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GENERAL NOTICE

NOTICE 844 OF 2003

DEPARTMENT OF MINERALS AND ENERGY

PUBLICATION OF EXPLANATORY SUMMARY OF THE PETROLEUM PIPELINES BILL

The Minister of Minerals and Energy intends introducing the Petroleum Pipelines Bill in the National Assembly in March 2003. The Explanatory Summary of the Bill is hereby published in accordance with Rule 241(c) of the Rules of the National Assembly.

The Bill provides for :

- The establishment of a Petroleum Pipelines Regulator, *inter alia*:
 - powers, duties and functions of the Regulator;
 - constitution of the Regulator;
 - staffing and functioning of the Regulator; and
 - funding of, accounting by and reporting by the Regulator.
- The requirement for licensing or registration in respect of the construction, operation and the provision of prescribed commercial services in relation to a crude oil pipeline, petroleum product pipeline or an off-leading facility.
- The process of licensing or registrations and the condition of license.

MEMORANDUM ON THE OBJECTS OF THE PETROLEUM PIPELINES BILL.

1. BACKGROUND

A network of pipelines is used to transport crude oil and petroleum products between the port of Durban, the Durban refineries, the crude and synthetic fuels refineries in Gauteng and Mpumalanga and between depots.

The petroleum industry and markets is highly dependent on this network. The pipeline network is thus of strategic importance to the economy as the economy depends on the stable supply of liquid fuels and hence the ongoing effective operation of the petroleum pipeline and storage infrastructure.

To date, the state has managed the operation of much of the pipeline network. It has now become a possibility that parties other than National Government may become active in the ownership and operation of petroleum pipelines. It is therefore incumbent on Government to introduce regulatory measures to ensure the efficient operation of the pipelines network and the orderly development of the network in future.

To respond to the need for regulatory intervention, a Petroleum Pipelines Bill has been drafted. The main features of the Bill are the following:

- The establishment of a Petroleum Pipeline Regulator -
 - powers, duties and functions of the Regulator;
 - constitution of the Regulator;
 - staffing and functioning of the Regulator; and
 - funding of, accounting by and reporting by the Regulator.
- The requirement for licensing or registration in respect of the construction, operation and the provision of prescribed commercial services in relation to a crude oil pipeline, petroleum product pipeline or an off-leading facility.
- The process of licensing or registrations and the condition of license.

2. OBJECTS OF THE BILL

The objects of the Bill are to –

- (a) promote competition in the construction and operation of petroleum pipelines, loading facilities and storage facilities;
- (b) promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines, loading facilities and storage facilities;
- (c) ensure the safe, efficient, economic and environmentally responsible transport, loading and storage of petroleum;

- (d) promote fair and equitable access to petroleum pipelines, loading facilities and storage facilities.
- (e) facilitate investment in the petroleum pipeline industry;
- (f) provide for the security of petroleum pipelines and related infrastructure;
- (g) promote companies in the petroleum pipeline industry that are owned or controlled by historically disadvantaged South Africans by means of license conditions to enable them to become competitive;
- (h) promote the development of competitive markets for petroleum products; and
- (i) promote access to affordable petroleum products.

3. FINANCIAL IMPLICATIONS

The administration of the Bill will require the establishment of a Regulator. Cabinet has directed that a rationalised Energy Regulator be established for the regulation of various aspects of the energy sector. Discussions are currently underway to establish such an 'Energy Regulator', which will essentially entail a broadening of the remit and capacity of the existing National Electricity Regulator. This process will be finalised in close consultation with the Ministries for Public Service and Administration and of Finance, as directed by Cabinet on 4 April 2001.

The Department will be assisting National Treasury in the drafting of a Money Bill to empower the Regulator to collect levies for the purpose of meeting the general administrative and other costs of the Regulator and the functions performed by the Regulator. There will be no financial implications for the State, except that the levy will release the State of the financial burden of funding the Regulator

4. CONSULTATION PROCESS

In the drafting of the Bill, key stakeholders were consulted at several workshops, inter alia the petroleum industry associations, Petronet and other government departments. The draft Bill was also published for comment before the version approved by Cabinet was submitted. Comments were received from Groundwork (Environmental NGO); Cosatu (Labour); Petronet (Transnet subsidiary); the South African Institution of Civil Engineering, as well as private individuals and individual oil companies.

5. PARLIAMENTARY PROCEDURE

The State law Advisers and the DME are of the opinion that this Bill should be dealt with in accordance with the procedure prescribed by section 75 of the Constitution since it contains no provisions to which the procedure set out in sections 74 or 75 of the Constitution applies.

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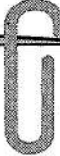
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