

# Transforming the fuel sector of South Africa

By [Karen Keylock](#)

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Past practices in South Africa have resulted in excessive concentrations of ownership and control within the economy, and since our first democratic elections in 1994, it has been an imperative to transform the South African economy to promote equal opportunity.



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The South African fuel industry must meet significant transformation objectives within the next five years – not only to ensure basic compliance with the government's expectations in terms of the Fuel Liquid Charter, but also to ensure a sustainable industry.

Like most other countries, the fuel industry in South Africa is considered to be of strategic importance to ensure energy security and economic growth. According to the South African Petroleum Industry Association, the fuel subsector contributes about 8% to the country's gross domestic product, which is approximately R300bn in production output. There are about 5,000 petrol stations across all brands, creating over 700,000 direct and indirect job opportunities that make up 5% of total formal employment in South Africa.

## Policy and legislative reforms

The government has introduced several policy and legislative reforms in its efforts to help with this transformation: the Black Economic Empowerment and the Petroleum Products Acts, which promote the participation of Black people in the South African economy; and the Competition Act that, among other things, promotes a greater spread of ownership, particularly an increase in the

ownership stake of historically disadvantaged South Africans. The government has also concluded agreements with certain industries and developed charters in terms of which industry participants and the government agree to certain transformation goals, while passed industry-specific legislation also promotes the transformation of the fuel industry.

Although the liquid-fuel industry is highly regulated with government dictating the petrol price, Black entrepreneurs still face challenges such as access to infrastructure, finance, and markets. It is important to shape transformation in a holistic manner and to encourage greater market integration, removing obstacles that retard competition and entry into the industry orderly, but swiftly. Businesses are faced with the realisation that transformation is more than just a compliance exercise. They must now also look at ways to add sustainable value to the lives of historically disadvantaged South Africans through empowerment initiatives.



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## Promoting greater industry responsibility

Ultimately, to achieve greater economic equality, key players in the industry must promote greater responsibility towards economic, political, and social objectives, driven by progressive, principled thought and positions. Our partnerships with various oil companies, new entrants and Black-owned, have helped advance and enable transformation in this industry. We

have engaged with them to collaborate on which funding structure is most viable and beneficial for new entrants, and the flagship fuel-franchising partnership with PetroConnect, which was co-founded by Mark Harper and Sbonelo Mbatha, has demonstrated the willingness and ability to address challenges in relation to sustainability, ownership, and transformation within the energy sector.

Our role is to help all players in the industry to transform, focusing on those who are serious about achieving their transformation goals.

But the impact of transformation within the fuel industry has been slow. There are still very few Black entrants who struggle to increase their market share. There are also limited measures imposed by the government to ensure and enforce compliance with its policy considerations and transformation requirements. However, transformation is an ongoing process. The challenge of implementing transformation must be managed continuously to ensure the development of a robust and economically sustainable sector. We need solutions that keep up with the pace of transformation to help companies implement transformation policies effectively through appropriate strategies, programmes, and actions. Communication and consultation with all role players will foster a supportive culture of cooperation and understanding.

## ABOUT THE AUTHOR

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