

# Media Statement: PetroSA REFUTES CLAIMS THAT IT OVER CHARGES ESKOM FOR DIESEL

2/2/2023

Johannesburg- This media statement provides a response that clarifies some of the misconceptions in the article titled "Diesel or darkness: PetroSA Charges Eskom unfair prices, extracts upfront payments." Published on 2nd February 2023 authored by Mariam Isa and Chris Yelland. It is our view that this is a deflection designed to take away focus from the real issues and challenges that our economy has in relation to power generation. We see it fit to respond to this unfortunate article which seems not to be well versed in appreciating the dynamics and pricing structure in the product market and how this is linked to product supply nominations.

It is important to firstly provide context and dispel the misinformation that is being peddled in this article in relation to the Eskom supply of diesel by PetroSA. It is important to note that the contractual terms between PetroSA and Eskom are based on the Basic Fuel Price (BFP) pricing mechanism. This ensures that PetroSA sells to Eskom in line with the M-1 BFP.

Given that PetroSA has a thorough understanding of how the product market works, PetroSA engaged Eskom in October 2022 requesting Eskom to provide us with at least a 3 months forecast for their demand for diesel. This was mainly due to the losses that PetroSA was suffering due to the erratic or spot nature of the nominations of product volumes from Eskom.

The request for a 3 month forecast from PetroSA was informed by Eskom's increasing burn rate which clearly indicated to us that the power generation challenge was deepening. This meant that spot nominations would have been a thing of the past had the PetroSA request been acceded to and by implication would have led to better landed product prices resulting in both Eskom and the South African economy benefitting.

In relation to the November 2022 supply to Eskom, PetroSA once again had prompt or spot demand from Eskom. This prompt demand resulted in PetroSA having to buy two spot cargos that were not linked to M-1 pricing. The published BFP pricing in November 2022 was based on the preceding month which resulted in the pricing exposure.

In relation to December 2022, PetroSA took a position in November 2022 and bought a cargo priced in November 2022 which would be aligned with the December 2022 published BFP. However Eskom did not purchase any volumes in December 2022 from PetroSA, and only requested volumes in January 2023. This meant that PetroSA was now exposed to a flat price with a huge price exposure to a January 2023 published BFP. The January 2023 BFP dropped by 140sacpl and this drastic drop exposed PetroSA to heavy losses hence the price of volumes sold to Eskom were not aligned to the January 2023 published BFP.

We make this point in relation to the two months to indicate the importance of providing a minimum 3 months forecast so that there is no pricing exposure and that volumes can be landed at the most favourable terms and price. There is no substitute for planning demand to produce a forecast when it comes to the demand side in the product market, otherwise spot prices will prevail. It is for this reason that PetroSA advises its clients that forecasting and planning are critical to ensure that cargo prices can be locked at favourable terms.

We reiterate that we are under no obligation to share commercial terms entered into between PetroSA and its customers. It is also important to state that PetroSA and Eskom will continue working together to find amicable ways to reduce loadshedding which is caused by high levels of breakdowns and limited emergency generation reserves.

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