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Tuesday 22 October 2024

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22 October 2024 – by *by* Kabelo Khumalo

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Companies / Energy

Think-tank warns state actions will seal Sasol's fate

Sasol's Secunda plant in Mpumalanga. Picture: SUPPLIED

A policy brief by think-tank Trade & Industrial Policy Strategies (TIPS) paints a grim picture for Sasol to reinvent its Secunda plant, saying the plant's sunset phase will be largely influenced by the government and how it manages SA's just transition.

The giant Secunda plant, which makes fuel from coal, is Sasol's biggest moneymaker and biggest environmental headache, accounting for nearly 84% of its scope 1 and 2 carbon emissions.

"The use of coal was imperative for Secunda technologies in the late 1970s. At that time, both the air quality risks of burning coal and the role of CO_2 in climate change were largely unrecognised," reads the policy brief, which was supported by African Climate Foundation.

"Changing these technologies to use feedstocks other than coal and gas at the [large] scale of Secunda, even with the advancement in technology … would be extremely challenging technically and probably impossible financially for Sasol."

The brief, written by Roderick Crompton, visiting adjunct professor at Wits Business School, alongside Bruce Young, senior lecturer at Wits Business School and Tristan Hahn, said a key factor that would determine Secunda's future was SA's environmental policy and regulatory dispensation.

"The harder these are for Secunda, the sooner it will close. In short, the government holds powerful policy and regulatory levers that will strongly influence, if not determine, when Sasol's Secunda and Sasolburg operations close.

"Doing nothing is the easiest option. But even that will require substantial investments in the ports and storage and logistical infrastructure to import whatever Sasol stops producing.

"Building Sasol Secunda was a massive state intervention that distorted the economy. Allowing the market to 'correct' the economy back to a 'normal' market economy without state interventions directed at a 'soft landing' carries the risk of sudden large restructuring events that would have considerable economic and social implications."

Emissions

Sasol has over the years had several run-ins with environmentalists and authorities over its emissions, second only to Eskom. In July last year, Secunda Operations was informed that the national air quality office had declined its application of the minimum emission standards under the National Environmental Management Act to be regulated on an alternative emission load basis for the sulphur dioxide emissions from the boilers at Secunda Operations steam plants from April 1 2025. However, Sasol in April successfully appealed against this decision.

Sasol in its latest annual report said it had assessed its 2030 reduction target as well below 2°C aligned and its net-zero ambition as 1.5°C aligned. "While some stakeholders commend the approach we have adopted, others view it as marking our own homework."

The Secunda complex's construction commenced in 1976 and remains a jewel in SA's industrial crown. It is the sole manufacturer of most of SA's petrochemicals and plastic raw materials based on ethylene and propylene, as well as ammonia, for fertiliser and explosives.

TIPS said in a meeting about SA's nationally determined contribution of greenhouse gas emissions that a reduction in emissions by Eskom's coal-fired power stations would "make space" for Secunda to continue with some of its emissions and preserve the country's only source of petrochemicals.

"Sasol makes hydrocarbons from the hydrogen and carbon in coal. To replace coal it needs green hydrogen and green carbon. While green hydrogen presents itself as a promising avenue for clean energy, its complete substitution for coal and gas at Secunda faces significant technical and economic hurdles," the policy brief reads.

"Attaining a production level sufficient to replace current output would necessitate 2.1 million tonnes of green hydrogen annually. The energy consumption considerations add another layer of complexity.

"Generating the necessary green hydrogen to replace Secunda's current production would demand 18,000MW of continuous renewable electricity, representing nearly 51% of SA's entire current peak electricity demand. The capital expenditure required to construct such a massive infrastructure is estimated to exceed R1-trillion."