

ESKOM

**APPLICATION FOR ALTERNATIVE LIMITS AND
POSTPONEMENT OF THE MINIMUM
EMISSIONS STANDARDS COMPLIANCE
TIMEFRAMES FOR THE KENDAL POWER
STATION**

DATE: November 2018

TABLE OF CONTENTS

1	INTRODUCTION	4
2	ESKOM'S EMISSION REDUCTION PLAN OVERVIEW	4
3	REQUESTED POSTPONEMENT EMISSION LIMITS	6
4	LEGAL BASIS FOR DECISION-MAKING	7
4.1	Regulatory Requirements	7
4.2	Changes in Regulatory Framework	8
4.3	The Need to Amend Variation Requests	8
5	REASONS FOR APPLYING FOR POSTPONEMENT	8
5.1	Remaining Power Station Life and Project Development timelines.	8
5.2	Water Availability	9
5.3	Environmental Implications of FGD	9
5.4	Impact on Ambient Air Quality	10
5.4.1	Sulphur Dioxide	10
5.4.2	Nitrogen oxides (NO _x)	11
5.4.3	Particulate Matter (PM)	11
5.4.4	The Highveld Priority Area	11
5.4.5	Cumulative Assessment of Requested Emission Limits in the Northern Highveld	11
5.5	Cost Implications of Compliance with the MES	12
5.5.1	Direct Financial Costs	12
5.5.2	Electricity Tariff Implications	13
5.5.3	Cost Benefit Analysis	13
5.6	Project Delays	14
6	PUBLIC PARTICIPATION	15
7	EMISSION OFFSETS	15
8	CONCLUSIONS	16

LIST OF FIGURES

Figure 1:	Household Intervention for Lead Implementation Sites (KwaZamokuhle and Ezamokuhle).....	17
-----------------	---	----

LIST OF TABLES

Table 3: Current and requested emission limits for Kendal.	7
---	---

LIST OF ACRONYMS

AIR	Atmospheric Impact Report
AEL	Atmospheric Emission License
AQMP	Air Quality Management Plan
DEA	Department of Environmental Affairs
DOE	Department of Energy
EIA	Environmental Impact Assessment
ESP	Electrostatic Precipitator
FGC	Flue Gas Conditioning
FGD	Flue Gas desulphurisation
GNR	Government Notice No.
HFPS	High Frequency Power Supply
IRP	Integrated Resource Plan
IRR	Issues and Response Report
LNB	Low NO _x Burner
LPG	Liquid Petroleum Gas
NAAQS	National Ambient Air Quality Standards
NAQO	National Air Quality Officer
NEMAQA	National Environment Management: Air Quality Act, 2004 (Act No. 39 of 2004)
NEMA	National Environmental Management Act, 1998 (Act No. 107 of 1998)
NERSA	National Electricity Regulator of South Africa
NO	Nitrogen oxide
NO ₂	Nitrogen dioxide
NO _x	Oxides of nitrogen (NO _x = NO + NO ₂)
PM	Particulate Matter
PM ₁₀	Particulate Matter with a diameter of less than 10 µm
PM _{2.5}	Particulate Matter with a diameter of less than 2.5 µm
RTS	Return to Service
SO ₂	Sulphur dioxide
TSP	Total Suspended Particulates
µm	1 µm = 10 ⁻⁶ m
WHO	World Health Organisation

LIST OF ANNEXURES

Annexure A	Atmospheric Impact Report – Kendal
Annexure B	Summary Atmospheric Impact Report
Annexure C	Health impact focussed cost benefit analysis
Annexure D	Public Participation report

1 INTRODUCTION

Eskom, as South Africa's public electricity utility, generates, transmits and distributes electricity throughout South Africa. The utility also supplies electricity to neighbouring countries including Namibia, Botswana, Zambia, Zimbabwe and Mozambique. Eskom's principal generation technology is pulverised coal with approximately 90% of its current generating capacity lying in coal-fired power stations. One such power station is the Kendal Power Station (hereafter referred to as "Kendal"), which lies near Emalahleni in the Nkangala District of the Mpumalanga Province. The station is located within the Highveld Priority Area (HPA) in terms of the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004) (NEMAQA).

In terms of the Integrated Resource Plan, stations will be decommissioned at 50 years. The exact date of decommissioning is determined by current and future demand, the performance of other electricity generating plants and the cost of generation. The last of Kendal generating units was commissioned in 1993 and it is intended to decommission the station between 2038 and 2043.

In terms of the NEMAQA, all of Eskom's coal and liquid fuel-fired power stations are required to meet the Minimum Emission Standards (MES) contained in GNR 1207 on 31 October 2018 ("GNR 1207") which was promulgated in terms of Section 21 of the NEMAQA. GNR 1207 provides arrangements in respect of; a once off postponement with the compliance of minimum emissions for new plant for five years, not beyond 31 March 2025; a once off suspension for plants being decommissioned by 31 March 2030; the National Air Quality Officer may grant an alternate emission limit or emission load if certain conditions are met. The application for any of these requests must be submitted by 31 March 2019.

Kendal already achieves the 100 mg/Nm³ Particulate Matter (PM), 3500 mg/Nm³ and 1100 mg/Nm³ existing plant MES limits. However, due to water resource, financial and electricity supply capacity constraints (presented in more detail in this document and supporting Annexures), Eskom's Kendal Power Station will not be able to comply with the 'new plant' MES limits for PM, SO₂ and NO_x. As such, Eskom with this Application is applying in terms of GNR 1207 for postponements for PM, SO₂ and NO_x and/or is requesting alternative emission limits for Kendal. The alternate limits are achievable but less stringent than the new plant standards.

The purpose of this document is to present an application for postponement from specific MES compliance timeframes and propose alternative limits for Kendal as required in terms of GNR 1207. The document has been structured to present an overview of Eskom's atmospheric emission reduction plan including the current shut down of units for reserve storage, the decommissioning plan and its influence on Eskom's emissions. Based on this the proposed emission limits to which Kendal could be held and which could then be included in the Atmospheric Emission Licence (AEL) are proposed. The legal basis for applying for postponement and alternative limits is then presented, including the requirements that must be met in making such an application. Finally, the reasons for the Application for suspension, postponement and/or alternative limits are presented.

The presentation of the detailed Eskom's atmospheric emission reduction plan is presented in the Eskom Summary Document.

2 ESKOM'S EMISSION REDUCTION PLAN OVERVIEW

Eskom considers that it is not practically feasible or beneficial for South Africa (when considering the full implications of compliance, planned decommissioning and health impacts) to comply fully with 'new plant' MES by stipulated timeframes. As a result, Eskom proposes to adopt a phased and prioritised approach to compliance with the MES. The highest emitting stations will be retrofitted first. Reduction of Particulate Matter

(PM) emissions has been prioritised, as PM is considered to be the ambient pollutant of greatest concern in South Africa. In addition, Eskom proposes to reduce NO_x emissions at the three highest emitting stations. Kusile Power Station will be commissioned with abatement technology to achieve the new plant standards. Medupi is commissioned with abatement technology which can meet PM and NO_x new plant standards and will be retrofitted with flue gas desulphurisation so that the new plant SO₂ limit will also be achieved at Medupi over time. There are six power stations which will be decommissioned before 2030, an additional two by 2035 and the remaining existing plants (excluding Majuba, Medupi and Kusile) by 2043.

Emission reduction interventions to achieve compliance with the new plant emission limit are planned for the following stations:

- Particulate Matter emission reduction: Tutuka, Kriel, Matla and Duvha Units 4-6, Matimba, Kendal and Lethabo;
- NO_x emission reduction: at Matla, Majuba, Tutuka, and some units at Camden; and
- SO₂ emission reduction: at Medupi and a pilot study/s which will confirm the appropriate technology for Matimba and Kendal.

Currently the Integrated Resource Plan (IRP) is based on a 50-year life for all power stations however the actual shut down and decommissioning dates of power stations are determined based on economic, supply and demand side criteria. In 2017/18 ten units at Eskom's most costly and oldest plants namely Grootvlei, Hendrina and Komati have been shut down for reserve storage, based on the current electricity demand these three power stations will be shut down and later decommissioned before 2030. Further, Arnot, Camden, and Kriel will be decommissioned by 2030. The shutting down of these power plants will reduce the cumulative pollution in the three airsheds, some reduction has already materialised due to the 11 units which are shut down for reserve storage in 2017/18.

The retrofits listed above are over and above the emission abatement technology which is already installed at Eskom's power stations, which is:

- Electrostatic Precipitators (ESPs) at Matimba, Kendal, Lethabo, Matla, Kriel, Tutuka, Komati and 3 of 6 units at Duvha. In addition SO₃ injection plants have also been installed at those stations with ESPs, except Tutuka, to improve the efficacy of the same;
- Fabric Filter Plants (FFPs) at Majuba, Arnot, Hendrina, Camden, , Grootvlei, Medupi, Kusile, and 3 units at Duvha;
- Boilers with Low NO_x design at Kendal and Matimba;
- Low NO_x Burners (LNBS) at Medupi, Kusile and some units at Camden; and
- Flue gas desulphurisation (FGD) at Kusile.

Eskom applied and was granted a postponements between 2014 and 2015. Since then Eskom has updated its emission reduction plan to include the enhancement of existing particulate matter abatement technology currently installed at Kendal, Matimba and Lethabo Power Stations.

Implementing the emission reduction plan and installing more efficient emission control technology will reduce Eskom's emissions. The decommissioning of the older stations and an increased use of the newer less emitting Medupi and Kusile power stations will also result in a substantial decrease in Eskom's emissions over time. For example it is projected that compared to a 2020 baseline that by 2035 Eskom's relative PM emissions will reduce by 58%, SO₂ by 66% and NO_x by 46%.

Eskom's proposed atmospheric emission reduction plan is estimated to cost R 67 billion over the next 10 years. The costs have been included in the latest Multi Year Price Determination (MYPD) tariff application.

The retrofit schedule and projected emission reduction above clearly illustrates Eskom has been and remains committed to implementing emission reduction technologies to improve air quality in South Africa. Though there are delays in the implementation of the retrofit plan Eskom remains committed to ensuring these planned technology installations are completed.

A detailed discussion on Eskom’s emission reduction plan is provided in the Eskom Summary Document.

3 REQUESTED POSTPONEMENT AND ALTERNATIVE EMISSION LIMITS

Kendal Power Station is located in the Mpumalanga Province, 8 km southwest of the town of Ogies and 30 km southwest of Emalahleni. It has an installed capacity of 3 840MW.

The current limits listed in Table 1 are as in Kendal’s EAL (ref: 17/4/AEL/MP312/11/15). The proposed alternative emission limits that are requested for Kendal during normal operating conditions are:

Table 1: Current and Requested Alternative Emission Limits for Kendal

	Current Limit (from AEL)			Requested Emission Limits***					
	Limit value	Averaging period	Date to be achieved by	Limit value	Averaging period	Date to be achieved by			
Particulate matter	100	24 hours	1 April 2015	100	Daily	1 April 2020			
	50		1 April 2020	85	Daily	1 April 2025			
Sulphur Dioxide	3500	24 hours	1 April 2015	3500	Daily	1 April 2020			
	2600		1 April 2020 – 31 March 2025				3000	Monthly	1 April 2025
	500		1 April 2025						
Nitrogen Oxide	1100	24 hours	1 April 2015	1100	Daily	1 April 2020			
	750		1 April 2020				750	Monthly	1 April 2025

*

***The requested interim emission limits above are in mg/Nm³ at 273 K, 101.3 kPa, dry and 10% O₂.

Based on the remaining life of the Kendal power station, the techno-economics and cost benefits assessment shows that any additional measures other than what was committed to above is not financially viable. Due to financial and coal logistic issues at Eskom, there is an initiative to bring in coal from the Waterberg for use at Kendal as Medupi currently has excess coal on its coal stockyard. The Waterberg coal has higher sulphur content and will therefore increase the concentration of sulphur dioxide emissions from the stack and ambient air quality. The Waterberg coal would be blended with the current coal supply to Kendal and would therefore only elevate the sulphur levels marginally.

The Kendal AEL included a requirement to reduce SO₂ from 2025, this would have required Eskom to design, construct and commission an FDG plant within 10 years. Eskom did not have sufficient funds to initiate this project which would have a nominal cost of between R 30 – 40 billion (nominal). Further to this the timeline for implementing such a significant project is 12 years, as described later in this document.

Eskom has committed to develop a pilot FGD plant at Kendal which would test the reduction of SO₂. This will also reassess the financial cost benefit analysis. It is only once this is complete that Eskom would be in a position to commit to an alternative emission limits, timelines, confirm funding and the allocation of costs in the tariff, therefore Eskom is requesting an alternative emission limit for SO₂ of 3000 mg/Nm³ from 1 April 2025.

In summary Kendal is requesting:

- 1) Postponement of the new plant standard for PM between 1 April 2020 to 31 March 2025 and an alternative daily limit of 100 mg/Nm³ and an alternative daily limit of 85 mg/Nm³ for PM from 1 April 2025 until decommissioning (2038 - 2043);
- 2) Postponement of the new plant standard for SO₂ and an alternative daily limit for SO₂ of 3000 mg/Nm³ from 1 April 2025 until decommissioning (2038 - 2043);
- 3) A postponement of the NO_x new plant limit and an alternate limit daily limit of 1100 mg/Nm³. From 1 April 2025 Eskom requests a monthly limit of 750mg/Nm³ until decommissioning (2038-2043).

It is requested that the proposed limits only apply during normal working conditions, and not during start-up or shut-down, upset conditions and maintenance periods.

4 LEGAL BASIS FOR DECISION-MAKING

4.1 Regulatory Requirements

In terms of Section 14(1) of the NEMAQA, the Minister Environmental Affairs ("Minister") must designate an officer in the Department of Environmental Affairs (DEA) as the National Air Quality Officer. In this regard, Dr Thuli Khumalo has been designated by the Minister as the current National Air Quality Officer. Section 14(4)(b) of the NEMAQA provides that the National Air Quality Officer may delegate a power or assign a duty to an official in the service of his/her administration. It is our understanding that no such delegation has been made for the area of jurisdiction in which the power station is located. Accordingly, Eskom submits this Application to the National Air Quality Officer (NAQO).

In terms of Paragraph (12)(a) – (c) of GNR 893 of 22 November 2013 (the Regulations), the postponement application must include:

1. An air pollution impact assessment compiled in accordance with the regulations prescribing the format of an Atmospheric Impact Report (AIR) (as contemplated in Section 30 of the NEMAQA), by a person registered as a professional engineer or as a professional natural scientist in the appropriate category;
2. A detailed justification and reasons for the Application; and
3. A concluded public participation process undertaken as specified in the NEMA Environmental Impact Assessment (EIA) Regulations.

In respect of these requirements we have attached –

1. As Annexure A, a copy of the AIR prepared in respect of Kendal. The AIR provides, *inter alia*, an assessment of how ambient air quality is likely to be affected by Kendal's requested emission limits by utilising, *inter alia*, atmospheric dispersion modelling;
2. Detailed justifications and reasons for the application (this document Section 5 below); and
3. A comprehensive report on the public participation process followed, and associated documentation (Annexure D).

In terms of the 2017 National Framework for Air Quality Management and the Amendment to Listed Activities and Emission Standards published in October 2018, submissions for postponement, suspension and alternate limits must be submitted by 31 March 2019.

4.2 Changes in Regulatory Framework

In October 2018 the 2017 National Framework for Air Quality Management in the Republic of South Africa and the Amendment to Listed Activities and Associated Minimum Emission Standards Identified in terms of Section 21 of NEMAQA were published. While Eskom and the independent consultants appointed to complete the AIR will make every effort to provide complete information, Eskom reserves the right to supplement the information if it deems appropriate or if requested to do so by the NAQO.

4.3 The Need to Amend Variation Requests

In terms of timing, Eskom is required to submit an AEL variation request parallel to the MES postponement application and application for alternative limits. The variation request is prepared based on the assumption that this requested application is granted by the NAQO. If the NAQO decision is substantially different from the requested application, Eskom reserves its right to amend its variation request.

5 REASONS FOR APPLYING FOR POSTPONEMENT

As mentioned above, the application for postponement and alternate limits must be accompanied by reasons. Such reasons are set out below and include the fact that emissions from Kendal will generally not result in non-compliance with National Ambient Air Quality Standards (NAAQS), the decommissioning of Kendal will begin in 2038 (according to the 50-year life plan); together with a suite of undesired environmental consequences of compliance with the MES including associated water demands, transport impacts and increases in waste and carbon dioxide (CO₂) production. These undesired consequences together with the financial costs of compliance (such as an increase in the electricity tariff) must be weighed up against the benefits that will accrue as a result of compliance with the MES. It is Eskom's view that the benefit of compliance does not justify the non-financial and financial costs of compliance. (see section below for the details of the cost-benefit analysis completed). None of these reasons should be seen as exclusive (i.e. it is not one reason alone that prevents compliance) but rather all in combination. Before presenting these various reasons, the reader is referred to Annexure A the AIR, Annexure B the Summary Atmospheric Impact Report and Annexure C the CBA.

5.1 Remaining Power Station Life and Project Development timelines.

Kendal is currently scheduled to be decommissioned between 2038 and 2043, according to the Integrated Resource Plan which plans for a 50 year life for Eskom coal fired power stations.

Based on Eskom's experience at Medupi it is estimated that the time required for FGD development and construction would be 12 years (project development 4 years, commercial process 2 years and construction 6 years – one unit per year). Given these project timelines operation of FGD would only commence from 2032, 6 years before the station starts decommissioning and 11 years before total decommissioning (assuming all other issues discussed below could be addressed). It is thus considered not financially viable to retrofit Kendal with FGD given its current operating life. However, Eskom will be investigating various alternative technologies which may be able to reduce the SO₂ emissions without the negative impacts and timelines which are associated with FGD.

5.2 Water Availability

Water is an extremely limited resource in South Africa and it is argued that the implementation of FGD at Kendal is not an appropriate decision for a water scarce country.

Both wet and semi-dry FGD are critically dependant on large quantities of water being available at the power stations where FGD is deployed. Recent investigations undertaken for Medupi indicate that the implementation of FGD will increase its water requirement to up to 8 Mm³/annum. Wet FGD approximately triples the water consumption of a dry-cooled power station; semi-dry FGD more than doubles the water consumption of a dry-cooled power station

The water demands of FGD are thus significant across the power stations and will increase Eskom's water demand by some 59 million m³/annum – a 20% increase in the combined water consumption of Eskom's power stations¹.

The total water demands in the Integrated Vaal River Catchments presently exceed the water availability in the catchment until Phase 2A of the Lesotho Highlands Water Project (LHWP) is implemented. The projected completion date of Phase 2A of the LHWP now being beyond 2026. The water supply deficit is expected to grow with the growing urban demand in the greater Gauteng area. It is unlikely that DWS will license new major demands in this system until then. Thus far all efforts by DWS to reduce demand in the Vaal River system have been delayed or ineffective. Rand Water for example are requesting an increase in its water license volume to cater for the additional demand and DWS have refused thus far as there is no water available in the Vaal System.

Eskom has a combined water licence of 360 million m³/annum from the Vaal River Eastern Subsystem to generate electricity (licensed to Oct. 2025 when it will get reviewed). Some of Eskom's older power stations are expected to be decommissioned within the next 5 to 10 years but that does not significantly contribute to reducing the shortages in the Vaal River System as the declining demand for Eskom's water use is already taken into account in the annual operating analysis. Eskom will not be able to re-allocate its water allocation to FGD as a relinquishing of our licenced volume goes back to DWS to determine whom would be the best user for the water being made available.

Beyond 2026 when LHWP 2 comes into operation it is possible that water is available for retrofits to the current fleet supplied from the Vaal System.

The argument is also not just one of having water available in the catchment, it is also one of determining whether FGD is a judicious use of what is an extremely scarce resource in South Africa in the face of multiple competing demands for that same resource. Especially since more than 98% of South Africa's available water has already been allocated.

5.3 Environmental Implications of FGD

FGD is not without negative environmental consequences:

- Up to almost 640 000 tons of sorbent (limestone) per annum is required to operate the FGD. The main source of sorbent is the Northern Cape, so the sorbent would need to be transported over hundreds of kilometres, preferably by rail or otherwise by road. The transport of the sorbent would result in

¹ *Assuming that wet FGD is installed on the 5 newest stations excluding Kusile, and semi-dry FGD is installed on the rest of the coal-fired fleet, excluding FGD at stations which will be decommissioned by 2030. The October amendment of the MES for SO₂ new plant to 1000 mg/Nm³ will required a revision of technology choices as it may be possible to meet the standard.

environmental impacts, notably greenhouse gas emissions, and fugitive dust emissions. An increase in truck traffic would also result in an increase in driver mortalities, as has been observed in association with coal transport in Mpumalanga.

- Up to 1 100 000 tons of gypsum will be produced per annum as a by-product of the FGD process. If a high quality limestone is used, a high quality gypsum can be produced by wet FGD, and this could be taken up by the market for e.g. wallboard production. Lower grade gypsum can also be used for agricultural purposes. However, if there is not sufficient demand from the market, the gypsum will need to be disposed of in which case it would need to be managed carefully to ensure that there are no impacts on groundwater or air quality (from fugitive dust emissions).
- Kendal is expected to produce an additional approximately 375 000 tons of CO₂ per annum, as the wet FGD process directly produces CO₂ as a by-product through the reaction: $\text{SO}_2 + \text{CaCO}_3 \rightarrow \text{CaSO}_4 + \text{CO}_2$. In addition, the electricity output of Kendal would be reduced by around 1% due to the additional auxiliary power requirements of the FGD, and correspondingly the relative CO₂ emissions would increase by 1%.

5.4 Impact on Ambient Air Quality

The impact of Kendal's emissions on ambient air quality has been comprehensively assessed in the accompanying independently compiled Atmospheric Impact Report (Annexure A). The rich coal and mineral reserves in the Mpumalanga Highveld area have led to the establishment of the power generation hub including, amongst others, the Kendal, Matla, Kriel, Hendrina and Arnot Power Stations and the construction of the Kusile Power Station. It also houses considerable coal mining activities, ferrometal processing plants, and other major industry. Other sources of air pollution on the Mpumalanga Highveld include the domestic burning of coal, agricultural activities and motor vehicle emissions.

It can be seen from the measured ambient air quality measurements at the Kendal monitoring station that there is currently non-compliance with the NAAQS for PM, and there was non-compliance with SO₂ daily and hourly NAAQS. Predicted ambient concentrations from emissions from Kendal alone indicate general compliance with the NAAQS. When emissions are modelled for Kendal in combination with the other Highveld power stations then general compliance with the NAAQS is still maintained under the current emissions scenario.

However, PM is already and unequivocally resulting in unacceptable health risk for a large part of the Highveld. The direct contribution of Kendal alone to that situation is considered to be small and it is argued that ambient PM₁₀ remains fundamentally a domestic fuel use problem. It is clear from the analysis that the non-compliance is not Eskom alone, but the power stations are significant contributors to the air quality seen to prevail across the Highveld.

It is noted that since June 2018 Kendal has experienced severe challenges in respect of emission control and has declared 32 NEMA Section 30 emergency incidents due to emission exceedances. These emissions exceedances are due to a number of factors which include challenges with the operation of the dust handling plant. These challenges were exacerbated by the industrial action which affected Eskom in June 2018. The station is implementing a recovery plan to address these issues as a priority.

5.4.1 Sulphur Dioxide

Measured ambient air quality is seen to be broadly compliant with the SO₂ NAAQS for ten-minute and hourly averaging periods. Non-compliance is evident for daily average SO₂ for Kendal (2015 and 2017), for Witbank (2015 and 2016) and for Kriel Village (2015). There is general compliance for all the stations and all the years for annual average SO₂, although data sets of less than 80% data capture cannot be used for compliance assurance.

These non-compliances will likely only occur in non-populated areas in close vicinity to the power station.

Dispersion modelling indicates that ambient concentrations resulting from current and requested emissions are well below the respective NAAQS. For the current SO₂ emissions at Kendal Power Station the predicted annual average SO₂ concentration (which is 7.2 µg/m³ at the point of highest impact in the domain) is significantly less than the national ambient SO₂ standard of 50 µg/m³. For operations that comply with the MES for SO₂ for new plants at Kendal Power Station the predicted annual average SO₂ concentration (which is 2.9 µg/m³ at the point of highest impact in the domain) is somewhat lower than for current actual emissions and significantly less than the national ambient SO₂ standard of 50 µg/m³.

5.4.2 Nitrogen oxides (NO_x)

Hourly and annual average NO₂ concentrations are seen to comply with the NAAQS although the data for Phola is unusable as a result of being completely anomalous to the other measured NO₂ data.

5.4.3 Particulate Matter (PM)

In respect of PM, non-compliance with the NAAQS annual average concentrations extending right through to all monitoring stations and all years. The non-compliance is indicative of high, sustained concentrations of PM that poses direct health risks to people exposed to such concentrations. An analysis of the average diurnal changes in PM concentrations indicates that the source of the high PM concentrations is likely a combination of low (ground) level emissions from domestic fuel use, vegetation burning and mining activities, and emissions from tall stack sources like Kendal.

Modelled ambient PM concentrations reveal very low concentrations indeed, highlighting the limited contribution of the power station to the ambient concentrations. As such it is concluded that the requested emission limits will not result in a material change in ambient PM concentrations where continued non-compliance with the NAAQS can be expected as long as there is no change in the use of domestic fuels.

5.4.4 The Highveld Priority Area

Eskom is aware that Kendal is situated within the Highveld Priority Area and is, as such making a substantial financial investment into reducing emissions from Kendal's operations, through the upgrade of emissions reduction technologies on each of the station's units which will lead to a reduction in particulate emissions. Kendal also plans to construct a pilot FGD plant to test the use of Circulating Fluidised Bed FGD or appropriate technology. However given the financial constraints faced by Eskom this project may be delayed.

5.4.5 Cumulative Assessment of Requested Emission Limits in the Northern Highveld

In addition to the individual AIR completed for each power station, an air quality report, considering the cumulative impact of the Eskom stations including Kendal over the HPA was completed (Annexure B). The analysis included three scenarios; which considered (1) the actual emissions, (2) emissions if the MES was complied with and (3) emissions if six power stations are decommissioned by 2030. The general conclusions of the analysis indicate that the quality of air will be in compliance with NO₂ National Air Quality Standards (NAAQS), but noncompliance with the daily and annual SO₂ standards in several areas across the Highveld. Daily and annual average PM₁₀ and PM_{2.5} concentrations could be in noncompliance and for extended periods of time. The effect of the above is that PM ambient levels currently result in increased health risk for a large part of the Highveld.

Dispersion modelling results based on individual and combined power station emissions, excluding all other sources; indicate a negligible contribution to PM pollution. In addition the diurnal pattern in PM concentrations based on monitored ambient data clearly indicate a morning and early evening peaks, typical of low level

source contributions. However, a combination of SO₂ and NO_x emissions from all the Highveld power stations is predicted to form a significant component of the PM_{2.5} load especially over Emalahleni area, which is in noncompliance with PM standards, is a cause for concern.

In addition, the combined SO₂ emissions from all Eskom power stations are predicted to contribute a significant amount to the pollution in and around the Emalahleni and Middelburg areas and even extending south towards Komati Power Station. However analysis indicates that the non-compliance is not only due to Eskom Power Stations but a function of a multitude of sources in the Highveld.

The dispersion modeling and ambient air quality monitoring data indicate that the elevated pollution levels in the Highveld require a holistic approach, addressing all identified and potential sources. Therefore, a single approach, targeted at only eliminating Eskom power station emissions will not result in acceptable ambient air quality levels that are not harmful to human health and the environment.

5.5 Cost Implications of Compliance with the MES

The financial implications of compliance to the MES, most especially the financial implications of compelling existing plants to comply with 'new plant' standards is presented below. These financial costs must be considered in context of Eskom's current financial position which limits Eskom's ability to raise funding for new projects requiring significant CAPEX and increased maintenance costs. This financial position is expected to prevail for several years. Indeed raising the funding for Medupi FGD has proved to be difficult and is still in the process of being finalised.

5.5.1 Direct Financial Costs

Eskom estimates that the CAPEX cost of full compliance with the MES at Eskom's power stations is greater than R187 billion in 2018 real terms (excluding financing costs), and that annual OPEX costs are at least R5 billion per annum. This includes the costs for emission control for the power stations being decommissioned post 2030 including flue gas desulphurisation at Medupi. Medupi's other emission abatement costs and all emission abatement costs for Kusile have been excluded from these totals because they have already been incorporated into the Medupi and Kusile projects. These costs are considered to be accurate to a factor of two.

The breakdown of the CAPEX costs is as follows:

- SO₂ emission reduction by FGD is estimated to cost R 140 – 175 billion. The estimated cost assumes R 15 - 26 billion per power station dependent on installed capacity and wet or dry FGD technology. that wet FGD is implemented on Medupi, Majuba, Matimba, Kendal, and Tutuka, (power stations being decommissioned after 2035) and that semi-dry FGD is implemented on Duvha, Lethabo and Matla (stations decommissioned between 2030 and 2035). For the tariff impact calculation an amount of R150 billion is used.
- NO_x emission reduction by the most appropriate technology is estimated to cost between R10 and R40 billion for all power stations. This includes Low NO_x Burner retrofits at stations which need them, and burner optimisations at others. For the tariff impact calculation an amount of R20 billion is used.
- Particulate Matter emission reduction by FFP retrofits is estimated to cost between R15 and R40 billion. For the tariff impact calculation an amount of R40 billion is used.

Full compliance with the MES at Kendal would require a FGD retrofit, which is the only way of consistently achieving the new plant SO₂ emission limit, in the region of R 30 – 40 billion (nominal) and a LNB retrofit estimated to be around R2.4 billion, as well as FFP retrofit and dust handling plant upgrade (CAPEX of over R7 billion). This is a significant cost and therefore an alternative approach is proposed.

5.5.2 Electricity Tariff Implications

The electricity tariff is the mechanism through which the cost of producing electricity is recovered from the consumers thereof. The cost of compliance with the MES would be part of the inherent cost of production of electricity in future. Eskom has estimated that full compliance with the MES by 2020 would require the electricity tariff to be on average between 7 and 10% higher than what it would be in the absence of the emission abatement retrofits, over a 20-year period. The difference between the base tariff and the tariff including the costs of MES compliance would be slightly higher (than the mentioned average) in the earlier years and slightly lower than the mentioned average in the later years. The implications for the tariff are of course dependent on when the emission abatement retrofits are installed, and what assumptions are used for interest and inflation rates and future base electricity tariffs.

This tariff calculation is based on the following assumptions:

- The CAPEX and OPEX costs are the mid-point amounts as provided above.
- The CAPEX costs are incurred in 2020, and fully implemented over a period of up to six years (with a shorter period resulting in the higher %, in the range mentioned above).
- The average remaining power station life is 20 years, thus the CAPEX costs for the retrofits are depreciated over a 20-year period.
- The inflation rate is 6%.
- Nominal pre-tax cost of capital is 14%.

Cost-reflective electricity tariffs are reached within five years after Multi Year Price Determination 3

The electricity tariff is applied for by Eskom, but decided on by the National Electricity Regulator of South Africa (NERSA). Eskom has included the CAPEX required to cover the proposed emission reduction plan with an estimated cost of R 67 billion over the next 10 years, it is covered in the MYPD4 application (for costs over the next 3 years). If there is a requirement for additional retrofits based on the DEA response to this application, these costs would need to be provided for through the tariff (i.e. opex recovered annually, capex recovered over the operational life of the assets), failing which Eskom's financial health will further deteriorate and the ability to raise funding for these projects would be limited. The original assumptions are still at risk. If the price increase of 15% per annum is not approved by NERSA, Eskom would need to further prioritise its operations and seek further support to its balance sheet. In addition, Eskom has not reached a level where it is recovering its efficient and prudent costs (even at the end of the MYPD 4 period if the 15% increase is approved).

5.5.3 Cost Benefit Analysis

The basis of the assessments of the impact of Kendal's emissions on human health and the environment is a comparison of the measured and predicted air quality concentrations with the NAAQS. Stakeholders have argued correctly that the NAAQS cannot be interpreted to imply no health risk at all but the counter argument is that the NAAQS express a 'permissible' level of risk. To manage air quality to a point that it is completely free of risk is to invoke such significant financial and non-financial costs that those costs will in themselves result in severe potential economic and social consequences. In these terms it is necessary to present here some perspectives on the cost-benefit of full MES compliance.

The 2017 National Air Quality Framework for Air Quality Management provision is made for suspensions and alternative emission limits due to the potential economic implications of emission standards on existing plant. The provision is provided because a sector specific CBA was not completed prior to setting standards. Eskom commissioned a CBA because it contributes to the decision making process.

The aim of the CBA study was to determine the health costs associated with current emissions, health benefits associated with compliance to the new Minimum Emission Standards, and the direct and indirect costs of

compliance. The baseline scenario to determine the cost to health assumed no new abatement technologies would be installed, resulting in relative emissions being constant for each power plant.

The model estimated the increased exposure as a result of Eskom's emissions from the 13 power stations in 2018 would result in an additional 320 cases of premature mortality. To translate these health outcomes (cases of mortality) to a health cost, a Value of a Statistical Life of R53 million was attributed to each mortality, resulting in a R17.6 billion baseline health cost in 2018.

The outcomes of the analysis is that scenario 2, Eskom's proposed reduction plan and scenario 4, Eskom's proposed reduction plan plus decommissioning of Komati, Grootvlei and Hendrina had the best cost to benefit ratios with costs 1.8 and 1.3 times higher than the benefits. The full compliance option which would have most power stations retrofitted had the worst cost benefit ratio of costs 5.3 times higher than the benefits. The Eskom reduction plan with the addition of Kendal and Matimba FGD reflected costs 2.2 times higher than benefits.

In respect of SO₂ emissions the cost-benefit is more difficult to qualify. Although the risk of non-compliance with the NAAQS is generally low, stakeholders have presented that it is 'unacceptable to allow the continued emissions of large quantities of SO₂'. In principle this comment is accepted but again the argument is one of weighing up both the financial and non-financial costs of reducing those emissions. The argument has already been made that the water use implications of SO₂ control are untenable and that the cost benefit analysis does not support the installation of FGD. In the case of Kendal there is considerable pressure to reduce the sulphur dioxide, this needs to be reconsidered based on the cost benefit ratio, and the modelled air quality data which illustrates that Kendal is but one source of SO₂ and exceedances are not in populated areas.

No argument is presented anywhere in these applications that reducing atmospheric emissions is not required. The argument is simply one of ensuring that emissions reductions are carefully planned and phased so that the associated cost-benefit is positive. A key consideration is that half of the existing Eskom power stations will be shut down and decommissioned in the next 10 – 15 years significantly reducing the emissions. The planned offset project which will reduce low level emissions in communities in the vicinity of Eskom power station has not been studied long enough to conclusively provide cost benefit. However initial assessment indicates a significant reduction in exposure to indoor air pollution.

5.6 Project Delays

Emission retrofit of the type being planned require years of planning, which precede a lengthy installation process, as well as substantial capital funding and power station down-time. The planning process involves Eskom internal processes that allow for technology concept and -design approval after which significant funds need to be allocated to the project. Being a state owned entity, government approval for projects of such a nature is also required which lead to the additional project development time-lines. Contracts to commence the project are only put in place once carefully regulated tender processes have been completed.

Over and above the aforementioned milestones, the actual commencement of the installation of the abatement technology at a unit needs to be carefully scheduled to fit into a six-month unit outage time, which is usually planned alternately for each unit (i.e. one unit per year) as part of an official longer term outage schedule. Once a unit is taken down for maintenance, it is not operational, and thus does not contribute power to the grid. Unit down-time needs to take into account fleet generation capacity and can only take place, if Eskom is sure the country's energy demands can be met. Once the pollutant specific abatement technology has been installed, it takes months for the relevant technology to function optimally (optimisation period), as test-runs and assessments take place to ensure the equipment functions to its design capacity (in this case for NO_x and PM to meet 'new plant' emission standards). The optimisation period for FFPs is typically 9 months and the

optimisation period for LNBs can typically take up to a year, emphasising that abatement technology installation completion does not automatically signify immediate full compliance but an immediate reduction in emissions is realised.

The process to implement projects such as the emission retrofit projects is complex and there is a continual risk of delays affecting planned project completion dates. Notwithstanding implementing controls to reduce project delays such as high level project oversight and attempts to ensure the commercial processes are completed within reasonable timelines some of the retrofit projects have been subject to delays. There have been no significant delays in respect of the planned projects at Kendal to date.

6 PUBLIC PARTICIPATION

The requirement that the public participation process for an application for postponement and alternative emission limits from the MES follow the process specified in the NEMA Environmental Impact Assessment (EIA) Regulations. Eskom supports and aligns its public participation process with the requirements as stipulated within the NEMA EIA Regulations. The public participation process followed for this application has increased the number of public meetings to include communities in the vicinity of the power stations, in the case of Kendal meetings were there were efforts to hold meetings during the first round of public meetings but due to unrest and the safety of Eskom and the independent consultants' employees. The first meeting was rescheduled but again had to be cancelled. Priority has been given to the areas for the second round of public meeting to those areas which were missed. With regards to the AEL variation request to be submitted, the public participation process undertaken meets the requirements of Section 46 of NEMAQA. For details pertaining to the public participation process, the reader is referred to Annexure D of this Application.

7 EMISSION OFFSETS

Eskom is willing to implement emission offsets in areas where power stations impact significantly on ambient air quality, and where there is non-compliance with ambient air quality standards as a condition of an approved application for postponement and alternative emission limits. Eskom is of the view that in many cases household emission offsets are a more effective way of reducing human exposure to harmful levels of air pollution, than is retrofitting power stations with emission abatement technology. Emission retrofits at power stations also increase the cost of electricity, which may make electricity unaffordable for more people, resulting in an increase in the domestic use of fuels and deterioration in air quality in low income areas.

Eskom has undertaken several feasibility and pilot studies (2011 – 2018) in KwaZamokuhle, a township near Hendrina Power Station to identify and test potential offset interventions. Based on the results of the studies conducted to date, it was concluded that ambient air quality in the affected communities could be improved by replacing household's coal stoves with a hybrid gas electricity stoves and a LPG heater together with retrofitting the houses with a ceiling to insulate the houses.

The recommended Air Quality Offset intervention for the lead implementation (in KwaZamokuhle and Ezamokuhle) entails the following (Figure 1);

Provision of a basic plus retrofit which consists of;

- Insulation entailing installation of a SPF ceiling system and draft proofing
- Electrical rewiring and issuance of Certificate of Competence (CoC).

Stove swap which entails

- Provision of electricity based energy source with LPG backup. This will include a hybrid electric gas stove, LPG heater plus 2x9 kg LPG cylinders and Compact fluorescent lamp (CFL) for energy efficiency lighting.
- Removal and disposal of the coal stove



Figure 1: Household Intervention for Lead Implementation Sites (KwaZamokuhle and Ezamokuhle)

The lead implementation in KwaZamokuhle and Ezamokuhle is planned to commence earlier in 2019. The large scale rollout of offset intervention is planned for 2019 to 2025 (including offset interventions for Kendal Power Station).

8 CONCLUSIONS

Eskom is committed to ensuring that it manages and operates its coal-fired power stations in such a manner that risks to the environment and human health are minimised and socio-economic benefits are maximised. As set out in the Constitution of the Republic of South Africa, there is the need to recognise the interrelationship between the environment and development. There is a need to protect the environment, while simultaneously recognising the need for social and economic development. There is the need therefore to maintain the balance in the attainment of sustainable development.

The Eskom Emission Reduction Plan will lead to a reduction in total emissions from several power stations specifically particulate emissions. Further six power stations will be decommissioned by 2030 reducing the total load of all emissions in each of the three air sheds applicable to this year's application.

An assessment of measured ambient air quality at the Kendal, Witbank, Kriel Village and Phola ambient air quality monitoring stations highlights high, sustained concentrations of SO₂ at Kendal, Witbank and Kriel Village with non-compliance evident for daily average SO₂ concentrations. Measured concentrations of NO₂ are seen to be largely compliant with the NAAQS. The net effect of all of the above is that PM is already and

unequivocally resulting in unacceptable health risk for a large part of the Highveld. The direct contribution of Kendal alone to that situation is considered to be small and it is argued that ambient PM₁₀ remains fundamentally a domestic fuel use problem. For the current SO₂ emissions at Kendal Power Station the predicted annual average SO₂ concentration is significantly less than the national ambient SO₂ standard of 50 µg/m³. For operations that comply with the MES for SO₂ for new plants at Kendal Power Station the predicted annual average SO₂ concentration is somewhat lower than for current actual emissions and significantly less than the national ambient SO₂ standard of 50 µg/m³.

Further to this the long lead time of 12 years required to design, procure and construct a flue gas desulphurisation plant and Eskom's financial position which limits funding options needs to be included into the decision making process along with the outcomes of the CBA and the actual monitored ambient air quality need to be taken into consideration in the decision making process.

The Air Quality offset programme initiated by Eskom will continue to be implemented, based on current information Eskom believes this programme will reduce direct exposure to harmful indoor pollution and improve the quality of life.

Given that a revised National Framework for Air Quality Management and the Amendment of Listed Activities and Emission Standards were only published in October and there is a requirement to submit applications by 31 March 2019, Eskom will comply with this but reserves the right to submit additional information including additional modelling scenarios which assess the closure of power stations, a high level assessment of technologies which could meet the new 1000mg/Nm³ SO₂ emission limit and any other aspects of significance.

Eskom believes given the motivation presented above in terms of its complete emission reduction plan and its implications and the specific detail in respect of Kendal that the application for postponement and the requested alternate limits are appropriate and in line with the relevant regulatory and policy requirements and as such the Application should be approved by the NAQA.