

Sasol even arranged for the registration of their town, Sasolburg, to be 'oil'



economic
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neoliberalism

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how corporations rule

part 1: sasol and south africa's climate policy

december 2011



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friends of the earth international is an international federation of diverse grassroots-based environmental organizations with over 2 million members and supporters around the world. We challenge the current model of economic and corporate globalization, and promote solutions that will help to create environmentally sustainable and socially just societies.

our vision is of a peaceful and sustainable world based on societies living in harmony with nature. We envision a society of interdependent people living in dignity, wholeness and fulfilment in which equity and human and peoples' rights are realized.

This will be a society built upon peoples' sovereignty and participation. It will be founded on social, economic, gender and environmental justice and free from all forms of domination and exploitation, such as neoliberalism, corporate globalization, neo-colonialism and militarism.

We believe that our children's future will be better because of what we do.

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The corporate and elite capture of decision-making at the national level is a key factor underpinning governments' failure to deliver economic transformation at the scale and speed needed to prevent the Earth's climate from deteriorating further and avoiding even more dangerous climate tipping points.

With this series of case studies, Friends of the Earth International aims to help open a window into the complex and largely hidden world of corporate pressure exerted over national and international climate and environmental policy. A context-setting introduction to the series can be found here: www.foei.org/corporate-capture.

sasol, working hand-in-hand with the government in south africa

Sasol is the world's leader in coal-to-liquid (CTL) technology - the most carbon-intensive way of making petrol and diesel. Sasol's Secunda plant produces more carbon dioxide emissions than any other single source in the world.¹ Sasol officials are part of South Africa's delegation to the UN climate talks in Durban.

Sasol is a global company with operations across 30 countries, employing some 34,000 people.² As well as Sasol's coal-to-liquid operations, the company has moved into gas production and heavy chemicals. It operates a conventional oil refinery, owned in partnership with Total, at its original home in Sasolburg; and has retail outlets, selling liquid fuels.

Sasol is listed on the New York and Johannesburg stock exchanges. The company reported a 27% increase in profits in 2011.³ The current chief executive is David Constable.

It has faced heavy criticism for pollution levels (air and water) at its Sasolburg refinery, which has been shown to have a severe impact on people's health.⁴

Sasol was established by the apartheid government as a state-owned enterprise in 1950 and ran at a loss, consuming significant state funds until the 1970s when the oil crisis drove up oil prices. By then, the increasingly isolated apartheid state considered energy security a priority and instructed Sasol to build two more CTL plants. Construction was 'fast-tracked' when the Shah of Iran, a key ally and South Africa's largest supplier of crude oil, was overthrown.⁵

Although privatised in 1979, Sasol remained close to the state – both before and after the political transition to majority rule – with the state-owned Industrial Development Corporation (IDC) retaining a major shareholding.

Sasol enjoyed substantial state subsidies throughout the 1980s and 1990s when the oil price remained low. It was understood that this would be paid back if oil prices rose – as they did in the 2000s. Sasol then argued that the agreement had lapsed so it would not repay the subsidy.⁶ With demand for fuel rising, the government is now looking to Sasol to expand production.⁷

Sasol is not alone in its close ties to the South African government. It is a key actor among South Africa's private mining companies, state-owned corporations and government departments known as the 'minerals-energy complex' (MEC), which have collectively shaped South Africa's development since the 19th century.⁸

Sasol is also a prominent member of various business associations and, in matters of climate and energy policies, frequently represents them. The company also participates in the UN Global Compact with a particular focus on the 'Caring for Climate' programme.⁹

sasol's expansion

South Africa's post-apartheid government promoted export-oriented, high tech production, following the dominant model advocated by the World Bank and IMF. Sasol responded by repositioning itself as a transnational corporation, listing on the stock exchange and investing in Europe, the US, China, the Middle East and Africa.



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Truth in 'greenwash': Their pollution is in our lungs...



The link between Sasol and state remains tight. The state portrays Sasol as a paragon of innovation and hence as a key national asset for industrial development. It has become a global technology leader, linked into global production networks through partnerships with a range of leading transnational and state-owned corporations.¹⁰ Its exports are founded on high-value chemical design services as much as on the export of commodities – such as coal and heavy chemicals.¹¹

In line with the all-Africa development programme backed by South Africa, Sasol has also expanded into upstream oil and gas exploration and production in Africa.¹²

Sasol is now focusing expansion plans on gas-to-liquids (GTL) and plans to build a plant on top of a Canadian shale gas field.¹³ Hydraulic fracturing, or fracking, required to extract such 'tight' gas is toxic, energy intensive and prone to leak pure methane.¹⁴ It has also been found to cause seismic activity in places that were previously stable.¹⁵ The project is expected to yield scant climate benefit even by comparison with CTL. Sasol hopes to bring fracking back to South Africa where it has rights to explore for shale gas.

Perhaps Sasol's key innovation has been to reposition itself as an environmental leader. It did so having successfully lobbied

for voluntary measures to be seen as an effective way of addressing environmental and social issues. Sasol has made some minor investments in renewable energy as part of this re-positioning, but its core process remains irredeemably dirty. Defending this business has required lobbying skills, working to influence government from the local to the global level.

sasol and climate change

As a major energy company which produces significant carbon emissions, Sasol has a keen interest in the future development of any international climate regime. It has major interests to be protected from the threat of effective measures to curb emissions.

According to Sasol's own figures, for the year ended June 2011, Sasol's direct carbon dioxide emissions for its operations in South Africa amounted to 52.9 million tons (11% of South African greenhouse gas emissions); or 61.7 million tons including indirect emissions (from electricity use).¹⁶

Sasol's global greenhouse gas emissions increased from 75 million tons (CO₂ equivalent) in 2010 to 75.3 million tons in 2011.¹⁷

Sasol sees “significant commercial opportunities associated with ... promoting energy security ... while addressing climate change and resource depletion”, including opportunities to develop its gas business and to push for support for carbon capture and storage technology.¹⁸

Sasol officials, along with representatives from the power utility Eskom, are part of South Africa's official delegation at the COP 17 United Nations negotiations on climate change in Durban, South Africa.

influencing national energy policy

In 2010 Sasol was one of the MEC companies revealed to be secretly advising the government's Department of Energy on its plans for future electricity use.¹⁹ As a result, plans reflect heavy industry's demand for a major expansion of generating capacity. Sasol and its allies in MEC recently launched a South African Coal Roadmap to expand the coal industry – both for domestic use and exports – and defend it from potential environmental criticism. The Roadmap is now constituted with a board that includes the MEC corporations, the Department of Energy and the Department of Mineral Resources.²⁰

Sasol has used the increased focus on climate change in South Africa as a result of COP17 to increased its “engagement with the government..., submitting detailed comments on its climate change policy papers, both as a company as well as through representative business bodies such as Business Unity South Africa”.²¹

According to its submission to the Carbon Disclosure Project,²² Sasol “is currently supporting the South African delegation on business-specific issues such as: a) market mechanisms, b) technology mechanisms, c) mitigation opportunities and challenges for Africa and South Africa in particular, d) adaptation considerations, and e) monitoring, reporting and verification options. Over the last year, the Sasol Executive Committee

members have been engaging with various government ministers on a number of key issues such as CCS, the Copenhagen Accord, South African climate change policies, mitigation and adaptation actions, fiscal measures and water.

promoting ‘false solutions’ at a global level

Sasol uses its position to promote these commercial opportunities at the national and international levels:

- It is a high profile proponent of ‘clean coal’ and carbon capture and storage (CCS).²³ Along with other MEC corporations and the South African departments of energy and mineral resources (DoE and DMR) it sponsored a carbon storage atlas developed by the newly-established South African National Energy Research Institution (SANERI),²⁴ and encouraged support for CCS from SANERI.
- A Sasol official is a member of the Intergovernmental Panel on Climate Change (IPCC) and contributed to the IPCC report on CCS.²⁵
- Sasol participates as a South African representative on the international Carbon Sequestration Leadership Forum (CSLF)²⁶ giving it access to high profile decision makers from around the world. South Africa hosted the CSLF in 2008.
- Following extensive lobbying by Sasol and others, CCS was recognised as a possible appropriate technology for inclusion in the Clean Development Mechanism by the parties to the UN climate talks in Cancún.²⁷
- Sasol is involved in carbon trading through the Clean Development Mechanism (CDM). It has one CDM approved project for destruction of nitrous oxide, a lucrative and easy option which yielded 260,000



The Sasol plant with Zamdela in the background



Certified Emission Reductions in 2008.²⁸ While the CERs are sold off, the reductions are also registered in Sasol's environmental reporting.

- Sasol also attempted to register the substitution of gas for coal in its energy feeds as a CDM project. This failed the 'additionality' test as the project was under construction when the application was made (meaning that the CDM believed the project would have happened anyway). But it seems Sasol plans to resubmit its proposal.²⁹

Sasol has also spoken out to oppose a legally-binding deal on climate change. Speaking at the World Economic Forum earlier this year, Sasol's then chief executive Pat Davies said: "I think we should first understand fully the impacts of climate change before we set hard, legally binding global targets".³⁰

Sasol's power as a key supplier of energy in South Africa, and its historically close ties to government, have given it a privileged position, allowing it to influence government, not only at a national level, but also globally. It uses this position to promote what it sees as profitable opportunities created by climate change, while working to protect its core business interests, profiting from dirty fossil fuels.

The skyline behind Zamdela, the settlement on the fence-line



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A protestor making ironic use of Sasol's slogan of the time © groundWork

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