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		Revision	0
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		Office of the Company Secretary Department	

EXECUTIVE SUMMARY

SUBMISSION TO BOARD IFC ON 7 MARCH 2014

1. ENVIRONMENTAL COMPLIANCE AND CAPITAL REQUIREMENTS TO MEET LEGAL COMPLIANCE
2. RESOLUTION REQUIRED
No resolutions are required. This is for information sharing
3. SUMMARY OF FACTS

3.1 Salient Facts

Given the constraints relating to generation capacity and funding, Eskom is putting forward a plan that will allow it to move towards meeting 57% of the environmental compliance requirements by 2025. In accordance with this plan, R8.7 billion will be required up to 2017/18. For this, the currently approved projects amount to R3 billion. The remaining R5.7 billion will be prioritised together with other critical Eskom projects and will be presented to the Board Investment Committee for approval. The total amount required to achieve 57% by 2025 amounts to R72 billion, while the full funding required is R200 billion. Funding for other "must do" projects (e.g. installation of fabric filter bags at some power stations) and other environmental compliance projects and pollution prevention activities (e.g. waste site monitoring) have been confirmed. Timeous water use licencing is improving, but still challenging. It should be noted that increasing public pressure against coal and nuclear could delay environmental authorisation processes for future new build.

The total CAPEX cost for full compliance with the Minimum Emission Standards is R200 billion in 2013 real terms, and includes:


- Flue gas desulphurisation at 14 power stations, including Medupi but excluding Kusile
 - Fabric filter plant retrofits and dust handling plant upgrades at 9 power stations
 - Low NOx burner retrofits or optimisations at 11 power stations
- Operational costs including fabric filter bag replacements and sorbent and water costs for the flue gas desulphurisation are not included in the R200 billion.

The R72 billion is required to achieve 57% compliance with the Minimum Emission Standards by 2025 and includes:

- FGD at Medupi
- Low NOx burner retrofits at 3 power stations (Majuba, Tutuka and Matla)
- Fabric filter plant retrofits at 8 power stations (Grootvlei, Tutuka, Kriel, Matla, Duvha, Lethabo, Kendal and Matimba)

Again, running costs are excluded from the R72 billion.

The R8.7 billion is required over the current business plan (MYPD) period and includes:

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- Fabric filter bag replacements at Arnot, Camden, Duvha, Majuba and Medupi
- Fabric filter plant retrofit on 3 units at Grootvlei
- Duvha fabric filter plant retrofit – project development costs
- Kendal FGD/FFP/DHP project development costs
- Kriel fabric filter plant retrofit on 1 unit + project development costs
- Low NOx burner retrofit at Kriel – project development costs
- Lethabo FFP retrofit – project development costs
- Lethabo ESP components upgrade
- Matimba fabric filter plant retrofit and dust handling plant upgrade – project development costs
- Majuba low NOx burner retrofit – 1 unit + project development costs
- Matla FFP retrofit – project development costs
- Tutuka fabric filter plant retrofit – 2 units + project development costs
- Tutuka low NOx burner retrofit – project development costs

The approved R3 billion includes:

- Fabric filter bag replacements at Arnot, Duvha and Majuba
- Fabric filter plant retrofits at Grootvlei and Tutuka

3.2 Key assumptions

- Future allocations from both NERSA and budgeting process will align with the environmental compliance plan
- Leniency will be granted by the authorities in the power stations' new Atmospheric Emission Licences and through approving Eskom's application for postponement of the Minimum Emission Standards compliance timeframes

3.3 Financial implications

R200 billion for full compliance, R72 billion for 57% compliance by 2025 and R8.7 billion for the current plan period

3.4 Human Resource implications


N/A

3.5 Risks (including Environment, Legal or Contractual risks)

Short-term risks

All power stations with electrostatic precipitators are at risk of non-compliance with the particulate emission limits when their new Atmospheric Emission Licences are issued by April 2014, due to the removal of the exemption provision. Stations which have been operating under exemption for prolonged periods of time will be at risk of operating illegally when they receive the new licences if they are not de-loaded, shut-down, or are unsuccessful in renegotiating their emissions licences. If no significant grace period is included in the new licences, the risk of continuous non-compliance and potential loss of production required to ensure compliance is as follows:

- Kriel Power Station (up to 600 MW load loss all the time)
- Grootvlei Power Station (4 00MW - 600MW load loss all the time)
- Tutuka Power Station (300MW - 1 200MW load loss 80% of the time)
- Kendal Power Station (200MW - 1 200MW load loss 70% of the time)
- Lethabo Power Station (700MW - 2 000MW load loss all the time)

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Medium- to Long-term Risk (2015-2020)

All existing coal-fired power stations are at risk of non-compliance with the Minimum Emission Standard by April 2015 and even more stringent emission limits by 2020. This non-compliance would include particulates, SO₂ and NO_x. Major technology upgrades are required to achieve compliance. These upgrades require long outages (up to 150 days per unit), large amounts of money (CAPEX of over R200 billion in 2013 real terms and increase in annual OPEX of around R6 billion), and have other negative environmental consequences (a 20% increase in Generation's water consumption, 1% increase in CO₂ production, decrease in power station efficiency, opening of new mines to supply limestone, and production of large amounts of waste). Eskom has applied for a 5-year postponement of the Minimum Emission Standards compliance timeframes, but this has not yet been approved.

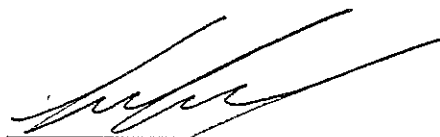
There has recently been much negative publicity regarding the negative health impacts caused by Eskom's emissions, and the number of people allegedly killed each year. This is damaging Eskom's reputation, and putting pressure on the authorities to regulate Eskom's emissions more stringently.

3.6 Verification by independent party (if applicable)
N/A

4. OTHER APPROVALS REQUIRED

DR STEVE LENNON

GROUP EXECUTIVE



SIGNATURE

Who hereby represents that the above
Information is correct.

5/3/14

DATE



SUBMISSION CHECKLIST

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CHECKLIST 1

ENVIRONMENTAL COMPLIANCE AND CAPITAL REQUIREMENTS TO MEET LEGAL COMPLIANCE

Please note:

The headings should **NOT** be deleted if it is not applicable to the project, the sequence of the headings should not be changed.

Tick the applicable box (✓).

		N/A	Yes	No
1.	INTERNAL PROCESS			
1.1	BUSINESS PLAN Has the project/issue been included in the business plan? <i>(If no, information/explanation to be highlighted in documentation/presentation/attachment.)</i>		✓	
1.2	BUDGET If financial approval is required, is the project/matter within the approved budget? <i>(If no, information/explanation to be highlighted in documentation/presentation/attachment.)</i>	✓		
1.3	HUMAN RESOURCE IMPLICATIONS Does the project have any HR implications? <i>(If yes, information/explanation to be highlighted in documentation/presentation/attachment.)</i>	✓		
1.4	FINANCIAL EVALUATION - Has the project/issue undergone a financial evaluation? <i>(If yes, by whom)</i> - Has the evaluation been verified? - By whom (internally or independent)?	✓		
1.5	LEGAL/CONTRACTUAL ISSUES - Are there legal implications? - Has Corporate legal department input been obtained? - If so, is the approval sought consistent with the legal input?		✓	
1.6	TAX IMPLICATIONS - Are there tax implications? - Has Corporate tax department input been obtained? - If so, is the approval sought consistent with the tax input?	✓		
1.7	CAPITAL PROJECTS If the project is of a capital nature the checklist 2 (attached) for the evaluation of capital projects should be completed as well.	✓		



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1.8 TECHNICAL EVALUATION

- Has the project/issue undergone a technical evaluation? (If yes, by whom)
- Has the evaluation been verified?
- By whom (internally or independent)?

N/A	Yes	No
✓		
✓		
	✓	
	✓	
	✓	
✓		
	✓	
✓		

1.9 BLACK ECONOMIC EMPOWERMENT IMPLICATIONS

Does the project have any BEE implications?

1.10 EMPLOYMENT EQUITY

Was due consideration given to employment equity in terms of the following:

- Project team
- Drafting of submission documentation
- Individual(s) presenting to EXCO

2. ADDITIONAL APPROVALS**2.1 NERSA**

- Is NERSA approval/consultation required?
- If approval or consultation is required, provide details and also highlight the time lines, deadlines, etc.

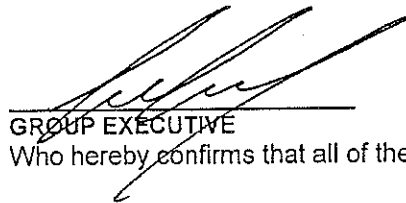
2.2 PUBLIC FINANCE MANAGEMENT ACT (PFMA)

- Is any PFMA approval required?

2.3 ARE THERE ANY OTHER APPROVALS REQUIRED? IN PARTICULAR

- Reserve Bank
- Competition Commission
- National Treasury

SIGNATURE:



GROUP EXECUTIVE
Who hereby confirms that all of the above requirements have been complied with.


DATE:

5/3/14

PRINT NAME:

DR STEVE LENNON



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EXTRACT FROM THE FINAL MINUTES OF THE IFC MEETING (11-2013/14) HELD IN
THE HUVO NKULU BOARDROOM AT MEGAWATT PARK (SUNNINGHILL) ON 7
MARCH 2014 AT 17h10

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7. MATTERS FOR INFORMATION

7.1 SUSTAINABILITY

Cost Implications of Environmental Issues affecting Eskom

Resolved that:

1. the Cost Implications of Environmental Issues affecting Eskom is noted.

CERTIFIED AS A TRUE EXTRACT



S Daniels
GROUP COMPANY SECRETARY

Date: 8/9/2016

10/10/2010

10/10/2010

10/10/2010