

Public Eye reply to Vivo Energy's response to the Dirty Diesel report

Support for cleaner fuels:

As the African fuel market continues to grow and develop, and as customers demand higher quality products, Vivo Energy fully supports continued improvement in quality of fuels, lubricants and LPG – in line with changing government regulation and consumer demand - and is at the forefront of meeting these needs.

Context and the role of governments & regulators:

In most African countries the importing of petroleum products is controlled and regulated by the government or national oil company. They issue public tenders for a product at a given specification for their local market. They then select the most competitive offer, acquire the product and place it in co - mingled storage where the product from various suppliers is amalgamated.

The retailers in each market, including Vivo Energy, then purchase their product - that meets the local specifications - from the amalgamated and co - mingled supplies of the government, national oil company, or importer, depending on the local regulation.

Public Eye: Here, Vivo Energy implies that they do not control their supply chain in many countries. We find this hard to believe, also because Vivo Energy explicitly claims to be the best when it comes to the quality of fuels. According to their commercial communications, they aim to create “a new benchmark for quality, excellence, safety and responsibility in Africa’s downstream energy marketplace”. The company is proud to make “truly world-class products available to all our African customers”. In Cote D’Ivoire, Vivo declares that it “uses all the means and tools necessary to ensure the latest international standards of quality [...] so that Ivorian consumers benefit from what is best in terms of fuels when going to a Shell petrol station.” How can Vivo Energy promote the quality of its fuels when they have no control over their supply chain? We regret that both Vitol and Vivo Energy fail to answer these questions.

(Vivo Energy:) Governments and regulators determine specifications for their markets based on a combination of consumer affordability, available infrastructure, and the environment.

It is worth noting that a number of African governments are also transitioning away from providing fuel subsidies. Reduction of fuel subsidies, along with higher specification fuel, will increase the price at the pump for consumers. There is a balance between quality and consumer affordability.

Public Eye: Without transparency on purchase prices of fuels on international markets, this claim cannot be verified. This would also require transparency of traders about the production costs of African Quality fuels and the blend recipes used. Our report indicates that it is profitable to use cheap, low quality blendstocks for markets with weak standards. Better standards would merely decrease the margins traders currently make on African Quality. However to date, the companies have refused to share information on blend recipes and the profits they make on African Quality fuels. Having said that, for a refinery, the operational cost of lowering sulphur content of diesel from 1000 parts per million (ppm) to 10 ppm only amounts to 1.7 US cents per liter, which doesn’t even amount to one dollar to fill a 50 liter tank. Moreover, in January 2015, five East African countries (Burundi, Kenya, Rwanda, Tanzania and Uganda) improved their standard from 500 to 50 ppm with no impact on the price at the pump. According to Edward Mwirigi Kinyua of the Kenyan Energy Regulatory Commission, the “burden [of the cost] has been pushed to the international traders”. Vivo Energy certainly knows that, as they operate in Kenya, too. They even say in their below statement that they were “proud to win the first cargo, and be the first oil marketer to import low sulphur fuel diesel into Kenya, with 50 ppm sulphur.”

Differentiated fuels:

We have a direct responsibility for the impact that Vivo Energy makes as a business and we work hard, in partnership with Shell, to develop energy resources, products and services that reduce our impact on the environment. These include development and sale of more efficient fuels and lubricants, and - in addition to fuel products that meet the local specifications - Vivo Energy offers a number of higher quality differentiated petrol and diesel products.

Through our close relationship with Shell we can access the latest technological innovations in fuels and lubricants so that Shell's high quality products are available to our customers in Africa. For us this is a key differentiator in markets where product quality and continuity of supply can present challenges and where the dependability of our products provide lasting peace of mind. As part of our licensing agreement with Shell they are entitled to ad hoc product quality tests, something that they regularly carry out. Shell's differentiated fuels (including Shell Extra, Shell FuelSave and Shell V-Power) offer benefits that include enhanced engine performance and reduced fuel consumption through improved efficiency.

Our lubricants portfolio is designed to provide improved engine performance, extra responsiveness, reduced engine noise and lower maintenance costs. An example of this is Shell Helix Ultra with PurePlus Technology, which we launched in Africa last year. The base oil is created from a revolutionary process that converts natural gas into crystal - clear base oil with virtually none of the impurities found in crude oil. As a result it helps extend engine life, reduce maintenance costs, reduce oil consumption, enhance fuel economy and enable better engine cleanliness.

Public Eye: How can Vivo claim not have full control over their supply chain while at the same time stating that they are putting effort into "energy resources that reduce impact on the environment" and that they "through it's close relationship with Shell can access the latest technological innovations in fuels and lubricants so that Shell's high quality products are available to our customers in Africa"? Clean fuels are already available and Vitol is an important supplier of these fuels to European markets. This means technical innovations to supply clean, low sulphur fuels to African countries aren't necessary. All that is required is corporate responsibility and saying goodbye to the current dirty practices.

Quality:

We are proud to report that consumer feedback shows that Vivo Energy is seen as providing some of the highest and most reliable fuel quality of all the oil marketing companies (OMCs) in the markets where we operate. We operate our own laboratories at our depots to check the quality and specifications of fuel as it arrives at our depots and leaves on trucks for Shell service stations. Additionally we operate our own mobile testing laboratories that make unannounced visits to our service stations to test fuel samples and ensure product quality is as it should be.

All across our retail network we aim to provide an exceptional experience for our customers, providing them with convenience, quality and choice to meet their needs. We are investing heavily in our network to achieve this.

Improving product specifications:

Discussions on product specifications frequently take place at various industry gatherings. For example the African Refiners Association - of whom Vivo Energy is an associate member - has a work group on product specifications. Committees such as these review local specifications and aim to balance additional environmental benefits with economic benefits for customers; and in January 2015 the East African Community amended the maximum sulphur content of its imported diesel from 500 ppm to 50 ppm. It also reduced the maximum sulphur content of its gasoline to 150 ppm. Through the open tender system Vivo Energy Kenya was proud to win the first cargo, and be the first oil marketer to import low sulphur fuel diesel into Kenya, with 50 ppm sulphur. Over time we expect more African governments / authorities to adopt this approach. As the African fuel market continues to grow and develop, and the demand for higher quality products increases - along with the changing car fleet - Vivo Energy is at the forefront of meeting these needs.