

Comprehensive answers from the companies involved



Public Eye

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In advance of publication of Public Eye's investigation "Dirty Diesel: How Swiss traders flood Africa with toxic fuels," and as part of our standard research procedures, we sent questions to the trading companies referenced in the report. The four companies whose petrol stations were sampled by Public Eye received a first set of six questions enabling them to express their general views on the content of the report. Further specific questions were then sent to the same four companies, as well as to four others. All companies aside from Lynx Energy provided answers to our questions – the latter did not acknowledge our inquiry. We publish here in full all answers received from the companies. Public Eye's analysis of these responses is integrated into the overall report.

General questions sent to companies whose fuels Public Eye sampled and their answers

- Why did [you] decide to expand its operations downstream through the acquisition of petrol stations?
- We have tested in several African countries automotive fuels that are sold by your downstream companies. [...] We found high levels of sulphur in the diesel and gasoline being sold. In the diesel, we found some sulphur levels close to 3000 ppm. In the gasoline, sulphur levels were higher than 700 ppm. Nowhere did we find fuel that could be legally sold at a pump in Europe.
Why do you produce, supply and sell high sulphur fuels to African countries and consumers, when sulphur in fuel is the main contributor to traffic air pollution that damages people's health?
- Can you share with us the levels of sulphur in the gasoline and diesel that you produced, supplied, and sold, to African countries in 2015 and 2016 (per country, average, lowest and highest sulphur level)?
- Is there a commercial motivation for not producing, supplying and/or selling 10 ppm sulphur diesel and gasoline (like you provide in Europe) in all the African countries where you supply and/or sell automotive fuels?
- Can you specify your commercial gains for not producing, supplying and/or selling 10 ppm sulphur fuels in all the African countries you are active in?
- Do you not think that the production, supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

ADDAX AND ORYX GROUP / ORYX ENERGIES

Answer from Karen Saddler, Group Chief Communication Officer (CCO) at Addax and Oryx Group (June 28, 2016)

Thank you again for your enquiry. We are happy to respond to and comment on the issues you raise, as a strong supporter of the adoption of tighter sulphur content limits for both diesel and gasoline fuels.

We would like to start on a more general note by sharing the challenges of the Government-driven process of changing fuel regulations. We then answer your specific questions.

Oryx Energies S.A. and Addax Bioenergy S.A. reserve the right to provide any additional information or to respond to any commentary formulated by the Déclaration de Berne concerning the answers provided below, before the said report is published.

CONTEXT

International oil products flows respond to demand patterns, which are determined by national and, at times, local or city-wide environmental legislation and regulations. Governments and regulatory agencies are the key stakeholders and decision makers when it comes to setting fuel specifications.

The United Nations, through the UN Environment Programme and its Partnership for Clean Fuels and Vehicles (PCFV) has worked extensively towards completing the phase out of leaded petrol worldwide and also to promote the introduction of low sulphur fuels of 50 ppm or less together with the adoption of advanced vehicle emissions standards. The PCFV brings together national governments, regulatory agencies, companies and experts.

The PCFV has been working closely with IPIECA, the global oil and gas industry association for environmental and social issues, but also – in the case of Africa - ARA, the African Refiners' Association, and regional bodies such as the Economic Committee of West African States (ECOWAS) to promote the adoption of stricter fuel specifications in Africa.

While much progress has been achieved in recent years, progress remains to be done. The African refiners have defined a roadmap to achieve minimum AFRI-4 and AFRI-5 fuel specifications by 2020 and 2030 respectively. Unfortunately as noted in their presentation “to meet the 2020 deadline, refinery investments need to be made now, but funding is difficult”, while “many countries have not updated official specifications for many years”.

NEED FOR POLITICAL SUPPORT AND AN INCLUSIVE ACTION PLAN

The International Council on Clean Transportation (ICCT) has shown that the marginal extra costs for low-sulfur diesel are modest, in the order of 0.5-1.7 USD cents per litre across major markets. However, the ICCT calculations show that the investments required to upgrade refineries run in the billions of USD. A 2009 World Bank study showed that 10-year refinery investment costs for West Africa alone would total over 4.6 billion USD over the period. Progress towards cleaner fuels requires a coherent, well-financed and time-sequenced plan with buy-in from all stakeholder groups.

An important factor in the equation relates to imported used vehicles, with a growing number of countries placing age restrictions on car imports.

According to the PCFV, “One of the most important lessons learned in the approximately 50-year history of vehicle pollution control worldwide is that vehicles and fuels must be treated as a system. Improvements in vehicles and fuels must proceed in parallel if significant improvements in vehicle related air pollution are to occur. A program that focuses on vehicles alone is doomed to failure; conversely, a program designed to improve fuel quality alone also will not be successful.”

The report also highlights that “political support for improving specifications seems lacklustre – linked to potential refinery job losses, lack of investment funds, price at the pump and other political priorities”.

There is however an opportunity for the development of a harmonised regional framework thanks to the on-going ECOWAS project, much along the lines of what has already been done successfully in East Africa. Here also the central message from a two-day workshop organised on 18 – 19 May 2015 in Abidjan was for “political will by all member states to adopt low sulphur fuels” and for “Member States to support the creation of a regional standards body similar to those in existence in East and Southern Africa”.

Meanwhile, oil companies, while serving the needs of developing markets, are not identified as key stakeholders by the United Nations report when it comes to implementing a clean fuels and vehicle programme, nor by the PCFV and bodies such as the International Petroleum Industry Environmental Conservation Association (IPIECA), the African, Caribbean and Pacific Group of States (ACP), the European Chemical Industry Council (CEFIC) or the Conservation of Clean Air and Water in Europe (CONCAWE).

Each evolution in fuel standards specifications brings transition periods. We are optimistic on the changes that are currently taking place. The success of the global campaign to eliminate the use of lead in gasoline and the progress made to date on lowering sulphur content for diesel fuels are proof of the positive trend (see examples below).

We are happy to be accompanying the transition toward cleaner fuels as governments adopt stricter standards but we recognise the difficulties faced by developing nations in addressing both vehicle emissions and fuel quality standards, particularly when national oil refining infrastructures do not technically permit the production of low-sulphur oil products.

In such instances the roadmap approach supported by ARA and the PCFV in the case of Africa offers a workable way forward, balancing the imperatives of reduced harmful emissions and economic development.

That being said, please find below our answers to your specific questions.

GENERAL

These questions concern Oryx Energies S.A. (part of the AOG group of companies), which has i) a trading arm, sourcing and supplying crude and refined petroleum products, as well as ii) a downstream arm, storing and distributing petroleum products to customers.

Why did Oryx Energies decide to expand its operations downstream through the acquisition of petrol stations?

Oryx Energies owns or rents a total of just over 100 service stations in sub-Saharan Africa (the top 10 networks accounted for almost 13,000 service stations in 2012). It decided to expand its petrol station network, as part of its strategy to support consumer access to energy products across the region (in particular, fuels, lubricants and LPG), as access to energy is key to economic and social development. This being said, the expansion is mainly through the rental of existing facilities rather than through acquisition of stations. Some service stations are operated directly and others by third parties.

We have tested in several African countries automotive fuels that are sold by your downstream companies. For example, we took fuel samples at Oryx stations in several countries like Benin and Mali. We found high levels of sulphur in the diesel and gasoline being sold. In the diesel, we found for example some sulphur levels close to 4,000 ppm. Nowhere did we find fuel that could be legally sold at a pump in Europe.

Why do you produce, supply and sell high sulphur fuels to African countries and consumers, when sulphur in fuel is the main contributor to traffic air pollution that damages people's health? Fuel standards are set by national legislation and differ widely today from country to country on the continent (see introduction and examples under 2b below). While Oryx Energies does not produce (or refine) fuels, it can confirm that its trading arm sources from refineries products with specifications that strictly comply with the national legislation of each client country, including the specific regulations and government-imposed tariffication.

Similarly, Oryx Energies' downstream arm only sells fuels that are available from existing depots within a country, as all imported fuels join mass storage facilities where they are stored in bulk after they have been controlled by customs and confirmed as compliant with national regulations. These regulations include the sulphur levels (or ppm) set by national authorities.

As well as respecting national legislation, Oryx Energies applies strict quality standards to the products and services it provides, enforcing strict HSSEQ (Health, Safety, Security, Environment, Quality) policies across the organisation, and respecting ISO Quality, Safety and Environmental standards. These policies are taken very seriously.

In particular, Oryx Energies' trading arm applies strict controls on the purchase of cargos, ensuring the quality corresponds to the contract and to the legal specifications of each country concerned. Cargoes are naturally controlled by national custom services and cannot be imported if not compliant with national laws. Similarly, Oryx Energies' downstream arm conducts systematic controls of product before it is discharged from vessels into storage depots and again each time the product is moved

from our depots. ISO 9001 and ISO 14001 standards are thus rigorously applied, with internal and external audits.

On a more general note, fuels are naturally high in sulphur and it is only in recent years that massive investments in state-of-the-art refineries, with new technologies, in North America, Europe and the Gulf States, in particular, have enabled the process of de-sulphuring fuels.

It has taken decades for most European and North American countries to gradually update the vehicle fleet in circulation (older engines don't function on low-sulphur fuels), change legislation and integrate changes in pricing.

Most African countries are not yet that far along the curve. The continent has no state-of-the-art refineries. The existing vehicle fleet is generally old and pricing often remains an issue (see answer to questions 3 and 4 below on commercial aspects).

That being said, Africa – like Europe and other regions before it – is on a slow but sure path towards improving the fuel quality standards set by national legislation and this is very positive.

Can you share with us the levels of sulphur in the gasoline and diesel that you produced, supplied, and sold, to African countries in 2015 and 2016 (per country, average, lowest and highest sulphur level)?

Oryx Energies does not produce gasoline or diesel. We do confirm that Oryx Energies' trading arm supplies fuels that respect national legislation and its downstream arm supplies fuels from the storage depots in each country (where products have been approved by customs according to national standards).

The standards set for ppm levels in the countries where Oryx Energies operates vary from 10 ppm to 5000 ppm. It is interesting to illustrate examples of how these levels are changing, taking gasoline as an example.

- I. In Tanzania, the maximum sulphur content for gasoil, fixed by the government, was 5000 ppm until December 31, 2012, then 500 until December 31, 2014, and currently stands at 50 ppm.
- II. In Mozambique, maximum ppm is 500 and will move to 50 ppm in 2017.
- III. At the same time, legislation in Burkina Faso, Mali, Senegal and Sierra Leone still stands at 5000 ppm and 3500 ppm in Benin and Ivory Coast.
- IV. In South Africa, maximum ppm is 10.

This illustrates the variations in national legislation from country to country, as well as the positive trend in that legislation overall.

Is there a commercial motivation for not producing, supplying and/or selling 10ppm sulphur diesel and gasoline (European standard) in all the African countries where you supply and/or sell automotive fuels?

Oryx Energies does not produce diesel or gasoline and, as established above, the standards applied in European or North American countries are not, yet, the standards applied by the majority of African governments, though a positive trend is underway.

Commercially, the key to any petroleum company's financial sustainability is its margin. In African countries, price formulas are set by government and make it unsustainable for oil compa-

nies as well as for the country to import fuels that differ from the regulation-driven specifications in the price formula.

To try to illustrate the point, the price formulas defined by local authorities are made up of a series of set amounts that define the price at which marketers are allowed to sell a product within the country. The price formula may include elements like taxes, transport fees, storage, retail margin and the price Free on Board (FoB) ex-Rotterdam (the FoB amount is set based on the ppm standards in national legislation).

The FoB price is an important component and enables the government to modulate the price at the pump. If a marketer were to decide to purchase a product at a higher FoB price (e.g. 10 ppm from Europe), this would not change the amount allowed by the government's pricing formula for FoB (based on a higher ppm) and would automatically reduce the retail margin and gradually make the imports commercially unsustainable. The other option would be for a government to change the product specification and fixed amount designated for FoB in the price formula. This means an increased price at the pump (all other elements being equal), which governments – and local populations – can ill afford. Prices are thus lower at the pump with higher sulphur fuel and governments in Africa are taking the time necessary to gradually adjust local markets.

The issue is thus more complex than any one element (commercial gain, the environment or countries/companies imposing regulations on African countries) and the petroleum compa-

nies do not work in isolation. We come back to the reality of slow but sure evolution of fuel quality in African countries, decided by African governments, taking into account a series of parameters that they are dealing with, and the work that is underway through the UN, regional state organisations like ECOWAS and the African Refiners' Association.

Can you specify your commercial gains for not producing, supplying and/or selling 10 ppm sulphur fuels in all the African countries you are active in?

See response above.

Do you not think that the production, supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

As mentioned at the beginning, we strongly support the adoption of tighter sulphur content limits for both diesel and gasoline fuels, but we also acknowledge that Governments set the national standards, with which we have to comply.

We note with satisfaction the current positive evolution in Africa towards lower sulphur levels. We are committed to encouraging and participating in that process, in the interests of the environment and local development. Unfortunately, as explained under question 9 below, Oryx Energies is too small to have a significant say in this process.

VITOL / VIVO ENERGY

Answer from Andrea Schlaepfer, Head of Corporate Affairs at Vitol (June 11, 2016)

We have responded to each of the questions and points you raised with us below. However, from your questions, it appears as if you are not aware of how most African countries manage their imports of petroleum products and I thought it would be helpful to clarify this and some additional points.

In most African countries the importing of petroleum products is controlled and managed by the government or national oil company. These issue public tenders for a product at a given specification, (Please note, it is the state's prerogative to define and to upgrade the country specification in consultation or not with various stakeholders, NGOs and international bodies) they then select the most competitive offers, acquire the product and place it in co-mingled storage where the product from various suppliers is amalgamated.

In some markets, for example Ghana, specialist companies are licensed to store product (BDCs) and the product from its suppliers is also amalgamated and placed in co-mingled storage.

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

Contrary to what your questions imply, there is no direct chain in which Vitol manufactures, ships, imports and distrib-

utes either gasoline or diesel in Africa. In all instances the product passes through amalgamated and co-mingled storage which is not controlled by Vitol.

Please also note that Vitol is a minority shareholder in Vivo Energy (40%) – the other shareholders are Helios (40%) and Shell (20%). Vivo has its own management team and questions pertaining specifically to them should be answered by Vivo. I shall forward you the relevant contact details. Please note that Vitol supplies a small proportion of the petroleum products sold by Vivo Energy.

Why did Vitol decide to expand its operations downstream through the acquisition of petrol stations?

Vitol has a strategy of investing in businesses in the energy sector which complement the existing energy business.

We have tested in several African countries automotive fuels that are sold by your downstream companies. We have taken fuel samples at Vivo Energy petrol stations in several countries.

We found high sulphur levels in diesel and gasoline being sold. In the diesel, we found some sulphur levels close to 3000ppm. In the gasoline, sulphur levels were close to 300ppm. None of the fuels we sampled that could have been legally sold at a pump in Europe.



Vitol's headquarters in Geneva. Vitol, the world's second largest trader by revenue, expanded into African distribution networks by buying up large amounts of Shell's infrastructure in 16 countries in 2010. | ©Carl De Keyzer – Magnum

- a) *Why do you produce, supply and sell high sulphur fuels to African countries and consumers, when sulphur in fuel is the main contributor to traffic-related air pollution that damages people's health?*
- b) *Can you share with us the levels of sulphur in the gasoline and diesel that you produced, supplied, and sold, to African countries in 2015 and 2016 (per country, average, lowest and highest sulphur level)?*

Vitol does not "produce, supply and sell high sulphur fuels to African countries and consumers".

Vitol participates in open and competitive tenders to supply African countries. In most of Africa this process is overseen and managed by the local regulator, government and/national oil company. If Vitol is successful and wins a tender, it supplies the government/NOC/importing company which amalgamates and mixes the product of its various suppliers. Vitol product is mixed in with everyone else's product.

In most countries, the local marketing/ service station owners are obliged purchase their product from this amalgamated and mixed supply.

Vitol is a minority shareholder (40%) in Vivo Energy which market and distributes Shell branded fuels and lubricants in Africa, alongside Shell (20%) and Helios Investment Partners (40%). Vivo Energy has an independent management team and, whilst Vitol has seats on the Board of Vivo, it does not manage the business day to day and does not have control over the company.

Questions pertaining to Vivo Energy should be directed to Vivo Energy.

Please note that the World Health Organisation details indoor air pollution (not traffic pollution) as the primary cause of

chronic obstructive pulmonary disease in low income countries and the cause of death for two million women and children each year. This is generally caused by the continued use of three billion people worldwide of biomass and coal as the main source of energy for cooking, heating and other household needs. The Vitol Foundation has supported the development and roll out of clean cook-stoves in schools, hospitals and homes in a number of countries through its partner NGOs.

Is there a commercial motivation for not producing, supplying and/or selling 10 ppm sulphur diesel and gasoline (like you provide in Europe) in all the African countries where you supply and/or sell automotive fuels?

It is not possible for Vitol to determine the specification of fuel sold to consumers in Africa. Worldwide, Vitol supplies fuels to the specification required by the local regulator. If a country changes its specification, Vitol is pleased to supply to the new specification.

Can you specify your commercial gains for not producing, supplying and/or selling 10 ppm sulphur fuels in all the African countries you are active in?

It is not possible for Vitol to determine the specification of fuel sold to consumers in Africa. Therefore, this question makes no sense.

Do you not think that the production, supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

It is not possible for Vitol to determine the specification of fuel sold to consumers in Africa. Therefore, this question makes no sense.

VIVO ENERGY

Answer from Rob Foyle, Head of Communications at Vivo Energy (June 21, 2016)

Editor's note: Vivo Energy hasn't answered our specific questions but provided a general statement on its downstream activities.

Vivo Energy is the company behind the Shell brand in Africa. With a strong and growing presence in Africa, and as the exclusive Shell licensee in the continent, Vivo Energy distributes and markets Shell branded fuels and lubricants to retail and commercial customers.

Vivo Energy's shareholders are:

- Vitol (40%)
 - one of the world's largest energy trading companies,
- Helios Investment Partners (40%)
 - a pan-African private investment business,
- Shell (20%)
 - a leading global energy company.

As advised by Andrea, 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 that is appropriate 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, BDC or importer, depending on the local regulation. Additional additivition may take place at the point of loading to create a differentiated Shell fuel and smaller parcels of specific, higher quality product, such as V-Power, may be imported to markets where we have made this product available to meet local needs.

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.

Consumer feedback shows that Vivo Energy is seen as providing some of the highest and most reliable fuel quality of all the 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.

We continue to deliver an excellent performance in HSSE; with our main HSSE scorecard performance indicators being far better than industry benchmarks. For example, our total recordable case frequency (TRCF) in 2015 was 0.26, against a target of 0.81.

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.

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.

As the African fuel market continues to grow and develop, and as customers demand higher quality products, Vivo Energy is at the forefront of meeting these needs.

TRAFIGURA

Answer from Patrick Meyer, Global Head of Corporate Affairs at Puma Energy (June 9, 2016)

Editor's note: Trafigura hasn't answered our questions. They forwarded our email to Puma Energy. Puma Energy hasn't answered our specific questions but provided only a very general statement on their downstream activities. Here is the list of question we asked them:

Why did Trafigura decide to expand its operations downstream through the acquisition of petrol stations?

We have tested in several African countries automotive fuels that are sold by your downstream companies. For example, we took fuel samples at Puma stations in several countries, at a Gabelle Trading station in Benin, and at two UBI stations in Ghana.

We found high levels of sulphur in the diesel and gasoline being sold. In the diesel, we found some sulphur levels close to 3000 ppm. In the gasoline, sulphur levels were higher than 700 ppm. Nowhere did we find fuel that could be legally sold at a pump in Europe.

Why do you produce, supply and sell high sulphur fuels to African countries and consumers, when sulphur in fuel is the main contributor to traffic air pollution that damages people's health?

Can you share with us the levels of sulphur in the gasoline and diesel that you produced, supplied, and sold, to African countries in 2015 and 2016 (per country, average, lowest and highest sulphur level)?

Is there a commercial motivation for not producing, supplying and/or selling 10ppm sulphur diesel and gasoline (like you provide in Europe) in all the African countries where you supply and/or sell automotive fuels?

Can you specify your commercial gains for not producing, supplying and/or selling 10ppm sulphur fuels in all the African countries you are active in?

Do you not think that the production, supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

Andrew Gowers of Trafigura has referred to me your questions concerning Puma Energy's role in serving fuel markets in Africa. Your questions concern the retail market so it is appropriate that Puma Energy, which serves these markets directly, answers them rather than Trafigura, which does not.

Since many of your questions appear misconceived or reveal a limited understanding of how the market operates, I propose to answer them via a statement setting out the company's strategy and policy in relation to supplying quality fuels, meaning fuels that are optimised for the requirements of the vehicle fleet in the countries we serve.

Puma Energy is a global petroleum products distribution company backed by strong infrastructure resources in 47 coun-

tries around the world. It is a privately owned company in which the two largest shareholders are Trafigura, with approximately 48 percent, and Sonangol. Puma Energy is also an important downstream partner for Trafigura in oil and petroleum products, though the two companies operate independently - and Puma Energy is ultimately responsible for the fuel supplies it handles.

In relation to fuel quality, Puma Energy has a strict policy of delivering petroleum products that meet specifications agreed with our customers and set by national governments and regulatory authorities. Regulatory requirements differ markedly from one market to another, and it is true that in many African countries, higher sulphur levels are permitted in fuel than in European countries or other developed markets.

There are a number of reasons for this, including considerations of cost and the average age of the national vehicle fleet i.e. vehicles simply cannot process product of a European standard. Importantly, these considerations apply to all suppliers in any given market. It is simply what the regulated market will bear.

On cost, many of the markets in which we operate are subject to price regulation within a framework based on the government's quality specifications. In these markets we obtain our supplies at world market prices and sell at fixed prices, with Puma Energy managing the risk of price fluctuations, currency movements and margin pressures this can entail. Within a low-margin business such as ours, this framework does not give us room for manoeuvre to reduce sulphur content significantly below the level set by the regulatory authorities.

In addition, there are logistical reasons why it would be impossible for us to significantly reduce sulphur content in these countries even if we saw a market demand. In many of them, the market depends on a single logistical chain in which fuel supplies flow through a single pipeline. This can mean that supplies from different sources including the world market and the local refinery are blended together in a single stream of uniform quality. It is physically impossible in these markets to vary the sulphur content from that set by the authorities. The same arguments apply, incidentally, to other elements that may occur within the fuel supply in a given country such as aromatics, benzene and manganese.

On the topic of sulphur content, it is true to say that, to the extent possible, governments are in general attempting to reduce permitted sulphur levels in fuel. Developed countries have made the most progress in this regard in recent years, with countries in Africa and Latin America, for example, moving at a slower pace. But they are not standing still either.

In West Africa, for example, the African Refiners Association (ARA) and the Economic Community of West African States (ECOWAS) have agreed to co-operate to improve the

specification of petroleum products and vehicle emission limits in the ECOWAS region through the adoption of the Africa Fuel and Lubrication (AFRI) specifications developed by ARA. A timeline has been set for this process and once it is concluded Puma Energy will duly comply with the new specifications established.

Puma Energy welcomes the opportunity to increase its supply of fuels with a higher performance and lower sulphur levels in Africa needed to meet the growth in sales of new vehicles. For example in Tanzania and Botswana, Puma Energy has invested in being able to provide its customers with a variety of fuel grades that meet the broad requirements of the country's vehicles. It is absurd to suggest that we have some kind of vested interest in keeping sulphur content higher than it needs to

be. It is, rather, our job to meet the demands of the market as determined by the relevant national authorities.

We would make one further point with regard to fuel specifications, which is that they apply to all fuel sold in a given market and are policed by rigorous systems of inspection and testing. Fuel supplies that do not meet the specifications cannot be sold, period. So while in international oil trading, incidents do arise from time to time where a cargo is found to be "off-spec" at the point of import, the onus is on the owner of that cargo to resolve the issue based on contractual arrangements. We are not aware of any case where an off-spec cargo delivered to Puma Energy made its way on to a national market via illegal sales, and would certainly not tolerate any such activity within our distribution network.

LYNX ENERGY/X-OIL CONGO

Editor's note: Lynx Energy hasn't replied to our request. Here is the list of questions we addressed them:

Currently head of Lynx Energy Trading Congo, Donatien Mpika is considered as close to Denis Christel Sassou Nguesso, the son of the President and head of oil sales within the State-owned SNPC. Did Lynx appreciate him as a risk before he was hired?

Lynx sponsors a football club called "Les Diables Noirs." Is Lynx aware that the club was until recently managed by political figures and senior public officials? How did Lynx make sure its sponsorship wasn't used by these persons for their personal wealth?

Is Lynx aware that until recently the football club was managed by General Jean-François Ndenguet, head of the Congolese police force, who, in 2004, was arrested in France for alleged participation in the "disappearance" of at least 353 Congolese (DRC) refugees during the civil war in 1999?

In 2011, Lynx bought X-Oil whose previous ownership is unclear. Can you tell who Lynx's counterpart in that transaction was?

Why did Lynx decide to expand its operations downstream through the acquisition of X-Oil's network of petrol stations?

We have tested in several African countries automotive fuels that are sold by downstream companies. For example, we took fuel samples at X-Oil stations in the Republic of the Congo. We found high levels of sulphur in the diesel and gasoline being sold. We did not find fuel that could be legally sold at a pump in Europe.

Why do you produce, supply and sell high sulphur fuels to African countries and consumers, when sulphur in fuel is the main contributor to traffic air pollution that damages people's health?

Can you share with us the levels of sulphur in the gasoline and diesel that you produced, supplied, and sold, to African countries

in 2015 and 2016 (per country, average, lowest and highest sulphur level)?

Is there a commercial motivation for not producing, supplying and/or selling 10ppm sulphur diesel and gasoline (like you provide in Europe) in all the African countries where you supply and/or sell automotive fuels?

Can you specify your commercial gains for not producing, supplying and/or selling 10ppm sulphur fuels in all the African countries you are active in?

Do you not think that the production, supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

Besides high levels of sulphur in the sampled diesel and gasoline being sold we also found high levels of aromatics and benzene levels in gasoline. The fuels tested could not be sold in Europe, even if the sulphur was within the European standard, as they contain more than 35%v aromatics and over 1%v of benzene.

Why do you produce, supply and sell fuels with high aromatic and benzene content to African countries and consumers, while they add to traffic air pollution and are damaging for people's health?

Our research shows that fuels for the African market are often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply, deliver and/or sell fuels?

Specific questions asked to companies

ADDAX & ORYX / ORYX ENERGIES

Answer from Karen Saddler, Group Chief Communication Officer (CCO) at Addax and Oryx Group (June 28, 2016)

Besides high levels of sulphur in the sampled diesel and gasoline being sold we also found high levels of aromatics in your diesel samples, high aromatic, benzene levels in gasoline. Several of the fuels tested could not be sold in Europe, even if the sulphur was within the European standard, as they contain more than 35%v aromatics, over 1%v of benzene or over 2 mg/l manganese (for gasoline) or over 8% polycyclic aromatic hydrocarbon (PAH) for diesel. Why do you produce, supply and sell fuels with high aromatic, benzene and manganese content to African countries and consumers, while they add to traffic air pollution and are damaging for people's health?

These are serious allegations the veracity of which would need to be evidenced and, if so, investigated. To this effect, we kindly request that full data (samples, description of the point and conditions of testing, the method of testing as well as the country, place and time of testing) are provided. We thank you in advance for your collaboration in this respect.

Oryx Energies only purchases from controlled in-country depots, but we know that a number of markets have problems with smuggled product (in particular from Nigeria). We have not had any issues with this at Oryx Energies service stations to date (including at third-party operated service stations

Our research shows that fuels for the African market are often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply, deliver and/or sell fuels?

Oryx Energies does not lower the quality of products. It sources from a variety of refineries, products that meet the specifications of the intended client country. Products are then delivered to the country concerned, where they go through customs and

enter storage depots. This does not involve lowering product quality. It should also be noted again that oil products cargoes are systematically inspected and certified by the receiving countries, ensuring compliance with all applicable norms.

In one of the diesel tested we found a bacteria contamination (Benin, Oryx station, Djéredgé (road to Cotonou) 16.05.2015). How do you explain this contamination?

No non-conformities have been signaled at service stations (a bacteria is not necessarily a non-conformity), as part of our HSSEQ processes. The mention of a bacteria is too vague. Oryx Energies kindly requests that you provide all related data, so that the matter can be duly analysed.

How often in 2015 did you have incidents with bacteria contamination in the petrol stations you operate?

There were no reported incidents of non-conformities or bacteria contamination in 2015. Nor were there any customer complaints that may have been related to such an issue (customer complaints are recorded monthly, as part of HSSEQ - Health, Safety, Security, Environment, Quality - KPIs).

What is your usual response to an incident of bacteria contamination?

Were such an incident to lead to a non-compliance with local regulations or to put the safety of individuals at risk, the product would immediately be removed from the related tank in the petrol station and/or from the depot that serves the petrol station.

Are you part of and/or influencing the process of fuel standard setting in the African countries where you supply to and or sell fuels? Please specify.

Due to the small size of its retail network (just over 100 out of a number well in excess of the 13,000 operated by the top 10 in

Africa), for a long time Oryx Energies was excluded from the professional petroleum groups that exist in many countries in the region. However, it is pushing hard to become a member of these groups, in order to be part of the discussion and make its voice heard.

Sierra Leone

These questions concern Oryx Energies and Addax Bioenergy (Sierra Leone) Limited – ABSL (a subsidiary of Addax Bioenergy S.A., part of the AOG group of companies). ABSL launched and developed a renewable energy project aimed at producing sugarcane bioethanol as well as electricity from the biomass.

We understand that Oryx Energies supplies around 80 percent of the country's petroleum needs. Do you agree with that estimate? Oryx Energies supplies around 60%, while Total supplies the other 40%. Sierra Leone is a very particular market in this respect, as it continues to emerge from the devastating civil war that raged from 1991 – 2002, and the Ebola outbreak in 2014 – 2015. As a result, contrary to most other markets, there are few retailers present.

At the same time, Sierra Leone is a good example of the evolution described above, as the specifications requested changed from maximum 500ppm to maximum 500ppm in mid-March 2016.

One of Oryx Energies' local subsidiaries, Petrojetty Co., is also building new storage capacity in Sierra Leone as well as a jetty to discharge petroleum products. The project was due for comple-

tion by the end of 2015. Is it now completed?

Oryx Energies' subsidiary, Petrojetty, has refurbished some of its storage tanks and built a state-of-the-art jetty at the Kissy Oil Terminal to replace the aging existing facility. The jetty is almost complete and final discussions are underway prior to commissioning. This modern jetty, built to international standards and open to all oil marketers, will enable the country to receive larger vessels and trade more significantly with global markets, offering the opportunity to better serve the local population, to attract new investments and to contribute to local development and job creation.

We understand that Oryx Energies, AOG's trading and downstream division, operates mainly through Petrol Leone, a joint-venture with the local Leoneoil. Is that correct?

Oryx Energies has a local subsidiary, Petrojetty Co., mentioned above, and a majority shareholding in the joint-venture storage company, Petrol Leone. Leoneoil has a minority shareholding.

Leoneoil was chaired by Vincent Kanu until he passed away, very recently. Mr. Kanu was managing director of the partly state-owned Sierra Leone National Petroleum Company (also known as "NP") until the government sold its 60 percent stake in NP. While supervising the privatisation, Mr. Kanu was embroiled into an obvious conflict of interest, as 55 percent of NP was granted to Mr. Kanu's Leoneoil. How did AOG appreciate such a risk?

It is impossible for Oryx Energies to comment on the alleged conflict of interest of Mr Kanu and any related risk in this re-



Headquarters of Addax & Oryx Group (AOG), Geneva, July 2016 | © Carl De Keyzer – Magnum

spect since Oryx Energies was not privy to the negotiations between Mr Kanu and the Government of Sierra Leone when the latter sold its 60 percent stake in NP to Leonoil. What we know and can comment on is the following:

Oryx Energies' trading arm has had commercial relations with what has become NP, since 1991, under its MD at the time.

Oryx Energies first dealt with Mr. Kanu when he replaced the MD. In 1996, the Government of Sierra Leone sold its stake: 55% to Leonoil and 5% to its staff. Oryx Energies was in no way party to that process. It was a long-time supplier to NP and had no relations with Leonoil at that time. And we have never heard of any problems between Mr. Kanu and the Government, either at that time or since.

Mr. Kanu remained MD of NP until he retired in 2005. Oryx Energies has thus supplied NP for many years, before and after Mr. Kanu's role in the company.

When Addax Bioenergy launched its project in 2008, Mr. Kanu and Martin Bangura, formed a joint company, Vinmart Security (formed by combining their two first names), which was commissioned by AOG. At the time, Martin Bangura was a member of parliament, sitting on committees related to AOG activities, such as Energy and Power or Local Government and Rural Development. Mr. Bangura was also representing Bombali, the district where Addax Bioenergy intended to grow crops. In the local media, Mr. Bangura described himself as a "champion" for Addax's plan, spending up to two or three days a week in his district convincing people there of the project's benefits. As his security company was on AOG's payroll, we understand there is possible conflict of interest. How did AOG appreciate such a risk?

The facts of the matter differ from the description in your question above. What we know and can comment on is the following:

Addax Bioenergy (Sierra Leone) Limited (ABSL) contracted a security company called Protec, in early 2013, in the face of the extensive theft and vandalism to pivots and pump stations in the project area. Mr. Kanu and Mr. Bangura had formed Vinmart in May 2010.

Protec failed to reduce the high levels of theft and vandalism.

Local authorities proposed to use the army to protect the company's assets. ABSL considered this unacceptable and potentially high risk.

ABSL decided to test Vinmart, in addition to Protec, in November 2013, to provide uniformed guarding security services. The guards were primarily sourced from the surrounding communities, creating approximately 700 jobs and greater local buy-in. By spring 2014, the level of theft and vandalism was significantly reduced.

As a result, ABSL signed a 12-month contract with Vinmart Security Services (Sierra Leone) in January 2015. ABSL's Board considered and approved the contract as being in the best interest of the company. The handover from Protec to Vinmart became effective on 1 February, 2015.

In addition, Makeni is an isolated region of Sierra Leone. The choice of a company that knew the communities well and had proven its ability to reduce theft was considered appropriate.

Concerning Mr. Bangura, who represented Bombali District and was a member of parliament, it did not particularly concern ABSL that – like politicians everywhere – Mr. Bangura promoted a project that would bring jobs and local development to his constituency.

VITOL/VIVO ENERGY

Answer from Andrea Schlaepfer, Head of Corporate Affairs at Vitol (June 11, 2016)

GHANA

Is Ebony now part of Vivo Energy's portfolio? What is Vivo Energy's share in Ebony?

All questions pertaining to Vivo Energy should be addressed to them, but no, Ebony is not part of Vivo Energy's portfolio.

However, it may be that you are confused. Oando PLC is a shareholder of the Ghanaian company Ebony Oil & Gas. In June last year, a consortium comprising Vitol and Helios Investment Partners entered into an agreement to invest in Oando PLC's downstream business. Ebony Oil & Gas is part of this. This transaction has not yet completed and Vitol is therefore not invested in Ebony, or Oando's Downstream business. On completion, Vitol will be a minority shareholder in Oando Downstream business (which in turn is a minority shareholder in Ebony) and will not have control of the company.

Pl find the relevant press releases below:

- [www.oandopl.com/media/press-release/oando-plc-reaches-agreement-to-sell-an-equity-stake-in-its-downstream-](http://www.oandopl.com/media/press-release/oando-plc-reaches-agreement-to-sell-an-equity-stake-in-its-downstream-businesses-to-a-joint-venture-consisting-of-helios-investment-partners-and-vitol-subject-to-receipt-of-relevant-regulatory-approval)

[businesses-to-a-joint-venture-consisting-of-helios-investment-partners-and-vitol-subject-to-receipt-of-relevant-regulatory-approval](http://www.vitol.com/consortium-comprising-helios-and-vitol-to-acquire-an-equity-stake-in-oandos-downstream-businesses)

- www.vitol.com/consortium-comprising-helios-and-vitol-to-acquire-an-equity-stake-in-oandos-downstream-businesses

There is evidence that the Ghanaian Chamber of bulk oil distributors (CBOD) has been lobbying, at least in 2012, against the adoption of stricter sulphur standards for fuels (set at the time at 5,000 ppm for diesel), especially for diesel. At the time, Vitol was in partnership with Cirrus Oil which was one of the most significant members, in terms of market share, of the association. How do you position yourself towards such a lobbying?

Vitol has never been in partnership with Cirrus. Vitol has a commercial relationship with Cirrus and, on occasion, supplies them with product.

Vitol has never lobbied or supported lobbying against the adoption of stricter sulphur standards for fuels.

Vitol seeks to have an open and transparent relationship with the relevant regulators and authorities in all the markets in which it operates. It has therefore responded to technical queries from the regulator regarding fuel specifications.

Is Vitol still working today with Cirrus Oil?

Vitol has a commercial relationship with Cirrus. That is, if Vitol's price is the most competitive, it may, along with other companies, supply Cirrus. All product supplied by Vitol is amalgamated and mixed with the product supplied by Cirrus' other suppliers.

In 2014, Vitol supplied diesel through the tanker Mariella Bottiglieri that was sampled, at the moment of import, by the Ghanaian authorities as above the national sulphur standard at the pump (3,000ppm), with a content of 3,120ppm. We must assume this product was either further blended in the depot to lower its sulphur level, or sold off spec (illegally), at the pump. Can you tell us what happened with this cargo?

Vitol does not comment on specific cargoes as a matter of policy. Please note however that if the cargo was imported, in accordance with Ghanaian regulations it would have been imported by either a licensed OTC or BDC and would have to meet the official country specification, Vitol was neither an OTC nor BDC and therefore cannot have imported the diesel into Ghana.

FUEL QUALITY

Besides high levels of sulphur in the sampled diesel and gasoline (see first set of questions) being sold we also found high levels of aromatics in your diesel samples, high aromatic, benzene and manganese levels in gasoline. Several of the fuels tested could not be sold in Europe, even if the sulphur was within the European standard, as they contain more than 35%v aromatics, over 1%v of benzene or over 2 mg/l manganese (for gasoline) or over 8% m polycyclic aromatic hydrocarbon (PAH) for diesel. Why do you produce, supply and sell fuels with high aromatic, benzene and manganese content to African countries and consumers, while they add to traffic air pollution and are damaging for people's health?

Vitol does not 'produce, supply and sell' fuels with high aromatic, benzene and manganese content to African countries and consumers.

Vitol participates in open and competitive tenders to supply African countries. In most of Africa this process is overseen and managed by the local regulator, government and/national oil company. If Vitol is successful and wins a tender, it supplies the government/NOC/importing company which amalgamates and mixes the product of its various suppliers. Vitol product is mixed in with everyone else's product.

In most countries, the local marketing/ service station owners must purchase their product from this amalgamated and mixed supply.

In one of the analysed gasoline from a Shell station in Abidjan, Côte d'Ivoire (Biétry 1.8.2014) we found a sulphur level of 155 ppm, that is 5 ppm above the legal limit of 150 ppm.

What is your response to this? Did you know you sold gasoline above the legal standard? What is your usual response to of spec

fuels? How often does it happen that you sell off spec fuels in the African countries where you supply, and /or sell fuels?

In respect of gasoline sold at a Shell service station, please address this question to Vivo Energy.

In respect of the supply of fuels to Cote d'Ivoire the only distributor in Cote d'Ivoire is the local refinery. Any distributor must, by law, purchase all its products from the local refinery SIR which either manufactures these itself or imports them for on-sale to the local marketers in Cote d'Ivoire.

That is, Vitol can only supply product to Cote d'Ivoire via the SIR refinery. The refinery stores the product in co-mingled storage facilities (that is, in the same tanks as product from other companies).

Our research shows that fuels for the African market are often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply, deliver and/or sell fuels?

In our experience, fuels for the African market are sourced from refineries around the world, including Africa and in particular the Middle East and India. We would be interested in seeing your research that shows that they are 'often' produced in the Netherlands and Belgium.

Refineries worldwide make gasoline and diesel to different specifications. This is determined by the equipment in the refinery and where the refinery sells products to. It is not determined by where the refinery is based. Therefore, there will be refineries based in Europe which produce product that does not conform to European standards.

Given the diverse sources of gasoline and diesel supplied to Africa, there are no 'typical' blend. Each cargo will be blended to ensure it meets local regulatory requirements.

On Vivo Energy's website it is stated that you 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".

How do you define "truly world class products"?

How do you relate your statement while you at the same time produce, supply and sell high sulphurous, high aromatic, high benzene and high manganese fuels to the African market?

Please address these questions to Vivo.

Are you part of and/or influencing the process of fuel standard setting in the African countries where you supply to and or sell fuels? Please specify.

A representative of Navgas (a company in which Vitol subsidiary VTTI is a 50% shareholder) was invited by the Standards Organisation of Nigeria to attend a meeting of the Technical Committee on Petroleum and & Petrochemical Products. It was purely a technical discussion.

We understand that Vivo Energy is a member of the African Refiners Association.

As stated previously, Vitol seeks to have an open and transparent relationship with the relevant regulators and authorities in all

the markets in which it operates. It will therefore respond to technical queries from any regulator regarding fuel specifications.

TRAFIGURA/PUMA ENERGY

Editor's note: Trafigura hasn't answered our questions. They forwarded our email to Puma Energy. Puma Energy hasn't answered our specific questions but provided only a very general statement on their downstream activities. Here is the list of specific questions we asked them:

ANGOLA

We understand that Trafigura still is the sole supplier of petroleum products to Angola through the DT Group. Is that correct?

Is General Leopoldino Fragoso do Nascimento the beneficial owner of Cochan (Bahamas), the owner of 50% of the shares of the DT Group?

In its January 2014 Preliminary Offering Memorandum, Puma International Financing SA states that the chairman of Cochan Holdings LLC, General Leopoldino Fragoso do Nascimento, has resigned from his official position as "Consultant to the Minister

of State and Chief of the Military House" within the Angolan government. However, contrary to his nomination, his resignation wasn't recorded – to our knowledge – in the official gazette, the Diario da Republica, as it should be. On what evidence is based Puma Energy's statement?

In any case, General do Nascimento was a senior public official for at least part of the time during which the DT Group benefited of an important contract with a State entity (Sonangol). Was this contract the result of an open public tender?

There is a risk that this contract has been obtained as a result of a conflict of interest. How did Trafigura handle such a risk?



Here is one of the places where it is decided whether Africa deserves the same quality of fuel as Europe.
Trafigura and Puma Energy offices in Geneva, July 2016 | © Carl De Keyzer – Magnum

The prospectus further states that Puma benefits “from the local market knowledge of Cochan”. What exactly does Puma Energy mean by “local market knowledge”?

REPUBLIC OF THE CONGO

A woman named Aurelia Mendes described herself publicly as the “Project Manager” in Congo for both Trafigura and Puma Energy. Is she still at that position? And what is or was exactly her role?

GHANA

The National Petroleum Authority lists a partnership as trading companies between Trafigura and local Chase Petroleum. Is this partnership still ongoing?

What does such a partnership mean concretely (shareholding, supply agreements, joint investments, etc.)?

Puma Energy bought stakes in the UBI Group of Salma Okonkwo, who is described by Africa Energy Intelligence as close to President Mahama (a “Mahama favorite”). Do you agree with that statement?

Why is Puma Energy’s local subsidiary, Puma Energy Ghana Ltd, registered in the Bahamas and not in Ghana?

In 2014, Delaney Petroleum, a trading company we believe to work exclusively with Trafigura and Puma Energy, supplied fuel through the Transsib Bridge that was sampled, at the moment of import, by the Ghanaian authorities as above the national Sulphur standard at the pump (3,000ppm), with a content of 4,270ppm. We must assume this product was either further blended in the depot to lower its Sulphur level, or sold off spec (illegally), at the pump. Can you tell us what happened with this cargo?

What are the terms of the relationship between Delaney and Trafigura/Puma Energy?

There is evidence that the Ghanaian Chamber of bulk oil distributors (CBOD) has been lobbying, at least in 2012, against the adoption of stricter Sulphur standards for fuels (set at the time at 5,000ppm for diesel), especially for diesel. At the time, Trafigura was in partnership with Chase Petroleum which was one of the most significant members, in terms of market share, of the association. How do you position yourself towards such a lobbying?

ZIMBABWE

Sakunda Holdings, in which Trafigura has a 49% stake, has for chairman of the board, Willard Manungo, who is also head of the state-owned Infrastructure Development Bank of Zimbabwe and was for several years a financial advisor to President Robert Mugabe. Among other board members are also a former head of Zimbabwe’s central bank, and current ministers. How did Trafigura handle the risk of working with such political figures?

Is it correct that the 49% shares acquired in Sakunda were bought for US\$ 262 million?

FUEL QUALITY

Besides high levels of sulphur in the sampled diesel and gasoline being sold we also found high levels of aromatics in your diesel samples, high aromatic, benzene and manganese levels in gasoline. Several of the fuels tested could not be sold in Europe, even if the sulphur was within the European standard, as they contain more than 35%v aromatics, over 1%v of benzene or over 2 mg/l manganese (for gasoline) or over 8% m polycyclic aromatic hydrocarbon (PAH) for diesel.

Why do you produce, supply and sell fuels with high aromatic, benzene and manganese content to African countries and consumers, while they add to traffic air pollution and are damaging for people’s health?

Our research shows that fuels for the African market are often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply, deliver and/or sell fuels?

This question is about an event in the past related to the cargoes coker naphtha (with very high levels of mercaptan sulphur) bought from PMI that were treated on tankers (Probo Koala and Probo Emu) and in terminals. In January 2007, you chartered the tanker Ottavia, loading it with about 30,000 tons of gasoline from the UK’s Immingham refinery. After that the tanker sailed to Vestank in Slovag in Norway, to collect 5,855 tons of residue from caustic washing mixing it into the gasoline. The residue was similar to the waste of the Probo Koala. From Norway, the Ottavia sailed direct to West Africa, where she unloaded her cargo, staying offshore Lomé for 2 days before heading to Apapa (Lagos) in Nigeria. Can you specify what happened with this gasoline cargo? What was the exact composition (e.g. octane level, density, total sulphur and mercaptan sulphur content, benzene, olefins and total aromatic content)? Was it sold as such, and where? Was it further blended?

Puma states in its 2014 Offering memorandum: “We offer a full range of refined oil products and operate blending facilities in order to tailor our products to regional demands and specifications. Most of our contractual arrangements with wholesalers require the wholesaler to use unbranded trucks and to resell our products to unbranded retail stations. This limits our reputational risk and exposure to incidents at the distributor or final customer level.”

What are the exact reasons why most of Puma’s contractual arrangements with wholesalers require the wholesaler to use unbranded trucks and to resell their products to unbranded retail stations?

On your website you state that “Across Africa and other developing regions, our supply of affordable high quality fuel products empowers local businesses.”

How do you define high quality fuels?

How do you relate your statement while you at the same time produce, supply and sell high sulphurous, high aromatic and high benzene fuels to the African market?

Are you part of and/or influencing the process of fuel standard setting in the African countries where you supply to and or sell fuels? Please specify.

MOCOH

Answer from Michael Hacking, CEO of MOCOH (July 1st, 2016)

1) During our investigation regarding fuel quality we came across a gasoline cargo blended during loading onboard a tanker that was chartered by you. This concerns the Combined Chemical and Oil Tanker "Conger" berthed at Vopak in Amsterdam the 15th of July 2015 after a short trip coming from Oil Tanking Amsterdam. At VOPAK, the tanker was loaded with the following blendstocks:

- Light Virgin Naphtha
- Benzene additive
- Pygas
- Reformate aromatics (>50%)
- Cracked naphtha
- Light catalytic cracked gasoline.

Several of these blendstock may contain substances in high levels that, when burned as fuel, add to traffic air pollution and are damaging for people's health After loading this gasoline blend, Conger set sail for Lomé anchorage, arriving on 1st August 2015. The tanker stays there for 3 weeks and conducts Ship To Ship operations with several tankers.

- a) What was the exact blending recipe for this gasoline blend cargo? (what blendstocks in what share in the final product, what additives in what dosage). Also were there already blendstocks onboard when you loaded above mentioned blendstocks? If so, were they mixed together?
- b) What was the origin (name of company, location, country) and composition of each blendstock (e.g. levels of octane (RON and MON), sulphur, aromatics, benzene, olefins, manganese) and the exact composition of the final product (same as above plus RVP, density, lead content, oxidation stability, existent gum content, copper strip corrosion) oxygen content, oxigenates content).
- c) For what price did you acquire each blendstock?
- d) What was the additive?
- e) With how many tankers, which ones and with what aim did you have STS operations during the 3 weeks offshore Lagos?
- f) What happened to the blend batch that was loaded in Amsterdam? Was the gasoline batch further blended? If so please detail where and with what?
- g) To whom did you deliver this batch of gasoline? Against what agreed specifications?
- h) Where was it sold to the consumer? What was the exact composition of the gasoline sold to the consumer?

2) Our research shows that fuels for the African market are often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply and/or deliver fuels?

3) Is there a commercial motivation for not producing and/or supplying 10ppm sulphur diesel and gasoline (European standard) in all the African countries where you supply automotive fuels?

4) Can you specify your commercial gains for not producing and/or supplying 10ppm sulphur fuels in all the African countries you are active in?

5) Do you not think that the production and sale supply of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

Further to our discussion of the 30th June and as promised, please find some of the detail of the purchase and some information on the sale of the finished gasoline loaded on the MT Conger. This product was purchased as a finished grade of gasoline meeting the specifications of the market to where the gasoline was to be delivered. In this instance the product was delivered to an offshore point, Lome. This is standard practice for all shippers to follow in order to facilitate the logistics for the importers into the relevant countries. The refiner at load port is a well-known refiner and like many of the refiners and blenders in North West Europe has many years of experience making this finished grade. The quality of the finished grade product is set by the official authorities in the respective consuming countries.

In your questionnaire to MocoH you have asked for all the ratio of the components that were used to make this finished grade. We are not blenders nor refiners but rather shippers acquiring a finished grade and delivering this grade to the markets that have requested the product, thus we are not equipped to give you all the information that you have requested. We regret that, as much as we would like to help, we are contractually precluded from disclosing even suitably redacted copies of our

contractual documentation relating to our purchase, sales and charter as these contracts all contain clauses binding the parties to keep them strictly private and confidential, so that any disclosure by us to you could expose us to a claim by our counterparts for damages for breach of such clauses

In this instance we acquired the product on an FOB basis, we transported the product on a first class vessel meeting all international standards. We delivered this finished grade gasoline to two 1st class internationally renowned major oil companies and two internationally well-known distributors who have networks of petrol stations and distribution points in countries in West Africa. The product was delivered on a ship to ship basis in the same state as it was loaded. We had no role, nor any right to blend or change the product loaded in any way.

Whilst it is clear that the product specifications in Europe differ from many countries in the world, it is for the importing authorities of these countries to define the needs of the country taking into consideration the usage of the product (fit for purpose) and the economic cost associated with the grade of the finished product.

Mocoh, as part of its social corporate responsibility subscribes to improving the lives of the people and the environment in the countries in which we operate, thus we subscribe to many initiatives where we believe we are making a positive difference (please see our website). We also subscribe to the very important initiatives of the Swiss Trading and Shipping association (STSA) based in Geneva who, I understand, may also be responding to the many questions that you have raised on behalf of our industry.

MERCURIA

Answer from Benoit Lioud, Senior Communications & Research Analyst at Mercuria Energy Trading SA (June 23, 2016 and July 5, 2016)

- 1) *During our investigation regarding fuel quality we came across a gasoline cargo blended during loading onboard a tanker that was chartered by Mercuria. This concerns the Combined Chemical and Oil Tanker "High Beam" berthed at Vopak in Amsterdam, loading on March 30, 2016. The tanker was loaded with the following blendstocks:*
 - benzine [gasoline] additive
 - Pygas
 - FCC gasoline
 - naphtha top
 - Eurobob <95 RON
 - LCCG heartcut.

Several of these blendstocks may contain substances in high levels that, when burned as fuel, add to traffic air pollution and are damaging for people's health. After loading in Amsterdam the tanker left late in the evening and sailed straight to West Africa where it arrived at Lagos anchorage on 13th April. There, it made several movements before sailing into the city's port ten days later. In the port, she berthed close to Tin Can Island at the Capital Oil Jetty.

 - a) *What was the exact blending recipe for this gasoline blend cargo? (what blendstocks in what share in the final product, what additives in what dosage). Also were there already blendstocks onboard when you loaded above mentioned blendstocks? If so, were they mixed together?*
 - b) *What was the origin (name of company, country) and composition of each blendstock (e.g. levels of octane (RON and MON), sulphur, aromatics, benzene, olefins, manganese) and the exact composition of the final product (same as above plus RVP, density, lead content, oxidation stability, existent gum content, copper strip corrosion) oxygen content, oxygenates content).*
 - c) *For what price did you acquire each blendstock?*
 - d) *What was the gasoline additive?*
 - e) *What did the tanker do while waiting / sailing offshore Lagos?*
 - f) *What happened to the blend batch that was loaded in Amsterdam? Was the gasoline batch further blended? If so please detail where and with what?*
 - g) *To whom did you deliver this batch of gasoline? Against what agreed specifications?*
 - h) *Where was it sold to the consumer? What was the exact composition of the gasoline sold to the consumer?*
- 2) *In your Charter Agreement (dated 2007) you insert agreements on blending onboard. Mercuria Energy Trading, (2007), "Chartering Terms". On page 9 the following can be read "Comingling: Charterer to have the right to order the vessel to commingle and/or circulate the cargo in vessel's tanks and/or add additives (including but not limited to dye, pour point depressants, anti-static additives, metal deactivators and H2S scavengers) subject always to vessel's safety. Blending: charterer has the option of blending afloat."*
 - a) *Is this "chartering Terms" still applicable, or alternatively what does your current Chartering Terms say regarding blending onboard?*
 - b) *How often do you carry out blending operations onboard tankers (please specify, locations and with what aim)?*
 - c) *How does blending onboard tankers in your eyes relate to IMO's introduction of a global ban on blending bulk liquid cargoes and other production processes aboard ships during sea voyages on January 1, 2014 where "the physical blending of bulk liquid cargoes during sea voyages is prohibited? Physical blending refers to the process whereby the ship's cargo pumps and pipelines are used to internally circulate two or more different cargoes with the intent to achieve a cargo with a new product designation."*



Headquarters of Mercuria Energy Trading SA, Geneva, July 2016 | © Carl De Keyzer – Magnum

- 3) *Our research shows that fuels for the African market are often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply and/or deliver fuels?*
- 4) *Is there a commercial motivation for not producing and/or supplying selling 10 ppm sulphur diesel and gasoline (like you provide in Europe) in all the African countries where you supply automotive fuels?*
- 5) *Can you specify your commercial gains for not producing supplying 10 ppm sulphur fuels in all the African countries you are active in?*
- 6) *Do you not think that the production and/or supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?*

Mercuria confirms that it has bought gasoline in Amsterdam directly from a local refiner at its Vopak terminal. The product was required to meet the Nigerian specifications. No additives

or semi-finished blendstocks have been further incorporated by Mercuria which sold the product “as is” to a couple of customers through Ship-to-Ship transfer offshore Lome.

The commercial details related to the transaction(s), including the price or the quantities are confidential.

We can also confirm that the technical specifications of the products, as tested and verified by a professional inspection company have met all the specifications required by our local customers. No need to say that Mercuria is always delivering products which are in accordance with the requirements of its customers. Additionally, as part of its standard procedures, Mercuria is also making sure that the quality of the products it delivers is always fully compliant with the prevailing local legislations as it is defined by the local authorities.

As per our earlier message and conversation, we remain available for further technical information.

Editor’s note: Asked with a further set of questions regarding the same case, Mercuria provided the following answer:

We hereby reiterate that Mercuria has acquired the gasoline batch direct from the refiner which delivered the finished product into the vessel from its onshore tanks. Mercuria confirms again that it did not incorporate any other substance or product or blend stock into this gasoline cargo which was in-

spected by an independent party and confirmed “on-spec” Vs the Specification in the contract at loading. The specifications were meeting the Nigerian required specifications and the product was delivered. Upon discharge the independent analysis confirmed that the product was on spec and was in fact the exact same quality as the results of the inspection at loading.

Please note that the results of the analysis performed by the inspection company will not inform you about the chemical composition of the product but on its quality. All the technical

specifications are tested according to the standard testing procedure. The results of these analysis confirmed that the product delivered was meeting all the required criteria as per the contractual and legal requirements.

Mercuria also reiterates that the commercial details of the transactions (purchase and sale) are confidential. The Nigerian government, like all the authorities around the globe have access to custom details of such transactions and set the required specification of all product purchases.

GUNVOR

Answer from Seth Thomas Pietras, Corporate Affairs Director, Gunvor Group (June 24, 2016)

1. *This concerns an old case. Gunvor delivered gasoline that brought hundreds of cars to a standstill in Lagos, Nigeria in March 2008. The damage was caused by a 33,000 tonne batch of gasoline, containing 20 percent ethanol (E20 gasoline), significantly more than permitted by Nigerian authorities. According to media reports, around 14,000 tonnes of this gasoline had reached petrol stations in Lagos by the time the problem was spotted. The E20 gasoline was transported from the Netherlands where it had been stored at your principal blending facility, Oiltanking Amsterdam (OTA). It was sold to a low price to Oando PLC, one of Nigeria's main fuel import companies. The Department of Petroleum Resources (DPR) in Nigeria was forced to act, demanding that the sent back to Amsterdam and fining Ondo US\$16.5 million. Oando stated that it would sue Gunvor, accusing the trader of concealing the ethanol content in the fuel.*

- a) *What were the causes (for example detail the problematic blendstocks used) causing the engine problems during?*
- b) *What was the exact composition of this gasoline batch? (please detail the composition of the different blendstocks and share of them in the final gasoline)*
- c) *What were the quality specifications set out in the contract between you and the Nigerian buyer?*
- d) *Can you confirm that this gasoline was blended in Amsterdam at OTA before transported to Nigeria?*
- e) *Was it further blended after leaving OTA and before sold at the pump in Lagos?*
- f) *After this batch of gasoline was sent returned to OTA, what happened with it?*
- g) *Have you and/or OTA ever been investigated by the Dutch public prosecution for violation of the EU Waste Shipment Regulation and possible other violations with what results?*

Given that this matter took place more than 8 years ago and that we have limited time to respond, we can only provide the following information.

Your understanding of the situation is incorrect and incomplete. Nigeria did not have any standards pertaining to ethanol at that time, and the ethanol blended into the product was not “concealed” whatsoever. The product delivered to Nigeria was on-spec, exactly meeting the requirements of the contract. It

was tested by an independent inspector at loading. Its quality was certified and the load complied with all necessary and contractual specifications. Upon arrival, the cargo was subject to the normal pre-discharge tests and following those tests was accepted by the importer for discharge. Composite samples retained from the cargo (according to our records) show it as being of quality consistent with the demands of the importer.

As we have been clear in communicating, the product sold had been blended with ethanol, which is a common practice to meet certain environmental standards, including today in places like the United States and Europe. That particular cargo contained a proportion of ethanol similar to that commonly used in gasoline in markets such as Brazil, where motorists have operated vehicles normally for decades.

In this matter in Nigeria, we understand that the importer improperly stored the product in poorly maintained facilities, after they had acquired it from Gunvor. The improper storage caused the product to be mixed with water and mud, among other contaminants, which resulted in the issue with the cars.

It is important to note that, during the 18 months prior to that particular issue Gunvor supplied to Nigeria nearly 50 cargoes totaling 1.5 million MT. Each of those cargoes proved to be safe and reliable. In fact, the subsequent cargoes meant for Nigeria ended up instead being sold to other countries in the Middle East at a higher price, given that the product was of a good quality.

With respect to your question about Dutch authorities, Gunvor provided information to Dutch authorities related to this matter and effectively demonstrated our compliance with all regulations. Neither Gunvor nor its traders have been found guilty of any violation and no fines were imposed on Gunvor.

Separately, we have no record of anyone being fined “US\$ 16.5 million”. This is incorrect.

2. *According to your 2013 bond prospectus “Gunvor's Group's principal gasoline blending facility is located in Amsterdam, where you operate 292,000 cubic metres of storage capacity under a long-term contract with Oiltanking Amsterdam [OTA] that will remain in effect for several years. Gasoline blended in Amsterdam may be shipped anywhere in the world, but is mostly marketed to North America and West Africa. “ Your*

prospectus also stated that “Gunvor is active in the Amsterdam–Rotterdam–Antwerp region gasoil barges market relying on its access to storage facilities in Amsterdam.”

a) Can you confirm that Oiltanking Amsterdam is indeed still one of your main blending and storage facilities for gasoline and gasoil under a long-term contract with OTA?

We cannot comment as it relates to commercially sensitive information.

b) Are there any other terminals in the ARA region where you rent tanks for storage and blending of gasoline and gasoil intermediate and final product?

We cannot comment as it relates to commercially sensitive information.

c) Which and how many petroleum products (gasoline and diesel intermediate and finished products) did you supply and deliver to the African market in 2015 (volume and value)?

We cannot comment as it relates to commercially sensitive information; however, we can say that total sales of all refined products into African countries account for less than 5% of Gunvor's total trading volumes.

d) Our research shows that fuels for the African market are indeed often produced in The Netherlands and Belgium. Gasoline and diesel produced for Europe meet the European specifications. How do you lower the quality of the products for meeting the African specifications? Please specify. What are the typical blend recipes used for the different African countries where you supply and/or deliver fuels?

Each country has its own government-mandated fuel specifications. Once a sale is made, the fuel is then produced from scratch by blending components to meet the specifications according to the contact.

3. Is there a commercial motivation for not producing and/or supplying selling 10 ppm sulphur diesel and gasoline (like you provide in Europe) in all the African countries where you supply automotive fuels?

If importers require it, Gunvor does sell 10ppm Sulphur fuels into African countries.

4. Can you specify your commercial gains for not producing supplying 10 ppm sulphur fuels in all the African countries you are active in?

It would be impossible to quantify sales of something not requested by a buyer.

5. Do you not think that the production and/or supply and sale of the safest possible petroleum products (i.e. which respect European standards on fuel quality) is an important part of your corporate social responsibility?

Gunvor produces or supplies products that meet the specifications outlined by our buyers and that are in accordance with government regulations regarding safety and environmental standards. As you know, individual governments legislate different standards; Gunvor makes sure that its products meet

such requirements. As an example, Switzerland's standard for heating oil is 1000ppm Sulphur, while the mandated specification in the rest of Europe is 50ppm.

6. The Gunvor Refinery Ingolstadt is a “100% owned inland refinery operating in a niche market” and “securing product supplies for land-locked European customers. Besides this refinery you own (1) since 2012 Gunvor Petroleum Antwerp (GPA) in Antwerp “where the refinery's large storage capacity and the flexibility of its installations gives you capabilities to handle a wide range of both intermediate and finished products including LPG, naphtha, gasoline, heating oil, VGO and bunker grades” and (2) since more recently the Gunvor Petroleum Rotterdam (GPR), in the Port of Rotterdam (“The refinery and its international distribution center have direct access to the open sea and the European hinterland, which is a unique location for producing and distributing finished and intermediate products such as LPG, naphtha, gasoline.”)

a) Why did Gunvor decide to expand its operations midstream through the acquisition of the refineries in Antwerp and Rotterdam?

Direct access to, or ownership of, “midstream” and “downstream” capacity (terminals, storage and refinery processing) brings with it access to greater volumetric flow, provides a natural form of price risk management (or natural hedge) and enhances arbitrage opportunities. Traders are not reliant on the absolute price of commodities for their livelihood, but rather seek to benefit from differentials in prices between geographies, across different time horizons and between energy products. Refinery ownership can assist traders in benefiting from all three of these arbitrage opportunities.

Industrial assets such as refineries also act as a complement to trading, with the market intelligence gleaned from trading activities allowing refineries to operate more efficiently and to divert products output to markets where they are in greatest demand. Similarly, the ownership of assets brings to traders enhanced access to both upstream and downstream markets.

b) On your website you state that “Refineries complement Gunvor's trading function by creating greater operational efficiency across the supply chain.” What do you mean with this? Can you explain how your refineries in Antwerp and Rotterdam create greater operational efficiency across the supply chain (for example, does it allow you to upgrade off-spec or low quality cargoes or to easily switch from one feedstock to the other?)

See answer above. This has nothing to do with upgrading “off-spec or low quality cargoes.”

c) Do your refineries in Antwerp and Rotterdam only operate for Gunvor products or also (often, occasionally) for other clients? Gunvor does not process for third-parties. We purchase all of the crude oil and feedstocks that are processed in our refineries, and sell the products to a multitude of buyers.

d) Please describe the function and role of the GPA and GPR for the fuel products you produce and distribute in and for the African fuel markets.

Neither GPR nor GPA have produced any finished gasoline or gasoil for the Sub-Saharan African fuel market since we took ownership. Please note that we cannot attest to whether a buyer has subsequently sold finished products purchased from Gunvor to those markets; however, any finished products purchased from GPR or GPA are meeting European specifications and standards pursuant to regulations in force.

7. The 2013 bond prospectus also states that "Gunvor has access to a floating storage of 65,000 metric tonnes off Cotonou in Benin. Access to this floating storage facility allowed Gunvor to become one of the most active gasoil trading companies in

West Africa, with 1.4 million metric tonnes sold in the region in 2012, mostly to Gabon, Nigeria and Ghana."

- a) Can you give more details of the floating storage of 65,000 metric tonnes off Cotonou (name of tanker and it's IMO number, it's activities, is it both storage and blending and for what petroleum products, where the products come from that are stored/blended there and where they go, the volumes of flows etc.)
- b) What floating storage offshore West Africa did you have access to in 2013 till now for the storing and or blending of intermediate and finished gasoline and gasoil products?

Market conditions have changed, and we no longer have this storage.

GLENCORE

Answer from Charles Watenphul, Media relations, Glencore, (June 22, 2016)

We understand from several sources that Glencore operates in Ghana in partnership with a local company called Fueltrade. What are the terms of this relationship (shareholding, supply agreements, joint investments, etc.)?

Glencore owns a minority holding in a fuel storage terminal in Tema, which is majority owned by Fueltrade. The terminal is a storage infrastructure asset which provides fuel storage for a number of industry participants.

1) A 2013 report by the National Indigenisation and Economic Empowerment Board (NIEEB) concluded that Glencore is using "fronts" to conceal its interests in the distribution sector (using a BVI company called Alveir Management), namely the control of a company called Zuva Petroleum, controlled by local Woble Investments. Do you agree with that statement?

This statement is incorrect. Glencore owns a minority equity interest in Zuva Petroleum, in line with the requirements of the Indigenisation and Economic Empowerment Act.

2) The NIEEB stated that the fact that a loan provided by Glencore to Woble was turned into equity for the benefit of Glencore, a move reduced the "effective indigenous interest" in Zuva to less than 26 percent. This would be a violation of the local content laws which require petroleum companies to be at least 50 percent owned by nationals. What is your position on the NIEEB's statement?

This is incorrect. Glencore does not own an equity interest in Woble Investments.

3) The owner of Woble, John Mushayavanhu, is not only a successful banker but also an influential member of the ruling party ZANU-PF, which constitutes a risk. How did Glencore handle such a risk?

In respect of its transactions, Glencore conducts appropriate due diligence as required to ensure that it acts in line with the Glencore Corporate Practice (GCP) and its Code of Conduct.

1) This concerns an old case. In 2006 you transported more than 10,000 tonnes of gasoline mixed with acetone from Singapore to the Vietnamese market. Reports emerged that this gasoline was causing car and motorbike engines to stall, due to the expansion of rubber parts inside. Thousands of vehicle engines, mostly motorcycles and scooters, were adversely affected. Tests later conducted on the gasoline found high levels (10-17 percent) of acetone. Acetone is a common industrial and household substance (used in nail polish remover, for example), neither present in crude oil nor created during the refining process. You took back all of the problematic gasoline that you had supplied to Vietnam.

a) What were the causes (for example detail the problematic blendstocks used) causing the engine problems during?

b) Was acetone mixed intentionally, and with what aim? What was the profit that you hoped to make with it?

c) If not added intentionally, was acetone mixed accidentally, how come?

d) What was the exact composition of this gasoline batch? (please detail the composition of the different blendstocks and share of them in the final gasoline)

e) What were the quality specifications set out in the contract between you and the Vietnamese buyers?

f) Where was this gasoline blended before selling to the Vietnamese buyers? After this batch of gasoline was returned to you in Singapore, what happened with it?

Acetone is a solvent that is an industry recognised and approved additive used to increase the oxygenation properties of gasoline. In 2006, too much acetone was mistakenly added to a shipment of gasoline that was destined for the Vietnamese market. The blending took place in Singapore. As soon as this error was identified, the majority of the cargo was bought back by Glencore and returned to Singapore for subsequent re-blending in the correct dosage. A small amount of the gasoline was released into the market in Vietnam and compensation was provided to the customer.

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