

groundWork
P.O. Box 2375
Pietermaritzburg, 3200
South Africa
Tel: +27 -33-342 5662
team@groundwork.org.za



Earthlife Africa
P.O. Box 32131
Braamfontein, 2107
South Africa
Tel: +27 11 339 3662
makoma@earthlife.org.za

April 6, 2010

**Re: Request for Inspection on Eskom Investment Support Project
(Project ID: P116410)**

Executive Secretary
The Inspection Panel
1818 H Street, NW
Washington, DC 20433
USA

1. Earthlife Africa and groundWork are submitting this request for inspection on behalf of the representatives of community members located near Lephalale in South Africa's Limpopo Province.
2. The World Bank is currently considering a \$3.75 billion loan for Eskom, South Africa's power utility, primarily for construction of the 4800 MW Medupi coal-fired power plant near Lephalale in the Limpopo Province of South Africa. The World Bank has come very late to the project, and Medupi has been under construction since 2007.
3. These communities have a number of concerns about the direct impacts of Medupi and its associated infrastructure, as well as broader societal concerns. These include:

Health Impacts

4. Communities have serious concerns about the potential health impacts of emissions from the Medupi plant, which are expected to be significant.
5. In particular, communities living in the vicinity of the Medupi plant will be exposed to increased levels of particulates and sulphur dioxide, which already exceed local and international air quality limits in the nearby towns of Marapong and Onverwacht, and could have significant public health impacts.

Water Use

6. Medupi is located in a water scarce area and the water supply for residents of the area and agriculture, the main source of livelihoods, is not assured. The sulphur scrubbers that will be associated with Medupi are water-intensive and will add to the strain on water supplies.

Livelihood Impacts

7. Construction of Medupi could have detrimental impacts on peoples' livelihoods living in and around Lephalale. The industrial activity and pollution will adversely affect agriculture, livestock rearing, and eco-tourism.

Cultural Impacts

8. Destruction of grave sites and availability of traditional medicines could have negative impacts on cultural practices in the area.

Upstream Impacts

9. Medupi will require significant coal resources to operate, and we understand that the World Bank does not consider potential impacts from or conditions in the mines where the coal will be sourced in its project scope. We are concerned about environmental issues around the mines, in particular acid mine drainage, which is a serious issue in many coal and gold mining areas in South Africa presently.

10. At the same time, a significant expansion of mining in the area could entail environmental and social impacts from an influx of labourers.

11. Many of the mine workers receive paltry wages and face difficult working conditions, with resulting health problems.

Cumulative Impacts

12. The above concerns are compounded by the potential cumulative impacts of the planned and existing generation facilities including Matimba, the proposed Mmamabula plant in Botswana, the planned Sasol coal-to-liquid fuels plant, and other planned coal plants and mines.

13. Eskom's intention to build a transmission line of sufficient capacity to accommodate an eventual 20 GW total capacity from the Waterberg area argues for the inclusion of those planned facilities in the scope of the Bank's project as associated facilities and for those facilities to comply with Bank policies.

Involuntary Resettlement

14. The route for the associated transmission lines for Medupi has not been determined, and there is potential for involuntary resettlement there. Resettlement could also take place around the wind, solar, and rail projects. The World Bank is ambiguous about whether South Africa's national legislation governing resettlement is equivalent to that of the World Bank's policy. In order to attain a fairer outcome for any displaced people, this issue should be examined.

Human Rights

15. South Africa's actions related to the Eskom project violate the human rights of the communities, and are inconsistent with the South African Constitution and the African Charter on Human and Peoples' Rights. Article 24 of the Constitution states that "Everyone has the right to an environment that is not harmful to their health or well-being" and recognizing that the environment must be protected "for the benefit of present and future generations, through reasonable legislative and other measures that prevent pollution and ecological degradation; promote conservation; and secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development". As described above, actions by South Africa and Eskom are harmful to the environment and health and well-being of local communities and these impacts outweigh the actual economic and social development impacts of the project.

Country Systems

16. We are concerned that a country systems approach that relies largely on South African laws, policies and institutions to adequately monitor and implement its national environmental and social laws will be inadequate to protect peoples' health and well-being. For example, the Bank incorrectly determines that South African standards related to pollution prevention and abatement are equivalent to standards articulated in the World Bank's Pollution and Prevention Abatement Handbook.

17. At the same time, proposals to fill "gaps" do not include changes to South African laws and regulations — these proposals reflect only changes that should be made at Eskom with this specific project, and do not appear to be not mandatory, long-term improvements to Eskom's "system."

18. Finally, we believe the Bank's analysis that South African institutions can adequately monitor and implement national laws and protect peoples' health and well-being is incorrect; South Africa has a problematic track record of actually abiding by and implementing its environmental and social obligations.

Legacy of World Bank involvement

19. The World Bank financed coal-fired power plants in South Africa during apartheid which provided electricity exclusively for large industry and white South Africans, while all of society had to

repay the loans. The Bank's legacy in South Africa's energy sector should be examined as part of the project, including the issue of reparations.

Access for the Poor

20. Contrary to World Bank's claims that it will be aimed at promoting access to energy for the poor, the project will mainly benefit big industrial users, not the poor people who suffer the most from power disruptions. The current consumption level of the poor in South Africa is extremely low compared to that of the largest corporations. South Africa provides the cheapest electricity supply in the world to its biggest industrial consumers. The poor pay many times more for their electricity than the export-oriented metals and mining industries.

21. The World Bank claims that the project will allow Eskom to provide power to the remaining 20% of South Africans without electricity, but provides no evidence as to how that will be accomplished.

22. The National Energy Regulator, South Africa (NERSA) just approved a tariff increase of 25% every year for three years to help raise funds for Eskom's expansion programme. This will effectively double household bills and is unaffordable to most South Africans, who will have to severely restrict their electricity usage and face disconnection for non-payment.

23. Consumers will pay a disproportionate share of the costs for building this project, because the largest industrial users are exempt under the still-secret Special Pricing Agreements concluded in a non-transparent manner during the last days of apartheid in the early 1990s.

Impacts on the Economy

24. Repaying the \$3.75 billion loan will require more exports and higher tariffs to compensate for any devaluation of South African currency. South Africa regularly experiences currency crashes; five of these crashes since 1996 have each resulted in at least a 15% devaluation.

Alternatives

25. The Bank did not adequately consider alternatives to coal. In particular, the Bank did not consider the Demand Side Management alternative, especially the ending of Eskom's Special Pricing Agreements. Without considering renegotiating the contracts with the largest industries that receive a significant share of South Africa's electricity at extremely low rates, the Bank did not properly exhaust non-coal options for addressing South Africa's electricity crisis.

Climate Change

26. The proposed loan will compromise the World Bank's commitments on climate change, and make it more difficult for South Africa to meet its own greenhouse gas reduction commitments.

27. Despite claims that the Medupi plant will use “cleaner coal technology” and will be “carbon capture and storage-ready”, there is no certainty whether these measures will be sufficient to control the enormous amounts of pollutants.

28. World Bank support for the project would be in contravention of its own criteria for support to coal plants. This is supported by the Expert Panel report, which raises doubts about the World Bank supporting Medupi without adequately complementing with renewable energy development.

Interaction with Management

29. On 11 March 2010, Earthlife Africa and Vaal Environmental Justice Alliance sent a letter to World Bank management laying out a host of concerns about the project. This was followed up with a meeting between South African groups and World Bank management, held via videoconference to the World Bank’s Pretoria office on 18 March, and a letter from management dated March 24 that referenced a World Bank “Q&A” webpage, which spoke to, but did not adequately address, just some of our concerns. We are not satisfied that management’s response is sufficient to address our concerns or potential impacts on communities, the environment, or the general public in South Africa.

30. We would be happy to provide further information or documentation as needed, and reserve the right to raise additional issues once we have access to additional information on the loan.

Confidentiality

31. The complainants seek to remain anonymous. We request that Inspection Panel will not disclose the identity of these people which are attached.

Sincerely,

S. (Bobby) Peek on behalf of
Earthlife Africa
groundWork

Annex - Authorization letter from community members