

DEPARTMENT OF MINERAL RESOURCES AND ENERGY

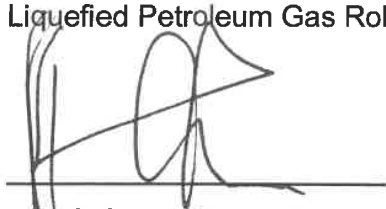
NO. R. 2080

13 May 2022

PETROLEUM PRODUCTS ACT, 1977

LIQUEFIED PETROLEUM GAS ROLLOUT STRATEGY

I, Samson Gwede Mantashe, the Minister of Mineral Resources and Energy, publish the Liquefied Petroleum Gas Rollout Strategy.

A handwritten signature in black ink, appearing to read 'S.G. Mantashe', is written over a horizontal line. The signature is stylized and somewhat abstract.

MR. S.G. MANTASHE

MINISTER OF MINERAL RESOURCES AND ENERGY



mineral resources
& energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

SOUTH AFRICAN LIQUEFIED PETROLEUM GAS (LPG) ROLLOUT STRATEGY

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1. EXECUTIVE SUMMARY

Government, through the Department of Mineral Resources and Energy (DMRE), is responsible for ensuring energy security. This entails ensuring that diverse energy resources, in sustainable quantities and at affordable prices, are available to the South African economy in support of economic growth and poverty alleviation, taking into account environment management requirements and interactions among economic sectors. Power shortfalls in recent years have also emphasised the need for South Africa (SA) to diversify its energy mix and, in so doing reduce heavy dependence on electricity especially for cooking and space heating. The LPG industry in South Africa can provide a quick and effective solution to household's thermal requirements. However, for this industry to provide such a solution there needs to be changes in the current LPG industry structure and/ or value chain to introduce elements of effective value-add throughout production, importation, distribution, wholesaling and retailing.

The LPG Rollout Strategy therefore provides a framework for the expansion of the use of Liquefied Petroleum Gas (LPG) in South Africa (SA) with special emphasis on the household sector. It also seeks to ensure optimal contribution of LPG in addressing the country's electricity and other energy supply challenges. The Department of Mineral Resources and Energy has identified a number of challenges in the development of the LPG market in the country; some of which are currently being addressed. These challenges include amongst others the following:

- Structural features of the market
- LPG infrastructure
- LPG pricing framework
- Cylinder management
- Negative perception about LPG
- Compliance, Monitoring and Enforcement

2. STRUCTURAL FEATURES OF THE LPG MARKET

Generally, the biggest challenge in the oil and gas industry of which LPG is part, is the lack of meaningful transformation. The LPG sector is characterized by the dominance of the market by a few wholesalers which have historical supply relationships with the local refineries¹. This has the effect of creating barriers to entry by small players especially black ones in the industry. These wholesalers collectively account for more than 90 percent of the wholesale market. Therefore, entry to the LPG supply chain becomes impossible and costly for new entrants resulting in lack of competition and higher prices.

Furthermore, to address the issue of transformation within the LPG sector, the Department is in the process of reviewing the Petroleum and Liquid Fuels Sector Charter. In this regard, the Petroleum and Liquid Fuels Sector Charter Council will be established. The latter will serve as a compliance, monitoring and enforcement mechanism for the implementation of B-BBEE aligned Sector Codes. In considering license applications, the Controller of petroleum products shall promote and advance black people as defined in the B-BBEE Act. The Department will therefore use this instrument to effect transformation.

3. LPG INFRASTRUCTURE

There has been limited LPG infrastructure; ranging from import facilities to storage facilities resulting in inadequate supply of LPG. Infrastructure and logistical issues have an immense impact on the wholesaling and retailing of LPG in the country. Before the commissioning of the mounded liquefied petroleum gas storage facility in Richards Bay by Bidvest Tank Terminals and Petredec on 29 October 2020, South Africa did not have a storage facility capable to fully load a Very Large Gas Carrier (VLGC). consequently, only small cargo vessels were accommodated at the South African ports resulting in less-economic domestic delivery of LPG. Due to inadequate local production of LPG, the shortfall has been met by imports. However, the imports of LPG have also been limited by the lack of adequate importation and storage infrastructure. The 22600 metric tonnes LPG import facility in Richards Bay has

¹ <https://www.compcom.co.za/lpg-inquiry/>