

Petrol stations, workers and the just transition in South Africa (from upcoming policy brief)

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Background

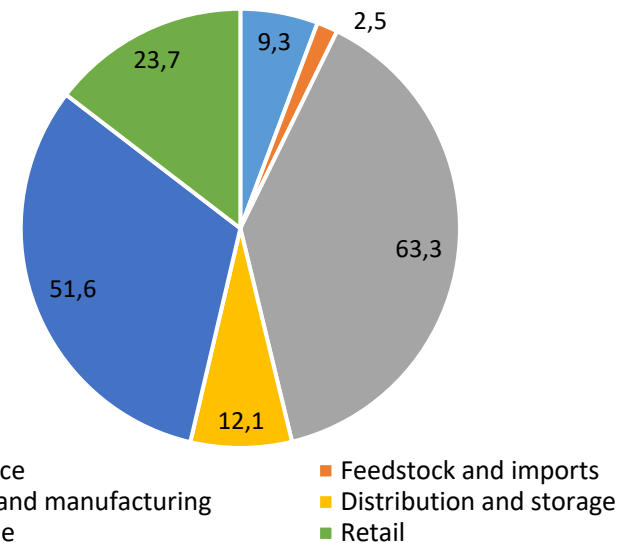
- ▶ Petrol stations are important for the economy
 - Provide fuel for more than 12 million cars
 - Employ more than 130 000 people
- ▶ Bulk of their revenue is from vehicle liquid fuel sales (60% - 80%)
- ▶ General petroleum vc is integrated – owners of refineries also own wholesale and petrol station infrastructure in most cases
 - Gives them a lot of power in terms of security of supply, but also meeting emissions targets
 - Transport sector contributes slightly under 11% to total emissions (about 91% from road transport)

- Reducing transport sector emissions means shifting to cleaner fuels (e.g. bio-fuels and natural gas), and hybrid and fully electric vehicles
- Shifting to bio-fuels and natural gas won't change the business to much in the short-term, but shift to EVs will
 - Consumers can charge EVs at home, but fuel is only available at petrol stations
 - A shift to EVs will thus significantly reduce revenue
- Nevertheless, fact of climate change means the shift is necessary, even as the timeliness remain unclear

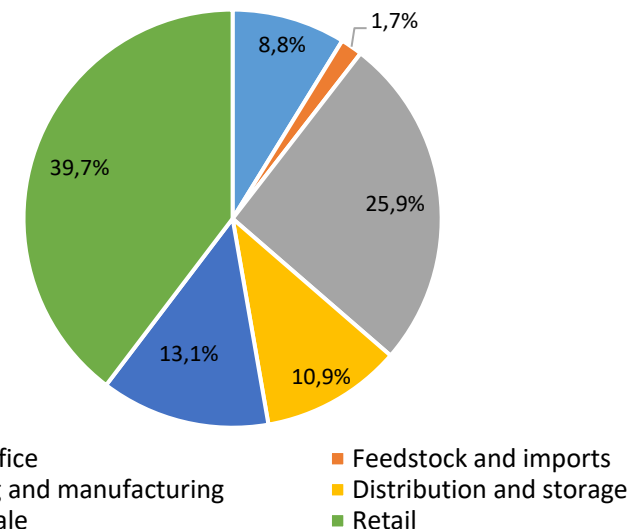
Economics of petrol stations

- ▶ Petrol stations have not been immune to impact of COVID-19
 - Demand decreased significantly during first phase of lockdown
 - Some stations (about 31%) not operating during first 35 days of lockdown
 - Some employers reported being unable to pay salaries
- ▶ The petroleum vc (incl. petrol stations) contributed R163 billion to GDP
 - Retail made up 15%, while refining and manufacturing made up 39% and wholesale 32% (Graph 1)
 - Retail accounted for 39,7% of employment in the vc, which contributes more than 300 000 direct, indirect and induced jobs

Graph 1: GDP contribution by segment, 2019 (R'Billion)

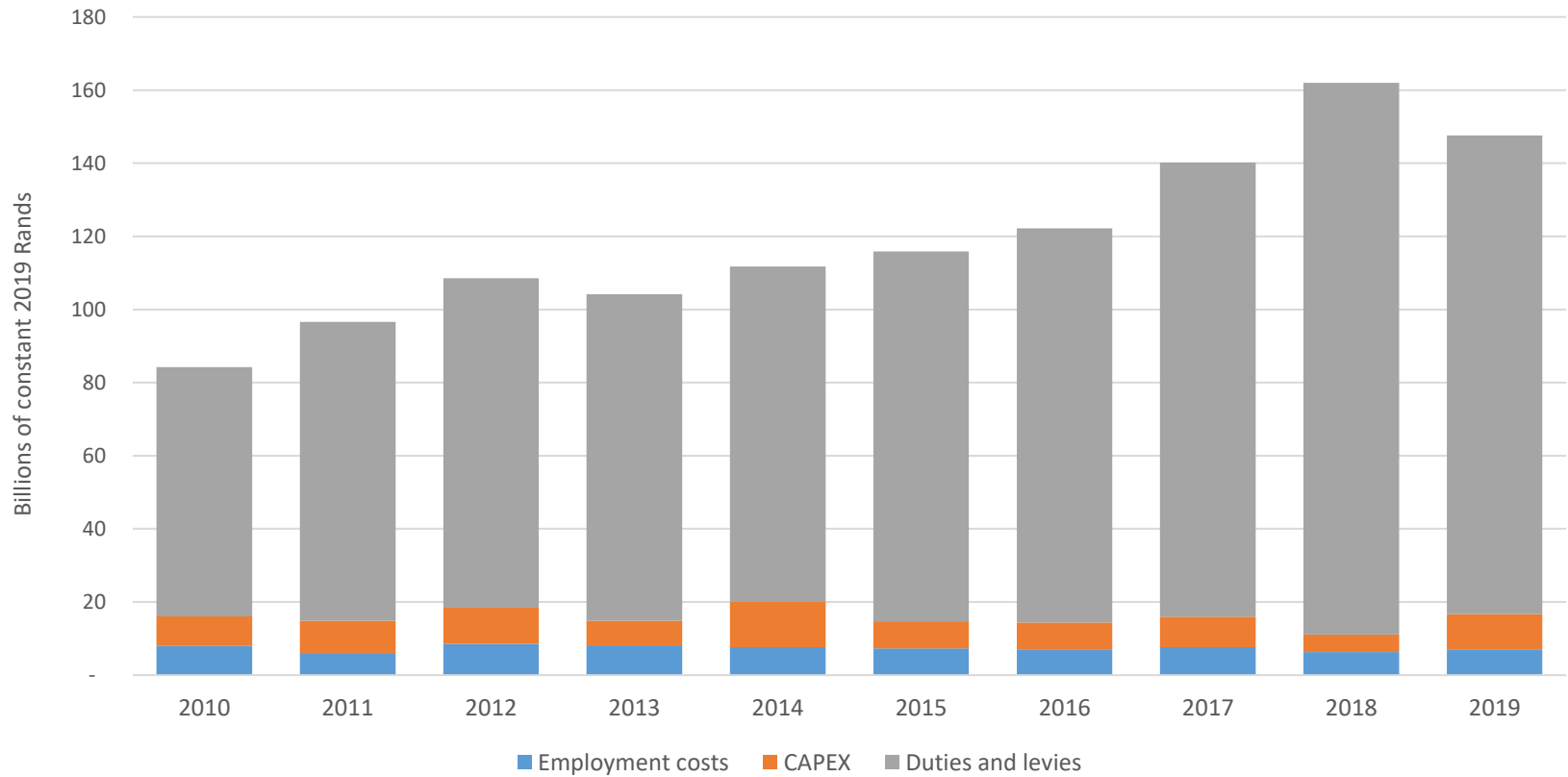


Graph 2: % contribution to employment, 2019



Economics of petrol stations (cont)

Graph 3: SAPIA member financials

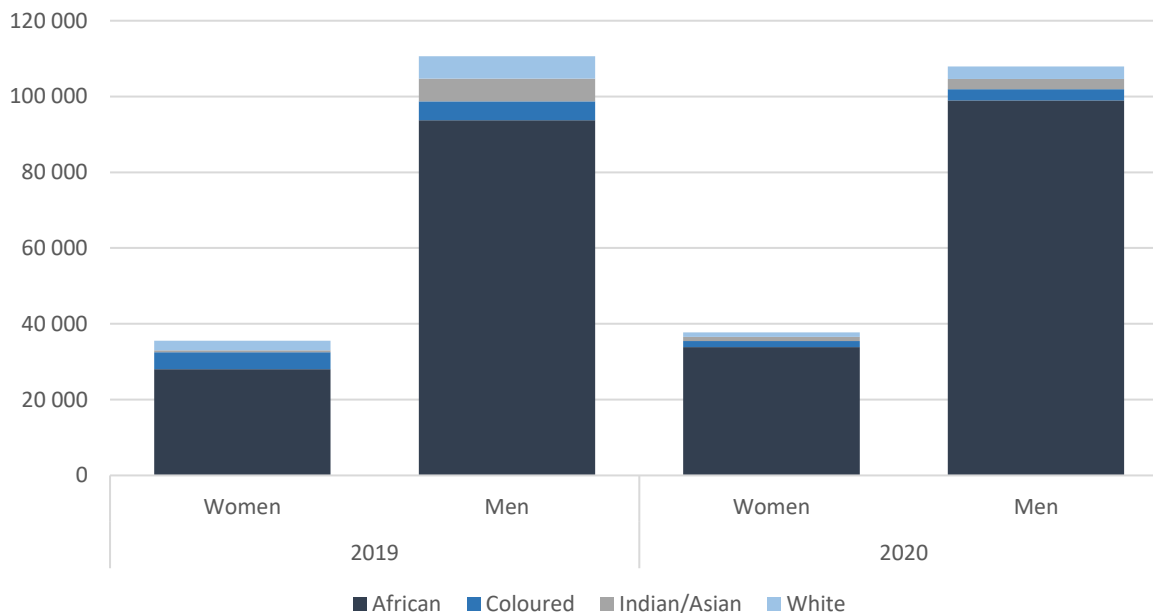


Who are petrol station workers

- Petrol station employment is largely dominated by Black men (64%) and black women (just under 20%) in 2019 – Graph 4
- Employment declined slightly in 2020 due to COVID-19
 - This saw share of Black women increase to 23% and Black men to 68%
- Employment is generally distributed across the country, but GP, KZN and WC account for about two thirds of the total

- Petrol station workers' education doesn't deviate too much from national norm
 - Roughly half have matric – slightly higher than other formal employment
 - But, lag behind in terms of post-secondary school education (about 8% compared to 25% for other formal workers)
 - However, this is likely related to this work being transitory (see NEVA)
- These workers are generally not unionised (made hard by stations having few employees)
 - But, generally contribute to UIF and some to retirement

Graph 4: number of petrol station workers by gender and race



Crafting a way forward

- ▶ Transition to EVs does not exist in isolation
 - It lies at the intersection of other related decisions that make clear why timelines are necessary
 - Once these decisions are made and timelines are clear, it will be clearer what support workers will require

The necessary decisions:

- No fixed timeline for transition to EVs
- In SA, to make this easier, need to make decisions about
 - How to ensure security of supply of clean energy
 - Current electricity supply is inconsistent and not conducive to use of EVs only
 - Cost of EVs makes them inaccessible to general population
 - What support can be offered to increase uptake?
 - Other countries have used tax credits for consumers
 - Would local manufacturing reduce cost? How to support producers

The necessary support:

- The level of support petrol station workers need depends on when all non EVs leave the roads
- If this is 2050 for instance, SA has about 3 decades to phase out these cars and employment in petrol stations
 - These workers are often transitory
 - Those not transitory will need other support
- If the timeline is shorter (2035 for example), more support will be needed
 - Firstly all new hiring must top
 - Existing workers can be offered different support
 - Early retirement
 - Reskilling
 - Expansion of social security

What to do with the infrastructure:

- In the short-term, this infrastructure will be useful for transition fuels like natural gas
 - This would have advantage of maintaining some jobs during the transition
 - However, fuels like natural gas do not reduce emissions to zero, and thus not sustainable over the long-term
 - Calls into question viability of making the investments to ensure use of natural gas
 - Green hydrogen also an option
- Still, long-term solutions must be found
- Need to find ways to keep some if not all these petrol stations as economic hubs that maintain jobs



Thank you.



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