



Coal under siege: what can be done about it?

Coal Industry Day | Nikisi Lesufi | 24 July 2019



MINERALS COUNCIL
SOUTH AFRICA

Coal is a finite resource, but substantial resource and national asset



Currently, key to the country's development and industrialisation



South Africa still has sizable reserves



Lowest barriers for entry into mining for black entrepreneurs



Still among the cheapest energy carriers even after incorporating clean coal technologies

Challenges facing coal

Challenges facing coal - global



Climate change

- Multi-lateral agreements (Paris Agreement)
- Access to capital
- Access to markets
- Coal: stranded asset?

Coal: stranded assets

- Coal-fired power stations
- Coal reserves
- Intensive energy dependent activities

Challenges facing coal - local



National narrative that characterises coal as a dirty commodity

- Impact of such narrative on priorities of policy makers (e.g. IRP + MYPD, carbon tax, etc)

Social license to operate issues

- environmental performance
 - historical vs current
 - legacies
- socio-economic challenges
 - competing suppliers of new (RE) technologies
 - communities/NGOs

Environmental concerns

Challenges facing coal - local contd.



Access to land: conservation vs land use

- protected areas: biodiversity/cultural/heritage sites
- food/water security

Socio-economic challenges

- community development
- local enterprise development

Coal industry strategic response

Coal industry strategic response

COAL LEADERSHIP FORUM



Minerals Council coal members



CEO-led

- Development of Minerals Council Coal Strategy
- Identification of strategic risks
- Development of mitigation measures

Strategic risks and interventions

Strategic risks and interventions

Strategic risk	Area of concern	Description
<p>Reduced expansion of coal-fired power globally and locally</p>	<p>Investment incentive into relative cost of renewable energy</p>	<p>Falling levelized costs of renewable energy, general market perceptions around coal, incentivise traditional sources of capital away from fossil fuel-based energy towards renewables, including both large scale and off-grid</p>

Intervention: Engagements with renewable resource providers to identify and leverage synergies between existing coal operations and renewable resource investments. Enhance improved environmental and social performance

Strategic risks and interventions contd.

Strategic risk	Area of concern	Description
<p>Policy/legislative control on emissions</p>	<p>Greater pressure to reduce CO² emissions</p>	<p>Both consumer and legislative pressure will continue to tighten regarding emission levels, particularly through power generation</p>
<p>Intervention: Directly and indirectly support the development of new technologies related to emission control and climate change related technologies</p>		
<p>Security of South Africa power supply system</p>	<p>Industrial and private consumers shift towards off-grid or renewable base load to avoid Eskom.</p>	<p>Given Eskom’s challenges, consumer demand shifts to higher cost, but lower risk energy supply sources including gas, diesel and renewables</p>
<p>Intervention: Undertake initiatives that support institutional (i.e governance) and technical competence in the national power supply system to reduce industrial and consumer pressure to move away from Eskom</p>		

Strategic risks and interventions contd.

Strategic risk	Area of concern	Description
Reduced demand for coal	General decrease in demand, specific regional demand increases	Global growth will slow, with major markets (India and China) unlikely to achieve the growth rates seen during the 1990s and 2000s. Slower growth yields slower demand for energy with only India (currently) demonstrating a significant increase in demand for coal. In SA, diversified energy mix will result in slow demand for coal

Intervention: Undertake initiatives that support market development and rail infrastructure developments to ensure that markets exists for coal locally and for export purposes.

Thank you

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