Sasol emissions reprieve: markets celebrate while activists fume

Sasol's highly pollutive operations have come under increased pressure. (Supplied/Sasol)

- **Sasol has won an appeal for its SO2 emissions to be measured with an "alternative" method.**
- **Activists say the development makes a mockery of pollution laws.**
- **Market commentators say the decision provides certainty for the company.**
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A decision to moderate the way Sasol’s emissions will be measured and regulated may have activists fuming, but it sent the company's share price sharply upward on Monday.

Sasol on Monday morning announced it had succeeded in its appeal to the Minister of Environment, Forestry and Fisheries over how its sulphur dioxide (SO_2) emissions would be regulated. The share price responded positively, jumping as much as 6.6% to R163 per share in Monday morning trade.

The decision will see the synthetic fuel and chemicals giant's SO_2 emissions from its Secunda steam plants regulated on an "alternative" basis – one that focuses on load of emissions, rather than the concentration thereof.

When government's new Minimum Emission Standards (MES) come into effect on 1 April 2025, Sasol proposed it would turn down the boilers in order to reduce the overall amount of SO_2 emitted, rather than to reduce the concentration of SO_2 in its emissions.

The National Air Quality Officer (NAQO) last year refused Sasol's application in this regard, but on Friday, Minister Barbara Creecy upheld Sasol's appeal, having determined that the company's application met all the requirements of Clause 12A of the MES.

Petri Redelinghuys of Herenya Capital Advisors said the development was very positive for the future of Sasol in South Africa, as it brought clarity to Sasol's Secunda plant:

> The future of the plant was uncertain, with massive detrimental effects to employment, manufacturing and the fiscus, as well as the trade balance. This has been the biggest reason fund managers have been staying away from Sasol due to the uncertainty.

Redelinghuys added: "This uncertainty is now lifted."

Abdul Davids, head of research at Camissa Asset Management, said the development was important for Sasol "as it reduces and defers the air quality improvement capital expenditure that must be spent at the Secunda complex".

Some market spectators now see room for the share to climb closer to the R200-per-share mark. The Sasol share price is down 67% over the past five years, which have been marked by major asset sales in the wake of the company's troubled Lake Charles Chemicals Plant project in the US.

Activists are, however, displeased about the development.

"This decision means that the government has permitted a private company to set its own pollution limits, making a mockery of pollution laws and constitutional rights, and of any claim by the government to take public health seriously," said Robyn Hugo, director of climate change engagement at Just Share, a shareholder activist organisation.

The minister’s upholding of Sasol’s appeal would result in emissions significantly above those permitted by the MES, which were already weaker than comparative standards around the world, said Hugo, adding:

Just Share had opposed Sasol’s appeal and argued that granting it would result in approximately 50% to 130% higher negative impacts than would be the case with MES compliance.

Just Share did, however, point out that the minister’s decision was subject to a number of conditions.

For one, Sasol does actually have to be held to a daily SO2 concentration-based limit.

The company must motivate its suggested daily concentration limit within 10 days, whereafter Just Share and the NAQO will have an opportunity to provide input. The minister will ultimately decide on the appropriate concentration-based limit.

Another condition relates to Sasol’s emissions of particulate matter nitrogen oxides, which must comply with MES by 31 March 2025, otherwise the alternative SO2 limits will be withdrawn.

The minister’s decision imposes various other conditions related to monitoring and evaluation of Sasol’s compliance.

Commenting on social media, CapitalOnePartners described the ministry’s decision as a "short-term win" in that Sasol will not spend capital and install SO2-abatement technologies. However, Sasol has tied itself to a commitment of reducing its Secunda capacity to ensure compliance, the investment firm noted.

"The decision to reduce capacity is now independent of net zero commitments."