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MEDIA STATEMENT

NERSA DECISION ON THE TRANSNET SOC LIMITED PETROLEUM PIPELINES SYSTEM TARIFF APPLICATION FOR THE 2025/26 and 2026/27 TARIFF PERIOD

On Thursday, 27 February 2025, the National Energy Regulator of South Africa (NERSA) set the Petroleum Pipelines System tariffs that will allow Transnet SOC Limited ('Transnet') to realise an increase of 8.73% in the 2025/26 financial year (FY) Allowable Revenue (AR), compared to that of the 2024/25 FY (from R7 212.32 million in 2024/25 FY to R7 842.01 million in 2025/26 FY), and an increase of 5.71% in the 2026/27 FY AR (from R7 842.01 million in the 2025/26 FY to R8 290.04 million in 2026/27 FY).

If the Minister of Mineral and Petroleum Resources decides to use the pipeline tariffs as a proxy for the cost of transporting fuel from Durban to Johannesburg, the fuel price will increase by 5.23 cents per litre (cpl) in the 2025/26 FY, followed by a 3.80 cpl increase in the fuel price in the 2026/27 FY. The tariffs are set for a period of two years, from 1 April 2025 to 31 March 2026, and 1 April 2026 to 31 March 2027.

On 2 August 2024, the Energy Regulator had received Transnet's tariff application for the 2025/26 and 2026/27 tariff periods as a condition of its licence to operate its Petroleum Pipelines System (Licence Number: PPL.p. F3/20/1/2006).

Transnet applied for an AR of R8 710.16 million for the 2025/26 FY, which is a 20.77% increase compared to the AR in the NERSA 2024/25 FY Decision. In the previous determination, NERSA, having calculated the 2024/25 AR to be R8 012.48 million, decided to defer R800 million (of this AR) in the form of a Regulatory Asset, resulting in an AR of R7 212.31 million being used in determining tariffs for the 2024/25 FY. Transnet also applied for an AR of R8 691.61 million for the 2026/27 FY, which is a 0.21% decrease compared to the 2025/26 FY.

The Transnet application, if approved, would have resulted in an increase of 13.34 cpl in the Durban-to-Alrode tariff in the 2025/26 FY, followed by a 0.58 cpl decrease in the 2026/27 FY.

In arriving at its decision, the Energy Regulator considered a variety of factors, including public interest and regulatory certainty, as well as the following key issues:

a) Pipeline tampering and product theft incidents
b) The Multi-Product Pipeline (MPP) Project
c) Market analysis – comparison of alternative modes of transport for petroleum products

d) Volume Risk Sharing
e) Economic Impact Assessment
f) Smoothening of the tariff trajectory.

The key issues mentioned above are discussed in detail in the Decision and the Reasons for Decision (RfD) document, which will be published on NERSA's website (www.nersa.org.za) once the Energy Regulator has decided on the treatment of confidential information therein.

The pipeline system is generally the most cost-effective mode of transportation of petroleum and petroleum products from the coast to the inland area, apart from using rail or road transport. This is of special importance for the alleviation of the pressure on both the rail and road infrastructure, noting the road accidents involving tankers in recent times. The Energy Regulator will continue to monitor the shifting of fuel volumes away from road and rail transport to the pipeline system.

The Energy Regulator remains concerned about criminal activities, such as tampering with the pipelines with the aim to steal product. This does not only sabotage the economy of the country, but also results in loss of life. In this regard, the Energy Regulator remains of the view that the enforcement of bylaws by municipalities would greatly assist in curbing this scourge.

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