



**The Honourable Minister Jeff Radebe**

**Minister of Energy**

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22 March 2018

Dear Honourable Minister

**RESPONSE TO MINISTER'S STATEMENT IN RELATION TO THE PROPOSED THABAMETSI & KHANYISA IPP COAL-FIRED POWER STATIONS**

1. We address you as the Life After Coal/Impilo Ngaphandle Kwamalahle Campaign (made up of the Centre for Environmental Rights (CER), groundWork, and Earthlife Africa, Johannesburg ("Earthlife"),<sup>1</sup> and Greenpeace Africa.<sup>2</sup>

<sup>1</sup> Website available at <https://lifeaftercoal.org.za/>.

<sup>2</sup> Website available at <http://www.greenpeace.org/africa/en/>.

2. We refer to the Life After Coal Campaign’s letters to the chairman of Eskom Holdings SOC Ltd of 1 February 2018<sup>3</sup> and to the Minister of Energy of 28 February 2018,<sup>4</sup> and to Greenpeace Africa’s letter of 7 March 2018 to the Minister of Energy, a copy of which is attached hereto.
3. We also refer to the Minister of Energy’s statement of 8 March 2018, which announced the long-overdue – but now since placed on hold - signature of the power purchase agreements (PPAs) for 27 renewable energy independent power producer projects (REIPPP), and that the office of the Director-General of the Department of Energy (DoE) and the Independent Power Producer (IPP) Office have been requested to sign the coal baseload IPP projects – these, presumably being, the 2 preferred bidders, the proposed IPP Thabametsi and Khanyisa coal-fired power plants.
4. In response to the interdict application brought by Transform RSA and the National Union of Metalworkers to prohibit the signing of the outstanding REIPP PPAs, the Life After Coal Campaign and Greenpeace Africa emphasise the urgent need for a rapid and just transition from coal to a low-carbon future. South Africans deserve to be supplied with the cheapest, cleanest electricity available. We have called on government to sign the outstanding REIPP PPAs as planned,<sup>5</sup> and, together with the unions, to start an urgent, broad-based consultation process to plan a just transition that leads to a more equal society in which everyone has a place and, in particular, which provides for workers in the coal industry.<sup>6</sup>
5. In relation to the coal IPPs, which government – according to the 8 March media statement - intends to sign, while it is not clear what is meant by “sign the coal baseload IPP projects”, we emphasise that these projects are not yet capable of reaching commercial and financial close. Both projects are embroiled in legal challenges from groundWork and Earthlife, and they still require numerous licences and authorisations – which are also likely to be challenged. In this letter, we bring to your attention relevant information in relation to the coal IPPs, to make clear why finalising these projects would be premature and impermissible, and place on record our objections to the “signing” of the coal IPPs.

#### Current status of authorisations for Thabametsi and Khanyisa

6. In March 2017, in a case brought by Earthlife,<sup>7</sup> the Pretoria High Court required the Minister of Environmental Affairs to reconsider Earthlife’s appeal of the authorisation of the Thabametsi plant, because the plant was authorised without an assessment of its climate impacts. The subsequent climate change impact assessment showed staggering climate impacts. Subsequently, a peer review commissioned by the Minister found that Thabametsi’s climate change impact assessment actually understated the “very high” climate impacts. Despite this, the Minister has reissued the authorisation for Thabametsi – a decision which will imminently be taken back to the High Court on review.<sup>8</sup>

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<sup>3</sup> See [https://cer.org.za/wp-content/uploads/2018/02/LAC-Letter-to-Eskom-1-Feb-2018\\_final.pdf](https://cer.org.za/wp-content/uploads/2018/02/LAC-Letter-to-Eskom-1-Feb-2018_final.pdf).

<sup>4</sup> See <https://cer.org.za/news/south-africas-energy-future-at-stake-life-after-coal-campaign-writes-to-new-energy-minister-jeff-radebe>.

<sup>5</sup> See <https://www.greenpeace.org/africa/en/Press-Centre-Hub/Minister-of-Energy-makes-the-first-move-to-break-renewable-energy-stalemate/>.

<sup>6</sup> See <https://cer.org.za/news/the-transition-to-a-low-carbon-future-must-be-rapid-and-must-be-for-everyone>.

<sup>7</sup> The court papers can be accessed here <https://cer.org.za/programmes/pollution-climate-change/litigation/the-proposed-thabametsi-ipp-earthlife-africa-johannesburg-v-department-of-environmental-affairs-thabametsi-power-project-pty-ltd-and-others>.

<sup>8</sup> See <https://cer.org.za/news/thabametsi-coal-plant-given-go-ahead-despite-staggering-climate-impacts> for further information.

7. There are already pending High Court proceedings in respect of Khanyisa's environmental authorisation.<sup>9</sup> In 2017, groundWork instituted legal proceedings to set aside the Minister of Environmental Affairs' authorisation of Khanyisa, also for failing to assess its climate impacts adequately.
8. Furthermore, there is no guarantee that these projects will get all the authorisations they need in order to go ahead. Thabametsi still requires a water use licence – objections to this application were submitted by groundWork and Earthlife on 5 March 2018<sup>10</sup> – and an atmospheric emission licence. Khanyisa's provisional atmospheric emission licence is subject to an appeal<sup>11</sup> and its water use licence will be challenged by groundWork. groundWork only recently became aware that Khanyisa's water use licence had been issued (as ACWA Power Khanyisa Thermal Power Station RF (Pty) Ltd and the environmental assessment practitioner dealing with the application, Aurecon, refused to disclose this information, despite requests, and despite groundWork and CER being interested and affected parties in relation to the application process). groundWork has, in terms of the National Water Act, 1998, requested, from the Department of Water and Sanitation, reasons for the licence being issued, and will then appeal it.
9. Both projects still require generation licences from the National Energy Regulator of South Africa (NERSA) – with public hearings on these applications set to take place on 27 March 2018. Written objections have already been submitted in respect of both applications.<sup>12</sup> The CER wrote to NERSA on 16 February 2018 advising that the hearings are premature and should be postponed pending:
  - 9.1. the promulgation of a revised Integrated Resource Plan for Electricity (IRP);
  - 9.2. the final determination of the pending court challenges against Thabametsi and Khanyisa; and
  - 9.3. the issuing of the outstanding licences to Thabametsi and Khanyisa and the conclusion of all legal challenges in relation to those licences.<sup>13</sup>
10. NERSA has advised that the hearings will proceed, despite these objections. The CER has, in any event, reserved groundWork's and Earthlife's rights in this regard.
11. In terms of the Coal Baseload IPP Procurement Programme Request for Proposals, any legal disputes in relation to the required environmental authorisations must be resolved in order for a preferred bidder to reach commercial and financial close.<sup>14</sup> Preferred bidders also require, amongst others, a water use licence, an atmospheric emission licence, and a licence to generate electricity from NERSA in order to reach commercial and financial close. All of the requisite licences will be met with continuous public opposition.

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<sup>9</sup> The court papers can be accessed here <https://cer.org.za/programmes/pollution-climate-change/litigation/groundwork-acwa-power>.

<sup>10</sup> See <https://cer.org.za/wp-content/uploads/2018/03/Thabametsi-IWUL-IWWMP-Objections-5-3-18.pdf>.

<sup>11</sup> See [https://cer.org.za/wp-content/uploads/2017/07/gW-Appeal-iro-Khanyisa-AEL-transfer\\_13-Nov-2017.pdf](https://cer.org.za/wp-content/uploads/2017/07/gW-Appeal-iro-Khanyisa-AEL-transfer_13-Nov-2017.pdf).

<sup>12</sup> The written objections to Thabametsi's NERSA licence application can be accessed here <https://cer.org.za/wp-content/uploads/2016/07/161216-CER-letter-to-NERSA.pdf>. A copy of groundWork's written objections to ACWA's NERSA licence application can be made available on request.

<sup>13</sup> See <https://cer.org.za/wp-content/uploads/2018/03/CER-Letter-to-NERSA-16-2-18.pdf>; <https://cer.org.za/wp-content/uploads/2018/03/CER-Letter-to-NERSA-27-2-18.pdf>; and <https://cer.org.za/wp-content/uploads/2018/03/CER-letter-to-NERSA-6-3-18.pdf>.

<sup>14</sup> Request for Proposals, Volume 2, Part 5, Preferred Bidder Documents, paras 5.5.4 and 5.5.5.

### Negative impacts of Thabametsi and Khanyisa

12. Both power stations will have significant and irreversible impacts for water, air, and our climate. They will be using large volumes of scarce water needed by communities, and also putting South Africa's already-vulnerable water resources at high risk of pollution.
13. Khanyisa will be based in the heavily-polluted Highveld Priority Area – home to 12 of Eskom's polluting coal plants, Sasol's Secunda refinery, hundreds of mines, and multiple other industries, and in which air pollution's health impacts are a significant burden on communities in the area. Emissions from tiny particles of particulate matter (PM<sub>2.5</sub>) from Eskom's coal plants alone are responsible for some 2200 equivalent attributable deaths every year.<sup>15</sup>
14. The Waterberg-Bojanala, where Thabametsi will be based, is a water-scarce area and also an air pollution priority area. Eskom's Medupi and Matimba coal-fired power stations are based there, as well as numerous other mines and industries. Multiple future developments are planned for the area.
15. In addition – due to the technology proposed for both plants – these projects are incredibly greenhouse gas (GHG)-emission intensive. Thabametsi, if allowed to go ahead, will be one of the highest GHG emitters in the world.<sup>16</sup> This is at a time when South Africa has committed internationally to reducing its GHG emissions, and South Africa has acknowledged, in its own climate response policy, that it is extremely vulnerable to the impacts of climate change.
16. In addition, given increased GHG emission constraints and South Africa's increased water scarcity, there is a very real risk that – even if built – these plants will not be able to operate for their full anticipated lifespans of 30 - 40 years, causing them to become even more costly and burdensome stranded assets.

### No need for new coal-fired power

17. As pointed out to the Minister, in the Life After Coal Campaign's letter of 28 February, and in its letter to Eskom of 1 February 2018, South Africa does not need new coal-fired power. Apart from the fact that the power stations cannot reach financial and commercial close while these High Court reviews are pending and while requisite licences are outstanding or being challenged, there is simply no need for the Minister to be approving new coal-fired electricity capacity. These power stations will simply increase the costs of electricity for consumers. The coal IPP price of R1.03 per kilowatt hour is significantly more expensive than the latest renewable IPPs. Eskom is required to purchase more expensive electricity from the coal IPPs, and the high costs will be passed on to consumers.
18. In the 28 February 2018 letter, the Life After Coal Campaign referred to research by the Council for Scientific and Industrial Research (CSIR) and Meridian Economics, which shows that **South Africa does not need any new coal-fired power capacity**, not only because demand projections illustrate that such capacity is not required now, nor in the foreseeable future, but also because

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<sup>15</sup> See <https://lifeaftercoal.org.za/wp-content/uploads/2017/04/Annexure-A4.pdf>.

<sup>16</sup> See <https://cer.org.za/news/media-release-thabametsi-climate-impact-assessment-reveals-staggering-greenhouse-gas-emissions>.

it is, in fact, cheaper (and better for the economy) not to build more coal, but to invest in renewable energy instead.<sup>17</sup>

19. Although South Africa's IRP should be updated every 2 years,<sup>18</sup> our current IRP was published 7 years ago. It is hopelessly outdated in terms of, amongst other things, its demand forecasts, and the costs it uses for different sources of electricity and technologies. The IRP is currently being updated and an announcement on its status is – according to the 8 March 2018 statement – expected shortly.

#### Premature to allow the coal IPPs to proceed

20. A statement by former Minister of Energy (Kubayi) of 1 September 2017, advised that, *inter alia*, “all future [IPP] programmes [are] to be put on hold until a proper review is done and to allow the IEP [Integrated Energy Plan] and IRP [Integrated Resource Plan for Electricity] to be concluded that will give us indication of the capacity we need.”<sup>19</sup> We have understood that this also applies to the coal IPPs, and have previously advised the IPP office and NERSA that the processes for Thabametsi and Khanyisa should be postponed until, at least, the revised IRP update and IEP are promulgated. In a letter of 4 October 2017, from the IPP office, it advised that “in light of the Minister of Energy’s announcement of 1 September 2017 in which she advised that all future programmes would be put on hold pending *inter alia* the finalization of the Integrated Energy Plan and the Integrated Resource Plan for Electricity, **it is likely that the Preferred Bidders under the first bid window of the Coal Baseload IPP Procurement Programme ... will be afforded extensions in respect of Commercial Close and Financial Close**”<sup>20</sup> (emphasis added).
21. We submit that it would be premature to “sign” – or take any further steps in respect of - the coal IPPs, in the absence of an updated, revised, and rational IRP. It is clear that a rational and least-cost IRP would not make provision for new coal-fired power capacity, including the Thabametsi and Khanyisa projects. This would be in line with the CSIR research referred to in paragraph 18 above. In circumstances where: research demonstrates that new coal power cannot and should not form part of a least-cost IRP, the IRP is under review, and there are multiple outstanding authorisations for these two projects, it is premature for the coal baseload agreements to go ahead.
22. We are aware of the Minister’s announcement that the IRP has been sent back to Cabinet for “reprocessing”.<sup>21</sup> In this regard, we refer again to the key principles which the IRP should, at a minimum, adhere to,<sup>22</sup> as listed in the Life After Coal Campaign’s letter of 28 February 2018.

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<sup>17</sup> P3, Executive Summary, Meridian study available at [http://meridianeconomics.co.za/wp-content/uploads/2017/11/Eskoms-financial-crisis-and-the-viability-of-coalfired-power-in-SA\\_ME\\_20171115.pdf](http://meridianeconomics.co.za/wp-content/uploads/2017/11/Eskoms-financial-crisis-and-the-viability-of-coalfired-power-in-SA_ME_20171115.pdf).

<sup>18</sup> P7, IRP 2010 – 2030.

<sup>19</sup> See <http://www.energy.gov.za/files/media/pr/2017/IPP-Media%20Statement-01September2017.pdf>. In this statement, then Minister Kubayi distinguished between the REIPP PPAs for Bid Window 3.5 and 4, providing a deadline by which these would be signed and a signature price for negotiation. It is the signing of these PPAs which has been placed on hold pending the interdict application referred to in paragraph 4 above.

<sup>20</sup> See <https://cer.org.za/wp-content/uploads/2016/07/Response-to-CER-letter-15-Sep-17-111017.pdf>.

<sup>21</sup> <https://www.businesslive.co.za/bd/national/2018-03-15-integrated-resource-plan-sent-back-to-cabinet-for-reprocessing/>.

<sup>22</sup> See <https://cer.org.za/news/joint-media-release-what-we-expect-from-sas-integrated-resource-plan-for-electricity>.

Conclusion: the coal IPPs are reckless, risky and in any event, not in a position to reach commercial and financial close

23. Not only would signing these projects be a bad decision for South Africa's climate security, environment, and health, it would be a bad decision for the economy because this would mean locking South Africa into expensive, inflexible coal electricity that the country (and Eskom) cannot afford (while the renewable energy projects are much cheaper and more flexible, quite apart from their other benefits).
24. These coal IPP projects do not provide a non-replaceable economic benefit. If and when additional electricity is needed, it would be preferable - and reasonable - to procure more renewable energy capacity, which would provide more jobs and clean and cheap electricity. Committing to these new coal plants is reckless and risky, and will lock South Africa into decades of expensive pollution, high water use, and climate change, burdening consumers with expensive, unnecessary electricity, and exposing people and the environment to irreversible harm.
25. The Life After Coal Campaign and Greenpeace Africa therefore urge the Minister of Energy to reconsider the support for these two Coal IPP projects. We will continue, through litigation and advocacy, to oppose all new coal-fired power stations, including the two preferred bidders.
26. We refer again to the 28 February 2018 and 7 March 2018 letters to the Minister, the 1 February letter to Eskom, Greenpeace Africa's media release of 8 March 2018,<sup>23</sup> and the Life After Coal Campaign's media release of 14 March 2018;<sup>24</sup> all of which call for a rapid, but just transition from coal to renewable energy, as urgently needed in South Africa. In addition, we confirm that we would like to see Eskom transformed into a thriving organ of state that promotes clean, healthy, affordable energy for everyone – becoming the owner of significant renewable energy assets in the interest of all, of cheap, clean electricity for South Africans, including increased free basic electricity, and support for local and community ownership of renewable energy facilities.
27. We reiterate our request for a meetings with the Minister, and we would appreciate an opportunity to discuss the status of the coal IPPs in particular.
28. We look forward to your response.
29. Please contact us, should you have any queries.

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<sup>23</sup> See footnote 5.

<sup>24</sup> Available at <https://cer.org.za/news/the-transition-to-a-low-carbon-future-must-be-rapid-and-must-be-for-everyone>.

Yours faithfully



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