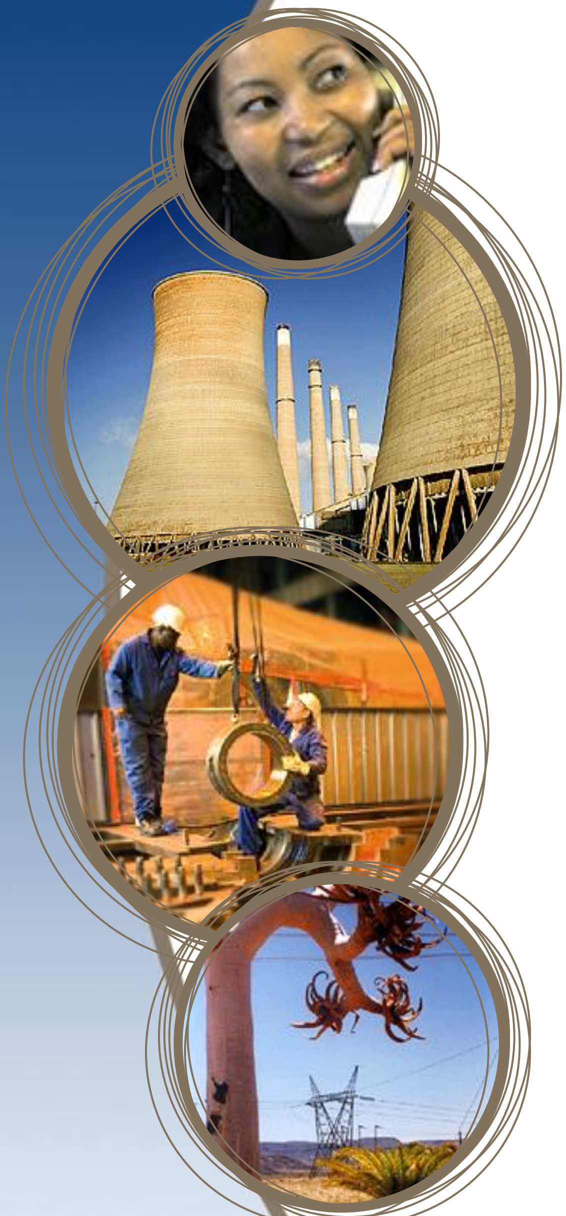


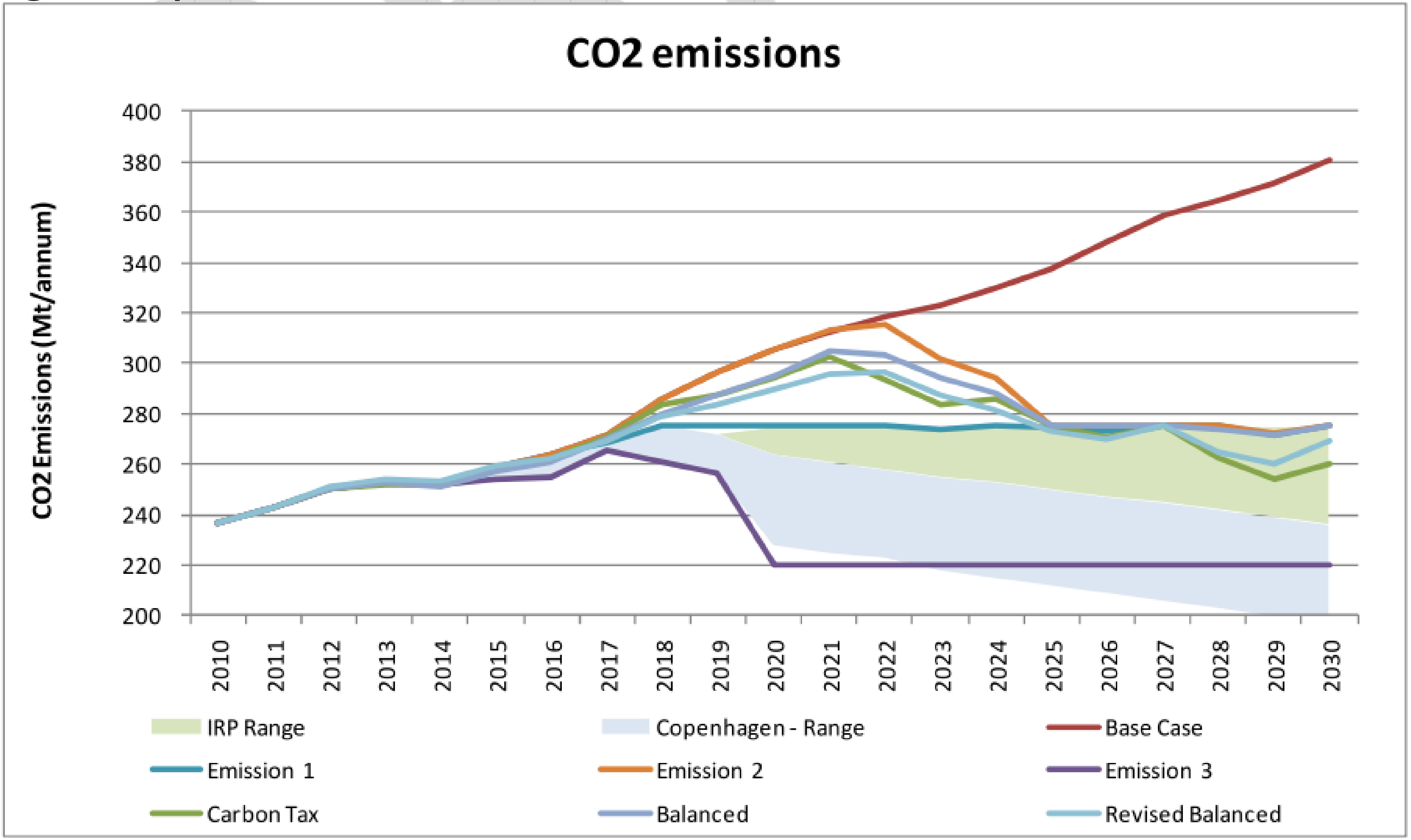
Eskom

NATIONAL TREASURY'S DISCUSSION PAPER ON REDUCING GREENHOUSE GAS EMISSIONS "THE CARBON TAX OPTION"

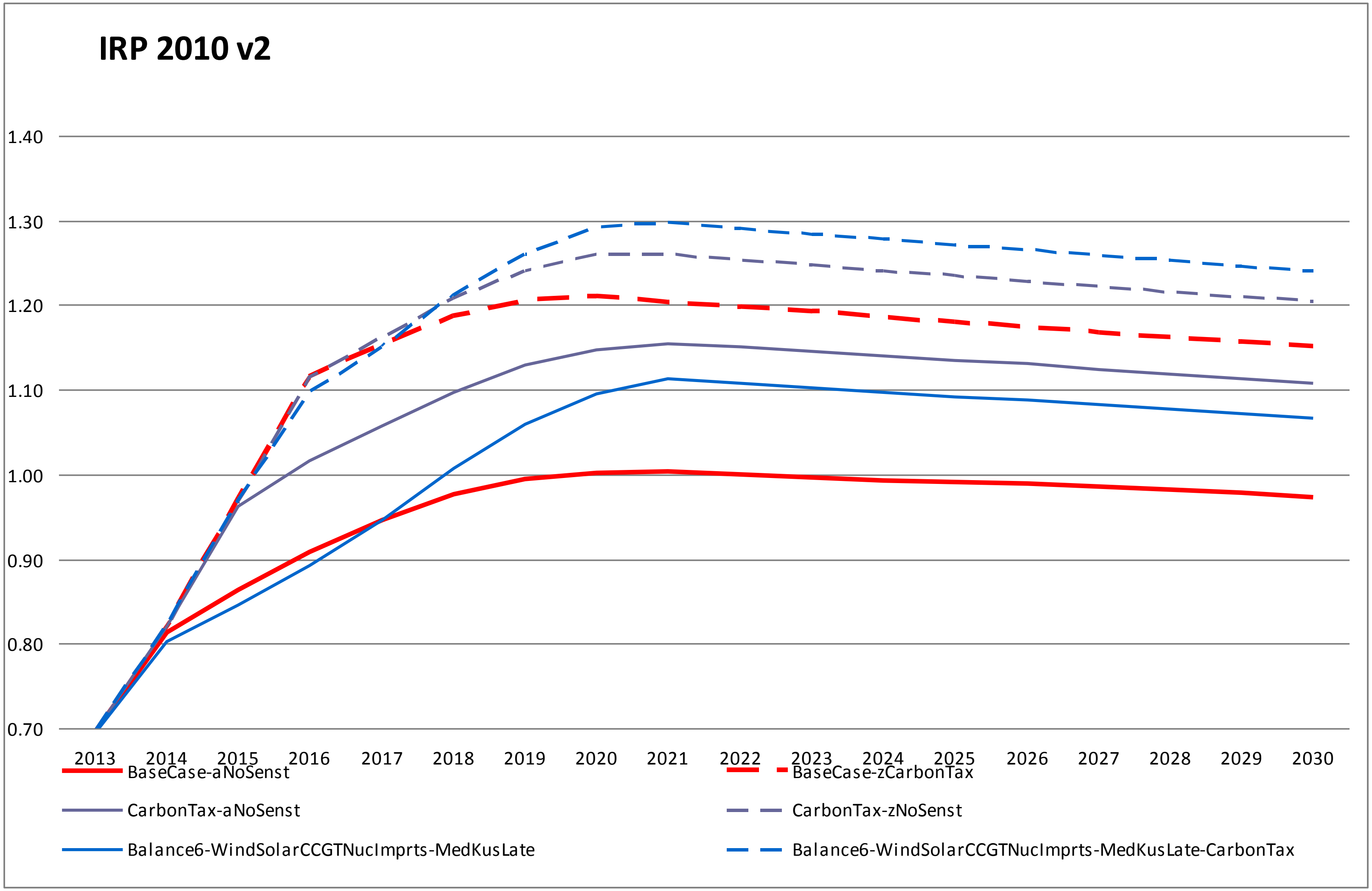
Date: 16 March 2011

Gina Downes

Emissions trajectories of various IRP scenarios

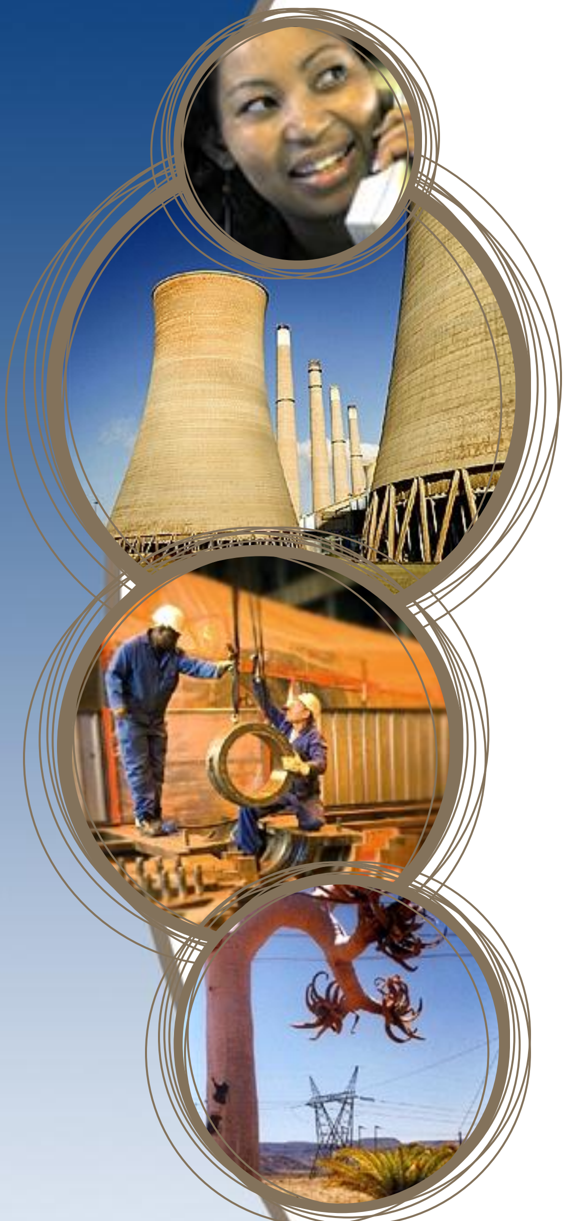


Indicative price curves of selected IRP scenarios both with and without a carbon tax



General remarks

- Eskom recognises climate change as one of our 6 strategic initiatives and has historically engaged with local and international business and government to try and forward the climate change agenda
- While National Treasury's discussion paper on a proposed carbon tax is well-written and theoretically sound, it fails to take into consideration the way in which the electricity industry is currently regulated
- Imposition of a carbon tax would require higher tariff increases which will in turn place greater pressure on Eskom's tariff proposals
- These higher tariff increases do not result in a concomitant emissions reduction – there is a disjunct between tax levels and emissions reductions targets
- In any respect, many details remain to be described and assessed, including unintended consequences
- A domestic carbon tax does not promote international financial transfers which was a condition of SA's pledge at Copenhagen, nor is it consistent with developments in other emerging markets



Thank You