New state energy company set to launch on 1 April

The South African Central Energy Fund (CEF), subsidiaries iGas, PetroSA and the Strategic Fuel Fund (SFF) will merge on 1 April 2021 into a new company called the South African National Petroleum Company.

Image: African Energy Chamber

The merger, driven by the pursuit of implementing a new company that has a streamlined operating model via the development of a shared services system and a common information platform, comes a few months after cabinet approval and the confirmation that PetroSA had incurred losses of R20bn since 2014.

Additional factors which prompted the move included the determination to strengthen PetroSA which had not had a permanent CEO in five years prior to the appointment of CEO Ishmael Poolo last year, and had become majorly ungainly since its failure to secure gas for the gas-to-liquids refinery project in Mossel Bay.

While the merger deadline has been set, the Parliamentary Portfolio Committee expressed reservations to the department's likelihood of meeting the deadline, considering the existing legislative regime, pending issues raised in the SFF and PetroSA forensic reports, as well as PetroSA's current insolvency and liquidity challenges.

Forensic reports

The committee heard that forensic investigations at PetroSA and CEF are still underway, and that SFF's forensic report regarding 300,000 barrels of crude oil allegedly loaned to Enviroshoe without proper approvals is with the Hawks for further investigations. The CEF and SFF's lawyers are currently looking into the consequence management process.

Committee chairperson, Sahlulele Luzipo, said by following up on the alleged corrupt practices from the entities, the committee should not be misconstrued as being vindictive. “Our aim is to see administrative justice takes its course so that a degree of accountability is to be taken on any alleged wrongdoing."

The committee further received a timeline on PetroSA’s Project Ikhwezi which was approved by the board in 2011, but only commenced in 2013. The project was later halted in May 2015, subsequent to a number of investigations after three wells were drilled at a cost of $1.207bn without any positive desired results.

“We appreciate the briefing and we will continue to monitor progress on any reported commitment. We learn lessons from the past experiences and understand that developmental agenda is at the core of the existence of state-owned companies," he said.