Burgan Cape Terminals to file complaint against Chevron

By Paul Vecchiatto

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Burgan Cape Terminals will be filing a complaint against Chevron South Africa with competition authorities next week, alleging anti-competitive conduct by the international oil company.

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Burgan, which is 70% owned by Dutch-based oil facilities and storage management group VTTI, won a Transnet National Ports Authority tender earlier this year to build a terminal in Cape Town harbour.

Burgan plans to invest R650m in building the facility and it plans to have it operational within two years.

At stake is the Western Cape diesel and petroleum market of 3.8 billion litres per year, of which Chevron SA has supplied 90% of the needs since 1966.

Chevron SA, which owns and operates the Western Cape's only oil refinery has bitterly opposed the establishment of the terminal claiming it could lead to the closure of its operations.

In its presentation to the National Energy Regulator of SA on November 26, Chevron SA CEO Stephen King repeatedly called the Burgan facility an "import terminal", a charge that Burgan has denied.

Mr King also stated that the Burgan facility would facilitate the import of cleaner burning diesel and petroleum into the country for which there was growing demand, but that his refinery would not be able to produce it as it needed an extensive and lengthy upgrade.

NERSA is due to make a determination on Burgan's license to operate on or around December 19.

Mzwandile Mseleku, CEO of Burgan, said Chevron's argument that the refinery would have to close was "a red herring to hide its exclusionary conduct and block competition". Existing South African import regulations ensure local production is prioritised over imports, hence protecting the refinery."

Mr Mseleku said Burgan intended to file formally with the Competition Commission next week.

"They have made serious allegations against Burgan and are misleading the public by saying the project will cause the shutdown of their refinery. The truth is that Chevron's opposition is about blocking competition, and consequently Burgan is sharing what they intend doing about this," he said.

Mr Mseleku said importers of fuel could not do so without a permit from the Department of Energy.

"Permit guidelines indicate that local manufacturing and security of supply should be taken into consideration during the issuing process. Consequently, petroleum products may only be imported if the refinery is short of product or cannot produce a particular type of fuel. Otherwise, all fuel distributors in the Western Cape are reliant on Chevron supply," he said.

Shane Jegels, CEO of independent fuel wholesaler Gulfstream Energy said fuel demand could not be rated the same way as the production output of a refinery is.

"A refinery produces a fixed amount of petrol and diesel per day. That's it. But the market demands differ from day to day. One day the market says it needs more fuel than at other times. That is why independent wholesalers need access to a storage facility that will act as a reservoir for those high demand periods," he said.

Chevron SA told Nersa that it employs about 350 people at its refinery, plus another 1,250 contractors and then about 13,000 other people are employed in its distribution network.

Source: BDpro