NOMSA SIBANDA: Sasol harmonising the E and S in the ESG challenge

While the need to cut emissions is undeniable, this transition must be balanced and equitable

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by NOMSA SIBANDA

Sasol's headquarters in Sandton, Johannesburg. Picture: FREDDY MAVUNDA

As the world moves towards a more sustainable future, the imperative for decarbonisation becomes increasingly transparent. The world needs to reduce carbon emissions to combat climate change. We support this effort.

The emission reduction burden is expected to be shared by all countries, even though larger economies have contributed disproportionately to carbon emissions over time. According to ourworldindata.org, the biggest carbon emitters are the US, China and India, contributing 51% of the global emissions.

account for about 4% of the global emissions.

These economies often lack the financial and technological resources needed to make rapid and equitable transitions to low-carbon systems. For the sake of fairness, pragmatism is required when setting expectations for developing economies.

SA is a minor contributor to global emissions (about 1.6%) but is home to major emitters like Eskom and Sasol. These entities are crucial to the country's economic prosperity, and it is essential that they be allowed to reduce their emissions at a slower pace to avoid hindering economic growth, as is the case for a number of countries where emission targets have been rolled back due to economic challenges.

SA has set ambitious carbon targets to reduce its emissions by 30% by 2030. However, we believe that the speed at which this can be achieved must consider a number of challenges, particularly socioeconomic realities, technical capacity and the influence of interest groups on how policy evolves. Considering the complexities around implementation of the country's policy, the timelines may be unrealistic. Surely, gradual and well-supported transition is essential to ensure that economic development, investment in greener industries, job creation and poverty alleviation efforts are not compromised.

Given the above, we need to consider whether there is a case for energy-intensive companies in SA, such as Sasol, to be allowed to reduce their emissions at a slower rate relative to national and global targets.

Sasol's economic impact on SA cannot be underestimated. The company is a cornerstone of the national economy, contributing an estimated 5% directly and indirectly to the country's GDP and providing about 29,000 jobs. Beyond its direct economic footprint, Sasol supports key sectors in the economy such as mining, agriculture, chemicals and packaging.

imports of fuel and have far-reaching consequences for the nation's energy security and economic stability.

Back in 2019, Sasol acknowledged the urgent need for decarbonisation. The company committed to 30% scope 1 and 2 emission reductions by 2030 and aims to achieve net-zero emissions by 2050.

Sasol's path to decarbonisation includes optimising its existing business, transitioning its energy mix to more renewables and gas, planning to invest in green alternatives as well as its just transition road map, which includes efforts for job creation and economic development in the low-carbon economy. However, can this crucial journey towards a lower carbon footprint be managed in a way that does not undermine the financial stability of the company or the broader socioeconomic ecosystems it supports?

The transition to a greener future must be meticulously managed to avoid adverse impacts on other stakeholders. The process should not come at the expense of financial stability, employment or the vital industries that rely on Sasol's products. It is essential to strike a balance that allows for sustainable growth while meeting environmental goals.

A pivotal aspect of this transition is the role of the government in facilitating a smooth shift towards a lower-carbon economy. Allowances on carbon tax and other environmental regulations can provide much-needed relief to companies such as Sasol. These allowances would enable it to invest in cleaner technologies and infrastructure without bearing prohibitive costs that could jeopardise its operations.

Phase 2 of the Carbon Tax Act, which is intended to run from January 1 2026, may come with little or no allowances. This poses a significant risk to the viability of carbon-intensive companies. Sasol has indicated that the proposed carbon tax (without allowances) would render it unviable by 2029. Government incentives should rather global nature of climate change, developed countries have a role to play in supporting developing nations like SA in their transition efforts.

The path to decarbonisation is a complex and multifaceted journey, particularly for a country like SA. While the need for reducing emissions is undeniable, it is equally important to ensure that this transition is balanced and equitable. By implementing supportive policies, SA can navigate the complex path to a sustainable future without sacrificing social stability.

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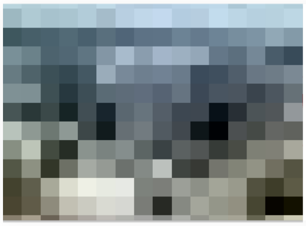

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