



CHAMBER OF MINES  
of South Africa

# MEDIA STATEMENT

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## **MINING INDABA 2018: CHAMBER OF MINES HOSTS MEDIA BRIEFING ON THE COAL STRATEGY FOR THE SOUTH AFRICAN COAL MINING SECTOR**

**Johannesburg, 7 February 2018.** The Chamber of Mines today hosted a media briefing on the Coal Strategy for the South African Mining Sector at Mining Indaba 2018.

The full address is included below:

### **COMMENTS BY SENIOR EXECUTIVE: ENVIRONMENT, HEALTH AND LEGACIES: NIKISI LESUFI AND CHIEF ECONOMIST: HENK LANGENHOVEN**

We are here today to talk about a topic which over many years has become very controversial - coal.

The topic has become almost as controversial as the man who is arguably the most truculent president the world's most powerful economy has ever had in office and his comments on climate change, or "global warming" as he refers to it . You may all recall that in 2013, Donald Trump tweeted: "It's freezing in New York – where the hell is global warming?"

Unlike Mr Trump, the South African coal mining industry recognises and accepts the science of climate change and that human activities have a negative impact on the earth's climate. How can we not? After all, all of us here in Cape Town today are witnessing the effects of climate change on one of the world's most beautiful cities.

As the mining industry, we also recognise the need to act to ensure that South Africa remains competitive in carbon-constrained world. Coal has been instrumental in South Africa's development, not only for the mining sector, but also for the broader industrialisation of our country. Even today, coal remains one of South

Africa's most abundant and valuable resources and we derive over 82% of our electricity requirements from coal in this country. Moreover, the coal mining



industry's economic impact is far reaching and it has a significant impact on other industries such as the electricity, manufacturing, construction and finance sectors. It is the largest component of mining by sales value and remains a critically important source of primary energy (electricity and liquid fuels) that drives our economy. In short, coal mining really matters to South Africa and its people.

In 2017, the coal industry:

- employed 81,962 people
- paid employees R22 billion in earnings
- indirectly created and sustained 170,000 jobs outside the industry
- paid R1.1 billion in royalties
- contributed R123.2 billion in sales

Negative views on coal and its impact on the environment have resulted in a precipitous decline in the use of coal by the major economies of the world. Many jurisdictions, including South Africa, have put in place strict environmental laws which have affected demand for coal.

We have witnessed a total shift in demand for our coal from European markets to Asia. Contrary to popular belief, China is not South Africa's chief export market. As it turns out, India accounts for almost half of our country's total exports in terms of volumes. We believe that India will continue on this trajectory for various reasons, including the fact that the country seems to have institutionally patronised the coal resources through its Ministry of Coal.

Closer to home, the South African government ratified the Paris Agreement on Climate Change which came into effect on 4 November 2016, demonstrating government's commitment to address the challenges associated with climate change.

In South Africa, three industries in particular will be adversely affected by the implementation and enforcement of strict environment laws. These include the electricity sector, the liquid fuels manufacture sector and the basic iron ore and steel industry. Together, these three sectors account for more than 80% of domestic coal demand in terms of value and approximately 70% in terms of volumes.

Significant strides have been made in mitigating emissions arising from coal powered electricity generation. Technologies such as high efficiency, low emissions drastically reduce Greenhouse Gas emissions, while carbon capture storage can be used to achieve the same outcome, even though it is still a very expensive option.

Worldwide, we have seen a number of examples where these technologies have been implemented with great success. In particular, Japan and China have done some groundbreaking work in this regard.

Coal remains the cheapest baseload technology. This is supported by the Department of Energy's Integrated Resource Plan 2016 which illustrates that the levelised cost of electricity across various coal technologies is lower than renewables, specifically when taking into account the battery technology for renewables which significantly increases this cost. If the South African economy is to remain competitive, it is critical that the 'least cost option' for electricity generation forms part of the energy mix.

Today, we are publishing our report on the Coal Strategy for South Africa. This report outlines the challenges faced by the coal mining sector. The report also provides some insight into the future as we have developed a number of different scenarios which could play out in the future depending on various factors that could impact the demand for, and supply of coal. The full report may be accessed at [www.chamberofmines.org.za/industrynews/special-features/](http://www.chamberofmines.org.za/industrynews/special-features/)

At the same time, we are also launching the Coal Mining Matters initiative. This is a collaborative approach by the South African coal producers, under the auspices of the Chamber of Mines, to provide insight into the coal industry and its contribution to the South African economy and society at large. This initiative will aim to provide accurate, honest and balanced information about coal's contribution to the development of the South African economic landscape, the work currently underway by the industry and the plans in place for the future. The website may be accessed at [www.coalminingmatters.co.za/](http://www.coalminingmatters.co.za/)

For the foreseeable future, coal will continue to play an important role in the South African economy and the industry is committed to investing in and making use of clean coal technologies in order to actively participate in the country's transition to a low-carbon economy.

Ensuring that South Africa remains competitive and able to meet energy demands in the context of a developing economy, while at the same time reducing the country's carbon emissions will require close collaboration between all stakeholders including suppliers, users of coal and regulators. Coal is the most variable and valuable chemical of all mineral commodities. It should be protected, nurtured and used wisely.

For further information please contact:

Charmane Russell

Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 372 5816

Email: [charmane@rair.co.za](mailto:charmane@rair.co.za)

Web: [www.chamberofmines.org.za](http://www.chamberofmines.org.za)