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30 Aug 2016 - Susan Comrie

Tegeta coal quality hopelessly noncompliant, says report

Senior coal experts sit on suspension despite report confirming that Gupta coal was non-compliant.

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Picture: Eskom. Madelene Cronje (M&G)

It has been 365 days since Eskom's pre-eminent coal scientist and a senior laboratory services manager were suspended after allegedly clashing with Eskom bosses over the quality of coal received from the Guptas' Brakfontein mine.

Mark van der Riet and Charlotte Ramavhona were suspended on September 1 last year after conflicting lab results raised concerns about the quality of coal Eskom received from Tegeta Exploration and Resources, the Gupta-controlled owner of Brakfontein.

While it took Eskom just six days to reinstate the Guptas' R385-million-a-year coal contract, a year later Van der Riet and Ramavhona are still fighting to be reinstated.

Now, the leaked draft report of the National Treasury investigation into the Brakfontein contract has confirmed that Van der Riet and Ramavhona were right to raise red flags.

Despite Eskom's statements that tests conducted by the South African Bureau of Standards (SABS) at the end of August had okayed the quality of Brakfontein's coal, subsequent SABS tests found the opposite: Brakfontein's coal failed to meet standards.

R385-million a year

Tegeta, which is co-owned by the Guptas and Duduzane Zuma, secured a 10-year contract to supply 1.35 million tons of coal a year to Majuba power station at roughly R284 per ton from Brakfontein despite minutes showing that Eskom's technical team were concerned about the quality of coal.

However, within a few months of deliveries starting, problems with the quality of the coal emerged.

Correspondence between Eskom group executive Matshela Koko and Tegeta's Ravindra Nath confirms that in August 2015, half the coal stockpiles from Tegeta were rejected after lab tests found the coal did not meet Eskom standards.

"Eskom notes the significant increase in the number of out-of-specification coal stockpiles from July to August 2015. During August, 50% of the stockpiles have been out of specification resulting in rejection," Koko wrote.

Koko also raised concerns that different labs were coming up with different results, saying it "calls into question the exact nature and quality of the coal that Brakfontein ... supplies to Eskom".

On 31 August, Eskom suspended the coal supply from Tegeta, as well as the services of two private labs that had tested the coal, saying new tests by the SABS had found "major non-compliance" with levels of volatiles, ash and total moisture.

A day later, four Eskom employees were also suspended – but as Van der Riet and Ramavhona are forbidden from speaking to the media, the reasons for their suspension remain unclear.

Their union representative, Numsa's Bonny Nyangwa, said they were told they were being suspended as a matter of course following an anonymous tip-off that Eskom received on August 25 about collusion in the labs.

"Mark [Van der Riet] was called into a meeting with Vusi Mboweni [general manager of primary energy] who told him we have received a complaint," Nyangwa said.

"They said, 'We have a situation that needs to be investigated, but it's not relating to anything you did or your conduct.' That's what they said initially...."

"On the 1st, Mark was preparing a briefing note on this issue, then he was called into an office at 10am and informed that he would be placed on suspension."

However, three independent sources, including current and former Eskom employees, allege that Van der Riet's suspension related disputes over the quality of Brakfontein's coal.

"Van der Riet was investigating certain suppliers, one of them being Brakfontein, and he found the coal was out of spec... but it was being sent anyway," a source with knowledge of the case said: "He gets suspended, a new team gets brought in and the coal passed."

"The stockpiles were not moving. After Mark was suspended the stockpiles started moving - that's a fact," Nyangwa confirmed.

Although Nyangwa says Van der Riet and Ramavhona were explicitly told their suspensions were related to the Brakfontein contract, when they were officially charged, more than six months later, there was no mention of Brakfontein in the charges against them.

Instead both were charged with negligence "largely in reference to the management of contracts," Nyangwa says.

Eskom spokesperson Khulu Phasiwe denies the suspension were related to Brakfontein, saying: "Van der Riet and Ramavhona were suspended pending an investigation into allegations of impropriety in the management of coal quality assurance process." He refused to offer any other comment saying, that the disciplinary proceedings are sub judice.

However, he insisted that Eskom has never taken coal from Tegeta that did not meet specifications, and that all coal stockpiles are pre-certified before being dispatched.

Hopelessly non-compliant

Last year, when the Sunday Times questioned why Eskom had reinstated Brakfontein's coal supply just six days on suspension, Eskom spokesperson Phasiwe said the supply was reinstated only after SABS retested 12 stockpiles and found the coal to be compliant.

In response to similar questions, Phasiwe provided amaBhungane with a barely legible copy of an SABS report from 30 August 2015, which shows test results of three samples that met specifications.

However, Treasury's report indicates that the SABS collected further samples of Brakfontein coal on 6 September, the day after Tegeta's contract was reinstated. And when the SABS results came back on 18 September, it found the coal to be hopelessly non-compliant.

In April, Treasury's chief procurement officer Kenneth Brown wrote to Eskom CEO Brian Molefe demanding to know why there was "no evidence that Eskom implemented remedial action" after receiving this set of SABS results.

"The results from SABS highlighted non-compliance to the coal quality specifications, mainly in volatile, sulphur, ash and inherent moisture. SABS test results revealed that seven samples that were tested contained sulphur that was higher than the rejection limit of 1.3% and the worst sample contained more than 2% of sulphur content," Treasury's letter states.

Eskom says they're still waiting for Treasury's final report on the matter.

"Like concrete"

Coal qualities matters, according to coal expert Prof. Rosemary Falcon from Wits University, which is why all Eskom coal contracts come with strict rejection levels. If the coal has too much ash it absorbs heat inside the boiler, meaning more coal is required to reach the right temperature. If the volatiles are too low it takes much higher temperatures and much longer for the coal to ignite, often resulting in coal passing through the boiler unburnt.

Documents show when Tegeta first approached Eskom in 2014 about supplying coal, Brakfontein's coal had a hardgrove grindability index (HGI) of just 28, which determines how easily coal can be ground down in a power station's mill.

"Hardgrove cannot be less than 50. Eskom might go to 45 but they actually want between 50 to 60. And if its higher than 60 even better because its very easy to crush and crumbly," Falcon explains.

Coal with an HGI of 28 is almost like concrete, Falcon says. "You'll never break it... It'll go through as large lumps which wont burn."

Although Tegeta promised to up their HGI to above 50 in the samples they delivered to Eskom, the SABS results showed alarmingly high levels of sulphur, which not only cause greenhouse gas emissions but also react with other minerals, causing the melting of minerals which can lead to layers of "slag" forming on the inside of the boiler, further preventing the transfer of heat.

"When the slag is very thick you have to switch the boiler off, let it cool down over a day, or three, and blast it out, depending on how bad it is," Falcon says. "Eskom wants less than 1 percent sulphur in your coal," Falcon says.

The two percent of sulphur that the SABS tests found in one sample of Tegeta's coal is, according to Falcon, "absolutely unacceptable".

Although records show Tegeta has always been one of several suppliers to power stations like Majuba, Hawerklip and Matla, diluting bad coal with good coal is an imperfect solution.

"The coal doesn't go through blended like mixed up salt and pepper – it most often goes into the boiler as a concentrated batch of bad coal followed by a batch of better coal. Now when the bad coal goes through, the flame can go out, or ignition is delayed and the boiler runs inefficiently and irregularly." The end result can be that even good quality coal is wasted.

AmaBhungane sent detailed questions to both Tegeta and the Guptas' Oakbay Resources and Energy last week, but only received a publicly-released statement saying: "We strongly believe we have done nothing wrong and have followed every policy and process correctly and have no issue with government or a regulatory body reviewing our activities..."

In addition to this, Amabhungane asked both Tegeta and Eskom to provide lab test results from two days in June and July that we selected at random, in order to confirm Eskom's claims the Brakfontein's coal currently meets specifications. Neither Tegeta nor Eskom were willing to do so.

Treasury's "political bazooka"

On Monday, after a year of being on suspension with full pay, Ramavhona finally appeared at a disciplinary hearing. In Van der Riet's case, Eskom is now proposing reaching a settlement.

"The public is paying for this wasteful expenditure - they're not willing to give him a hearing... they're paying him to sit at home and do nothing – it's madness," Nyangwa says. "If the tables were turned and they discovered that Mark had absconded and not been at work for a year they would probably be suing him to get their money back."

While Van der Riet and Ramavhona have been on suspension, Tegeta has been granted even more lucrative concessions by Eskom.

After buying Optimum Coal Mine from Glencore in December, Tegeta was granted a short-term contract to supply 255,000 tons of coal a month to Arnot power station.

In a highly unusual move Eskom also agreed to pay them the full R586 million up front – a decision that finance minister Pravin Gordhan also raised concerns about with the Eskom board.

On Monday, Treasury issued a statement about their investigation into Tegeta's coal contracts.

In what one opposition MP described as "the political equivalent of a bazooka", Treasury flatly denied Eskom's claims that it was co-operating with the investigation into Tegeta's coal contracts, saying: "The National Treasury would like to categorically state that, its efforts have met resistance... To date, not only has Eskom failed to honour its undertaking to submit comments to Treasury's report but it chosen to ignore correspondence and put all forms of hindrances."

Treasury said director general Lungisa Fuzile had even gone so far as to write to Eskom telling them to stop claiming that "all the Tegeta coal contracts with Eskom have been extensively audited by various agencies, including National Treasury", when this was simply not true.

In response, opposition MP David Maynier released a statement saying: "We cannot allow Brian Molefe to behave as if he is a law-unto-himself entitled to give the equivalent of a middle finger to reviews being conducted by National Treasury."

He said he would request Molefe to be called before Parliament to answer questions.

Last week the Gupta family announced their decision to sell their South African assets. Brakfontein, which has a contract with Eskom until September 2025, will now be one of the mines looking for a new buyer.



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