

# **ESKOM**

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## **APPLICATION FOR SUSPENSION AND REQUEST FOR ALTERNATIVE EMISSION LIMIT OF THE MINIMUM EMISSIONS STANDARDS COMPLIANCE TIMEFRAMES FOR THE CAMDEN POWER STATION**

**DATE: November 2018**

## TABLE OF CONTENTS

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

## LIST OF FIGURES

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Figure 1: Household Intervention for Lead Implementation Sites (KwaZamokuhle and Ezamokuhle) .....	16
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## LIST OF TABLES

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Table 1: Current and requested emission limits for Camden. ....	6
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## LIST OF ACRONYMS

AIR	Atmospheric Impact Report
AEL	Atmospheric Emission License
APPA	Atmospheric Pollution Prevention Act, 1965 (Act No. 45 of 1965)
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 Recourse Plan
IRR	Issues and Response Report
LNB	Low NO <sub>x</sub> 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 <sub>2</sub>	Nitrogen dioxide
NO <sub>x</sub>	Oxides of nitrogen (NO <sub>x</sub> = NO + NO <sub>2</sub> )
PM	Particulate Matter
PM <sub>10</sub>	Particulate Matter with a diameter of less than 10 µm
PM <sub>2.5</sub>	Particulate Matter with a diameter of less than 2.5 µm
RTS	Return to Service
SO <sub>2</sub>	Sulphur dioxide
TSP	Total Suspended Particulates
µm	1 µm = 10 <sup>-6</sup> m
WHO	World Health Organisation

## LIST OF ANNEXURES

Annexure A	Atmospheric Impact Report – Arnot
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 is from coal-fired power stations. One of the 15 coal-fired power stations is the Camden Power Station (hereafter referred to as "Camden"), which lies within the Gert Sibande District of the Mpumalanga Province, 15 km south-east of the town of Ermelo.

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 first of Camden's generating units was commissioned in 1967, after which eight units were mothballed in 1990. The station then commenced returning to service from 2005, due to the increasing electricity demand. It is intended to decommission the station between 2020 and 2023 but this date may be extended.

In terms of the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004) (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<sup>1</sup>. GNR 1207 provides arrangements in respect of: a once off postponement with the compliance of minimum emissions for new plant for five years from the date of issue, no once off postponement will be valid 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.

Camden will comply with the new plant PM MES but cannot comply with the new plant MES for either NO<sub>x</sub> or SO<sub>2</sub> due to financial, technical and water limitations. Camden is planned for decommissioning from 2020 until 2023 and as such is requesting suspension from the new plant MES and an alternative emissions limit of 1 100 mg/Nm<sup>3</sup> for NO<sub>x</sub>. For SO<sub>2</sub> an emissions limit of 3500 mg/Nm<sup>3</sup> as per the existing AEL will be met, but the station is likely to meet a limit of 2 600 mg/Nm<sup>3</sup> for the remaining life of the power station.

The purpose of this document is to present an application for the suspension from specific MES compliance timeframes and propose an alternative limit for Camden as required in terms of GNR 1207. The document has been structured to present an overview of Eskom's 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 alternative emission limits to which Camden could be held and which could then be included in the Atmospheric Emission Licence (AEL) are proposed. The legal basis for the suspension of compliance 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 and alternative limits are presented.

## 2 ESKOM'S EMISSION REDUCTION PLAN

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

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<sup>1</sup> GNR 893 amended the "original: MES regulations GNR 893 which were promulgated on 22 November 2013 in terms of Section 21 of the NEMAQA

(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<sub>x</sub> 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<sub>x</sub> new plant standards and will be retrofitted with flue gas desulphurisation so that the new plant SO<sub>2</sub> limit will also be achieved at Medupi over time. There are six coal fired 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 limits are planned for the following stations:

- Particulate Matter emission reduction: Tutuka, Kriel, Matla and Duvha Units 4-6, Matimba, Kendal and Lethabo;
- NO<sub>x</sub> emission reduction: at Matla, Majuba, Tutuka, Camden; and
- SO<sub>2</sub> emission reduction: at Medupi and pilot studies which will confirm the appropriate technology for Matimba and Kendal.

Currently the Integrated Resource Plan 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 (10) units at Eskom's most costly and oldest plants namely Grootvlei, Hendrina and Komati were shut down for reserve storage<sup>2</sup>. Based on the current electricity demand these three power stations will be shut down and later decommissioned before 2025. 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 emissions load will continuously decrease ensuring that health impacts from Eskom's power stations will not increase.

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 SO<sub>3</sub> 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<sub>x</sub> design at Kendal and Matimba;
- Low NO<sub>x</sub> Burners (LNBs) at Medupi, Kusile, Ankerlig, Gourikwa and on some units at Camden; and
- Flue gas desulphurisation (FGD) at Kusile.

Eskom applied and was granted 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 by 2035 Eskom's relative PM emissions will reduce by 58%, SO<sub>2</sub> by 66% and NO<sub>x</sub> by 46%.

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<sup>2</sup> A unit at Duvha has also been shutdown

Eskom's proposed atmospheric emission reduction plan is estimated to cost R 67 billion over the next 10 years. The cost has been included in the latest Multi Year Price Determination 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 EMISSION LIMITS

The current limits listed in Table 1 are as in Camden's EAL (ref: Msukaligwa/ Eskom H SOC Ltd/ CPS/0012/2015/F02). The proposed alternative emission limits that are requested for Camden during normal operating conditions are:

**Table 1: Current and requested emission limits for Camden**

	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	Daily	1 April 2015	50	Daily	1 April 2020
Sulphur dioxide	3500	Daily	1 April 2020 to 31 March 2025	3500	Daily	1 April 2020
Nitrogen oxides	1300	Daily	1 April 2015 to 31 March 2020	1100	Daily	1 April 2020

\*\*\*The requested interim emission limits above are in mg/Nm<sup>3</sup> at 273 K, 101.3 kPa, dry and 10% O<sub>2</sub>.

In summary the application for Camden is for:

- (i) A suspension from compliance with the new plant MES given the station is decommissioning between 2020 and 2023
- (ii) Compliance to the existing plant MES SO<sub>2</sub> standard (3500 mg/Nm<sup>3</sup>) until decommissioning
- (ii) An alternative daily limit of 1100 mg/Nm<sup>3</sup> for NO<sub>x</sub> is requested until decommissioning

In addition it is noted that Camden will meet the new plant MES standard for PM until decommissioning.

It is possible that Camden's life may be extended but this is not confirmed at present.

Based on the remaining life of the Camden power station, the techno-economics and cost benefits assessment any additional measures other than what was is committed to above and the emission limits requested are not financially viable.

It is requested that the proposed alternative emission 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 of 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 1207 of 31 October 2018 (the Regulations), the 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 National Environmental Management Act and the Environmental Impact Assessment (EIA) Regulations made under section 24(5) of the aforementioned Act.

In respect of these requirements we have attached –

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

### 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 once off suspension and request for an alternative emission limit application. The variation request is prepared based on the assumption that this 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 SUSPENSION AND ALTERNATIVE EMISSION LIMITS**

As mentioned above, the application for suspension and a request for alternate limits must be accompanied by reasons. Such reasons are set out below and include the fact that Camden has a short remaining life; emissions from Camden will not result in substantial additional non-compliance with National Ambient Air Quality Standards (NAAQS); 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 (CO<sub>2</sub>) 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 5.5 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 indicates full compliance to the MES is not appropriate) but rather all in combination. 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.

### **5.1 Remaining Power Station Life**

Camden is currently scheduled to be decommissioned between 2020 and 2023, according to the Integrated Resource Plan which plans for a 50 year life for Eskom coal fired power stations. There is a possibility that the station life may be extended but this has not been confirmed to date.

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 construction of FGD would be taking place simultaneously with the decommissioning of the station (assuming all other issues discussed below could be addressed) – an illogical arrangement. It is thus considered not financially viable to retrofit Camden with FGD or to further improve the NO<sub>x</sub> technology given its current operating life.

### **5.2 Water Availability**

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

Recent investigations undertaken for Medupi indicate that the implementation of FGD will increase its water requirement to up to 8 Mm<sup>3</sup>/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 (a wet cooled power station uses more than 10 times the amount of water of an equivalent dry-cooled power station. Typically 0.12 l/kWh for dry cooled to 2 l/kWh for wet cooled). Typically 0.12 l/kWh for dry cooled to 2 l/kWh for wet cooled). The water demands of FGD increase the water required by a wet-cooled power station like Camden by some 20% (around 16 million m<sup>3</sup>/annum without FGD, to more than 20 million cubic metres per annum with wet FGD). The Camden Power Station being a wet-cooled power station already uses large quantities of water.



The water demands of FGD are thus significant across the power stations and will increase Eskom's water demand by some 59 million m<sup>3</sup>/annum – a 20% increase in the combined water consumption of Eskom's power stations<sup>3</sup>.

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 is now 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 m<sup>3</sup>/annum from the Vaal River Eastern Subsystem, to generate electricity (licensed to October 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 who 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, but 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

Assuming FGD was required for Camden which is as said impractical FGD is not without negative environmental consequences:

- Up to almost 270 000 tons of sorbent (limestone) per annum would be required to operate the FGD at Camden. 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 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 480 000 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

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<sup>3</sup> *\*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 stations to be decommissioned by 2030. The October amendment of the MES for SO<sub>2</sub> new plant to 1000 mg/Nm<sup>3</sup> will require a revision of technology choices.*

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).

- Camden is expected to produce an additional approximately 100 000 tons of CO<sub>2</sub> per annum, as the wet FGD process directly produces CO<sub>2</sub> 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 Camden would be reduced by around 1% due to the additional auxiliary power requirements of the FGD, and correspondingly the relative CO<sub>2</sub> emissions would increase by 1%.

#### **5.4 Camden Impact on Ambient Air Quality**

Eskom established an ambient air quality monitoring station at Camden in 2003 and national DEA has a station in Ermelo measuring, amongst others, ambient SO<sub>2</sub>, NO<sub>2</sub> and PM<sub>10</sub> concentrations and meteorological parameters. An analysis of ambient concentrations measured at the Camden and Ermelo monitoring stations (assessed in the accompanying independently compiled Atmospheric Impact Report – Annexure A) indicates compliance with the hourly, daily and annual average NAAQS for SO<sub>2</sub> and NO<sub>2</sub>. Ambient PM measured at the Ermelo ambient air quality monitoring station indicates non-compliance with both the daily and annual NAAQS. It is argued here that the primary contribution to PM<sub>10</sub> concentration peaks arises from low-level sources, especially domestic fuel use but PM<sub>2.5</sub> originates from both ground level and power station emissions.

Dispersion modelling of the current SO<sub>2</sub>, NO<sub>2</sub> and PM<sub>10</sub> from Camden alone indicates compliance with the respective NAAQS limits for all averaging periods.

##### **5.4.1 Sulphur Dioxide**

Hourly and daily average of sulphur dioxide (SO<sub>2</sub>) concentrations measured indicates that more than 90% of the concentrations are below 60 µg/m<sup>3</sup> and that there is full compliance with the NAAQS. Annual average concentrations also indicate compliance with the NAAQS.

##### **5.4.2 Nitrogen oxides (NO<sub>x</sub>)**

Hourly average nitrogen dioxide (NO<sub>2</sub>) concentrations measured from the monitoring stations that more than 90% of the concentrations are below 50 µg/m<sup>3</sup> and full compliance with the NAAQS is implied. Annual averages also show that there is full compliance with the NAAQS.

##### **5.4.3 Particulate Matter (PM)**

Daily average particulate matter (PM<sub>10</sub>) concentrations measured from the monitoring stations indicate that there is non-compliance with the NAAQS for 2015 and 2017 for Camden and for all three monitoring years at Ermelo.

##### **5.4.4 The Highveld Priority Area**

Eskom is aware that Camden is situated within the Highveld Priority Area and is, as such had plans for making a substantial financial investment into reducing emissions from Camden's operations, through the upgrade of emissions reduction technologies on each of the station's units. However due to its Camden power station's short life, with its decommissioning plans having been brought forward to between 2020 and 2023, these plans no longer make good business financial sense.

##### **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 Camden 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 NO<sub>2</sub> National Air Quality Standards (NAAQS), but noncompliance with the daily and annual SO<sub>2</sub> standards in several areas across the Highveld. Daily and annual average PM<sub>10</sub> and PM<sub>2.5</sub> 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 SO<sub>2</sub> and NO<sub>x</sub> emissions from all the Highveld power stations is predicted to form a significant component of the PM<sub>2.5</sub> load especially over Emalahleni area, which is in noncompliance with PM standards, is a cause for concern.

In addition, the combined SO<sub>2</sub> 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.

### **5.5.1 Direct Financial Costs**

Eskom estimates that the CAPEX cost of full compliance with the MES at all Eskom's power stations is greater than R187 billion in 2019 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 entire existing fleet and 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:

- SO<sub>2</sub> 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. It is taken 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<sub>x</sub> emission reduction by the most appropriate technology is estimated to cost between R10 and R40 billion for all power stations. This includes Low NO<sub>x</sub> 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 Camden would require a FGD retrofit, which is the only way of consistently achieving the new plant SO<sub>2</sub> emission limit, an cost of between R 15 – 20 billion and a LNB retrofit estimated to be around R2 billion, as well as FFP retrofit and dust handling plant upgrade (CAPEX of over R5 billion).

The CAPEX cost estimates were derived as follows:

- FGD: Costs for existing stations are based on a study done by EON Engineering for all Eskom's power stations in 2006, adding on provisions for balance of plant considerations and owner's development costs, and inflated to 2018 costs. Costs are considered to be accurate to a factor of 2. Costs for Medupi are according to the Concept Design Report, and are considered to be accurate to within 20%.
- Low NO<sub>x</sub> Burners and/or Overfired Air: Costs are based on International Energy Agency (2006) costs, escalated for inflation, rate of exchange and Owner Development Costs. Costs are considered to be accurate to a factor of 2.
- FFPs: Costs are based on actual tender prices for an enquiry for FFP retrofits at Matla and Duvha in 2011/12. Costs are considered to be accurate to 40% for Tutuka, Matla and Duvha and to approximately a factor of 2 for other power stations.

The OPEX costs are only for flue gas desulphurisation, and are also based on costs in the EON Engineering report for the existing fleet, and on costs in the Medupi Concept Report for Medupi. Again, the OPEX costs do not include OPEX for Kusile. The main cost items are the sorbent (limestone), water, gypsum disposal, auxiliary power and maintenance costs. For the tariff impact calculation an amount of R6.3bn per annum is used.

The certainty with which Eskom presents costs depends on the stage of the project. Before concept release approval, costs are based on averages of published international data and benchmarks for similar technologies, and so are considered to be accurate to a factor of two. Once the conceptual designs have been done, costs are generally accurate to within 50%. Once the detailed designs are completed, costs are considered to be accurate to within 20%. Once the contracts have been placed, costs are considered to be accurate to within 10%. There is only complete certainty about the costs once the contract has been completed.

### **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 Pricing Determination 4 (MYPD4) electricity tariff agreement (from 2018-2020).

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 Camden'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 to support the decision making process for this application (Annexure C).

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 (S5) 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 (assuming no new abatement technology implemented). 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.

Even if Camden complies with the new plant PM MES, the reduction in PM emissions will make no material difference to the health risks posed by ambient PM<sub>10</sub> concentrations. The only effect will be to inflate the cost of electricity, making it more unaffordable to poor communities who are typically exposed to elevated PM<sub>10</sub> concentrations thereby curtailing access to one of the most potentially effective means of mitigating the current

health risk. In cost-benefit terms the financial cost will result in no real benefit, and the financial cost will bring about potentially material negative social consequences in further hindering access to electricity.

In respect of SO<sub>2</sub> 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 SO<sub>2</sub>'. 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 SO<sub>2</sub> control are untenable and that the cost benefit ratio does not support FGD as the best option to reduce the impact on health.

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 commercial 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 alternatingly 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 NOx 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.

## **6 PUBLIC PARTICIPATION**

The requirement that the public participation process for an application for suspension and requesting 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 Camden meetings were held in Ermelo. 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 granted application. 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;
  - o Insulation entailing installation of a SPF ceiling system and draft proofing
  - o Electrical rewiring and issuance of Certificate of Competence (CoC).
- Stove swap which entails
  - o 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.
  - o Removal and disposal of the coal stove



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

**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 Kriel 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. 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 (including Camden) reducing the total load of all emissions in each of the three air sheds applicable to these applications.

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.

Camden will be decommissioned between 2020 and 2023 and suspension from the new plant MES limits is thus requested. Given the decommissioning time frame it is not practically possible to install FGD or further improve NO<sub>x</sub> technology on the station beyond that available and used to set the proposed alternative limit before decommissioning. In addition compliance with the new plant MES for SO<sub>2</sub> will result in additional environmental impacts in terms of water demand, increases in CO<sub>2</sub> emissions and waste production, and significant financial costs. The financial costs of compliance with the new plant MES will translate into an



increase in the electricity tariff. Dispersion modelling of the current SO<sub>2</sub>, NO<sub>2</sub> and PM<sub>10</sub> from Camden alone indicates compliance with the respective NAAQS limits for all averaging periods. If air quality is to be improved in surrounding residential areas then interventions should be geared towards limiting low-level (surface) emission sources of especially PM.

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 2018 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 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 Camden that the application for the suspension and requested alternate emission limits are appropriate and in line with the relevant regulatory and policy requirements and as such the application should be approved by the NAQA.