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MEDIA STATEMENT

NERSA DECISION ON TRANSNET PETROLEUM PIPELINES SYSTEM TARIFF APPLICATION FOR THE 2021/22 TARIFF PERIOD

The Energy Regulator, at its meeting on Thursday, 25 February 2021, set the Petroleum Pipelines System tariffs that will allow Transnet SOC Limited (Transnet) to realise a 11.15% decrease in Allowable Revenue (AR) compared to the 2020/21 tariff period. However, due to a forecasted reduction in the volumes of petroleum products transported, this translates to a 2.39% tariff increase for the Durban-to-Alrode (JHB) route.

If the Minister of Mineral Resources and Energy decides to use the pipeline tariff as a proxy for the cost of transporting fuel from Durban to Johannesburg, as has been the case in the past, the consequent tariff increase of 2.39% will result in an increase of approximately 1.22 cents per litre (cpl) in the petroleum transportation levy for the Durban-to-Alrode route.

On 30 September 2020, the Energy Regulator received Transnet's tariff application for the 2021/22 tariff period, as a condition of its licence to operate its Petroleum Pipelines System (PPL.p. F3/20/1/2006).

The Transnet tariff is set for a period of one year, from 1 April 2021 to 31 March 2022.

Transnet applied for a decrease of 11.15% in AR, from the R6,194.45 million approved by the Energy Regulator for the 2020/21 tariff period to R5,503.24 million for the 2021/22 tariff period. This translates to a 2.39% increase in the tariffs.

The decrease in AR is mainly due to a lower Weighted Average Cost of Capital of 6.36% in 2021/22 versus 7.89% in 2020/21. The increase in the tariff is due to the decrease in volumes

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from 17,656.6 million litres (ML) forecasted volumes per the 2020/21 Reasons for Decision (RfD) to 15,849.7 ML as per the application.

The Energy Regulator decided on the AR of R5,503.67 million for 2021/22, which is negligibly lower than Transnet's own application for an AR of R5,503.24 million, and settled on the same tariff increase of 2.39% (an increase of 1.22 cpl to 52.21 cpl). The negligible difference may be attributed to the Energy Regulator's robust pre-application engagements to educate licensees on its (tariff) methodologies, procedures and rules.

In arriving at its decision, the Energy Regulator weighed a variety of factors, including public interest, regulatory certainty, and Transnet's forecasts for the completion of outstanding capital expenditure on its Multi-Product Pipeline (MPP).

The pipeline system is generally the most cost-effective mode of transportation of petroleum and petroleum products from the coastal to the inland areas, as opposed to using rail or road transport. While the Energy Regulator's decision has maintained this position, the Energy Regulator will continue to closely monitor the shifting of fuel volumes away from road and rail to the pipeline system.

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