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From *dig baby, dig* to stranded coal assets

KEY TAKEAWAYS

- Coal exposure in SA bank loan books will shrink to near zero by 2050.
- Stranded asset risk is rising fast as Eskom decommissions coal plants.
- Policy signals, including the 2025 IRP and NDC, will shape the future of coal.
- Banks are setting ambitious timelines to phase out coal financing.
- Banks and investors must reposition now to avoid value erosion.

South Africa's coal sector is at a crossroads. Without decisive action from banks, coal miners and policymakers, stranded assets and financial distress will become an unavoidable reality. A proactive, strategic and collaborative approach is essential to navigate this transition successfully.

Our analysis forecasts a significant reduction in banks' gross loans and advances (GLAA) allocated to the coal sector, shrinking from approximately 0.8% in 2024 to a near-zero percentage by 2050. This trend is underpinned by explicit targets set by leading financial institutions, including Investec's pledge to eliminate thermal coal exposure by 2030 and Nedbank's 2045 goal of zero fossil fuel-related activities. This shrinking financial support, coupled with the projected decrease in domestic coal demand due to Eskom's plant closures, poses a substantial stranded asset risk for coal mining companies.

The briefing note highlights the contrasting trajectories of coal and renewable energy, as evidenced by the Integrated Resource Plan (IRP)'s emphasis on wind and solar power. While coal prices experienced a temporary surge following the Ukraine conflict, long-term trends indicate a global shift away from fossil fuels. Consequently, South African coal exports are unlikely to compensate for declining domestic demand.

Institutional investors, including pension funds and asset managers, currently hold significant stakes in coal-related companies. However, increasing regulatory pressures, reputational risks and the growing financial viability of renewable energy are prompting a reassessment of these investments.

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Talk to us about how we can help you

Krutham works with governments, investors and development partners to navigate the complexities of the Just Energy Transition. We provide deep policy insight, capital markets expertise and on-the-ground intelligence to support investment decisions, reform strategies and sustainable infrastructure development. To explore how we can support you, contact Matthew or Peter, or visit krutham.com.

About this briefing note

This briefing note examines the rapidly evolving financial landscape for South African coal mining companies, driven by the nation's commitment to a net-zero future and the subsequent shifts in banking sector lending practices. As Eskom plans to decommission its coal-fired power plants and major South African banks align their portfolios with decarbonisation targets, the availability and affordability of financing for coal-related assets are set to dramatically decline.

It forms part of our regular JET Briefing Series, available to subscribers of Krutham's research and insights platform.

The implications for both banks and coal miners are significant:

For banks

- Accelerate the shift away from coal financing in line with net-zero commitments.
- Strengthen screening processes and ensure financing aligns with decarbonisation goals.
- Offer financial products that support renewable energy investments.
- Engage coal-dependent clients to push for credible decarbonisation plans.
- Explore innovative financing solutions for early coal plant retirements.

For coal miners

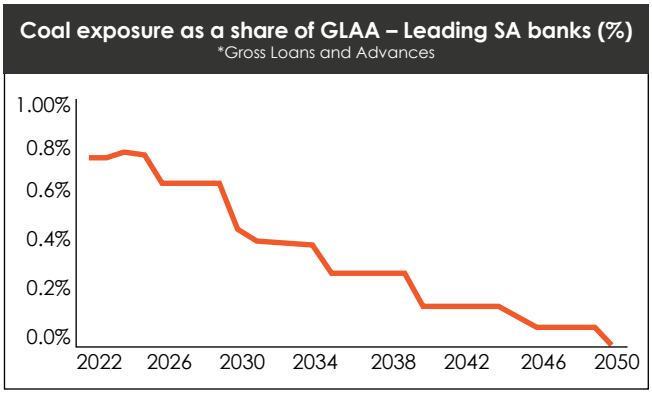
- Invest in renewable energy and other sustainable industries to diversify operations.
- Develop and implement clear emissions reduction strategies (Scope 1, 2 & 3) to drive decarbonisation.
- Optimise operations to reduce costs and environmental impact for greater efficiency.
- Seek alternative financing, such as green bonds and blended finance, to support financial restructuring.
- Engage investors, policymakers, and communities transparently to strengthen stakeholder relationships.
- Collaborate with technology and renewable energy firms to create new strategic opportunities.

Policy implications

- The government must provide clear policies to support the just transition.
- The 2025 NDC and IRP 2024 must outline an aligned pathway for a low-carbon economy.
- Infrastructure and workforce development challenges must be addressed to enable renewable energy expansion.

Coal financing taps set to close

The financial sustainability of South African coal mining companies will become precarious in the medium to long term as Eskom decommissions its coal power stations and banks reduce gross loans and advances (GLAA) for coal-linked assets in line with net-zero commitments and a lack of coal demand. As GLAAs become increasingly scarce, the quality (poorer) and cost (higher) of GLAAs will have a negative impact on mining companies' balance sheets, thus increasing the stranded asset risk of these companies. Our analysis forecasts that the percentage of GLAA limits will decrease from about 0.8% in 2024 to 0.5% in 2030. This will dramatically decrease to 0.2% in 2040 and 0.1% in 2045, before reaching 0% in 2050.



Source: Krutham (2025)[1]

South Africa's biggest banks – Nedbank, FirstRand, Absa, Investec and Standard Bank – pledged to align with SA's 2050 net-zero commitment.

To enable this, banks developed short, medium and long-term roadmaps to divest and/or transition from exposure in fossil fuel assets, with various levels of ambition. The roadmaps require banks to divest from these assets or engage high-abating or fossil fuel companies to ensure they have the required decarbonisation roadmaps to align with their targets. Banks have set targets at intervals from 2030 to 2050 to ensure there is a gradual transition. In this paper, we focus only on their commitments to reduce coal financing as a share of their GLAA.

1. Methodology: The coal exposure limits of five banks, expressed as a percentage of their GLAA, were aggregated annually from 2022 to 2050. The GLAA forecast for 2025 to 2027 is based on Krutham's proprietary model, which incorporates multiple influencing factors. Beyond 2027, GLAA growth is projected at Krutham's baseline inflation rate of 3.5% per year. Coal GLAA limits were determined according to each bank's stated reduction or exclusion targets. For banks that continue to finance coal, the exposure is adjusted in line with the percentage reduction in installed coal capacity, as per the latest Eskom decommissioning plan, while ensuring it does not exceed the planned limit for the period.

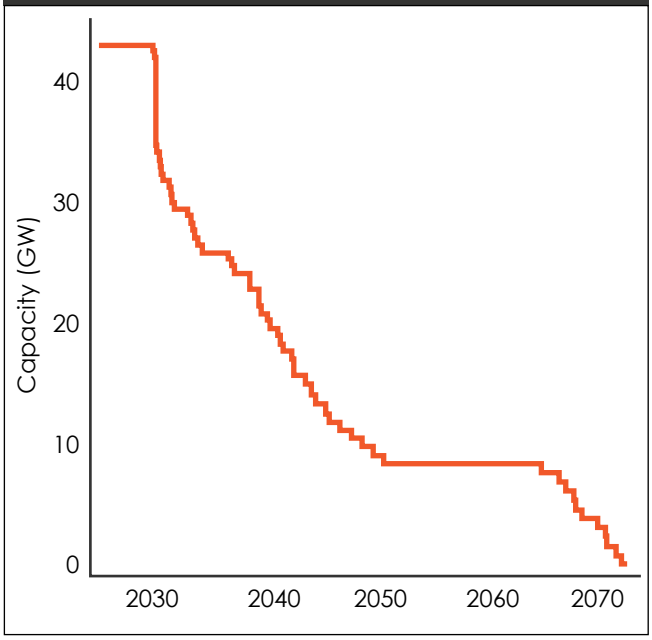
Investec leads the path in terms of ambition, with a pledge to have no thermal coal on its books by 2030. It is followed by Nedbank, which aims to have no thermal coal exposure by 2045. It also aims to limit the share of coal financing to 0.5% of GLAA by 2030. FirstRand and Standard Bank both show gradual limits over time, while Absa has not set any limits to coal GLAA. These assumptions are important drivers of our forecasted GLAA limits at an aggregate level. While banks struggle to commit to medium to long-term goals, what should help is Eskom's coal power fleet decommissioning plan.

Bank	Target
Nedbank	2030: Restricting coal financing to 0.5% of GLAA (from 1%) 2045: Zero exposure to fossil-fuel-related activities
FirstRand	2026: Limit thermal coal exposures to 1.5% of GLAA 2030: Limit thermal coal exposures to 1% of GLAA 2050: Net-zero financed emissions
Absa	2050: Achieve net-zero targets for all GHG emissions
Investec	2030: Zero thermal coal exposure 2050: Net-zero carbon emissions
Standard Bank	2021: Limit thermal coal exposures to 0.70% of GLAA 2030: Limit thermal coal exposures to 0.50% of GLAA 2040: Limit thermal coal exposures to 0.20% of GLAA 2050: Zero thermal coal exposures

Source: Banks' anual climate reporting (2024)

The figure below highlights the revised plan, which sees a massive decrease in units in 2030, totalling over 11.5GW of coal power. That will result in a huge decrease in coal demand, which will hit the pockets of coal mines hard in the medium term. Between 2031 and 2040, Eskom will shut down a further 12.4GW of coal power, further denting the demand for coal. From 2041 to 2051, 11.4GW will be removed, leaving only 9.4GW of coal power from 2051 to 2073. This will be based on two power plants, Kusile (4.8GW) and Medupi (4.6GW), with likely one company (maybe state-owned due to lack of profit) to service these power stations.

Decrease in capacity due to Eskom generation decommissioning



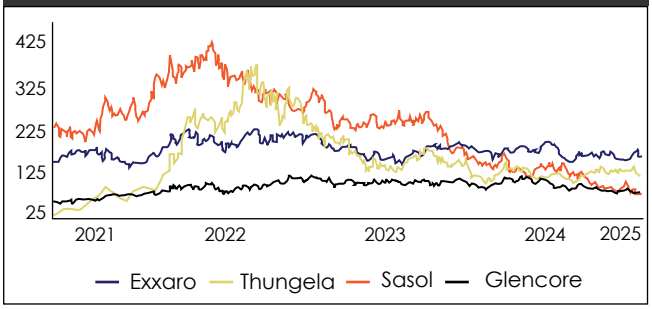
Source: Krutham, Eskom

This offramp of coal demand is a key driver in our forecast model, as fewer coal mines will be required. Any financing required would likely be to help coal companies facing liquidity constraints to speed up their transition. Coal exports are not likely to make up the shortfall, with global peers embarking on faster decarbonisation roadmaps than South Africa. Where peers do use fossil fuels, they will likely use cheaper sources, such as oil and gas. The export coal price will likely drop due to a lack of demand and so pursuing it as a replacement strategy will not make financial sense.

While Eskom embarks on its decommissioning plan, the Department of Electricity and Energy's latest Integrated Resource Plan (2024) shows no new coal being added to the energy mix after the last two units of Kusile (720MW each) came online in 2024 and 2025. The plan from 2024 to 2042 highlights the rise of renewable energy, with 48GW of wind and 28GW of solar PV driving the grid by 2042. This will certainly make up the shortfall from coal decommissioned by this time; about 28GW would have been removed from the grid. Banks – with their focus on sustainable finance – will be focused on tilting the balance sheets away from coal to renewable energy assets over this time. The trajectory and momentum might cause a natural escalation of balance sheet tilt, which we have not factored into our forecast.

The concerning outlook for mining companies in the medium to long term may be a reason behind the top four coal mining companies on the JSE showing average to weak performances. A key indicator of future performance, the share price of companies like Thungela – which skyrocketed when Russia invaded Ukraine and created a spike in demand for coal exports – has returned to earth as the market adjusted to the shock. Stocks like Exxaro show no real future potential, while Sasol's share price has dropped dramatically as it battles with production issues and the transition to a lower-carbon economy.

Share price of mining companies
Mid 2021 to early 2025 (ZAR/share)



Source: Krutham, 2025

Dethroning King Coal of Mpumalanga

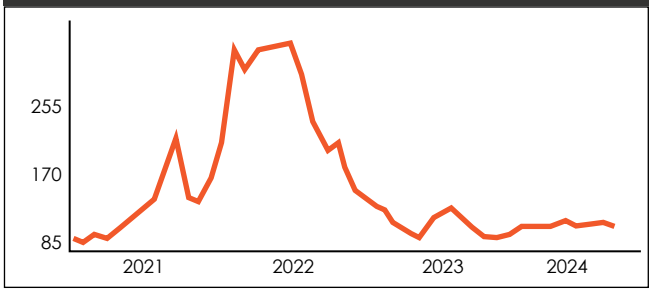
South Africa stands at a crossroads in its energy future, with coal remaining deeply embedded in its power system despite mounting pressure for a transition. The country's coal consumption continues to rise, driven by the improved performance of Eskom's coal-fired fleet and the decision to extend the lifespan of five major coal plants until 2030. While renewable energy capacity is expanding, the projected demand for electricity means that coal will still play a significant role in the country's energy mix. The increase in coal consumption to 165Mt in 2024 underscores the complexities of balancing energy security, economic stability and climate commitments. Policymakers face a crucial decision: invest in maintaining ageing coal plants to ensure reliability or accelerate their phase-out to align with long-term decarbonisation goals.

South Africa relies on coal for 73% of its primary energy. About 70-75% is used locally, mainly by Eskom (65%) and Sasol (22%), while 25-30% is exported. Coal fuels 91% of electricity generation and 25-30% of liquid fuels via Sasol's coal-to-liquids process. Industrial use accounts for about 10%, with smaller amounts used in agriculture, commerce, and households, where over 200,000 homes rely on coal for heating. South Africa's coal reserves stand at 9.8Gt, with 56.8Gt in resources. Most reserves are in the Central Basin, while the Waterberg holds 45Gt of resources but remains underdeveloped, needing infrastructure investment in power plants, water and rail.

South Africa's reliance on coal stems from abundant, low-cost resources and state support for cheap electricity and energy-intensive industries. However, local coal prices have surged, reaching 50% of export prices in 2016, driven by geological challenges, rising mining costs and Eskom's poor procurement practices. Eskom's coal costs soared from R42.79/tonne in 1999 to R393/tonne in 2017 – a real increase of 300%. While exports have historically been more lucrative, shifting demand from Europe to Asia has disrupted the domestic market. Lower-grade coal exports to Asia have affected Eskom's supply, increasing competition and costs.

Infrastructure constraints, especially limited rail capacity to the Richards Bay terminal, have moderated these effects, but planned rail upgrades could further expose Eskom to export competition. In 2017, 81% of South Africa's 76Mt coal exports went to Asia, with India as the dominant buyer. However, global coal plant cancellations signal long-term export decline. Rising primary energy costs, cost overruns at Eskom's new coal plants and stagnating electricity demand have worsened its financial strain. Meanwhile, new renewable energy is now cheaper than both new and existing Eskom coal-fired power plants, adding to the utility's challenges.

South African coal export price (USD/mt)



Source: YChart, 2025

Coal prices surged in 2022 following Russia's invasion of Ukraine, as global energy markets scrambled to replace disrupted Russian gas supplies. With European countries seeking alternative fuels to maintain energy security, demand for thermal coal skyrocketed, pushing prices to record highs – Australian Newcastle coal, a key benchmark, peaked above $400 per tonne. The crisis prompted a temporary revival of coal-fired power generation in Europe, while Asian markets, particularly India and China, continued to drive demand. However, by 2023, as energy markets adjusted, supply chains stabilised, and gas prices moderated, coal prices fell sharply. Slower economic growth in China and a renewed push for renewables further softened demand, bringing prices back down to pre-crisis levels.

In 2024, South Africa's coal production remained relatively stagnant as infrastructure bottlenecks persisted, limiting the sector's ability to respond to domestic and export demand. In 2024, production is estimated to have reached 234Mt, a marginal increase of 0.8% from the previous year, reflecting ongoing constraints in rail transport and electricity supply. Coal export earnings were down by R24.1bn in 2024 compared to 2023. Transnet continues to struggle with operational challenges, including derailments, cable theft, equipment failures and financial instability. These disruptions have curtailed coal exports and hampered efforts to scale up production. While major producers like Thungela remain optimistic about rail performance improving in 2025, the industry's recovery hinges on Transnet's ability to implement its turnaround strategy effectively.

An improvement in coal exports is expected in 2025, driven by Transnet's logistical improvements and strong Asian demand, particularly from India and China. Exports through Richards Bay Coal Terminal (RBCT) rose in 2024 for the first time in nearly a decade, reaching 52.1Mt, with expectations of hitting 55Mt to 60Mt in 2025. Transnet's turnaround strategy, including increased locomotive availability and security measures to curb cable theft, has improved rail reliability, though challenges remain in optimising infrastructure capacity. While demand from Asia supports exports, global oversupply and price pressures continue to pose risks to long-term growth.

Looking ahead, South Africa's coal production is expected to remain relatively flat through 2027, with the slow speed of infrastructure reform outweighing any potential gains from strong domestic demand. The prolonged instability in Transnet's operations has already driven some producers to explore alternative transport solutions, including trucking, which is less efficient and more costly. However, the Minerals Council of South Africa said in January 2025 that a potential slowdown in renewable projects, influenced by the Trump presidency, could support coal prices. Additionally, delays in the decommissioning of coal power plants were expected to bolster domestic coal production.

SA on rocky road to net-zero … but it will happen

While the country's 2050 greenhouse gas (GHG) net-zero pledges and policies have not materialised into a rapid transition away from coal to renewable energy, SA will ultimately become a largely decarbonised economy in the long term. High-abating industries and fossil fuel companies that have not transitioned sufficiently will likely be privately funded, as they fall off the institutional investors' books.

Key policies driving South Africa's net-zero

Policy	Target
Nationally Determined Contributions (NDCs)	Aligns South Africa's GHG reduction commitments with the Paris Agreement.
Integrated Resource Plan (IRP)	Guides national energy planning, including renewable energy targets.
Climate Change Act	Among others, establishes sectoral emissions targets to drive decarbonisation.
Electricity Regulation Amendment Act	Liberalises the electricity sector to accelerate renewable energy deployment.
Integrated Energy Plan (IEP)	Outlines the country's energy needs and future energy mix.
Gas Masterplan	Defines the role of gas as a transition fuel in South Africa's energy system.
JET Partnership (JETP)	Multilateral platform between developed and emerging economies to deliver climate finance.

Source: Krutham, 2025

South Africa will submit its 2025 NDC this year, which is likely to be less ambitious than the 2021 NDC due to Eskom's delayed decommissioning plan to balance net-zero objectives with energy security to avoid load shedding. The 2021 NDC set a GHG targeted range of between 398 to 510 Mt CO_2-eq by 2025 and between 350 to 420 Mt CO_2-eq by 2030. There is a risk that the country may not meet these goals, and the 2025 NDC may revise the 2025 to 2030 target, although this could risk JETP commitments from the EU. An alignment with the 2025 IRP that is scheduled for release by May 2025 would be welcome. The revised IRP will also show a delayed off-ramping of coal, in line with Eskom's revised strategy.

Eskom will keep 17 coal units at five power stations running beyond their planned closures after a May 2024 decision to extend their operation under existing emissions standards until 2030. Originally, 14 units were set to shut between

2023 and 2025, with all 17 closing by 2027. In March 2025, eight more stations received similar exemptions, also ending in 2030. Environmental groups have challenged the 2024 exemptions in court following a Pretoria High Court ruling against new coal plants. The case could impact the 2025 exemptions and accelerate decommissioning timelines.

A continued reliance on coal may provide short-term relief for energy security and economic stability, but risks locking the country into a high-carbon trajectory that could attract trade penalties such as the EU's Carbon Border Adjustment Mechanism (CBAM). A decisive shift away from coal will require significant investment in alternative energy sources, grid upgrades and worker transition plans. To enable a 50% probability of remaining below 1.5 degrees of global warming, 58% of oil, 56% of fossil methane gas and 89% of coal reserves must remain unextracted, according to a paper published in Nature (2021). Total global losses from stranded assets are expected to reach $2.28trn by 2040, around 2% of global GDP. From a regional perspective, Africa should not extract 86% of its coal reserves, totalling 27Gt, up to 2050. With 86% of Africa's coal consumption concentrated in South Africa, the country's policy direction will shape not only its own energy future but also the broader regional outlook. The choices made now will determine whether South Africa cements its dependence on coal or pivots toward a more sustainable and competitive energy system.

The North Gauteng High Court's ruling against new coal-fired power procurement marks a significant shift for South Africa's coal mining industry. With the court declaring the decision unlawful due to its failure to consider environmental and health harms, future coal projects may face heightened legal scrutiny and resistance. This ruling also undermines the 2019 Integrated Resource Plan's allocation for new coal, signalling a potential policy shift away from coal dependency. As a result, coal mining operations could see reduced domestic demand, accelerating the industry's decline and pushing a stronger pivot toward renewable energy investments.

The money flows into coal… for now

South Africa's coal sector remains heavily supported by institutional investors, with the top ten alone accounting for nearly 95% of total coal investments. Pension funds, asset managers, insurance firms and banks all play a role, with a notable concentration in bonds over shares. However, shifting regulatory, financial, and reputational risks pose challenges to the long-term viability of these investments.

Institutional investments in the top five SA coal companies

Company	Share of revenue from coal (%)
Sasol	Data not available
Eskom	>85%
Exxaro	>70%
Transnet	21%
Thungela	>90%

Source: SouthSouthNorth, 2024

The table below presents the top 10 of 120 South African institutional investors allocating funds to coal, collectively holding 94.97% ($13bn) of total coal investments. Bonds make up 38.7% of these investments, while shares account for 61.3%. The largest investor, the Government Employees Pension Fund (GEPF), has 92% in bonds and 8% in shares. Notably, the GEPF and Public Investment Corporation (PIC) are heavily invested in Eskom and Sasol, respectively, with the PIC being a leading investor in Sasol.

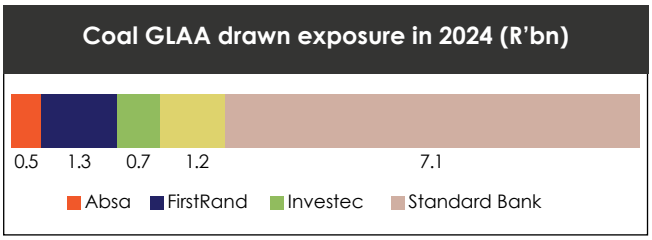
Top 10 South African institutional investors in the coal sector

Investors	Shares ($'m)	Bonds ($'m)	Investor type
GEPF	627	6,801	Pension fund
PIC	3,386	-	Asset manager
Ninety One	789	127	Asset manager
Coronation Fund Managers	547	1	Asset manager
Sanlam	251	34	Insurance
Standard Bank	87	66	Commercial banking
PSG Konsult	137	3	Insurance
Fairtree Capital	119	2	Asset manager
Truffle Asset Management	109	-	Asset manager
36ONE Asset Management	94	-	Asset manager

Source: SouthSouthNorth, 2024

The table above shows that asset and investment managers dominate the coal sector, constituting over half of the top 10 investors and holding $5.174bn. The group also includes three non-banking financial institutions (insurance companies) and one commercial bank (Standard Bank). While Standard Bank's coal investments are relatively lower, it maintains a balanced portfolio (57% shares, 43% bonds). Among the top 10 investors, asset and investment managers hold 39.27% of total investments (92.3% in shares), pension funds 56.44% (91.5% in bonds), insurance companies 3.23% (91.29% in bonds) and commercial banks 1.1% (56.8% in shares). Overall, 57.76% of total investments are in bonds. Aside from direct investments, commercial banks facilitate institutional investments through deal-making and financial services.

The banking sector's focus on coal mining companies is a key point of focus as part of their commitment to meet net-zero carbon emissions by 2050. The banks have published their approach to coal funding, where they explain the nuance of balancing socioeconomic development and energy security with decarbonisation. This focus on a just energy transition is clear from the banks' climate reports. In 2024, the top five banks reported drawn GLAA of R10.8bn by coal-linked assets, an 8.3% increase from 2023. There is a different sluggish decrease, but we see this changing from 2030.



Source: Krutham, 2025

All five banks have set medium-term reduction targets. Absa has set a 25% absolute reduction target for coal. FirstRand will cease the direct financing of new coal mines from 2026 and limit thermal coal lending to 1.5% of its loan book by 2026 and 1% by 2030. Investec aims for zero coal exposure in South Africa by March 2030. Nedbank will stop financing new coal mines from 2025 and cap thermal coal financing at 0.5% of gross loans by 2030. Standard Bank has committed to limit thermal coal exposure to 0.5% of its loan book by 2030 and reduce finance to 0.15% by 2026 and 0.12% by 2030. The sectoral targets that will be introduced in 2025 or 2026 may require banks to adjust these targets, potentially creating steeper decarbonisation goals for the next five years. This could see banks divest or put more pressure on mining companies to diversify away from coal.

Investec recognises the socio-economic complexities of coal in its core markets, the UK and South Africa, and the role these economies play in the global energy transition. The bank takes a differentiated approach to thermal and metallurgical coal, considering the latter on a case-by-case basis. Investec does not provide financial services to new thermal coal mines outside South Africa, nor does it offer project financing for new mines globally beyond March 2023. Additionally, it does not finance new clients exporting thermal coal or support new coal-fired power stations, irrespective of location or technology.

While **Investec** has committed to phasing out all thermal coal exposure by March 2030, it continues to support existing coal sector clients who present credible transition plans. The bank takes a pragmatic approach to balancing economic development with environmental responsibility, engaging with clients to encourage meaningful progress in the energy transition. Investec also applies strict screening to coal-related infrastructure, logistics and industrial processes, ensuring alignment with its sustainability commitments. While smaller independent operators may lack the resources to present formal transition plans, they are assessed against established criteria. The bank supports industrial projects that demonstrate a clear commitment to moving away from coal dependency, reinforcing its broader strategy to finance a sustainable and responsible energy future.

Absa takes a balanced approach to coal, supporting the transition to cleaner energy while recognising South Africa's immediate energy challenges. The bank will not finance new coal-fired power plants but remains open to funding the refurbishment of existing plants where this aligns with South Africa's carbon budget and enhances efficiency. In 2023, Absa set a target to reduce coal-financed emissions by 25% by 2030 from its 2022 baseline, aligning with the International Energy Agency's Announced Pledges Scenario. The bank also supports coal clients looking to shift their portfolios towards gas, anticipating a peak in fossil fuel demand before 2030 and a significant rise in renewables by 2050. Absa's coal financing standard provides a framework for managing sustainability risks and disclosures, ensuring its financing decisions contribute to a responsible energy transition.

Nedbank is committed to phasing out its exposure to thermal coal and broader fossil fuel-related activities in line with its climate commitments. From 1 January 2025, the bank no longer provided project financing for new

thermal coal mines, regardless of location. By 2030, it will restrict total financing for coal mining companies, thermal coal-related infrastructure, and coal trading to less than 1% of its total advances, reducing further to 0.5%. Nedbank's approach aligns with its emissions reduction glidepath, ensuring responsible management of its financed emissions.

By 2045, Nedbank aims to have zero exposure to all fossil fuel-related activities, including thermal coal, oil and gas. It does not finance thermal coal mines outside South Africa and applies strict criteria to its lending, limiting support to companies deriving more than 40% of revenue from thermal coal mining or trading. The bank also excludes dedicated thermal coal infrastructure from its financing scope.

Standard Bank is progressively reducing its exposure to thermal coal, aiming to limit it to 0.50% of total group loans and advances by 2030. The bank has committed to no longer financing the construction of new coal-fired power plants or the expansion of existing ones. It is also reducing finance to power sector clients primarily reliant on coal, with a target of lowering exposure from 0.18% of total group advances in 2021 to 0.12% by 2030. However, it supports the refurbishment of existing coal plants if efficiency improvements and carbon capture technologies are part of a credible decarbonisation plan aligned with net-zero by 2050.

Standard Bank prioritises financing for gas-fired power plants that complement renewable energy solutions or facilitate coal-to-gas conversions under defined decarbonisation strategies. Much of its thermal coal mining exposure stems from its three largest clients, but the bank is actively supporting their transition. In 2023, it financed solar PV projects for African Rainbow Minerals and Exxaro-owned IPP Cennergi to help power mining operations with renewable energy. These initiatives reflect Standard Bank's broader commitment to transitioning away from coal-fired power while supporting practical, low-carbon energy solutions.

FirstRand is reducing its exposure to thermal coal, committing to no new financing for coal-fired power stations and ceasing direct project finance for new coal mines from 2026. Its total thermal coal exposure is capped at 2% of group advances, decreasing to 1.5% in 2026 and 1% by 2030. The bank has placed strict limits on high-emission "brown assets," such as thermal coal and upstream oil and gas, ensuring they decline over time. Each transaction is individually assessed to mitigate stranded asset risks and align with the group's climate commitments. Through its Climate Alignment Pathways (CAPs) project, FirstRand aims to align its portfolio with global climate goals, including the World Bank's Paris Alignment framework. Clients and transactions are evaluated based on national emissions strategies, with activities categorised by alignment to transition pathways. Brown assets, including those with high emissions intensity and no clear transition plans, are actively managed to reduce exposure. The bank is also refining its assessment of emissions intensities in thermal coal and upstream oil and gas to strengthen its climate risk framework and ensure a responsible approach to energy financing.

Stranded asset risk

Investors face dual climate risks: transition risks from policy shifts, technological changes and market behaviour, and physical risks from extreme weather, rising sea levels and heat exposure. These risks accelerate asset devaluation, potentially leading to stranded assets. This is shown in a study assessing discounted cash flows and interest coverage ratios (ICR) against baseline, net-zero 2050 and delayed transition. The study by Allianz in 2025 highlights the need for an orderly transition. Under a net-zero 2050 pathway, capital-heavy sectors like energy and utilities face ICR declines due to rising costs and CO_2 pricing.

In contrast, a delayed transition offers short-term relief but increases long-term vulnerabilities, risking abrupt market shifts. Early adaptation to climate policies and market changes mitigates stranding risks and unlocks green economy opportunities, it shows. The delayed transition scenario fuels inflation through supply disruptions and high energy costs, while the net-zero 2050 pathway supports smoother inflation and market stability.

Recent research in Energy Policy reveals that the early retirement of coal-fired power plants can be financially beneficial for investors, challenging conventional perspectives. Strategies like blended finance, green bonds, and debt-for-climate swaps could facilitate this transition without compromising investor returns. Key findings indicate that younger coal plants, especially those with high financing costs, may be retired earlier than older counterparts while still preserving or enhancing their enterprise value. The study specifically notes that coal plants could be decommissioned three to 13 years ahead of schedule, benefiting financial returns through refinancing strategies and investments in renewable energy.

Short-term	
Pros	**Cons**
• **High returns:** elevated coal prices and demand provide substantial profits (12-13% annually). • **Strong demand:** energy security concerns maintain global reliance on coal. • **Market opportunity:** reduced competition as banks withdraw financing.	• **Reputational risk:** negative scrutiny from ESG-conscious stakeholders. • **Policy uncertainty:** increasing regulations and carbon pricing impose costs. • **High volatility:** coal prices are influenced by geopolitical and market dynamics.
Medium-term	
Pros	**Cons**
• **Transition potential:** coal profits can fund renewable energy investments. • **Emerging markets:** expanding coal production in EMs offers opportunities. • **Infrastructure momentum:** existing coal-based infrastructure ensures demand stability.	• **Declining global appetite:** developed nations are phasing out coal for net-zero goals. • **Regulatory pressures:** stricter emissions targets threaten operational viability. • **Stranded asset risk:** growing renewable energy use could make coal assets uneconomical.
Long-term	
Pros	**Cons**
• **Niche markets:** metallurgical coal for steel production may retain demand. • **Economic diversification:** early investments position firms to transition to clean technologies.	• **Complete phase-out:** global decarbonisation aims to eliminate coal reliance by mid-century. • **Increased costs:** aging plants require costly retrofitting for compliance. • **Financing challenges:** green mandates reduce funding availability for coal projects.

An example of a mining company facing down the stranded asset barrel is Salungano's Wescoal business, which entered an extended business rescue process in 2024, which is expected to last three to five years, as creditors brace for a prolonged recovery. Wescoal voluntarily entered business rescue last year to avoid liquidation, with creditors recently approving the plan. The company, burdened by R1.7bn in debt, will continue operating its assets to repay creditors. Wescoal's key asset, Elandspruit Colliery, could remain profitable by shifting focus to domestic markets rather than exports. However, its Khanyisa mine remains in care and maintenance, with limited prospects.

The group is also in discussions with Eskom and Sasol regarding coal offtake agreements. Salungano's wider financial distress, including its JSE suspension and environmental compliance concerns, underscores the sector's broader instability. Business rescue practitioners aim to isolate Wescoal's operations financially and operationally, but long-term viability remains uncertain. However, a court ruling in 2025 that gave new creditors (post-commencement creditors) a say in Wescoal's business rescue is now on hold because Salungano has appealed. Until the Constitutional Court decides, the rescue process remains uncertain, and new creditors may be hesitant to support Wescoal financially.

South African coal mining companies should be increasingly concerned about the global shift away from traditional bank financing for high-emission projects, as seen in Australia's Whitehaven Coal's $1.1bn loan in 2023, which was overwhelmingly funded by private lenders. Banks, under growing pressure from climate commitments, are scaling back support for fossil fuel projects, forcing coal companies to rely on private credit providers that demand higher returns and take on riskier bets. This trend, which has accelerated since the 2015 Paris Climate Accord, signals a more expensive and uncertain financing landscape for South Africa's coal sector. As private credit markets expand – reaching $1.7tn in 2023 – South African miners must prepare for tighter capital access, rising borrowing costs, and increased scrutiny over their environmental impact, making diversification and transition strategies more urgent than ever.

As domestic and global coal demand declines amid a rising carbon price, the price of coal will decline, putting pressure on cash generation. This will reduce overall profitability. With harsher lending terms, including higher interest rates, companies that have coal on their balance sheets from 2040 will find it increasingly difficult to secure investments to diversify. This will ultimately result in stranded assets.

Coal companies digging and diversifying

Five major mining companies – Seriti, Sasol, Exxaro, Thungela and Glencore – are collectively responsible for 77% of total coal production, with the first three owning the five largest coal mines.

The top five coal mines in South Africa

Mine	Owner	Production (Mt/year)	Closure
Grootegeluk (Limpopo)	Exxaro	30.4Mt/ year	2041
New Vaal (Free State)	Seriti	13.68 Mt/ year	2039
Wolvekrans (Mpumalanga)	Seriti	9.58 Mt/ year	2034
Syferfontein (Gauteng)	Sasol	7.79 Mt/ year	N/A
Twistdraai (Mpumalanga)	Sasol	6.69 Mt/ year	2043

Exxaro

With a credible CEO announced in 2025 (moving away from the 2024 CEO drama) and a drive to diversify into the critical minerals sector, Exxaro is aiming to remain financially sustainable in the medium term. Its poor performance in recent years – mainly due to load shedding and plant management by Eskom reducing coal demand – will likely improve in the short term as Eskom strengthens its Generation management approach. Its link to Eskom's younger coal plants could see it finding a way through the decarbonisation journey, retaining some coal for South Africa's energy security. However, stranded asset risks remain as Eskom could mothball these plants if higher coal prices and poor performance make its output unprofitable in a new liberalised electricity sector.

Exxaro's short-term coal outlook remains resilient despite ongoing global energy transitions and economic uncertainties. As Eskom's largest coal supplier, the company continues to benefit from stable domestic demand, while its 8Mt/ year export capacity ensures a foothold in the international market. Contrary to expectations of a sharp decline in coal consumption, global demand remains strong, with projections suggesting that the peak one-billion-ton coal demand level will persist until at least 2030. Although Exxaro has successfully maintained operational efficiencies, it faces challenges such as declining export coal prices, reduced production and logistical constraints.

Global economic conditions improved in 2024, with inflation moderating and interest rates easing. Exxaro's coal production for the year ended 31 December 2024 dropped 7%, with sales down 3% to 39.4Mt, due to lower Eskom demand (at 23.2Mt) and logistical constraints, though export volumes are forecasted to rise 37%. Capital expenditure will be 8% lower, with a strong cash position of R16.3bn. Market conditions fluctuated, with early-year coal price pressure easing due to geopolitical tensions, logistical disruptions, and Indian demand. European demand weakened due to cheaper gas and strong renewables, while Japan and South Korea remained steady. Domestic coal demand was resilient, but Eskom's operational issues impacted offtake. Thermal coal production fell due to lower Eskom demand, but metallurgical coal output rose to meet demand. Thermal sales declined 7%, offset by a rise in exports.

The Waterberg coalfield, where Exxaro holds substantial reserves, is considered South Africa's future coal hub. However, environmental and social concerns, including water contamination and land rehabilitation, pose regulatory and operational challenges. Exxaro has taken steps to address these through responsible mining practices and investments in green technologies, but pressure to align with climate policies remains high.

Exxaro's Grootegeluk mine (within Waterberg) provides a steady stream of coal to Eskom's Medupi and Matimba power stations. With a life of mine estimated at 18 years, Grootegeluk is one of the country's most significant coal assets and can supply these power stations with coal for 35 years, with the potential to extend this to 50 years (although a lack of lenders would likely prevent this). Exxaro said in its 2024 financial results that the decrease in production volumes was largely driven by lower Eskom demand for Grootegeluk's coal. While Matimba is planned to be decommissioned from 2040 and Medupi from 2070, the management of these plants is critical, as outlined in the VGBE Report. Matimba requires about 14Mt per year and Medupi requires about 14.6Mt, which would enable Exxaro to supply these plants 28.6Mt per year.

South Africa's commitment to net-zero emissions and the phased decommissioning of coal-fired power stations pose long-term risks to the sustainability of Exxaro's coal business. As global energy markets shift toward renewables, demand for coal is expected to decline, potentially

leading to stranded assets and financial challenges if adaptation strategies are not in place.

The debt maturity profile shows active deleveraging, with total borrowings declining annually and non-current maturity easing in three years' time. Exxaro's interest-bearing loans comprise three facilities maturing in April 2026, all structured as floating-rate instruments tied to the Johannesburg Interbank Average Rate (JIBAR) with margins ranging from 230 to 265 basis points. The R2.54bn bullet term loan (which requires full principal repayment in a lump sum at maturity) and R457m amortised term loan are fully drawn, while a R3.25bn revolving credit facility remains undrawn, offering liquidity flexibility. These unsecured borrowings reflect lender confidence in Exxaro's credit profile, though the floating-rate structure exposes the group to interest rate volatility, a risk partially mitigated by interest rate swaps to stabilise cash flows.

While Exxaro faces the risk of stranded coal assets as South Africa transitions away from fossil fuels, it plans to use coal profits to diversify. Exxaro's appointment of Ben Magara as CEO in March 2025 marks a turning point for the company, bringing stability after a tumultuous period of governance challenges. Magara's leadership experience, particularly in managing complex mining operations, positions him well to steer Exxaro through its next phase of growth. His immediate reaffirmation of the company's diversification strategy signals continuity and a clear vision, particularly in shifting towards critical minerals essential for the just energy transition. With shareholder concerns over governance lingering, Magara's role in restoring confidence and ensuring disciplined capital allocation will be key in navigating Exxaro's evolving strategy.

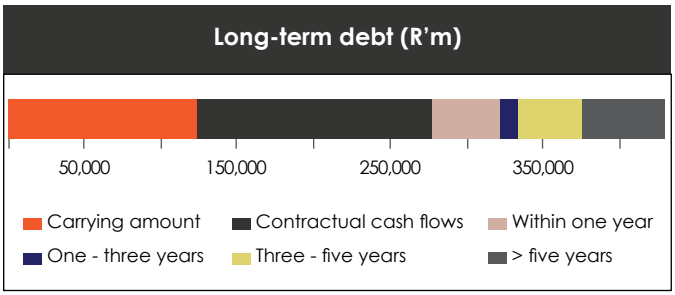
At the heart of Exxaro's diversification strategy is its growing focus on manganese, a crucial mineral for battery technologies. The company's efforts to secure a foothold in this market have gained momentum, with advanced discussions already underway with key South African manganese players. While Exxaro has explored various battery metals, its prioritisation of manganese suggests a pragmatic approach to entering a well-established sector with strong long-term demand prospects. The company's robust financial position, including a net cash balance of R16.3bn, provides ample firepower for acquisitions. However, the success of its diversification push will depend on effective deal-making and integrating new assets while maintaining profitability in its traditional coal business.

Sasol

Sasol faces significant challenges despite an attractive valuation. Its Secunda plant struggles with declining coal quality, impacting efficiency and increasing costs. The company also faces rising carbon taxes, though increased gas feedstock could help, if new reserves are found. Sasol's market valuation is under pressure, with dollar earnings declining 5.5% annually over the past decade, while debt has risen 10.4% per year, exceeding $4bn. Market confidence in Sasol has eroded significantly, with its share price plummeting from R640 in 2014 to under R80 by February 2025. Dividend payout ratios have also dropped sharply. The carbon intensity of Secunda's operations, emitting approximately 8 tonnes of CO_2 per tonne of product, makes Sasol highly vulnerable to carbon pricing both locally and internationally. The effective carbon tax cost of $30/t in South Africa and $110/t under the EU Emissions Trading System further erodes profitability.

A destoning project set for 2025 aims to improve coal quality and reduce emissions. Sasol aims to improve plant reliability, cut costs, and shift toward higher-margin speciality chemicals. A future listing or sale of its international chemicals business could strengthen its balance sheet. Brent crude oil is expected to average $75–$85 a barrel in 2025, with chemical markets facing structural oversupply. Mozambique's political instability disrupted Sasol's gas operations in late 2024, but production has since recovered. A junction compression project aims to secure gas supplies until 2028. Despite these challenges, Sasol's R85 share price reflects much of the downside, offering upside potential if turnaround efforts succeed.

For the six months ended 31 December 2024, Sasol reported a 30% drop in headline earnings to R9bn, pressured by low refining margins, weak chemical demand and soft oil prices. Headline earnings per share fell 31% to R14.13, with a widened net loss of R6.2bn due to R5bn in impairments at Secunda and R600m at Sasolburg. Sales volumes declined by 5% amid lower production and weaker demand, though cost controls and capital efficiency improved free cash flow. Operating cash flow rose 20% to R17.6bn, while capital expenditure dropped 6% to R15bn. With free cash flow at a R1.1bn deficit and net debt at $4.3bn, Sasol could not declare an interim dividend under its policy requiring net debt below $4bn. This includes long-term debt of R430m, with maturity set out below.



Source: Krutham, 2025

Sasol will face significant headwinds at its Sasolburg and Secunda operations in the coming decade, including a R30bn-a-year carbon tax cost. A recent study by Trade & Industrial Policy Strategies (TIPS) indicates that Sasol's South African operations may become increasingly unprofitable due to mounting environmental and regulatory pressures. Secunda's operations produce a lot of carbon; about eight tons of CO_2 for every ton of product. A carbon tax of $30 per ton, though lower than what European companies pay, is still a heavy burden. Economic modelling indicates that Secunda is particularly vulnerable to such a tax.

Sasol's financial health depends on oil prices and how much it can produce. The chemicals industry contributes 5% to South Africa's GDP, with Sasol playing a crucial role as the country's primary petrochemicals supplier to various downstream industries. The Department of Trade, Industry and Competition has highlighted the potential economic and employment risks if Sasol is forced to scale down or shut operations. Sasol produces 52% of the country's liquid fuels, with its products spanning petrol, diesel, jet fuel and chemicals. In addition to South Africa's carbon tax, Sasol is exposed to the EU's CBAM. Combined with declining coal and gas reserves, this threatens its export markets and long-term viability. Sasol's reliance on low-grade coal, which has been depleting over time, has led to declining production, necessitating imports and quality improvements through destoning projects. Furthermore, the depletion of its natural gas resources in Mozambique presents an additional challenge.

Decarbonisation commitments add further complexity to Sasol's future. The company pledged in 2021 to cut Scope 1 and 3 emissions by 30% by 2030 and achieve net-zero by 2050. However, new Sasol CEO Simon Baloyi has proposed a flexible emissions target of 25–35% by 2030, replacing the fixed 30% goal amid pressure from climate activists. This will require a reduction of about 2.5MtCO2 a year until 2050. While renewable energy adoption and green hydrogen integration form part of its strategy, additional environmental pressures, such as sulphur emission reductions, complicate these efforts. Analysts forecast that Secunda's production will decline from 7.5 million tonnes to 6.1 million tonnes annually by the mid-2030s, putting financial strain on the company due to high fixed costs.

Efforts to transition to alternative feedstocks face substantial financial and technical barriers. To fully convert Secunda's operations to green hydrogen, 2.14 million tonnes of green hydrogen would be required annually, necessitating 18.2 GW of renewable energy, about 70% of South Africa's electricity demand. The estimated capital cost for this transition exceeds R1tn, far surpassing Sasol's annual revenue of R275bn for the 2024 financial year. Similarly, large-scale biomass solutions would require massive land investments, while carbon capture technologies remain commercially unfeasible. Given these challenges, analysts believe that a reinvestment case for Secunda is unlikely. Instead, collaboration between government, Sasol, shareholders, and funders will be necessary to manage the facility's gradual phase-out. The Industrial Development Corporation has underscored the need for a structured transition to avoid economic disruption and potential deindustrialisation.

Despite these concerns, Sasol remains committed to its transition, disputing claims that it has entered a "sunset" phase. The company is focused on maximising energy efficiency, increasing renewable energy procurement, and exploring alternative feedstocks. Sasol has already secured power purchase agreements for 750MW of renewable energy, aiming for 1.2GW by 2030. The company maintains that it is entering a phase of renewal rather than decline and will align its decarbonisation efforts with market demand.

Glencore

Glencore's latest financial results for the year ended December 31 highlight the mounting challenges in its coal business amid falling prices and shifting energy trends. The company posted a $1.63bn loss for 2024, reversing a $4.28bn profit in 2023, mainly due to impairments in its South African coal operations. While coal remains a key earnings driver, its volatility is increasing. Global coal markets are evolving, with demand persisting in emerging markets like Vietnam, yet long-term prospects are dimming due to renewables growth and regulatory pressures. Glencore's response, maintaining coal production while exploring mergers and acquisitions (M&A), reflects both short-term confidence and long-term uncertainty.

Glencore's 2024 year-end results reinforced the company's position as a dominant force in global commodities, but analysts remain

concerned about its valuation. The stock trades at a 30% discount to its sum-of-parts valuation, with coal price declines and market uncertainties weighing heavily. Three key factors are shaping Glencore's future. First, the company is actively engaged in undisclosed M&A talks, including a potential portfolio shift following discussions with Rio Tinto. Analysts speculate that a coal asset spin-off remains under consideration. Second, Glencore is exploring a primary listing move from London to New York, seeking a valuation boost. However, the logistical and financial hurdles of such a move make it uncertain. The company already has strong US investor participation. Third, Glencore's $1bn share buyback reflects confidence in its own undervalued stock. Since 2021, it has aggressively repurchased 1.2 billion shares, prioritising capital returns to shareholders.

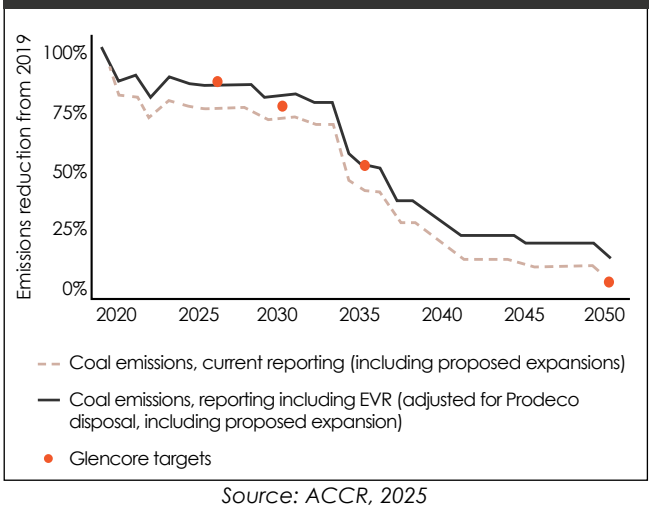
M&A remains a cornerstone of Glencore's strategy. Recent transactions include the $7bn acquisition of Teck's Elk Valley Resources, the sale of a $1bn stake in Viterra, and additional coal asset purchases. Despite previous discussions about spinning off coal, shareholder rejection last year suggests a stable outlook for its coal business. However, the biggest challenge is coal's profitability decline. Thermal coal EBITDA margins are projected to drop 66% from 2023 to 2025, with metallurgical coal margins already down 34%. This has impacted free cash flow, which has fallen from double-digit yields to 6%-7%. Despite this, Glencore remains a strong cash generator. UBS expects continued share buybacks and potential acquisitions in 2025.

Net debt stood at $11.2bn as of December 31, just above the $10bn threshold that triggers top-up dividends. Non-current bonds stood at about $19.9bn and current bonds were at about $3.2bn in 2024 (as per the figure below). While current coupon interest rates were at 2.3%, non-current averaged at 3.7%. However, these interest rates increase over time, with non-current interest rates averaging 3.1% from 2025 to 2030 (date of maturity) and increasing to an average of 4.7% from 2031 to 2054 (date of maturity). The highest interest rate is 6.9%, with a maturity date of 2037. This reflects market expectations of prolonged risk exposure, particularly for long-dated debt tied to carbon-intensive assets.

Despite this, coal remains central to Glencore's portfolio. While thermal coal prices have normalized at around $100/t, far below the 2022 peak of $450/t, demand in emerging markets remains robust. Vietnam's coal imports surged 31% in 2024, reflecting growing industrial needs. Glencore initially planned to reduce coal output in line with decarbonisation targets, but current guidance now suggests stable production of around 100Mt annually through 2028. Pointing to concerns around energy price volatility, Glencore announced in March 2025 that it will cut production at Cerrejón, its Colombian coal mine, by five to 10 million tons per year, reducing output to between 11 and 16 million tons. The company attributed this decision to unsustainable coal prices and said it wants to ensure the long-term sustainability of operations. This underscores the broader challenges facing its coal business as prices fall to their lowest levels since 2021. Despite this short-term response to market conditions, the company's long-term coal strategy remains at odds with global energy trends. Glencore has signalled an intention to expand coal production by nearly 30% by 2050, even as International Energy Agency (IEA) projections show declining demand for both thermal and metallurgical coal. This creates a growing misalignment between the company's business model and the structural shifts in the global energy system, which is increasingly moving toward lower-carbon alternatives. The market response to these contradictions could heighten financial and reputational risks for lenders exposed to Glencore's coal operations.

The recent acquisition of Elk Valley Resources (EVR) has significantly increased Glencore's exposure to metallurgical coal, yet the company has not fully incorporated these assets into its group climate reporting. EVR brings with it significant environmental liabilities, including large-scale water contamination issues, which could result in ongoing treatment costs and potential regulatory action. The EVR acquisition and expansions may prevent Glencore from meeting its emissions reduction goals. Modelling (see figure below) suggests the 2030 target is unlikely, and slower emissions decline could jeopardise the 2026 and 2035 targets.

How EVR integration and Prodeco disposal impact Glencore's emissions goals



Source: ACCR, 2025

Coal mine depletions are key to meeting targets, but EVR mines' slower decline rate poses challenges. These factors introduce uncertainty for lenders, who must weigh the financial returns from Glencore's coal operations against the rising costs and liabilities associated with regulatory compliance and environmental remediation.

Glencore's reliance on coal as a primary earnings driver, accounting for nearly 50% of its industrial EBITDA, exposes it to volatility in coal prices and shifting demand dynamics, particularly in China. As the world's largest importer of coal, China's policy shifts toward renewables will have a material impact on Glencore's business. With renewables becoming more cost-competitive and expected to meet nearly all of China's additional electricity demand by 2027, the long-term outlook for sustained coal demand remains weak. Lenders must, therefore, consider the implications of financing a business model built on a commodity in structural decline, particularly as regulatory and policy pressures accelerate the transition away from fossil fuels.

Given these headwinds, Glencore's failure to outline a clear risk mitigation strategy is a growing concern. While the company emphasises cash flow generation, long-term shareholder value requires a more comprehensive approach to managing transition risks. For lenders, the increasing misalignment between Glencore's coal strategy and global decarbonisation efforts raises red flags about credit risk, stranded asset exposure, and the potential for policy-driven financial penalties. Without a credible plan for navigating these challenges, Glencore's coal-heavy portfolio may become an increasing liability rather than an asset in the eyes of financial institutions.

Thungela

Thungela Resources demonstrated resilience in its 2024 performance despite facing significant challenges, particularly from a softer thermal coal price environment. For the 12 months ended 31 December 2024, the company's pretax profit declined by 44% to R7.20bn, while revenue increased by 16% to R35.55bn, largely due to the inclusion of the Ensham coal mine in Australia. Thungela faced several challenges in 2024, including a softer coal price environment, initial underperformance by Transnet Freight Rail (TFR), and milder winter conditions in the northern hemisphere, which reduced demand and increased stock levels. It maintained a strong cash position, ending the year with net cash of R8.7bn, and plans to continue its share buyback programme with an allocation of R300m. Thungela was spun off from Anglo American in June 2021 as part of the latter's strategy to distance itself from thermal coal due to environmental concerns and investor pressure. Initially, Thungela faced scepticism, with some valuing it as "less than zero" due to potential mine rehabilitation costs. However, the company's fortunes changed dramatically with the onset of the Russia-Ukraine conflict, which led to a significant increase in coal prices. This unexpected windfall allowed Thungela to report a substantial increase in profits and its share price rose dramatically.

Thungela leveraged its financial gains to acquire a majority stake in the Australian thermal coal operation Ensham in 2023, later securing full control. This acquisition expanded Thungela's production capacity and provided access to Asian markets, mitigating challenges faced in South Africa such as load shedding and logistics issues. The Ensham operation has exceeded expectations, contributing significantly to Thungela's profits.

Under the leadership of its previous CEO, July Ndlovu, Thungela extended its life of mine in South Africa through expansion projects. The company has transformed from being seen as a short-term play in a declining commodity sector to a more sustainable entity recognising coal's ongoing role in the global energy mix. Thungela's new CEO, Moses Madondo, faces challenges such as navigating environmental pressures and logistical issues, particularly with coal transportation to the Richards Bay Coal Terminal.

While Thungela's share price dropped significantly following the Russia-Ukraine shock that sent coal prices soaring, its investment case is bolstered by its potential for M&A activity, particularly in the coal sector. Despite coal being less favoured by some investors, leading to underinvestment or divestment, Thungela remains focused on coal. The company is exploring opportunities for production increases, potentially doubling output, and prefers to concentrate on coal and bulk commodities where it has expertise, rather than diversifying into unfamiliar areas.

Thungela's outlook is influenced by ongoing geopolitical tensions and uncertainties in energy markets, which could lead to volatility in coal and gas supplies. Rail performance remains a risk factor, particularly in South Africa, although improvements have been noted. Despite these challenges, Thungela's strategic investments and commitment to returning value to shareholders have been positively received, with its share price experiencing a notable increase.

Thungela aims to reduce Scope 1 and 2 emissions by 30% by 2030 (vs. 2021 levels) and achieve net-zero by 2050. Its strategy includes a scenario-

based framework with two pathways:

- **Slow transition:** Combines the IEA's Stated Policies Scenario (STEPS) and Announced Pledges Scenario (APS), projecting moderate coal demand decline aligned with current global policy trends.
- **Accelerated decarbonisation:** Aligned with the IEA's Net-Zero Emissions scenario, requiring rapid coal phase-out.

Key initiatives include procuring 19MW of renewable energy by 2030 (starting with 4MW at its Elders project) and closing four mines by their operational end dates. The framework allows adaptive decision-making amid evolving energy markets and climate policies. Notably, the 2021 baseline excludes emissions from recent acquisitions like Ensham in Australia, raising questions about target integrity. STEPS projections now closely mirror the 2021 APS, reflecting global progress in converting climate pledges into actionable policies.

However, Thungela was criticised at its 2024 AGM for inadequate climate action, primarily its refusal to establish near-term Scope 3 emissions reduction targets, despite these making up 98% of its emissions. Shareholders expressed concern that the lack of concrete targets, particularly before 2050, indicated a lack of a credible decarbonisation plan. The justification that targets should only be set if achievable was seen as insufficient, as industry standards like the Science Based Target Initiative mandate near-term Scope 3 targets for companies with significant Scope 3 emissions. Thungela's decarbonisation strategy heavily features carbon capture, utilisation and storage (CCUS), which has drawn criticism due to its historical lack of commercial viability despite decades of development. Critics point out that current CCUS projects capture a negligible fraction of global fossil fuel emissions. While Thungela argues that CCUS requires continued investment, like early-stage renewable technologies, this is countered by the fact that CCUS has been in development for over 50 years without achieving scalability. Given the urgency of climate change, this reliance on an unproven technology is seen as a delaying tactic.

The short-term performance of Thungela seems like it could be heading in the right direction, but its decarbonisation strategy and focus on coal only suggests its medium to long-term financial sustainability will not be as fortunate.

Seriti Resources

A key mining company to watch is Seriti Resources, which is an unlisted and majority black-owned and controlled entity that was established through the acquisition of various coal assets, notably from Anglo American and South32. This consolidation positioned Seriti as one of the largest coal suppliers in Africa, responsible for a substantial portion of Eskom's coal needs, specifically around 32% of their supply, and producing about 34.3 million tonnes of domestic coal annually. The company's strategic vision extends beyond domestic supply, encompassing the broader Southern African Development Community (SADC) region, Sub-Saharan Africa and global coal export markets.

As an unlisted company, Seriti can drive its own agenda, which focuses on profitability and growth. It is not scared to shut down coal mines if they are not profitable and is agile in its thinking. While the shareholders are not politically connected, it is a success story that connects with the aspirations of the ANC. As such, with financial backers who see opportunities for an unlisted black-owned coal mining company, its future is brighter than its peers. However, it has been criticised for putting money before people, which may come back to it if it does not uphold sustainable business practices.

Its philosophy is to provide secure and long-term coal supply solutions, acknowledging coal's continued role in the country's energy mix. With a workforce of over 15,000 people, Seriti aims to be an industry leader that revitalises the mining sector and drives national economic growth. A case in point is the newly launched Naudesbank Colliery in Mpumalanga (in March 2025) which is projected to create 300 new jobs. However, at the same time, Seriti faces criticism for its decision to cut 1,137 jobs at its two mines due to unprofitability. Middelburg Mine Services and Klipspruit South-East coal mines are not commercially sustainable and face challenges from poor rail services by Transnet and market volatility. However, the National Union of Mineworkers (NUM) has strongly opposed the layoffs, accusing Seriti of intending to replace permanent employees with contractors, which they see as a breach of industry agreements. The union plans to fight the retrenchments legally and through strikes, criticising Seriti's actions as driven by greed and a disregard for workers' rights.

While Seriti battles union discontent, its Naudesbank launch was given an enthusiastic endorsement by minerals and petroleum resources minister Gwede Mantashe. While the launch signalled a continued investment in South Africa's coal sector, despite global trends towards decarbonisation, the assertion of further coal developments highlights a divergence between the country's energy strategy and international climate commitments. The mine is projected to produce a million tonnes of coal annually for export, emphasising the economic benefits alongside the environmental concerns.

Seriti Resources emphasises the colliery's contribution to local economic development, citing a R500m investment in infrastructure and a commitment to community partnerships. The company also highlights its efforts to balance coal production with its renewable energy projects, demonstrating a dual approach to energy supply. This new coal mine represents a continued reliance on fossil fuels, even as the company diversifies into green energy, and reflects the complex interplay between economic needs and environmental obligations in South Africa's energy landscape.

While Seriti acknowledges the environmental impact of fossil fuels and expresses a commitment to reducing carbon emissions and improving climate-related disclosures, the absence of concrete Scope 1, 2, and 3 emissions reporting, measurable reduction targets, and a defined net-zero goal raises concerns about the transparency and substance of its decarbonisation efforts. The stated aim to "actively reduce" emissions without specific, quantifiable targets and timelines lacks the necessary rigour to demonstrate genuine progress towards a low-carbon future, leaving stakeholders with limited insight into the company's actual climate strategy.

Seriti commits to South Africa's Paris Agreement obligations, supporting a just transition while acknowledging coal's declining role. It prioritises a secure coal supply for South Africa as well as exports, recognising the tension between decarbonisation and energy security. While embracing the IRP's shift to 43% coal-generated electricity by 2030, Seriti lacks a company-specific net-zero target. It aims to increase its use of renewable energy from 70MW to 2,650MW by 2029. It has a 54% stake in renewable energy company Seriti Green, which is constructing Mpumalanga's first utility-scale wind farm. The initial 155MW facility marks the initial phase of the larger, 900MW Ummbila Emoyeni renewable energy cluster that will supply 75% of Seriti's coal mining operations. However, this strategy does not consider the Scope 3 emissions, which comes about once the coal is used in coal power plants. Seriti Resources also punts carbon capture (CCUS) technology, which is unlikely to assist in its long-term decarbonisation efforts.

The company and its shareholders are clearly focused on retaining coal interests into the future. For example, Sandile Zungu, through Zungu Investments Company, has an almost 23% stake in Seriti Resources. He has since expanded his coal-related holdings by investing in the privately owned Kelvin Power Station in 2024. The involvement of entities like the Government Employees Pension Fund (GEPF) and Mergence Investment Managers alongside Zungu underscores a growing trend of private sector investment in coal-fired power generation.

Seriti CEO Mike Teke's appointment as chairperson of FutureCoal's Southern Africa chapter in 2025 positions him as a key influencer in the region's coal sector. In this role, he will spearhead efforts to lobby for the continued and "responsible" use of coal across vital industries, leveraging the region's substantial 150-billion-tonne coal reserves. By advocating for sustainable coal stewardship and promoting the adoption of pollution abatement technologies, Teke aims to unite industry leaders and governments to shape policies that ensure coal remains a strategic asset for economic development, thereby solidifying coal's place in the energy mix.

As an unlisted company, Seriti has greater control of its narrative and journey ahead. A lack of transparency, however, will affect its ability to raise funding via banks and institutional investors. While its investors see a profitable future and are putting their money behind these efforts, they face heavy downside risks in the medium to long term. Their business savvy, clever marketing of Seriti Green and its connection to a narrative supported by the ANC will do them well in the short term. How long that will last, is another story.

Final thoughts

The March 2025 report, *Stranding: Modelling the UK's Exposure to At-Risk Fossil Fuel Assets* by the UK Sustainable Investment and Finance Association, highlights that global asset stranding could reach $2.28tn by 2040 under the International Energy Agency's Announced Pledges Scenario (APS). Its modelling traces loss risk through four stages: first, attributing stranded asset losses to the host country; second, allocating losses to the headquarters of fossil fuel companies; third, linking losses to corporate and fund ownership, covering around 16,000 ultimate owners; and fourth, identifying final loss bearers, including governments, individuals and pension funds. The report notes that despite regulatory and legal challenges, fossil fuel companies have seen record profits, partly driven by the post-Ukraine invasion market rally, attracting renewed investor interest. This disconnect between global decarbonisation targets and investor expectations of long-term fossil fuel returns increases the risk of stranded assets.

With this stark warning in mind, Krutham's latest policy brief highlights the impending financial challenges facing South African coal mining companies.

The confluence of Eskom's decommissioning plans and the banking sector's escalating decarbonisation commitments creates a perfect storm, drastically reducing the availability and increasing the cost of financing for coal-linked assets. As mines become less viable, decommissioning liabilities will largely fall on mining companies, with banks also exposed through their lending and investment portfolios. The data presented, particularly the projected decline in coal's share of bank GLAAs, underscores the urgency for both banks and coal miners to adapt. However, with US President Donald Trump leading an anti-ESG, anti-climate agenda, questions remain about the long-term stability of banks' net zero policies and whether financial institutions will stay the course amid shifting political pressures.

For bankers

The analysis clearly signals a need for a strategic and accelerated shift away from coal financing. While a "just transition" is emphasised, the timelines outlined by banks like Investec and Nedbank demonstrate that this transition is not a leisurely stroll. Banks must translate their net-zero pledges into concrete actions, implementing robust screening processes and offering tailored financial products to support renewable energy projects. They must also engage proactively with their coal-dependent clients, pushing for transparent decarbonisation roadmaps and facilitating their diversification into sustainable sectors. The risk of stranded assets is not merely theoretical; it's a looming reality that requires prudent risk management and a forward-looking investment strategy. Furthermore, they need to be looking at the potential for innovative financing structures that help to retire coal plants early, as research suggests this can be financially viable.

For coal miners

The writing is on the wall. The era of easy coal financing is ending. Companies clinging to the status quo face severe financial strain and potential obsolescence. To survive, they must embrace a radical transformation. This includes:

- **Diversification:** Explore and invest in renewable energy projects, resource diversification, or other sustainable industries.
- **Decarbonisation:** Develop and implement credible, measurable decarbonisation strategies, including Scope 1, 2, and 3 emissions reductions.
- **Operational efficiency:** Focus on optimising existing operations, reducing costs, and improving environmental performance.
- **Stakeholder engagement:** Engage transparently with investors, communities and policymakers, demonstrating a commitment to a just transition.
- **Financial restructuring:** Explore alternative financing options, such as green bonds or blended finance, to fund diversification and decarbonisation efforts.
- **Strategic partnerships:** Partner with technology companies and renewable energy developers to gain expertise and access to new markets.

The Wescoal case serves as a cautionary tale. Companies burdened by debt and lacking a clear transition strategy are highly vulnerable. The window of opportunity for a managed transition is closing. Coal miners must act decisively to avoid becoming stranded assets in a rapidly decarbonising world.

Policy implications

The government's role is crucial in facilitating this transition. Clear, consistent policies that incentivise renewable energy investments and discourage coal reliance are essential. The 2025 NDC and IRP 2024 must provide a clear pathway towards a low-carbon future, aligning with South Africa's international commitments. Moreover, the government must address the infrastructure challenges hindering renewable energy deployment and support the development of a skilled workforce for the green economy.

In conclusion, the South African coal sector is facing an inevitable reckoning. The decisions made by banks, coal miners, and policymakers in the coming years will determine the country's energy future and its ability to navigate the transition to a sustainable, low-carbon economy. This policy brief should serve as a wake-up call, urging all stakeholders to embrace a proactive and collaborative approach to this critical challenge.