

Presentation to the Standing Committee on Finance



14 March 2018

Sasol is committed to supporting South Africa's transition to a lower-carbon, more climate resilient economy



Sasol Supports

Carbon Pricing

Just transition to a lower-carbon economy

South Africa's international climate change negotiating position

South Africa's re-industrialisation effort and is committed to investing in our Southern African operations to 2050 and beyond

What have we done?

Participating in voluntary carbon budget

Introduced natural gas; continuously investing in gas exploration; greatly improved our energy efficiency

Active participant in national and international forums since the Kyoto Protocol

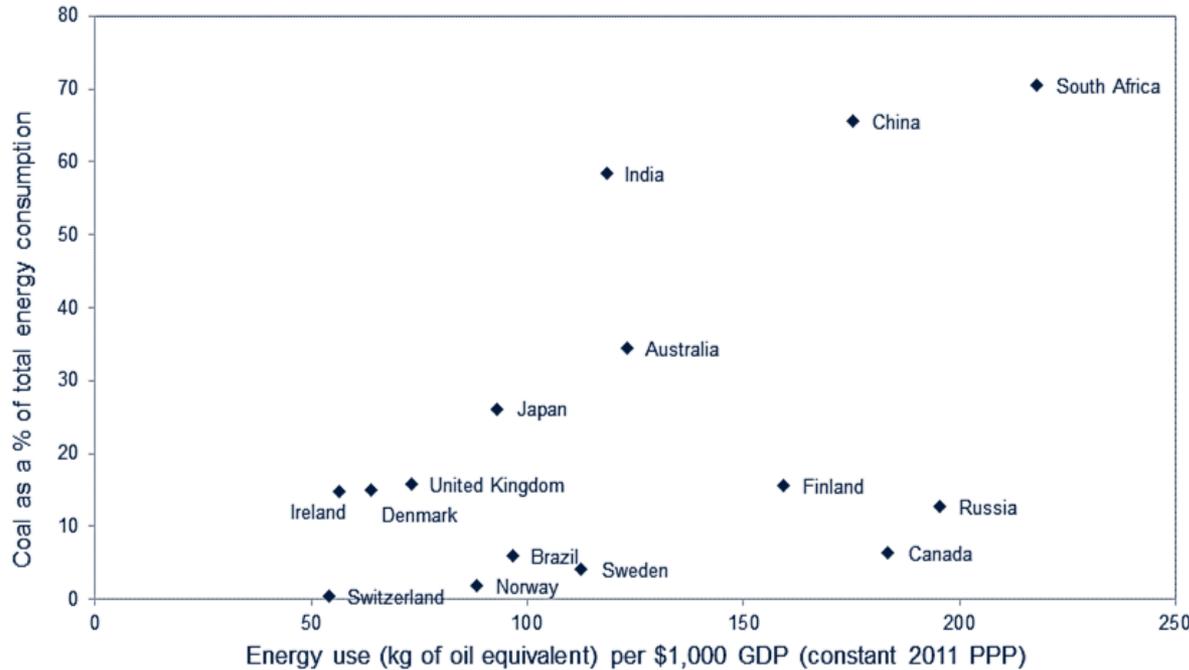
Early participant in carbon offset projects and investigating options to integrate renewables into our operations

For Sasol to build on what we have done, we will require a different policy approach

Climate change mitigation policy must take into account South Africa's structural realities

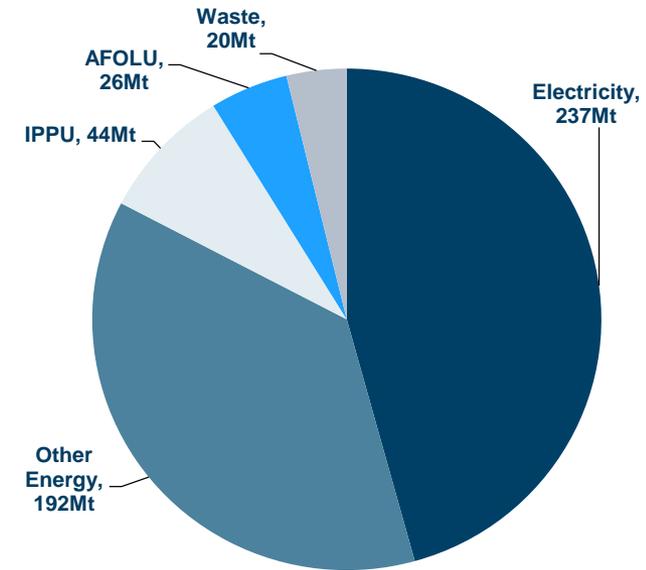


South Africa's economy is inherently energy intensive and reliant on coal as an energy source for the foreseeable future



(Source: World Bank, BP)

Most emissions emanate from the regulated electricity sector

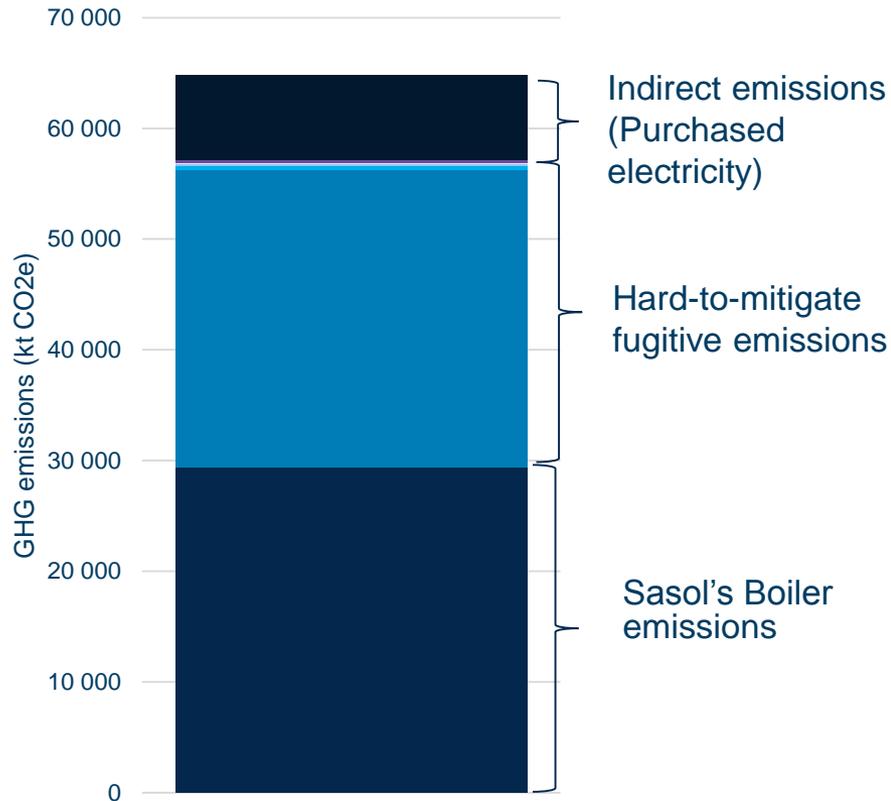


(Source: DEA, 2014)

South Africa 2010 GHG inventory

An inherently energy intensive economy, with limited access to lower-carbon energy alternatives, and a regulated electricity sector limits the impact of the proposed carbon tax

Sasol's greenhouse gas emission profile



- Dependent on coal
- Alternative feedstock options (gas & renewables) requires large investment
- Large proportion of emissions related directly to stoichiometry – hard to mitigate emissions
- Limited further energy efficiency options – diminishing returns

A stand alone carbon tax will not enable Sasol or South Africa to sustainably transition to a lower carbon economy but may in fact hinder our ability to transition

Sasol and South Africa needs a flexible and well designed climate change mitigation policy to enable a just transition



What is required?	Limitations of the proposed stand alone carbon tax
Integrated climate change mitigation & energy policy with regional approach	No integration between carbon tax and budget approach
Correctly designed incentives that encourages alternative feedstock (gas & renewables)	Poorly designed as every CO ₂ ton is taxed leaving little incentive to mitigate
Policy certainty	No view of policy post 2022 – perpetuating policy uncertainty and increasing the risk to long-term investment
Consistency of carbon price through the economy	Varying carbon prices ranging from R6 to R168 per ton – resulting in more expensive mitigation being prioritised

The current design of the stand alone carbon tax is at odds with the integrated climate change mitigation system which is in the process of being finalised

- **Lack of clarity on promised policy alignment is particularly concerning as it:**
 - Creates uncertainty for our 2050 investment due to confusion as to how we should allocate capital
 - Increases risk premium, thus reducing feasibility of growth opportunities
- **Tax design maximises cost while creating little incentive to mitigate emissions**
 - Provides no incentive to integrate renewables into our facilities
- **Poorly designed offset policy does not allow for the pursuit of a least cost mitigation path**
 - Sasol's cheap energy efficiency opportunities will be foregone as the economy bears the cost of more expensive mitigation outside the proposed carbon tax design

South Africa and Sasol can grow sustainably through a well thought through integrated mitigation strategy complemented by fit for purpose energy policy

- **Accelerate the development and implementation of the holistic integrated climate change mitigation policy which must:**
 - incorporate South Africa's energy, industrial and economic policy & most importantly the Integrated Resource Plan for the electricity sector;
 - take account of South Africa's economic and resource realities;
 - provide longer term policy certainty, thereby facilitating investment and mitigation;
 - create uniform prices and incentives throughout the economy;
 - adopt an offset framework that provides flexibility and least cost mitigation options; and
 - encourage and incentivise longer term commitments to energy efficiency.

The proposed carbon tax must be halted and focus needs to be placed on further refining the integrated mitigation policy