



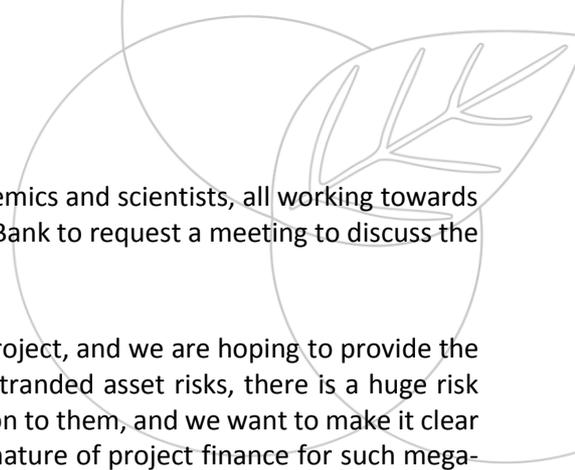
RAITH September 2017 Board Meeting CER Vignette: climate change & corporate accountability

Banks financing new coal-fired power stations in South Africa

1. Thabametsi Power Company (Pty) Ltd (Thabametsi) was selected by the Department of Energy (DoE) as one of two “preferred bidders” in the first (and thus far, only) bidding round of government’s plan to support the construction of a number of privately-owned new coal-fired power stations in South Africa.
2. In order for South Africa to meet its obligations under the Paris Agreement, it is essential that we urgently transition away from our fossil fuel dependency to a low-carbon energy mix. Independent studies and projections (including by the CSIR) repeatedly show that South Africa does not need to build any new coal-fired power stations. In spite of this, the Department of Environmental Affairs granted environmental authorisation for the Thabametsi coal-fired power station, without properly considering the project’s significant climate change implications.
3. Earthlife Africa Johannesburg (ELA), represented by the CER, appealed against the granting of this environmental authorisation, but the appeal was dismissed by the Minister of Environmental Affairs. Bizarrely, however, in dismissing our appeal the Minister also directed Thabametsi to conduct a comprehensive climate change impact assessment.
4. ELA, represented by the CER, instituted review proceedings in the High Court in August 2016 to have the environmental authorisation set aside. We argued, inter alia, that it was irrational for the Minister to order the climate change impact assessment without upholding our appeal, because it meant that the findings of the assessment (which should inform the decision whether to grant environmental authorisation) would be irrelevant because she had already granted environmental authorisation.
5. In March 2017, in a precedent-setting judgment,¹ the Pretoria High Court set aside Thabametsi’s environmental approval, because there was inadequate consideration of the project’s significant climate change impacts. The judgment highlights how new coal-fired power stations carry major risks for the climate and the communities in which they are situated, and the court’s findings have significant implications for the future of fossil fuels in South Africa. The court referred the appeal against the environmental authorisation back to the Minister, and we await her decision. She must now make this decision on our appeal having considered the full climate change impact assessment prepared for Thabametsi, which shows that this will be one of the most GHG-intensive coal fired power stations in the world – old or new.
6. ABSA Bank, Nedbank, Standard Bank, and Rand Merchant Bank are all funding Thabametsi. In May 2017, after the High Court judgment and the release of the draft climate change impact assessment, the CER wrote to Nedbank, Standard Bank, ABSA (via its parent company Barclays Africa Group) and Rand Merchant Bank (via its parent company FirstRand Bank Limited) to alert them to the findings of the Thabametsi judgment. We also raised the issue of risk, and highlighted the discrepancies between these banks’ public commitments on climate change and the fact that they are nevertheless financing new coal. The CER extended an invitation to each of the four banks to respond to these issues. Only two banks responded, Standard Bank and FirstRand Bank.²
7. Neither response addressed our concerns. However, Standard Bank stated in its response that it was “*reviewing the project in line with [its] environmental and social risk management systems, policies and standards*”. The

¹ <https://cer.org.za/virtual-library/judgments/high-courts/earthlife-africa-johannesburg-v-minister-of-environmental-affairs-and-others>

² <https://cer.org.za/news/why-are-sas-banks-facilitating-climate-change>.



CER, along with a delegation of NGOs, community organisations, academics and scientists, all working towards the transition to a low-carbon economy, has now written to Standard Bank to request a meeting to discuss the bank's support for the Thabametsi project.

8. There are indications that the bank is wavering in its support for the project, and we are hoping to provide the push that it needs to withdraw. Apart from the climate change and stranded asset risks, there is a huge risk posed to these kinds of projects by the concerted civil society opposition to them, and we want to make it clear that we will not let up in this opposition. Because of the inter-linked nature of project finance for such mega-projects, we suspect that if one bank pulls out of the deal, the others will too.
 9. We are waiting to hear back from Standard Bank to our request.
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