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SASOL GROUP'S SUBMISSION IN RESPECT OF CARBON TAX

In response to the Davis Tax Committee's call for
public comments

12 May 2015

Maintaining momentum



Forward-looking statements



Forward-looking statements: Sasol may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors are discussed more fully in our most recent annual report under the Securities Exchange Act of 1934 on Form 20-F filed on 29 September 2014 and in other filings with the United States Securities and Exchange Commission. The list of factors discussed therein is not exhaustive; when relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Presentation overview

- Sasol's position on carbon tax
- International policy context
- Context of South African economy and its carbon emissions
- Policy alignment
- Alternative approach and conclusion



Sasol forecourt, Secunda



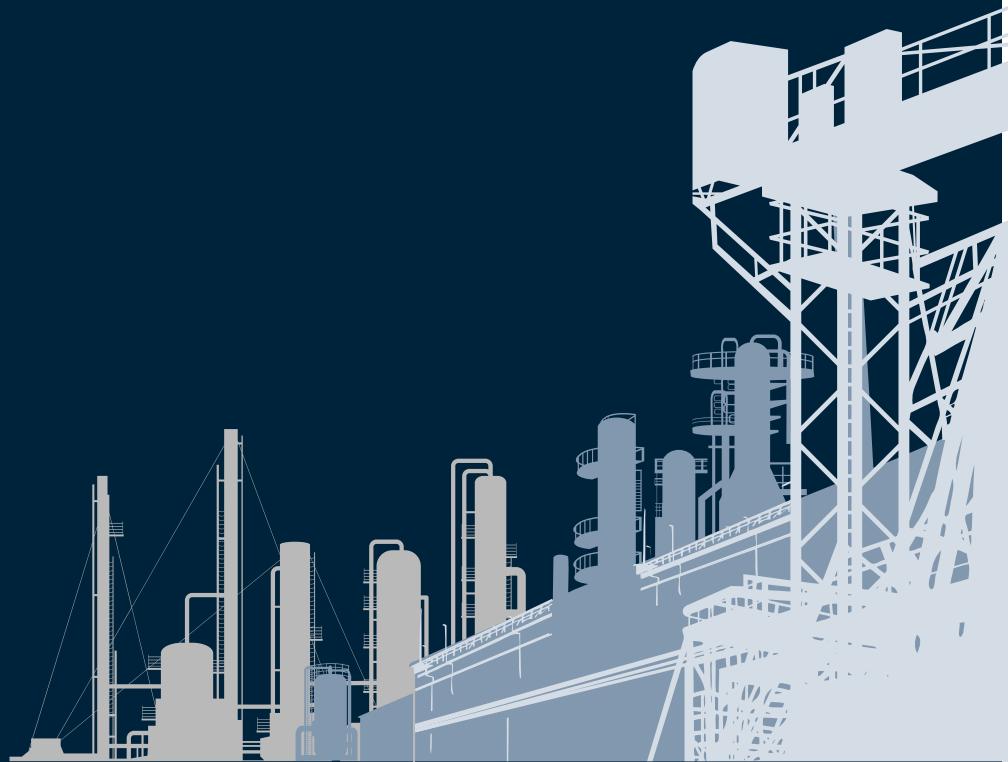
Lake Charles, Louisiana



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Sasol's position on carbon tax

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A carbon tax is not in the interest of South Africa as:

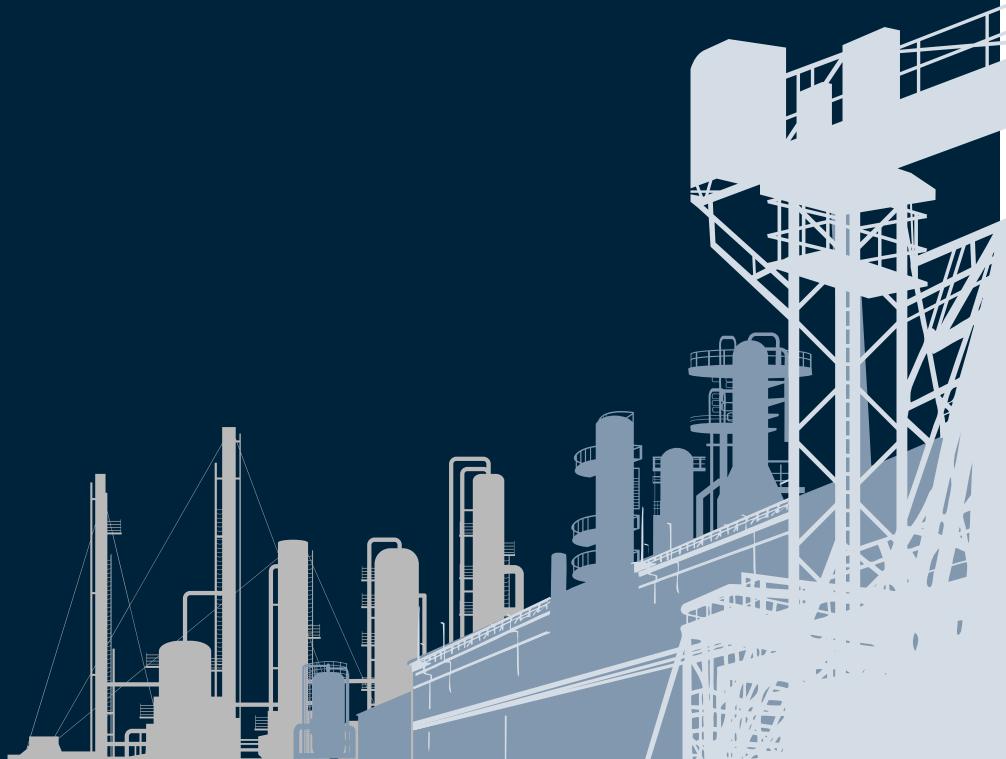
1. It is not aligned with the current development of international climate change negotiations;
2. The country's emissions profile is currently below the level targeted by policy as articulated in our international commitments;
3. It is not aligned with the approach of either the DEA or the DoE in GHG mitigation and energy policies;
4. It cannot address the structural issues that lie at the heart of our country's GHG intensity; and
5. The introduction of a carbon tax would worsen the already negative impact of the sharp rise in electricity costs experienced by the economy.



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International policy context

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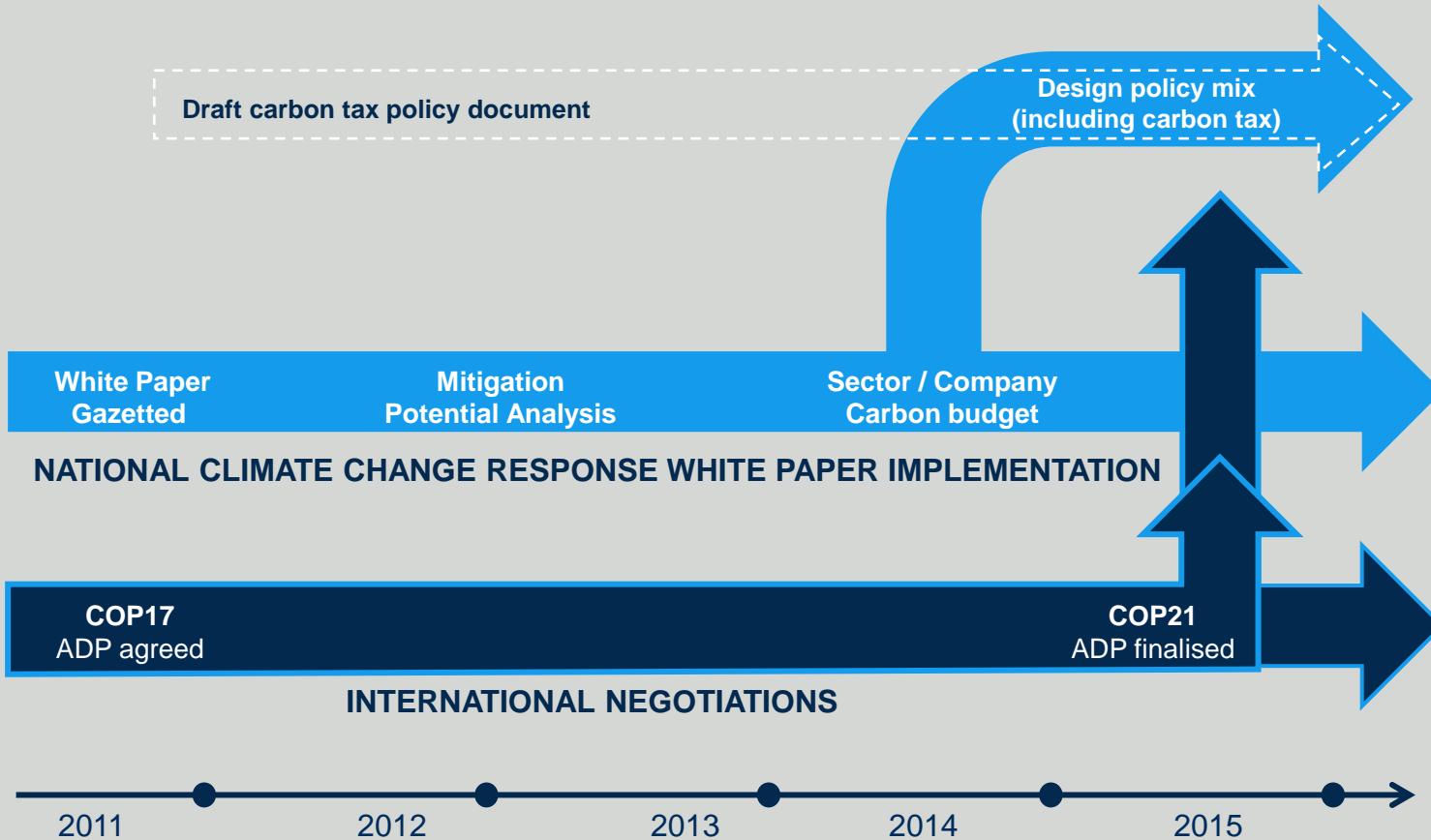
South Africa's international policy commitments



National climate change policy is developed in alignment with the international climate change negotiations. Therefore the following is important when developing climate change policy:

- South Africa's COP 15 UNFCCC commitment (PPD) is aspirational and developing countries such as South Africa are not required to take on firm reduction targets;
- As a developing country we qualify for financial, capacity building and technology transfer support from the developed countries; and
- The international climate change regime is still evolving with the legal instrument only being adopted at the end of 2015, however the focus is on national circumstances and national policy development.

Implementation of the carbon tax is not aligned with the NCCRWP process

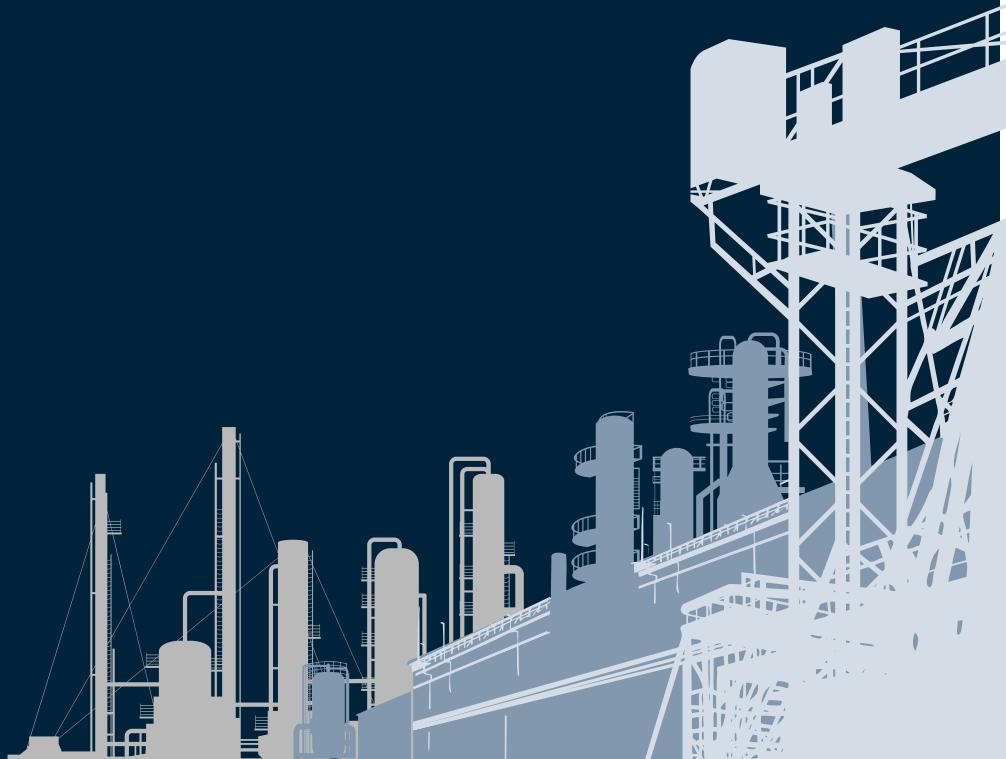




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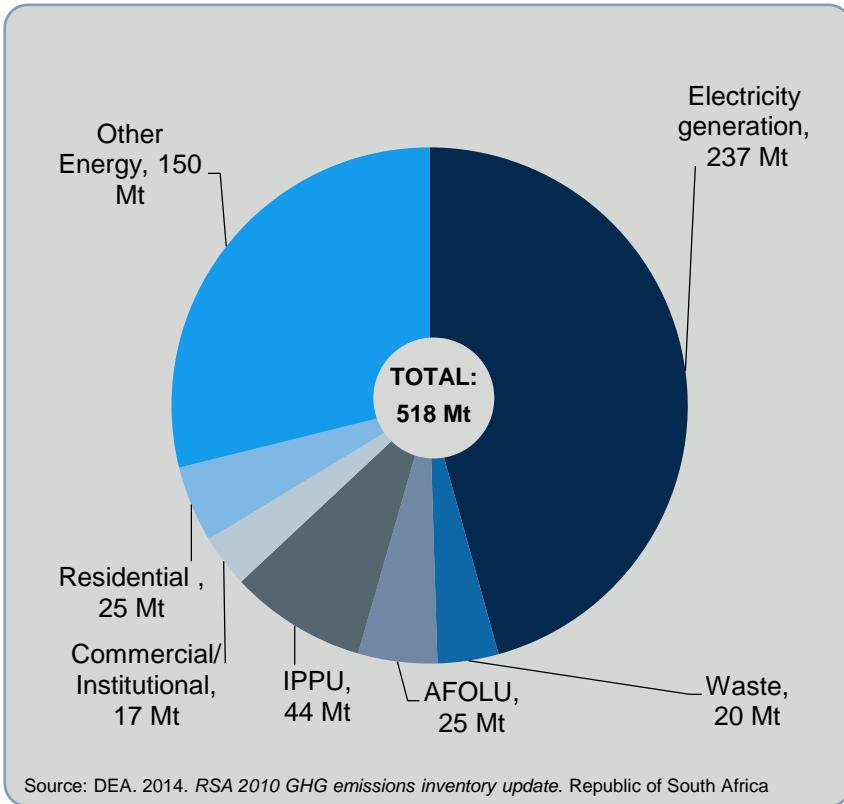
Context of the South African economy and its carbon emissions

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Supply side:

Ability of carbon tax to influence technology and feedstock choices is limited



- Power sector accounts for almost 50% of emissions;
- Reducing the carbon intensity of the electricity sector is critical to meeting GHG objectives;
- IRP dictating emissions path in electricity – not taxes;
- Waste and AFOLU sectors effectively zero rated.

Energy price regulation limits the effectiveness of a carbon pricing mechanism

Demand side:

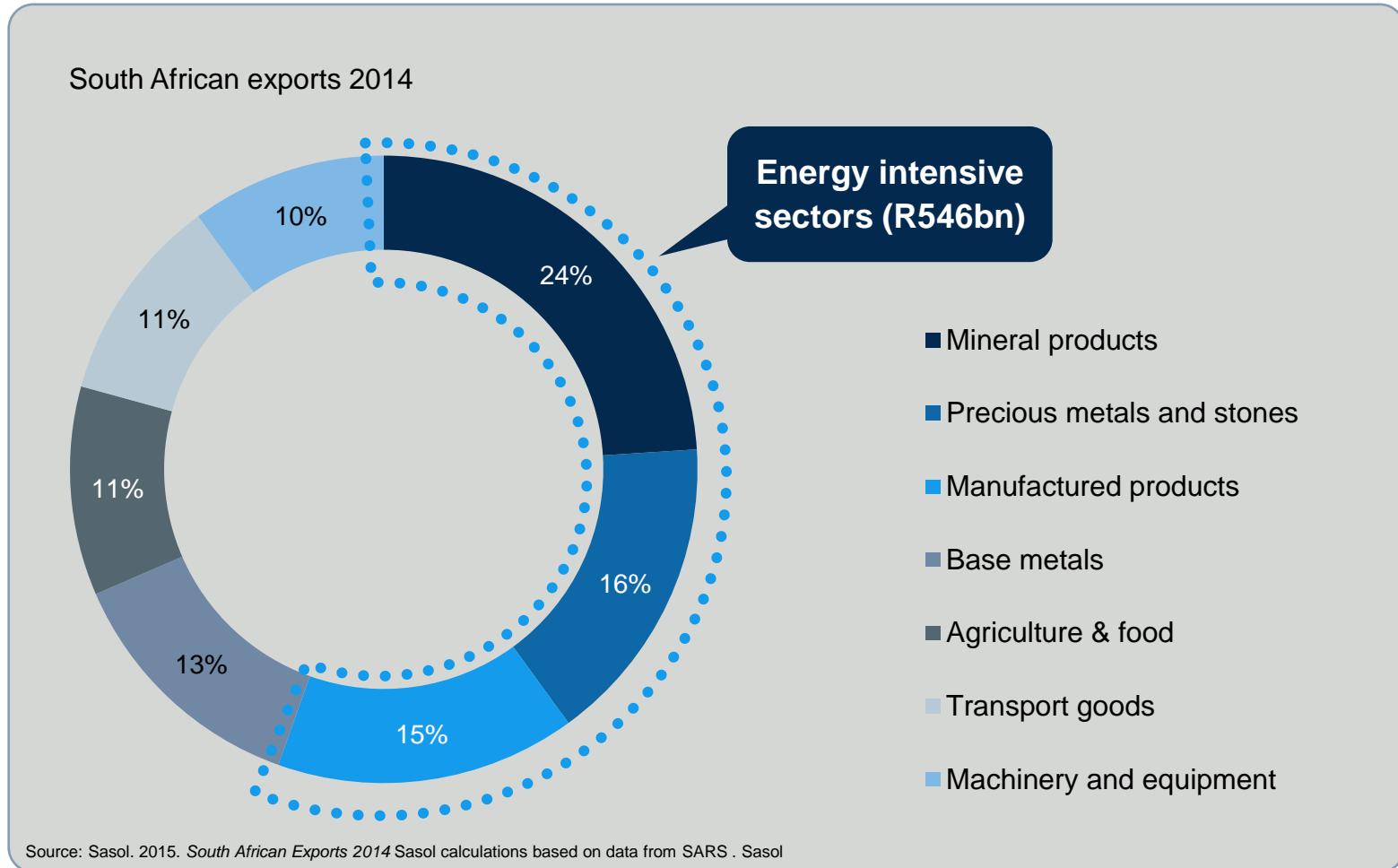
► Substantial electricity price increases contributes to reduced energy intensity



Structural reduction in energy intensity contrary to the country's developmental needs

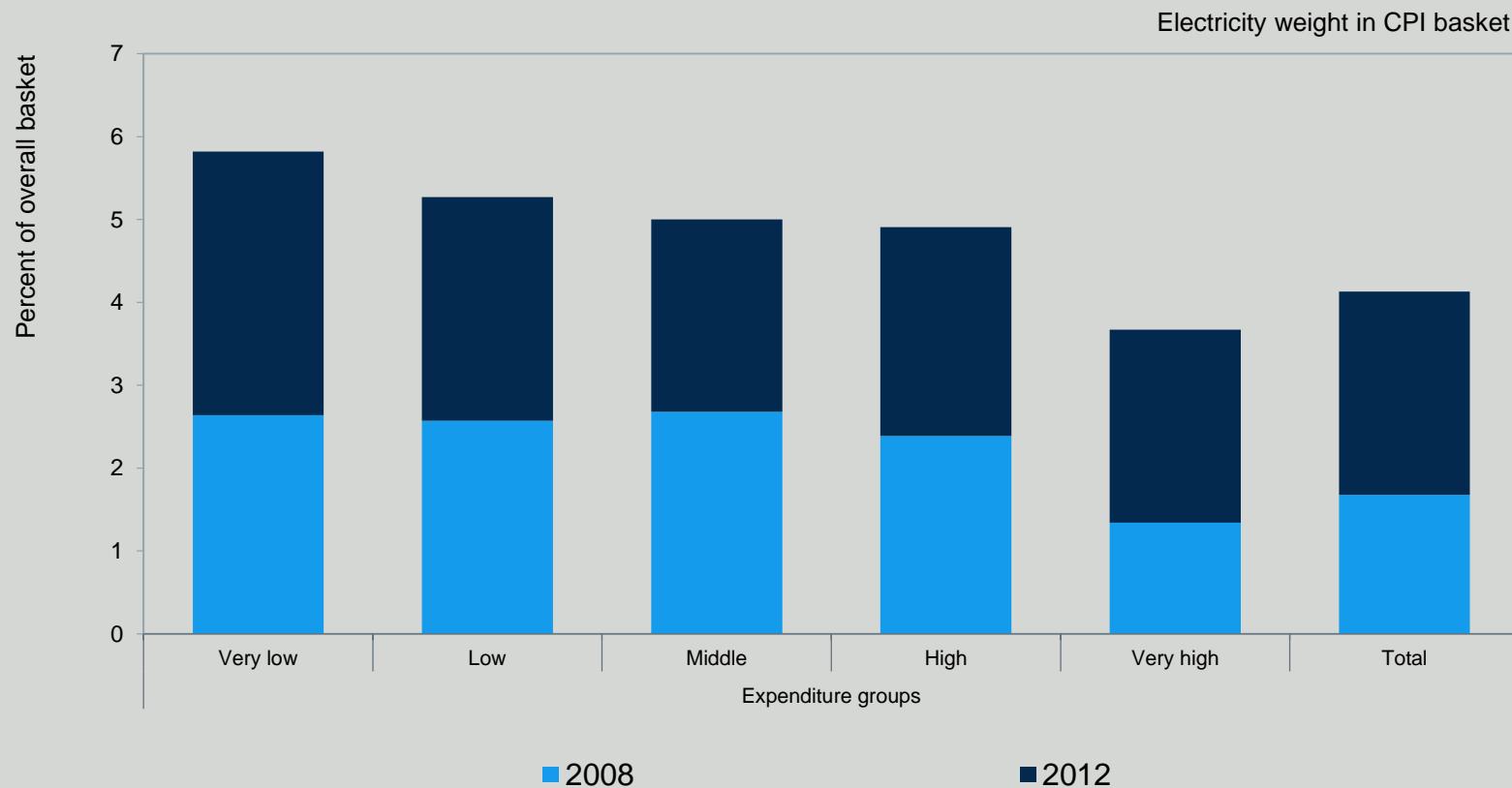
Demand:

► More than 50% of South Africa's exports are directly exposed to electricity prices



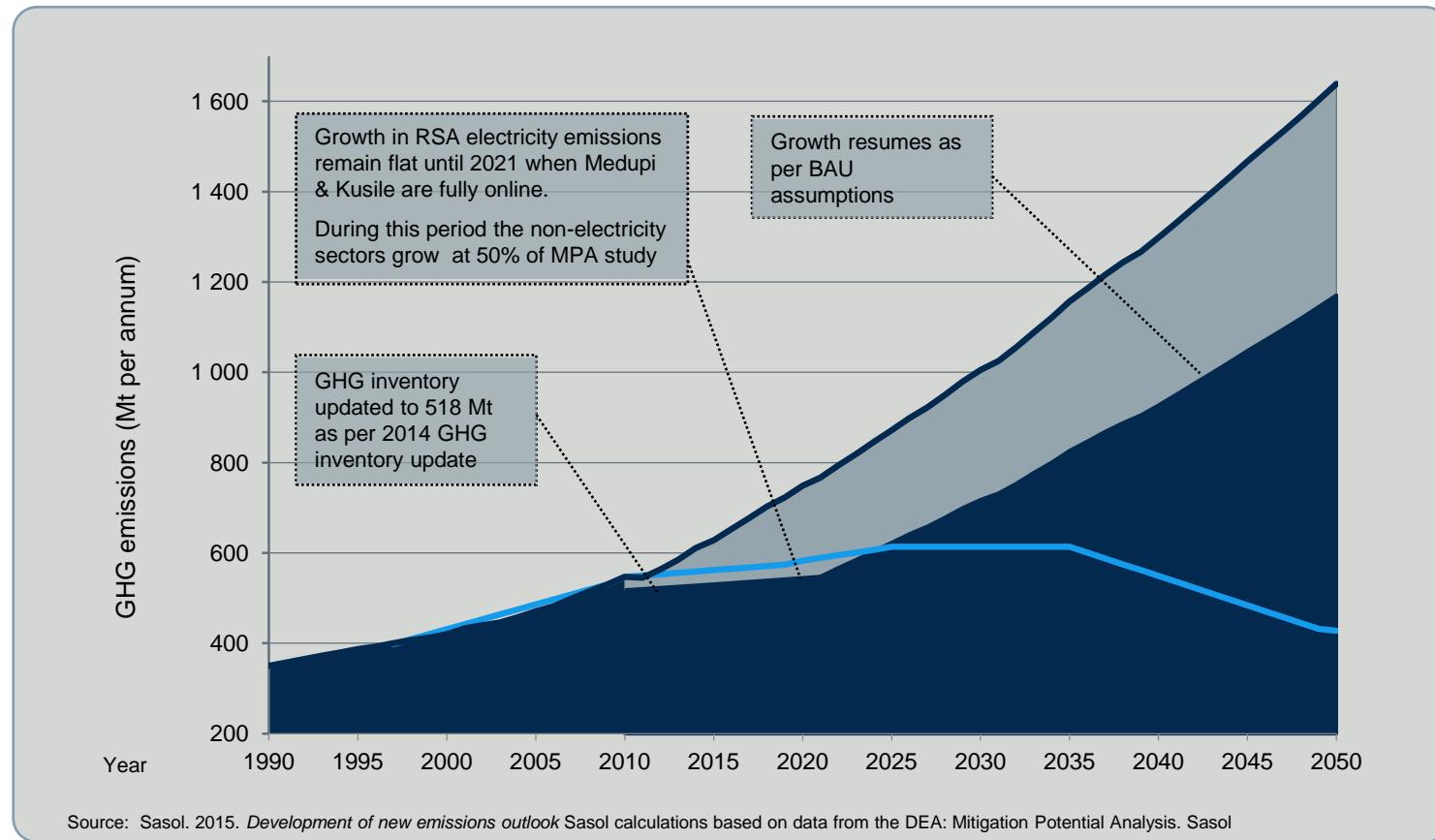
Demand:

➤ Electricity price increases are impacting low income households disproportionately



Source: Sasol. 2015. *Economic analysis – impact of a carbon tax on households* Sasol calculations based on data from SARB and StatsSA. Sasol

Indications are that South Africa's emissions are below our international commitments and will remain so until after 2020



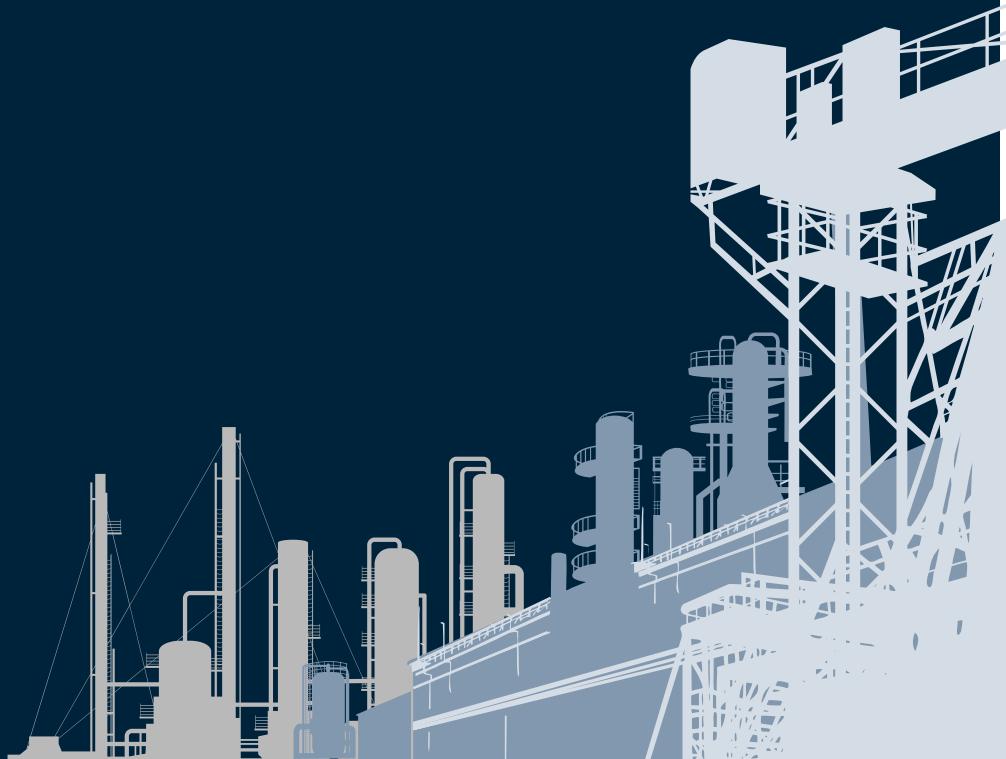
Therefore additional pricing interventions are not required



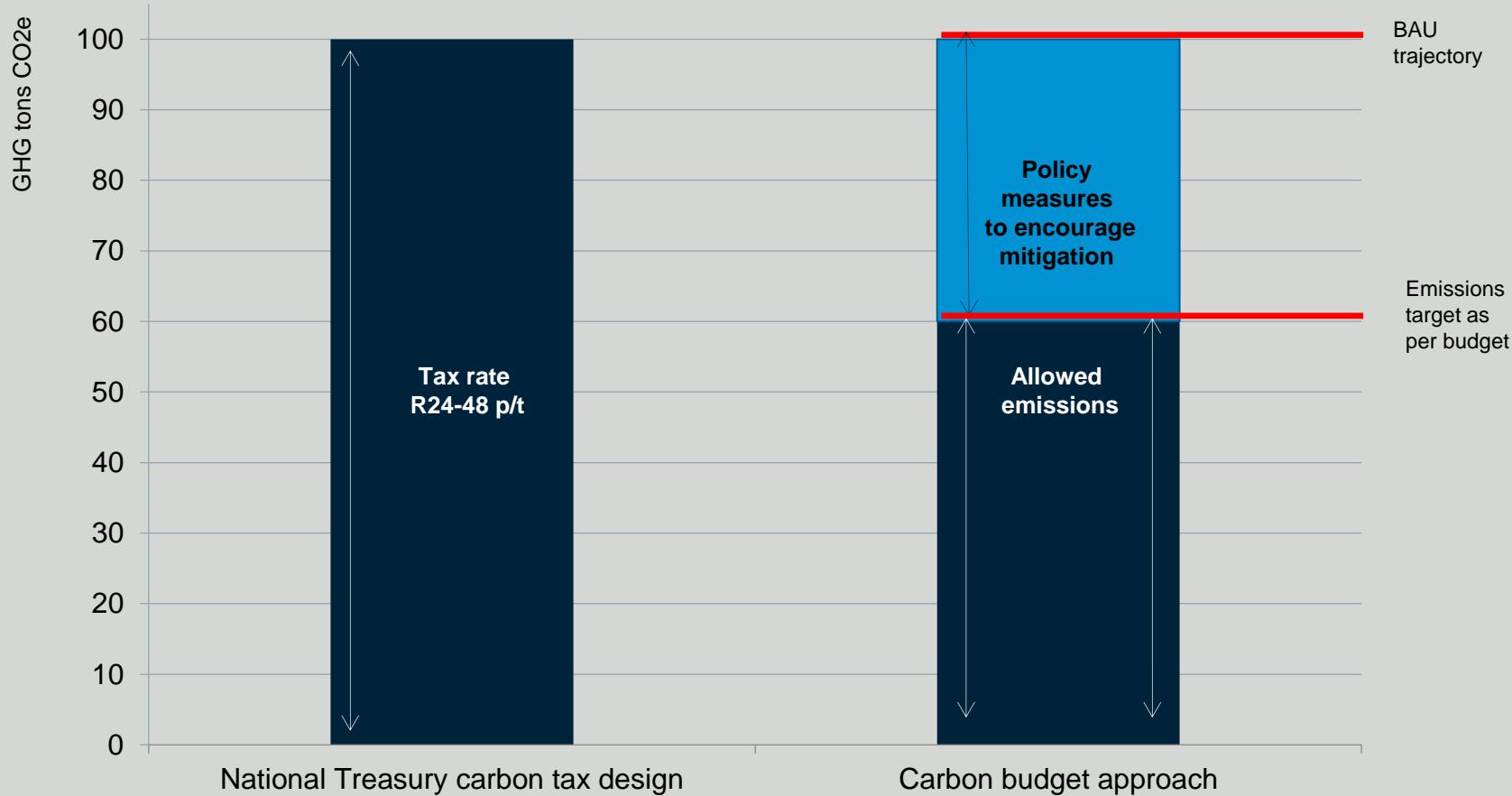
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Policy alignment

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The carbon tax is not aligned to the carbon budget



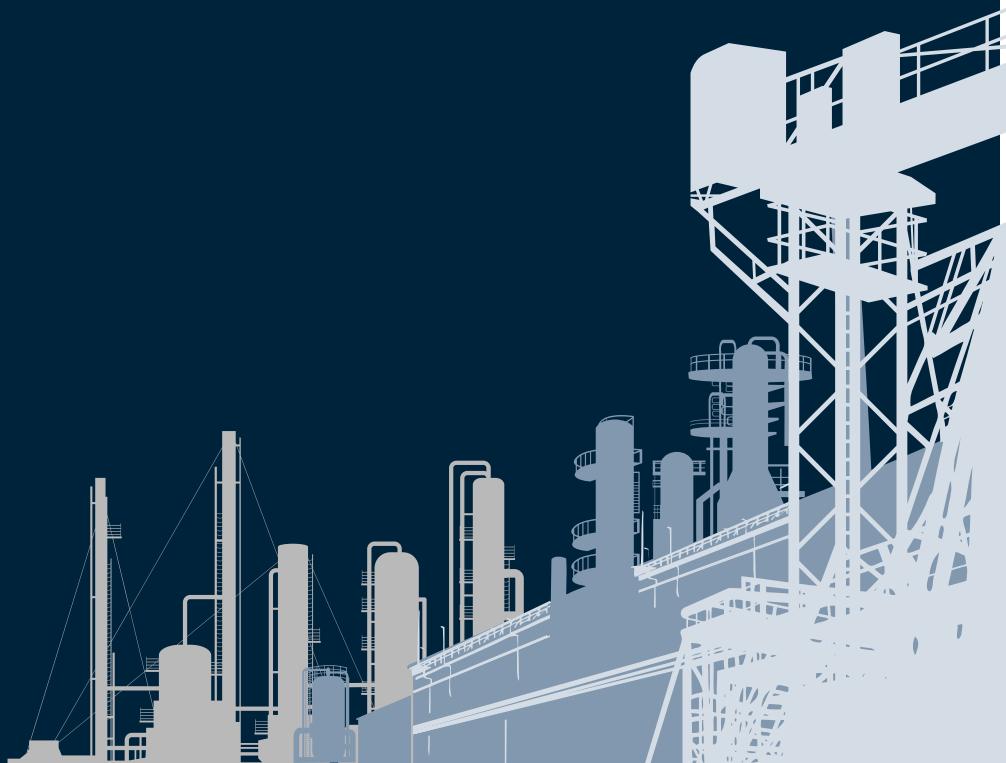
Source: Sasol. 2015. *Worked example of current carbon tax design* Sasol calculations based on methodology from Carbon Tax Policy Paper 2013. Sasol



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Alternative approach and conclusion

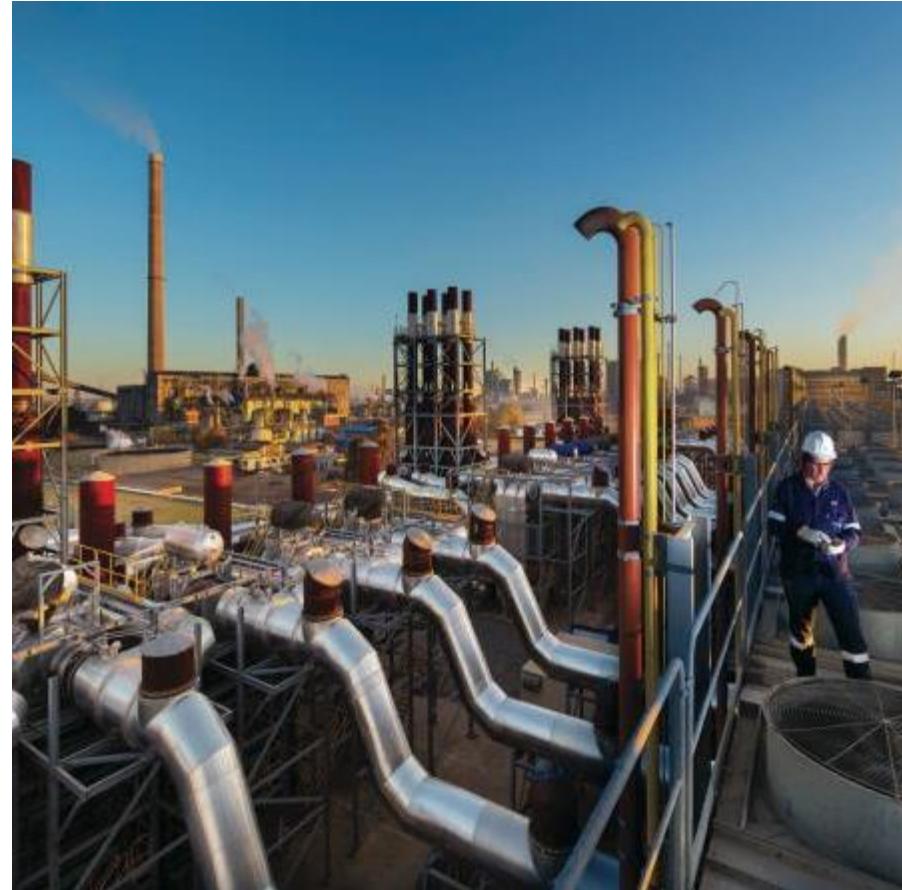
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South Africa needs to refine its policy approach making it more exact and measurable

An example of such a policy step would be to enable LNG-to-Power in South Africa

- Lower emissions;
- Supports greater renewables roll-out by balancing the grid;
- Lower capital outlay reduces the country's capital burden;
- Quick to implement.



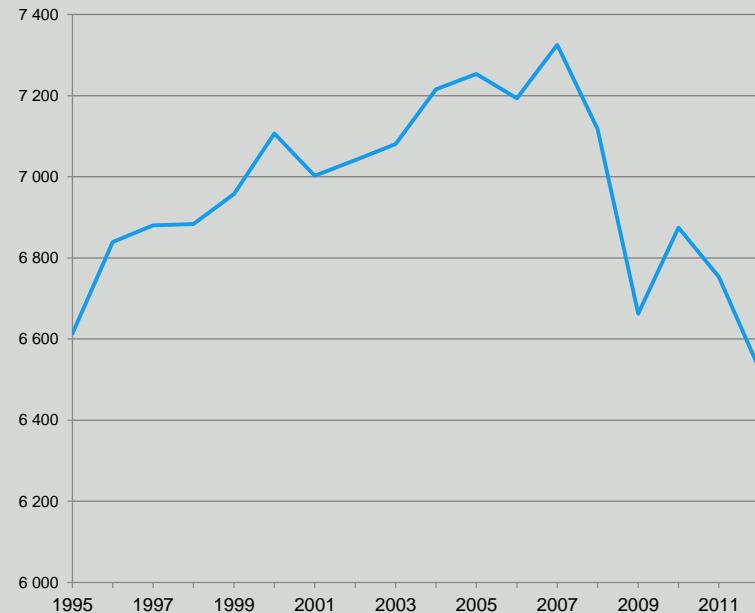
Carbon tax is likely to reduce Sasol's ability to invest further

The experience of the United States is instructive

US coal and gas consumption
(Index, 2000=100)



GHG Emissions in the United States (mnmt CO₂ eq.)



Source: Sasol. 2013. Sasol depiction based on information obtained from multiple sources at the US Energy Information Administration (EIA). Sasol

Promoting access to alternative less carbon-intensive resources can both grow the economy and reduce carbon emissions

Conclusion

- Therefore the introduction of the proposed carbon tax:
 - May jeopardise the conditionality of our international commitments and hence weaken the country's position in climate change negotiations;
 - Is not aligned with other policy initiatives aimed at transitioning to a less carbon intensive economy.
 - Will have a limited impact on behaviour change as consumers have limited access to other energy alternatives where investment choices are dictated by policy fiat
- South Africa requires appropriate direct policy intervention that is exact and measurable to increase access to lower carbon energy alternatives by:
 - Further refining and building on the IRP 2010 and IPAP; and
 - Developing regional gas opportunities.

THANK YOU



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