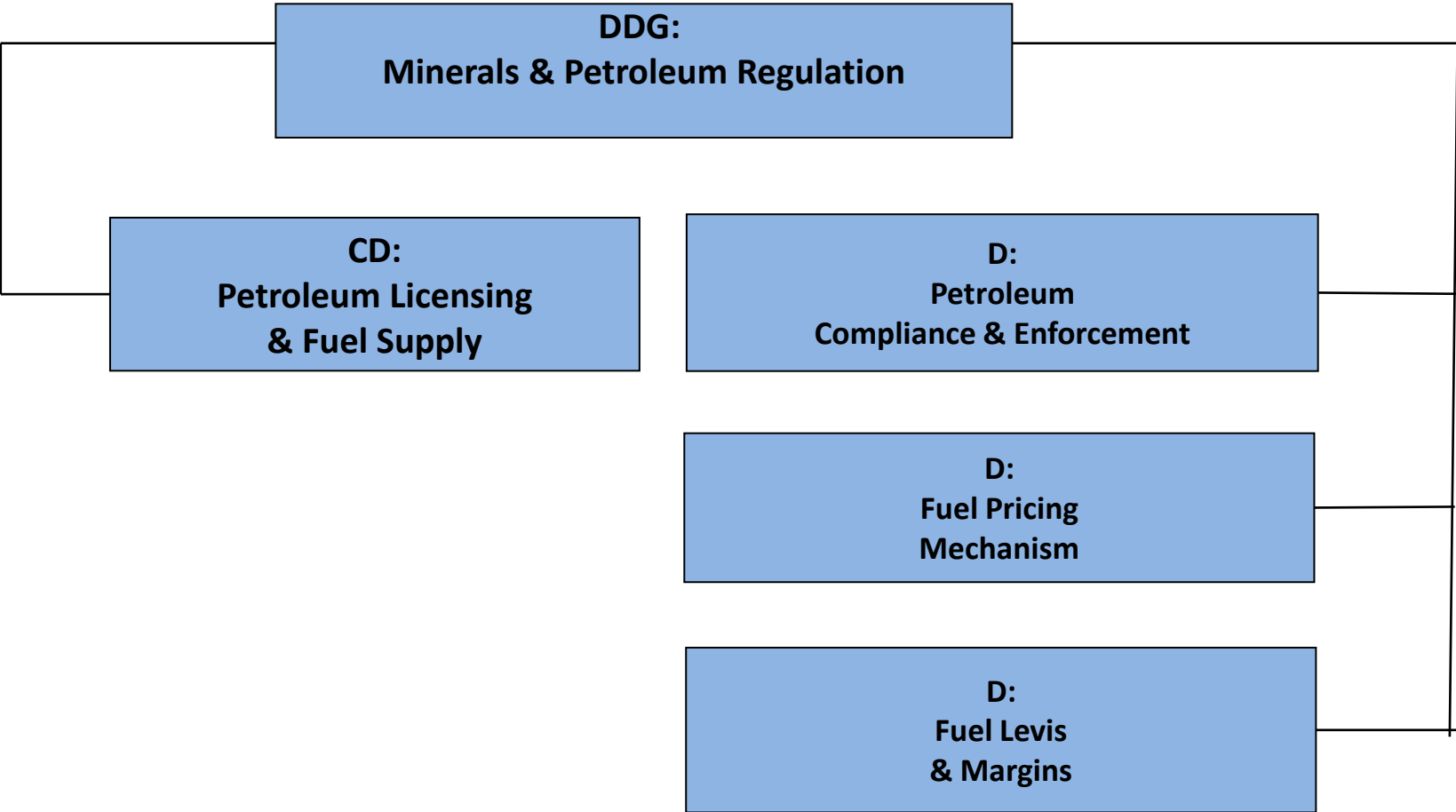


CONTI...

- ❖ Promote **Transformation** of petroleum and liquid fuels industry in RSA.
 - “Give effect” to the **Charter** through licensing.
- ❖ **Authorise the Minister** to make specific regulations
 - Thereby ensuring that governance of the liquid fuels sector is in line with Government’s policy objectives, Give effect to policy issues identified in the Energy White Paper and Allow for provision of information.



BRANCH ORGANOGRAM



MANDATE: PC&E

- ❖ Monitor and enforce compliance to **Legal, Economic and Technical (e.g Fuel Specifications and Standards) and Licence Conditions** as prescribed by the “the PPAA”.
- ❖ Applicable **secondary legislative framework**, but not limited to:
 - Site and Retail Regulations: R286
 - Wholesale Regulations: R287
 - Manufacturing Regulations: R288
 - Fuel Specifications and Standards: R627
 - Usage of Payment Cards: R731



- ❖ Process: **Arbitration, PAIA, and PAJA requests, action Controller's instructions, process Notices of Motion (e.g High Court applications),** provide legal support to Controller's office and manage enforcement activities.
- ❖ Conduct **Scheduled and Random Retail and Wholesale site inspections,** attend to petroleum related **compliance complaints,** monitor licence conditions, issue enforcement notices and **conduct fuel sampling and testing to monitor fuel quality.**
- ❖ Conduct **stakeholder engagements and management** in the sector.



Legislative Appointments: Controller of Petroleum Products & Inspectors

- ❖ **Controller of Petroleum Products and Inspectors** are appointed in terms of **section 3 (1)** of the PPAA and the Public Service Act as amended.
- ❖ Controller and Inspectors are appointed **to assist Minister to administer the PPAA and Regulations** made there under for orderly development of the sector and economic investment.
- ❖ An Inspector from DMPR may at any time, visit your operating business premises to collect product samples and to verify compliance with licence conditions, regulations pertaining to product specifications and standards, and any other regulatory requirement.



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IMPORTANT SITE AND RETAIL LICENCE CONDITIONS

❖ A licensed retailer must:

- Retail from the site specified on the licence
- Purchase petroleum products from a licensed Wholesaler or a licensed Manufacturer
- Inform the Controller of any changes, i.e., address or telephone number within 30 days of the change
- Pay annual license fee
- Submit annual information at the regional office
- **Allow any person authorised by the Controller access to the relevant site for inspection**
- Display both retail and site licences on site



❖ A person may not –

- Manufacture petroleum products without a Manufacturing licence
- Wholesale petroleum products without an applicable licence
- Hold or develop a site without there being a site licence for that site and
- Retail petroleum products without a retail licence

❖ Any licence issued by the Controller –

- Remains the property of the Department of Energy
- May be cancelled or suspended at any time subject to the provision of the Act
- May not be tampered with or defaced in any manner
- May not be altered in any manner



TYPES OF PREVALENT NON-COMPLIANCE CASES

- ❖ Operating without requisite licence
- ❖ Over/ undercharging of petrol prices (e.g price change periods)
- ❖ Conditional selling (e.g offering reward)
- ❖ Pump labelling
- ❖ Cards payment display
- ❖ Licence display
- ❖ Wholesaling and Retailing (i.e. prohibited)
- ❖ Submission of annual information and payment of annual fees



Section 12B of the PPAA (Arbitration): Dispute resolution mechanism –

- ❖ Section 12B (1): Request by licensed retailer or wholesale alleging unfair or unreasonable contractual practices.
- ❖ Section 12B (2): Must be heard by an Arbitrator chosen by the parties in accordance with the rules agreed by the parties.
- ❖ Section 12B(3):
 - If no agreement by the parties:
 - Controller must recommend an Arbitrator
 - Arbitrator must determine applicable rules



SECTION 12B ARBITRATION CONTINUE CONTI...

TYPES OF **ARBITRATION** REQUESTS BUT NOT LIMITED TO

- ❖ **Non-renewal of lease agreement (e.g Land)**
- ❖ Unilateral and / or premature cancellation of Franchise Agreements
- ❖ Unfair or onerous contractual clauses (e.g draconian contracts)
- ❖ Late deliveries of petroleum products (e.g price change)
- ❖ Failure to maintain site and equipment
- ❖ Tempering of fuel meters
- ❖ **Irregularities with fuel accounts**
- ❖ Irregular breach of Franchise Agreements
- ❖ **Sale of foreign product on site**



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FUEL QUALITY MONITORING CONTI...

Mandate: Regulations Regarding Fuel Specifications and standards No. R 627 of 2006: Properties tested in fuel: Diesel & Petrol

- ❖ **Petrol test:** appearance, octane, aromatics content, benzene, manganese (metal content) and **sulphur content**.
- ❖ **Diesel test:** appearance, CFPP (cold filter plugging point), **sulphur content**, total contamination and water, and **A1 marker (Paraffin tracer)**.
- ❖ Results of analytical testing are compared against prescribed fuel parameters as per Regulations.



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FUEL QUALITY MONITORING CONTI...

- ❖ Fuel samples are collected by service provider accompanied by DMPR Inspectors.



FUEL QUALITY MONITORING CONTI....



- ❖ 80% failures are established at provinces bordering along neighbouring countries, e.g **Limpopo, North West, Free State, KZN Mpumalanga including Gauteng.**
- ❖ Failures are on; **RON, MON, Appearance, Sulphur Content and Water Content, A1 Marker** for diesel and petrol respectively.



FUEL QUALITY MONITORING CONTI....

GOVERNMENT'S PERSPECTIVE

- ❖ **Compliance with Law:** driving all stakeholders (storage facilities, transporters, fuel retail stations, etc) to comply with local standards and avoid product contamination throughout the fuel supply chain.
- ❖ **Market cultivation:** to encourage oil marketers and fuel retail station dealers to adopt a preventive approach to avoid fuel contamination risks.
- ❖ **Quality Assurance:** ensuring that fuel distributed through petrol stations meet the required quality standards.

BENEFITS FOR CONSUMERS

- ❖ **Value for money:** price difference between RON 95 and RON 93
- ❖ **Environment:** reduction of carbon footprint and air quality
- ❖ **Economic benefits:** vehicle efficiency, vehicle maintenance and assembly of new engine technologies in the country



- ❖ Section 2A (5) of the PPAA prohibits wholesaling and retailing.
- ❖ A wholesale licence is targeted by applicants mainly for fuel supply tendering/ contract purposes.
- ❖ If contract is not secured, a wholesale licence is either leased/ rented to third party for use (e.g at a fee), (i.e. licence not transferrable).
- ❖ Alternatively, depot is erected for bulk supply of diesel which includes selling to third parties who alleges “use for own consumption”.
- ❖ Regulation 12(3)(a) requires licensed wholesaler to obtain an undertaking from alleged consumer that petroleum products is bought for own consumption.
- ❖ Shortcoming by Regulation 12(3)(a) created opportunity for taxi associations and other vehicle fleet owners to allege bulk purchase.



1. With an est. 565,000MT/year, (2023 – unofficial SARS/DMRE data) approx. 11% growth from 2021.
 - Residential market is estimated at 50-60%.
 - Concerns about the data submitted.
 - More work still need to be done to determine the true size of the market.
4. Refinery production Sasol Secunda & Astron Energy.
5. LPG imports now account for over 80% and increasing.
6. The import terminals in **Saldanha, PE and Richards Bay**.
 - Witnessing some trucks deliveries via Komatipoort.
7. Cylinders imports increased: SARS imports data indicates over 55% increase between 2016-2023.
 - Concerns over the unpermitted cylinders imports.



ILLEGAL LPG OPERATIONS CONTI..

POLICY ISSUES

1. Key blocker to LPG growth remains – **LPG infrastructure development, pricing framework, cylinder management and compliance monitoring and enforcement**

Infrastructure Requirements

- Additional import terminals (avoid concentration) and storage capacity
- Railway as primary transportation from supply points

LPG Pricing

- MRGP structure is misaligned with imports parity, mainly freight.
- MRP, required a stable margins methodology, the current structure does not adequately reflect actual cost.
- VAT removal on LPG to make it affordable to consumers.



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ILLEGAL LPG OPERATIONS CONTI..

CYLINDER MANAGEMENT

1. Illegal filling of commercially branded LPG cylinders
2. Market capture of branded cylinders
3. Under/over-filling of cylinders
4. Increasing reports of LPG specification tempering
5. Over-charging and VAT avoidance (diesel adulteration)

LPG health and safety on LPG is mainly regulated through Department of Labour under Occupation Health and Safety Act as amended, read with Pressure Equipment Regulations.

Current legislative framework administered by DMPR only provides mandate for regulation of gas prices. However, DMPR is in ongoing engagements with relevant LPG stakeholders to work together on identified challenges with aim to realize objectives made in LPG Roll-Out Strategy (2022).



ENFORCEMENT: PPAA

- ❖ Enforcement in terms of the PPA and the Regulations is **premised on a remedial principle** i.e. **offender** is afforded an opportunity to correct and comply before enforcement.
- ❖ **Section 2A (2)(A)** – (illegal operation – e.g operating without licence)
- ❖ **Section 2A (3)** – (licensed operation)
- ❖ **Section 12 (1) (Penalties)** – R 1000 000, 00, or to **imprisonment for a period not exceeding 10 years**, or to both such fine and such imprisonment:



INTERVENTIONS/ COLLABORATION

INTERVENTION(S) AND COLLABORATION

1. PPA Review (Draft Bill in place)
2. SAPS
3. SARS
4. National Energy Regulator of South Africa (NERSA)
5. Transnet
6. National Consumer Commission (NCC)
7. Stakeholder participation
8. National Regulator for Compulsory Specifications (NRCS)





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