



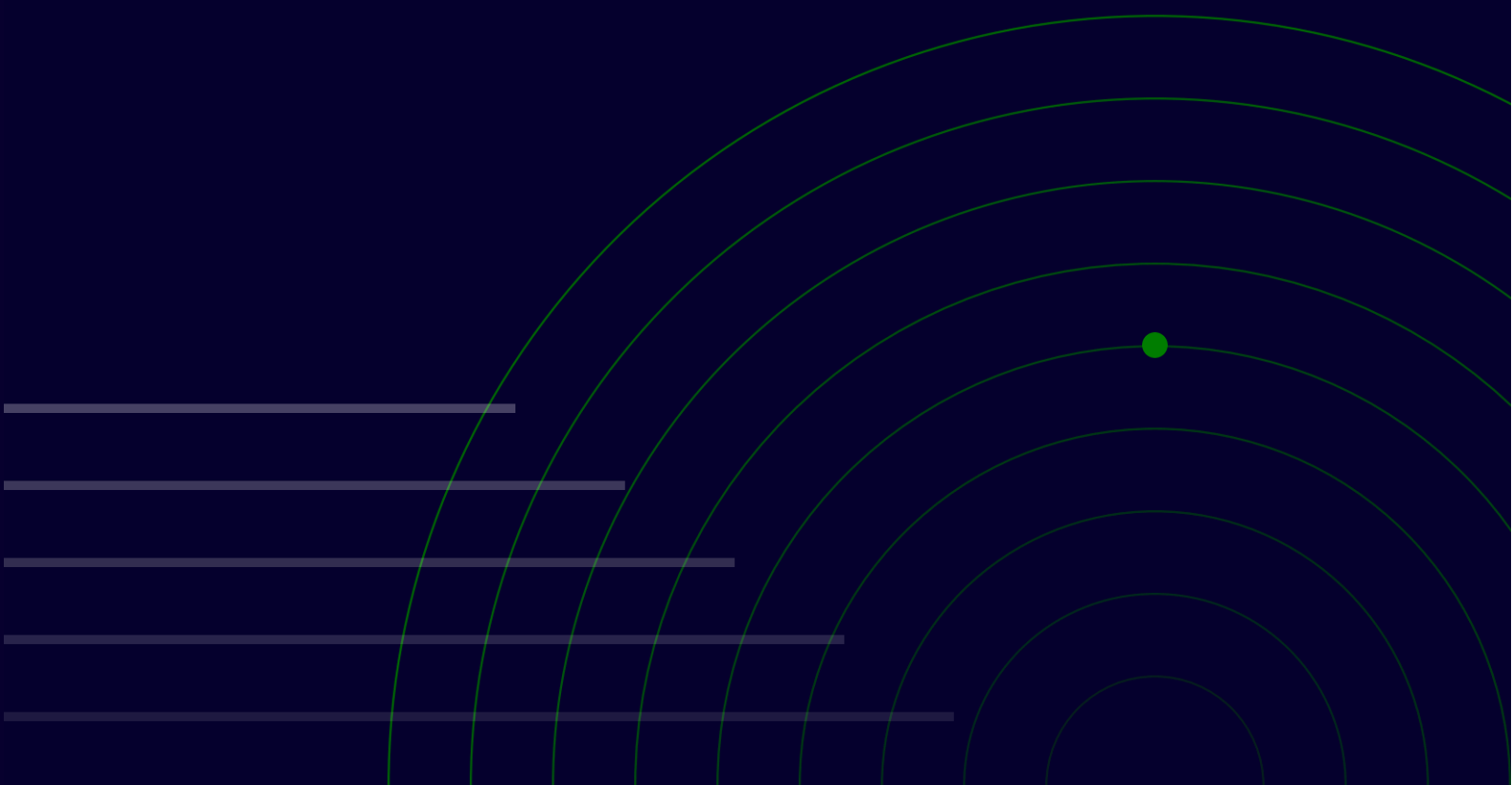
Genie Capital

A STRUCTURAL DIAGNOSIS REPORT

Sasol:

Structural Diagnosis, Pivot and Implications

October 2026 · Genie Capital Ltd



REPORT DETAILS

Sasol: Structural Diagnosis, Pivot and Implications

PREPARED FOR	Government of South Africa, Investors, the Board, Executives, Policymakers, the People of South Africa
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PREPARED BY	Genie Capital Ltd
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FRAMEWORK	Nikoka Protocol, Strategic Foresight Protocol
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DATE	October 2026
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The report follows one narrative arc: from what Sasol is, to what the market is saying about it, to why, to what should be done and what happens under each choice.

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READER'S GUIDE · THE SHORT ANSWER

How to Read This Report

This report analyses Sasol as a business: what it owns, how it makes money, where its power comes from, what it costs to keep that power, and what the market is telling us about both. The analysis draws on two internal diagnostic frameworks, one structural and one relational, but every finding is presented here in ordinary economic language: costs, rents, margins, risk premiums, discount rates, terminal value, market power, barriers to entry, opportunity cost.

Nothing in this report is a moral judgment. It is an attempt to answer a single question: why does a company with world-class technology, irreplaceable assets, and strong customer loyalty trade below its book value, and what would it take to change that?

THE SHORT ANSWER

Sasol earns two kinds of profit. One comes from a genuine cost advantage. The other comes from charging above competitive prices in markets where it faces no effective competition. The first kind is durable. The second kind is being regulated away, litigated away, and priced away. The market is discounting the second kind to near zero, and in doing so is dragging down the value of the first.

The fix is not to build more, communicate better, or spend more on communities. The fix is to give up the second kind of profit deliberately, in exchange for removing the regulatory and legal overhang that is currently depressing the value of the first.

SASOL AT A GLANCE

R61bn

FY2026 Adjusted EBITDA, up 17% [1]

US\$3.3bn

Net debt excluding leases, down 11% [1]

0.88

Price-to-book ratio, October 2026 [3]

0.19

Implied Tobin's Q for Secunda (Genie Capital estimate)

R2.1bn

Net carbon tax paid in FY2026, up from R1.6bn [5]

<2%

Bottleneck rent as a share of EBITDA (Genie Capital estimate)

Market and valuation data are as at 8 October 2026. Operating data are for the year ended 30 June 2026. Rent and cost-of-moves figures are Genie Capital estimates.

PART 1 • THE CONTEXT

Background: What Sasol Is and How It Makes Money

Sasol was created in 1950 by the South African state for a strategic reason: the country had no oil. The apartheid government wanted liquid fuel it could produce without depending on imported crude. Sasol's answer was coal-to-liquids (CTL), chemically converting coal into petrol, diesel, and jet fuel using Fischer-Tropsch technology. The first plant at Sasolburg began producing in 1955. The company was privatised and listed on the Johannesburg Stock Exchange in 1979. The state, through the Public Investment Corporation, still owns just over 20% of the ordinary shares.

Today Sasol is best understood as three businesses stacked on top of each other.

Three businesses, stacked: each layer feeds the next

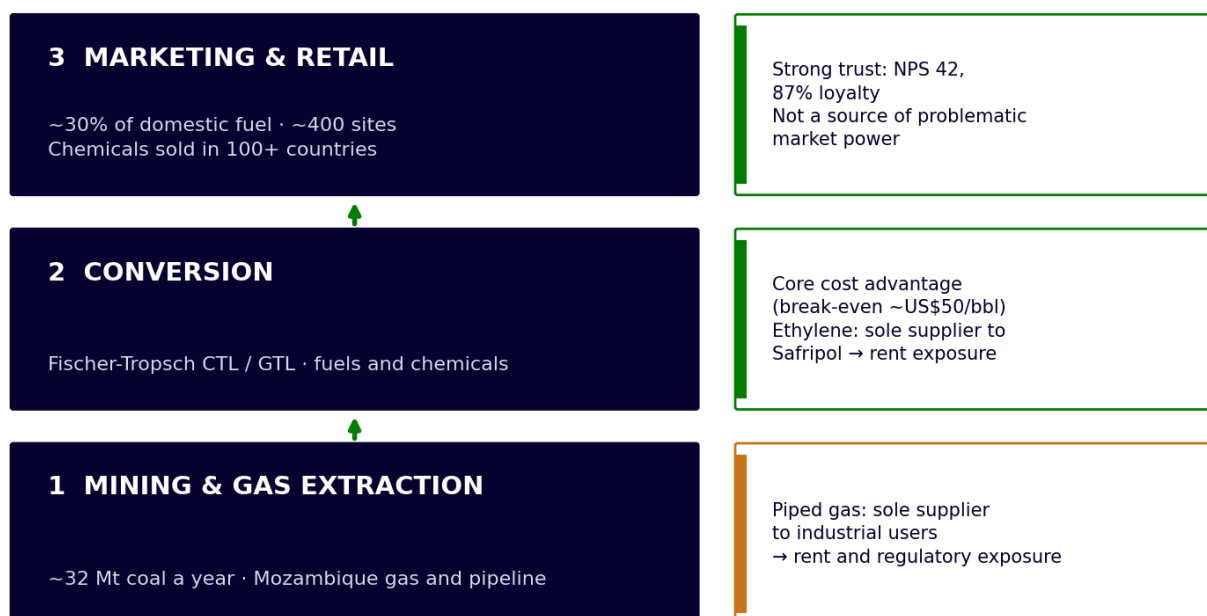


Figure 1. Sasol's three stacked businesses, and where the profit sources sit

The first business: mining and gas extraction

Sasol mines roughly 32 million tonnes of coal a year, making it the third-largest coal producer in South Africa. It also draws natural gas from fields in Mozambique through a pipeline it controls. These are the raw inputs. Coal is the feedstock for the Secunda complex, the largest coal-to-liquids plant in the world. Gas feeds both the Sasolburg operations and industrial customers across Gauteng, Mpumalanga, and KwaZulu-Natal.

The second business: conversion

Using proprietary Fischer-Tropsch technology, Sasol turns coal and gas into liquid fuels and into a wide range of chemicals: polymers, solvents, surfactants, alcohols, and specialty products. This is the technological heart of the company. The CTL and GTL processes are genuinely world-leading. No one else operates coal-to-liquids at this scale.

The third business: marketing and retail

Sasol supplies roughly 30% of South Africa's domestic fuel needs. It operates approximately 400 retail sites under the Sasol and Exel brands, with convenience stores, coffee partnerships, and a loyalty programme. It also sells chemicals to industrial customers in over 100 countries through its International Chemicals division.

The economics of this stack are straightforward on paper. Sasol's feedstock costs are low relative to crude oil. When a conventional refiner buys crude at US\$80 a barrel, Sasol's coal is embedded in its own mining cost. This is a real cost advantage: an economic moat. It is the reason Sasol can be profitable at oil prices where other producers struggle. Management targets a nominal break-even oil price of US\$50 a barrel for the Southern African operations.

THE TURN IN THE STORY

But the stack also creates a second source of profit that has nothing to do with cost advantage. The rest of this report is about telling the two apart.

PART 2 • THE POSITION

Where Sasol Stands Today: October 2026

2.1 Operating results

The financial year ended 30 June 2026 was Sasol's strongest in several years. Adjusted EBITDA rose 17% to R61 billion. Basic earnings per share rose 79% to R18.99. Headline earnings per share rose 9% to R38.31. Capital expenditure fell 18% to R21 billion. Free cash flow was R11.9 billion, down 5% from the prior year, mainly because of higher year-end working capital and because the prior year included a one-off R5.5 billion settlement from Transnet. ^[1,2]

Secunda Operations achieved its highest annual production in five years. The improvement came from better coal quality following the commissioning of a destoning plant, which removes rock and ash before the coal enters the gasifiers, and from higher equipment availability. International Chemicals' Adjusted EBITDA rose 47% in US dollar terms, helped by stronger markets in the final quarter. ^[2]

These are good numbers. They show that the core industrial machine works when it is fed properly and maintained. They also had help from the cycle: Sasol itself attributes part of the improvement to higher fourth-quarter pricing and refining margins, which makes the persistence of the valuation discount more telling, not less. ^[1]

2.2 Balance sheet and cash

Net debt excluding leases fell 11% to US\$3.3 billion, below the US\$3.7 billion target. Total debt was US\$5.7 billion and liquidity about US\$5 billion. Management will prioritise reducing debt until it reaches a sustainable level below US\$3 billion, and for that reason the board declared no final dividend. ^[1,2]

Sasol also booked R16.8 billion of impairments in FY2026, including R7.7 billion on the Secunda liquid fuels refinery, R3.7 billion on polyethylene and R3.8 billion on the Mozambique production-sharing agreement. Even Sasol's own accountants, applying standard rules, concluded that the future cash flows from these assets do not justify their carrying values. ^[1,2]

2.3 What the market pays for the business

Despite the strong operating year, the market values Sasol at a deep discount to what the business has cost to build. As of October 2026:

Measure	Value	What it says
Market capitalisation	~US\$8.66bn	Equity value placed by the market ^[3]
Book value per share	US\$14.98	Accounting value of net assets ^[3]
Price-to-book	0.88	Market values the firm below its books
Forward price-to-earnings	7.81x	Cheap relative to peers ^[3]
Secunda replacement cost	>US\$20bn	Cost to rebuild from scratch (estimate)
Implied value of Secunda	~19% of replacement cost (~US\$3.8bn)	Tobin's Q of about 0.19 (Genie Capital estimate)

Measure	Value	What it says
Discount rate applied by analysts	18.3%–18.8%	Far above cost of capital for such an asset base ^[4]

A price-to-book ratio below 1.0 means the market values the entire company at less than the accounting value of its net assets. For a company with proprietary technology, decades of infrastructure, and 87% customer loyalty, that is unusual. It implies the market believes the book value overstates what those assets can earn.

The more revealing number is what economists call Tobin's Q: the ratio of what the market will pay for a business to what it would cost to rebuild it from scratch. Estimates put the replacement cost of the Secunda complex at over US\$20 billion. The market's implied valuation of Secunda is roughly 19% of that. In plain terms: if you spent a hundred rand rebuilding Secunda today, the market would pay you nineteen rand for it.

The discount is not limited to physical assets. Sasol trades at roughly a 44% discount to the forward earnings multiple of European oil majors and a 79% discount to LyondellBasell, a major chemical peer. Analysts who model the company apply discount rates of 18.3% to 18.8%. ^[3,4]

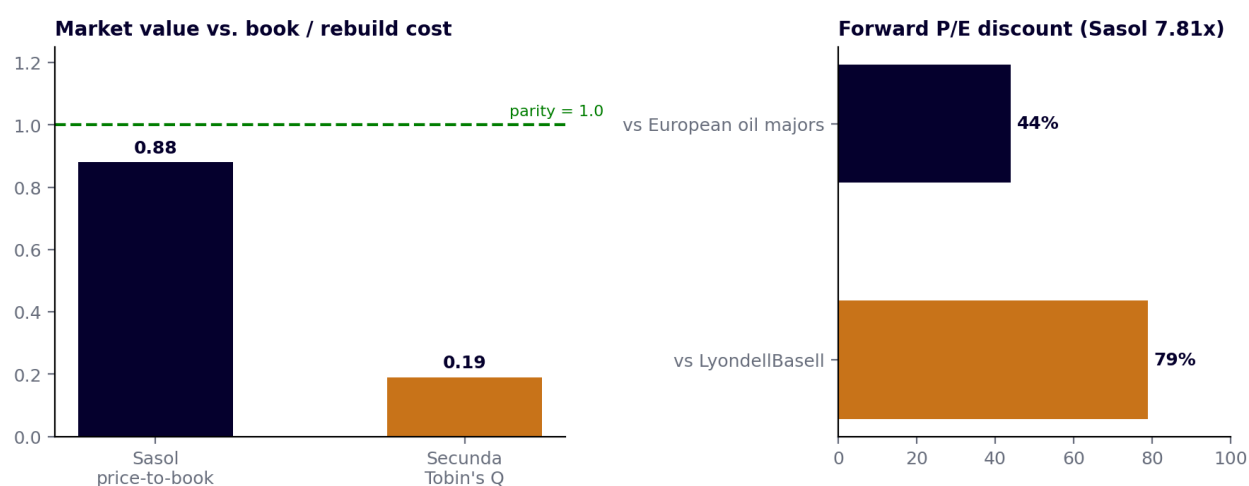


Figure 2. The valuation gap: price-to-book, Tobin's Q and peer discounts

2.4 Carbon costs and climate position

Sasol is South Africa's second-largest emitter of greenhouse gases after Eskom. Secunda alone accounts for 83.7% of the group's Scope 1 and 2 emissions.

The carbon tax is no longer a future risk. It is a current cost. Sasol's net carbon tax payment for FY2026 was R2.1 billion, up from R1.6 billion the prior year. The tax rate rose from R236 to R308 per tonne of CO₂ equivalent in January 2026, an increase of roughly 30%. Emissions that exceed the company's carbon budget face a penalty rate of R640 per tonne. ^[5]

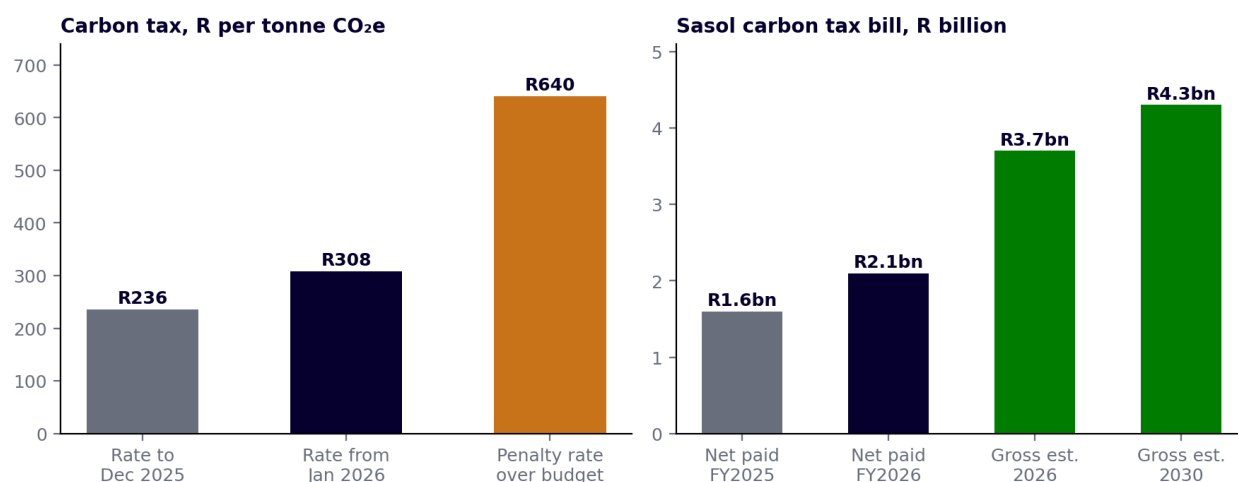


Figure 3. Carbon tax rate and Sasol's carbon tax bill

Without offsets, the company's gross carbon tax liability is estimated at R3.7 billion for 2026, potentially rising to R4.3 billion by 2030. Sasol has contracted roughly 9 million tonnes of carbon offsets over the next three years, covering about 60% of its offset requirement. The offsets reduce the net cost but do not eliminate it, and they are a temporary bridge, not a permanent solution: they reduce the reported liability without reducing the physical emissions that create it. (The gross figures are calendar-year estimates, while the net payments are on a financial-year basis, so the two series are not directly comparable.) ^[5]

On the transition side, Sasol has secured over 1.3 gigawatts of renewable energy, with more than 500 megawatts operational, toward a target of 2 gigawatts by 2030. The target was raised from an earlier 1.2 gigawatts after regulatory changes allowed the sale of excess electricity. The company targets a 30% reduction in Scope 1 and 2 emissions by 2030 against a 2017 baseline. The chief executive has proposed a flexible range of 25–35%, replacing the fixed 30% goal. ^[2,6]

That flexibility is economically significant. A fixed target is a commitment. A range is an option. The market reads the shift from fixed to flexible as a signal that the company is preserving the ability to slow down if the cost of compliance rises.

2.5 Regulatory and legal position

Sasol's relationship with its regulators is where the economics become most visible.

Gas pricing

The National Energy Regulator of South Africa (NERSA) has found that Sasol "sustained the price of gas consistently above a competitive level or marginal cost" for seven years, describing its pricing as "perfect price discrimination by a dominant supplier," the pricing behaviour of a monopolist with market power "which it exercised and abused." The Competition Tribunal interdicted Sasol Gas from raising prices in 2023 on prima facie evidence of excessive pricing. ^[9]

On 27 August 2026 NERSA approved maximum prices for 2026/27 and part of 2027/28. For the first quarter of 2026/27 the maximum is R97.31 per gigajoule for end-user customers and R92.44 per gigajoule for traders and resellers, reflecting a minimum 5% discount. A quarterly adjustment mechanism continues until 31 March 2028, with a safeguard: any single-quarter increase above 10% requires NERSA's written approval. ^[7,8]

The gas cliff

NERSA has noted the anticipated decline in gas volumes from Mozambique. Pipeline supplies to third-party industrial users are expected to be phased out by 2028. This is an existential issue for Sasol's gas business and for the industrial customers who depend on it. The company has not yet secured replacement supply at scale.

Ethylene

Sasol is the sole supplier of ethylene to Safripol, a major polymer producer, through a pipeline. At the same time, Sasol competes with Safripol in the market for polypropylene and other polymers. On 30 June 2025, Safripol lodged a complaint with the Competition Commission, asking it to investigate whether Sasol's conduct as the monopoly ethylene supplier contravenes the Competition Act. ^[10,12]

In March 2026, KAP, Safripol's parent, announced that an independent arbitrator had determined the price dispute in Safripol's favour, with costs, upholding KAP's reading of the contract's pricing principles. Sasol responded that the arbitration award dealt with separate issues from the pricing hardship dispute, and said it was reviewing the decision and considering its options. Multiple disputes remain ongoing, including a dispute over Sasol's volume commitments, and the Competition Commission investigation continues. ^[10,11]

Environmental enforcement

The National Prosecuting Authority executed search warrants at Secunda in connection with the alleged unlawful discharge of vanadium and diethanolamine into the Vaal River. Separately, Sasol has been granted alternative sulphur dioxide emission limits that are less stringent than South Africa's minimum emission standards, a concession that environmental groups have challenged. ^[14]

The neutrality principle

There is a long-standing legal principle, established in a 1967 agreement between the apartheid government and Total to build the Natref refinery, that inland refineries should not be disadvantaged relative to coastal refineries in the tariffs charged for moving crude oil. The Constitutional Court has affirmed that this principle governs the tariff structure for crude oil conveyance from Durban to Sasolburg. Sasol has litigated to enforce the principle in its favour. This is a legal entitlement, not a breach. But it illustrates the company's position: it is simultaneously a shareholder in an inland refinery, a beneficiary of a tariff rule designed to protect inland refiners, and a participant in the market that the rule affects. ^[13]



Figure 4. Key regulatory, legal, climate and community events, 2023–2028

2.6 Investor sentiment

At the November 2025 annual general meeting, the non-binding advisory resolution to endorse Sasol's climate change strategy passed with 85.30% of votes in favour and 14.70% against, with a further 15.23% abstaining. The resolution was tabled after Sasol omitted a climate vote entirely in 2024. It will remain valid until 2028 unless the climate strategy undergoes what the company calls a "material change." ^[15]

Just Share, a South African responsible-investment pressure group, recommended that investors vote against the resolution, citing a lack of transparency and concerns about the scientific integrity of the plan. More than 20% of shareholders voted against the climate report at the 2023 annual general meeting, held in January 2024, a considerable fall in support from previous years. Climate vote support had fallen from 94.54% in 2021 to 77.36% by that meeting. Sasol also refused to table a shareholder-proposed resolution co-filed by Just Share and Aeon Investment Management. ^[16]

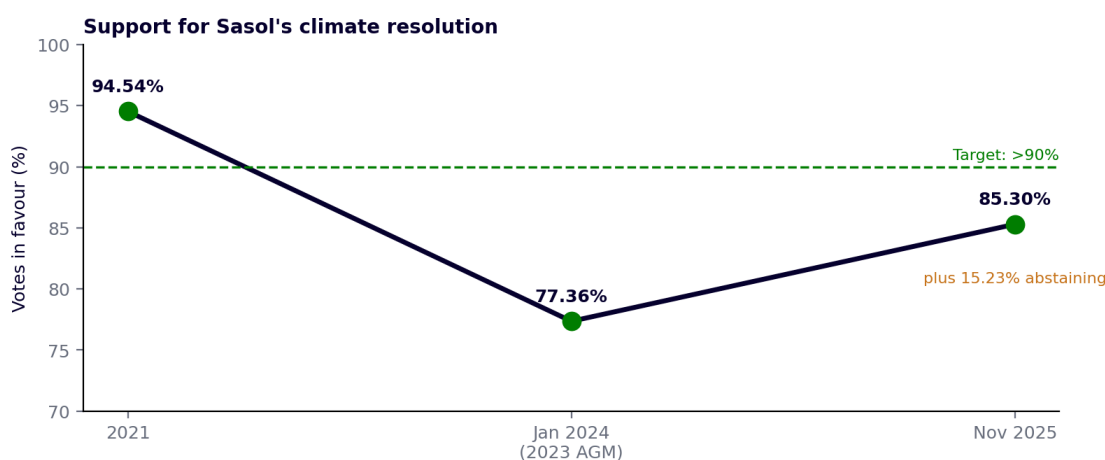


Figure 5. Climate resolution support, 2021 to November 2025

The picture is of a shareholder base that is not in open revolt but is steadily withdrawing its endorsement. Support is recovering from its low point but remains well below where it was five years ago, and a significant minority is abstaining rather than approving.

2.7 Community relations

The gap between Sasol's formal community programmes and how communities actually experience the company is one of the most economically significant findings in this report.

In July 2026, the Bureau of Investigative Journalism published an investigation into Sasol's two-decade gas project in Mozambique. Communities told investigators that promises of economic development "amounted to nothing," that they were "misled into giving their agreement," and that the project had failed to bring jobs, houses, or infrastructure. One resident said: "For us, Sasol is a nightmare." Sasol made billions from extracting gas and selling it in South Africa while surrounding areas remained in abject poverty. The company did not respond to requests for comment. ^[17]

At the same time, Sasol ranked first in Mozambique's Extractive Industry Transparency Index with a score of 73.68%, and received a special award for environmental transparency. Both things are true. The formal disclosure is strong. The lived experience is poor. That divergence is the single most important fact about Sasol's community relations, and it has direct economic consequences.

In the United States, residents of Mossville, Louisiana, have accused Sasol of failing to fairly compensate and relocate those who want to leave the area surrounding its major US manufacturing facility. Sasol denies this. In March 2026, members of the Kinross Business Forum marched to Sasol's Bokamoso Shaft, a new extension of the Syferfontein colliery under construction.

In May 2025, a major protest erupted in Sasolburg, with residents demanding fair access to jobs at Natref and Sasol and protesting the hiring of outsiders. The protest was severe enough to cause a 4.61% drop in Sasol's share price in a single day.

2.8 Health and environmental costs

Research by the Centre for Research on Energy and Clean Air estimates that pollution from Sasol's Secunda plant is linked to approximately 1,000 deaths per year. The research links Secunda's emissions to 820 low-birthweight births and 1,100 preterm births over the 2024/25 financial year, along with 2,000 asthma emergency-room visits, including 930 among children aged 0 to 17. ^[18,19]

These are not costs that appear on Sasol's income statement. They are borne by the people who live near the plant and by the public health system. Economists call these external costs: costs of production that the producer does not pay. When a company does not pay the full cost of its production, it produces more than it would if it did, and it earns a higher accounting profit than its true economic profit. Part of Sasol's reported profitability is, in this sense, a transfer from the people of Mpumalanga to its shareholders.

WHY THIS MATTERS FOR THE DIAGNOSIS

This identifies a second source of profit that is not derived from efficiency: the ability to impose costs on others without paying for them.

PART 3 • THE DIAGNOSIS

Diagnosis: The Economics of Sasol's Position

3.1 The core business: a genuine cost advantage

Sasol's first source of profit is real and defensible. Coal-to-liquids is expensive to build but cheap to feed, because coal is abundant and cheap in South Africa. The Fischer-Tropsch process is proprietary and operates at a scale no competitor has matched. The company owns its mines, its gas fields, its pipeline, and its conversion plants. This vertical integration reduces transaction costs, secures supply, and captures margin at every stage.

This is a classic cost-advantage moat. It is the reason Sasol survives oil price cycles that kill less integrated producers. It is the part of the business that is worth defending.

The economic test for this business is simple: can it earn a return on capital above its cost of capital at mid-cycle oil prices? Management's own break-even target of US\$50 a barrel suggests the answer is yes, but with limited margin for error. At US\$50 oil, the business covers its costs. It does not generate the kind of returns that justify a premium valuation. The cost advantage is real but modest.

3.2 The second business: extracting rent from bottleneck positions

Sasol's second source of profit is different in kind. It comes from charging more than the competitive price in markets where it faces no effective competition. Economists call this economic rent: profit that exceeds what is needed to keep the resource in production. Rent arises when there is a barrier to entry that prevents competitors from undercutting the incumbent. In Sasol's case, the barriers are real: it is the only supplier of piped gas in much of South Africa, and it is the only domestic supplier of ethylene, including to Sefripol by pipeline.

The evidence that Sasol charges above competitive prices comes from the regulator, the courts, and an arbitrator:

- NERSA found that Sasol sustained gas prices above competitive levels for seven years and described its pricing as perfect price discrimination by a dominant supplier. ^[9]
- The Competition Tribunal interdicted Sasol Gas from raising prices on prima facie evidence of excessive pricing. ^[9]
- An independent arbitrator determined the price component of the Sefripol ethylene dispute in Sefripol's favour, including on costs, although Sasol disputes the scope of the award. ^[10,11]
- The Competition Commission is investigating whether Sasol's market position breaches the Competition Act. ^[10]

Sasol contests aspects of these findings, and the interdict was prima facie rather than final. But when a regulator, a tribunal, and an arbitrator all point in the same direction, the economic inference is strong: Sasol earns rent from its bottleneck positions.

The question is how large that rent is. NERSA's price caps give a rough guide. If an uncapped price were, say, 15% higher than the approved maximum (an illustrative assumption), the rent on gas alone would be in the hundreds

of millions of rand a year. Add ethylene and polymers, and Genie Capital estimates the total rent from bottleneck pricing at R500 million to R1 billion a year in foregone revenue if Sasol were to price at competitive levels.

That is between 0.8% and 1.6% of FY2026 Adjusted EBITDA of R61 billion, comfortably under 2%.

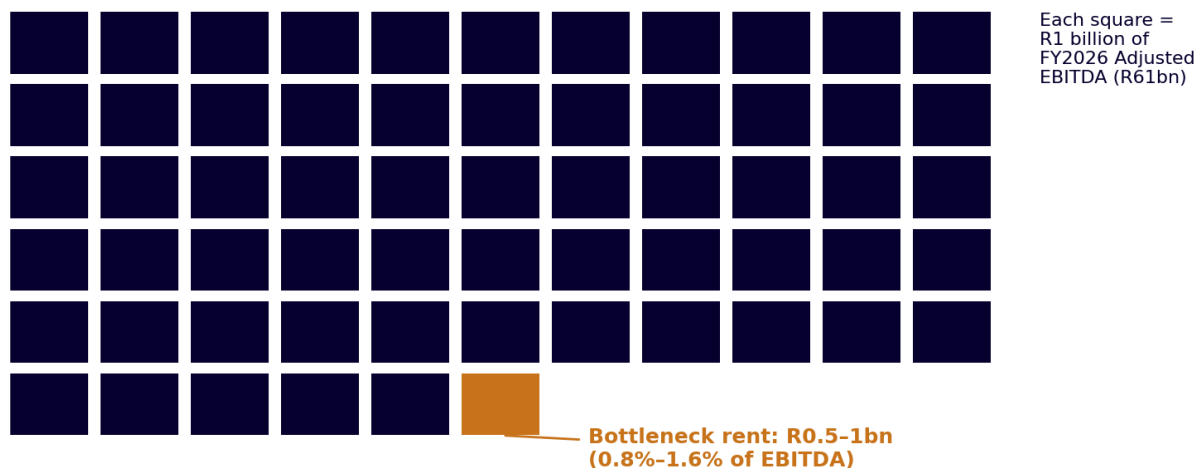


Figure 6. The rent Sasol defends, set against FY2026 Adjusted EBITDA

THE SINGLE MOST IMPORTANT NUMBER IN THIS REPORT

The rent that Sasol is fighting to preserve is small relative to the cost of the fight. The regulatory overhang, the legal fees, the reputational damage, the investor abstentions, the community protests, and the discount rate the market applies to the entire business are all, in large part, consequences of defending a revenue stream worth less than 2% of EBITDA.

3.3 The upstream/downstream distinction, and why it matters

It is important to be precise about where the problem is and where it is not.

Sasol's retail network, its convenience stores, its coffee partnerships, and its loyalty programme are not a source of market power in the problematic sense. They route Sasol's own production to consumers. They do not match third-party supply and demand in a market where Sasol also competes. The retail business has strong customer metrics: a Net Promoter Score of 42, 87% customer loyalty, three consecutive awards for forecourt customer experience, and loyalty programme membership growing from 1.8 million to 2.2 million.

Similarly, Sasol's Fischer-Tropsch technology is an internal production platform. The company does not license it widely or operate it as a market-facing layer that other producers depend on. It is a proprietary production process, not a bottleneck that third parties must pay to access.

The problem is upstream, in the substrate layer. It is gas, where Sasol is the sole supplier to industrial customers. It is ethylene, where Sasol is the sole supplier to Safrinol by pipeline while competing with Safrinol in polymers. These are the markets where Sasol controls an input that its competitors and customers need, and where it has been found to charge above competitive prices.

This distinction tells us what not to do. Sasol does not need to break up its retail network. It does not need to spin off its technology. It needs to fix the upstream pricing conduct. The downstream business is a strength. The upstream conduct is the liability.

3.4 The pricing problem in detail

Consider the ethylene case, because it is the cleanest example. Sasol supplies ethylene to Safripol through a pipeline. Safripol uses that ethylene to make polymers. Sasol also makes polymers and sells them into the same market. So Sasol is simultaneously Safripol's supplier and Safripol's competitor.

This is a structural conflict of interest. Sasol has both the ability and the incentive to disadvantage Safripol, by charging a higher price for ethylene, by restricting volume, or by timing supply in ways that benefit its own polymer business. Whether or not Sasol has actually done any of these things, the structure creates the incentive, and the structure is what the Competition Act is designed to police.

The empirical record suggests the concern is not hypothetical. Safripol lodged its complaint in June 2025. An arbitrator determined the price dispute in Safripol's favour in March 2026, including on costs. Multiple disputes remain ongoing, including a volume dispute. The Competition Commission investigation continues. ^[10,11,12]

The gas case is similar in structure but larger in scale. Sasol is the sole supplier of piped gas to industrial customers in a large part of South Africa. NERSA found that it sustained prices above competitive levels for seven years and described the pricing as an abuse of market power. The regulator has now imposed price caps and a quarterly adjustment mechanism with a safeguard against large increases. ^[7,8,9]

In both cases, the economics are the same. Sasol controls an essential input. It charges more than a competitive market would. Its customers and competitors have no alternative supplier. The regulator intervenes. The intervention imposes costs on Sasol: legal fees, compliance costs, reputational damage, and eventually price caps that reduce the rent. The fight continues. The overhang persists.

3.5 The rule-making conflict

There is a second structural problem, distinct from pricing but related in kind. Sasol is subject to climate policy (carbon taxes, emission standards, air quality rules) that directly affects the profitability of its core business. At the same time, Sasol participates in the process of making that policy. It lobbies. It makes submissions. It proposes delays and amendments.

InfluenceMap, which tracks corporate climate policy engagement, reports that Sasol requested policymakers to delay implementation of Phase 2 of the Carbon Tax Act, was unsupportive of increased carbon tax rates for 2026 and 2030, and called for the extension of tax allowances beyond 2030. The company has consistently opposed carbon tax policies while supporting some greenhouse gas legislation. ^[20]

This is not illegal. Companies are entitled to advocate for their interests. But it creates a specific economic problem: Sasol is simultaneously a regulated entity and a participant in setting the rules that regulate it. The conflict is structural. It means that every climate policy decision is, from Sasol's perspective, both an external constraint and an internal negotiation. And it means that the company's opposition to climate policy is read by investors, regulators, and the public not as ordinary advocacy but as an attempt to avoid paying the full cost of its production.

The economic consequence is a credibility problem. When Sasol invests in renewable energy (1.3 gigawatts secured, 500 megawatts operational, a 2-gigawatt target) the market does not read it as a genuine transition. It reads it as greenwashing, because the company is simultaneously fighting the policy framework that would make the transition economically binding. A 2025 report by Fossil Ad Ban found that Sasol's advertisements reached 15 million people monthly with messaging that created "the impression of being committed to renewable energy" while the company continued to fuel the climate crisis. ^[21]

The renewable investment is real. The problem is that it is not credible as long as it coexists with opposition to the policy that would enforce it.

3.6 Trust as an economic asset: the measured asymmetry

The most important economic finding in this report is that Sasol's relationships with its stakeholders are not uniformly good or uniformly bad. They are sharply asymmetric, and the asymmetry has a measurable effect on the value of the business.

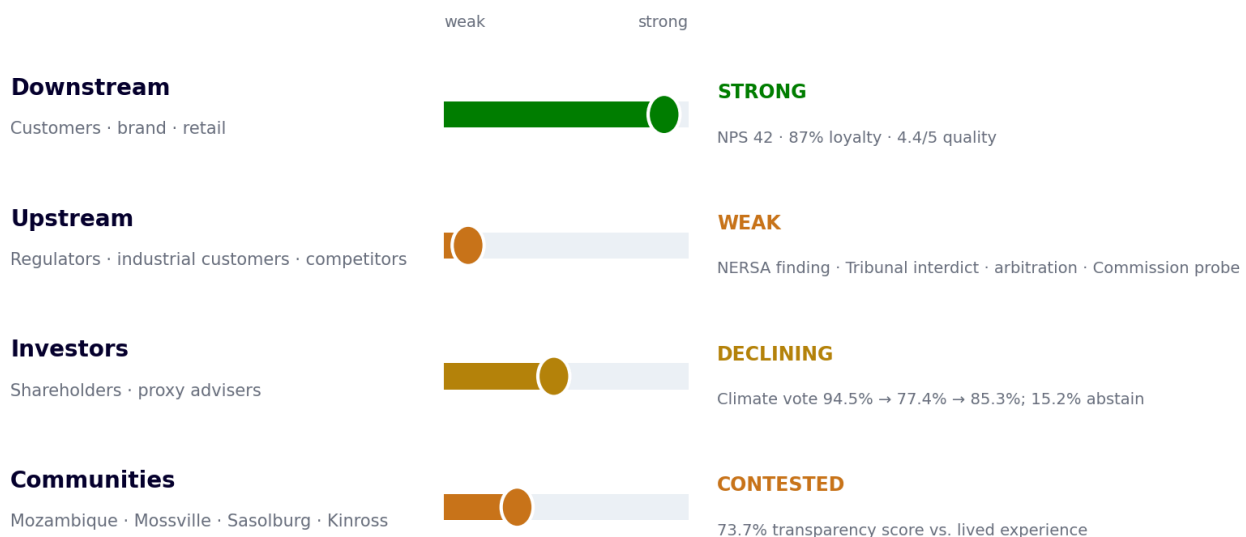


Figure 7. The trust asymmetry: qualitative position by stakeholder group, with evidence

Stakeholder group	Evidence
Downstream: customers, brand, retail	NPS 42 · loyalty 87% · quality 4.4/5 · pricing 4/5 · Ask Afrika Orange Index winner three years running · Sasol Rewards 1.8m to 2.2m members
Upstream: regulators, industrial customers, competitors	NERSA finding of sustained above-competitive pricing · Tribunal interdict · arbitration outcome for Saffipol · Commission investigation · multiple Saffipol disputes
Investors	Climate vote support 94.54% (2021), 77.36% (Jan 2024), 85.30% (Nov 2025) with 15.23% abstaining · Just Share recommending against · shareholder resolution not tabled
Communities	Mozambique: first in transparency (73.68%) yet communities report broken promises · Mossville compensation accusations · Sasolburg protest, shares down 4.61% in a day · Kinross march on Bokamoso Shaft

The economics of this asymmetry are straightforward. Trust is an asset that reduces the cost of doing business. When a company is trusted, it spends less on lawyers, less on compliance, less on community relations, less on investor engagement. It faces fewer protests, fewer investigations, fewer lawsuits. Its cost of capital is lower because investors see fewer risks. Its regulatory risk is lower because regulators see a cooperative partner rather than an adversary.

When trust is low, every one of those costs rises. Legal fees, compliance costs, security, community liaison, investor relations, regulatory affairs: all of it becomes more expensive. And the cost of capital rises, because investors demand a higher return to compensate for the higher risk.

The asymmetry means that Sasol's downstream strengths (its brand, its customer loyalty, its retail network) are not sufficient to offset its upstream weaknesses. A company with excellent customer service and poor regulatory relations is not a healthy company. It is a company with a good front of house and a structural problem in the back.

3.7 Why the market discounts the assets

We can now state precisely what the market is pricing. The market is not repricing Sasol's physical assets. The coal reserves are still there. The plants still work. The technology still produces fuel and chemicals at a cost advantage. The market is not repricing Sasol's brand. Customer loyalty is strong. The retail network is valuable.

The market is pricing a risk that does not appear on the asset register: the risk that the regulatory, legal, and social environment will not permit these assets to earn a normal return on capital over their remaining life.

This is what a Tobin's Q of about 0.19 for Secunda means. It means the market believes that if you rebuilt Secunda today, you would not earn back your investment, because the carbon taxes, the emission standards, the community opposition, and the regulatory overhang would prevent it. The asset is worth less than it cost because the environment in which it operates has turned against it.

This is also what the 18.3–18.8% discount rate means. Analysts apply a high discount rate to Sasol's future cash flows because those cash flows are uncertain, not because oil prices are volatile, but because the rules under which Sasol operates are changing, and Sasol is fighting the change rather than adapting to it.

And this is what Citigroup's "terminal decline" thesis means. When an analyst says a facility is in terminal decline, they are saying the market expects it to be worth less in the future than it is today, and less again after that, until it is worth nothing. That is the definition of an asset whose economic life is ending.

The market is not being unfair to Sasol. The market is reading the same evidence that this report has assembled: a company with a genuine cost advantage, a small but valuable rent stream, a structural conflict of interest, a declining regulatory relationship, a contested community relationship, and a climate policy it opposes rather than accepts. The market is concluding that the rent stream is worth less than the cost of defending it, and that the cost advantage is not large enough to compensate.

3.8 Why conventional analysis misses this

Four conventional explanations for Sasol's discount are each partially true and each incomplete.

Commodity cyclicalities. Sasol's earnings do fluctuate with oil and chemical prices. But cyclicalities do not explain a price-to-book below 1.0 or a Tobin's Q of about 0.19. Those are structural valuations, not cyclical adjustments. A cyclical discount narrows when the cycle turns. Sasol's discount has persisted through the strongest operating year in five years.

Communication failure. Sasol's communication has been poor at times. The Lake Charles cost overruns in 2019 destroyed credibility: costs rose from US\$11.13 billion to US\$12.6–12.9 billion, the American depositary receipts fell 14.93% in a single day, and the board commissioned an independent external review. The omission of a climate vote in 2024 was perceived as strategic avoidance. But communication failure cannot explain the persistence of the discount. Sasol's integrated report has been commended by EY. Its CDP score improved from B to A–. It ranked first in Mozambique's transparency index. If the discount were a communication problem, these recognitions should have narrowed it. They did not.

Regulatory risk as an external factor. Conventional analysis treats regulation as something that happens to Sasol from outside. But the Nikoka Protocol analysis shows that regulatory risk is endogenous: it is generated by Sasol's own conduct. NERSA's price caps, the Competition Tribunal's interdict, the Safripol arbitration: these are not external shocks. They are responses to Sasol's structural position and pricing behaviour. The company's participation in rule-making to protect its producer interests generates the intervention that conventional analysis treats as exogenous.

Stakeholder management as public relations. Conventional analysis treats community investment as a reputation-building exercise. But the Mozambique evidence shows that formal transparency and lived experience can diverge completely. Sasol ranked first in transparency while communities reported broken promises. This means that community spending without structural change is a cost without a return: money spent to address a symptom while the cause persists.

What all four explanations miss is that the sources of Sasol's profitability are not equally durable. The cost advantage is durable. The rent stream is not. And the two are linked: the fight to preserve the rent stream is destroying the trust that supports the cost advantage.

3.9 The combined economic picture

Sasol is a company with two profit streams and two relationships with its environment.

The first profit stream comes from a genuine cost advantage: cheap coal, proprietary technology, integrated operations. This stream is durable. It would survive even if Sasol gave up all its bottleneck pricing and accepted climate policy in full.

The second profit stream comes from charging above competitive prices in markets where Sasol faces no competition, and from imposing costs on communities and the public health system that Sasol does not pay. This stream is not durable. It is being regulated away by NERSA, litigated away by Safripol, taxed away by the carbon tax, and priced away by the market.

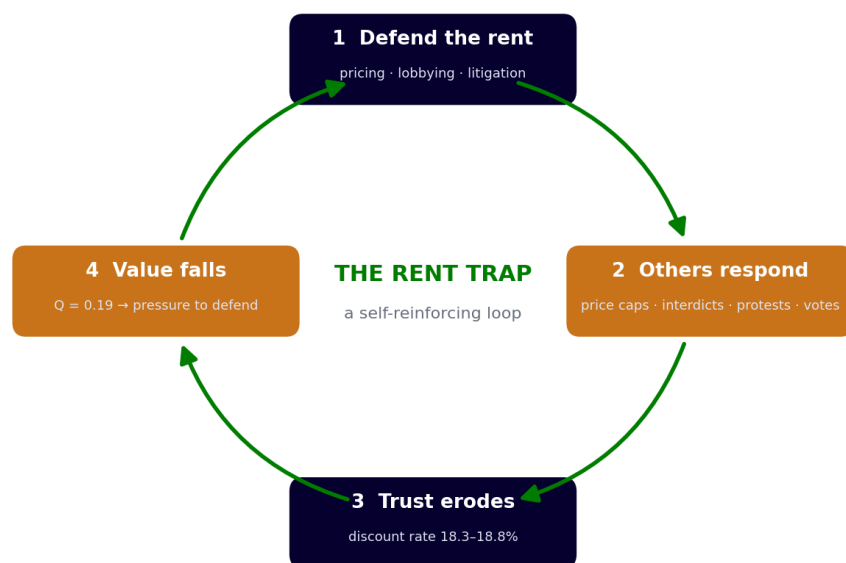


Figure 8. The rent trap: how defending a small rent erodes the trust behind the durable profit

The two profit streams are linked by trust. The fight to preserve the second stream (the lobbying, the litigation, the regulatory battles, the community protests, the investor abstentions) is eroding the trust that supports the first. The market sees this and applies a discount to the entire business, not just to the rent-generating parts.

The economic prescription follows directly from the diagnosis. If the rent stream is worth less than 2% of EBITDA, and if defending it costs more than that in legal fees, compliance, reputational damage, and a higher cost of capital, then the rational move is to give it up deliberately. Stop charging above competitive prices. Stop fighting climate policy. Accept the lower revenue and the higher compliance cost in exchange for removing the overhang.

CAPITAL ALLOCATION, NOT ALTRUISM

The rent is small. The overhang is large. Trading the rent for the removal of the overhang is a value-creating transaction.

PART 4 • THE PRESCRIPTION

Strategy: Two Moves

MOVE 1 End above-competitive pricing (gas, ethylene) • cost R0.5-1bn a year



MOVE 2 Stop fighting climate policy • cost R1-2bn a year



Sequence: Move 1 first. It removes the obstacle that makes Move 2 look like greenwashing.

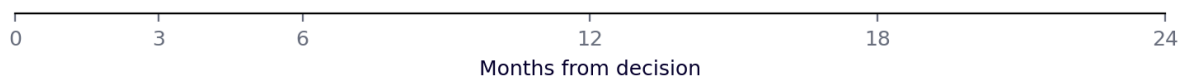


Figure 9. The two moves, their cost and their timing

4.1 Move one: end above-competitive pricing on gas and ethylene

What it means. Sasol should voluntarily price gas and ethylene at competitive levels, publish the terms on which it supplies these inputs, and accept the margin normalisation that follows.

Why it is the first move. The pricing conduct is the clearest, most documented, and most legally exposed source of the legitimacy deficit. NERSA has already imposed price caps. The Competition Tribunal has already interdicted price increases. The Safripol arbitration has already gone against Sasol on price. The Competition Commission investigation is ongoing. The regulatory overhang is not hypothetical; it is already priced into the discount.

By repricing voluntarily, Sasol does three things at once. It removes the basis for the regulatory caps, because there is no longer an above-competitive price to cap. It removes the basis for the Safripol disputes, because the pricing principle at issue is no longer in dispute. And it converts a litigation cost centre into a trust-building asset, because it demonstrates that the company is willing to be held to competitive standards.

What it costs. The foregone rent. Genie Capital estimates this at R500 million to R1 billion per year in foregone revenue, or 0.8%–1.6% of FY2026 Adjusted EBITDA.

What it saves. The legal fees, compliance costs, and management time currently devoted to defending the pricing. The regulatory overhang priced into the discount. And the political capital that could be redirected from defending prices to building the transition.

Time to effect. Three to twelve months. Pricing changes can be implemented quickly. The regulatory and legal consequences take longer to work through.

How we will know it worked. NERSA lifts the price caps as unnecessary. Safripol withdraws its complaint. The gas price premium to marginal cost is eliminated. The chemicals margin compresses visibly in Sasol's own accounts: the rent leaving the profit and loss statement is the proof that the rent was there.

4.2 Move two: stop fighting climate policy

What it means. Sasol should cease opposing carbon tax increases and climate legislation, accept external standards as binding rather than negotiable, and reinstate full disclosure of its transition plan, including a shareholder vote on the plan.

Why it is the second move. The rule-making conflict is the second structural problem. Sasol cannot simultaneously be a large emitter and a participant in setting the rules that govern emissions. The conflict is the source of the credibility problem that makes its renewable investments look like greenwashing. Resolving it requires accepting the rules rather than trying to shape them to its advantage.

What it costs. The incremental cost of compliance with the carbon tax trajectory. Sasol's gross carbon tax liability without offsets is estimated at R3.7 billion for 2026, potentially rising to R4.3 billion by 2030, and about 9 million tonnes of offsets are contracted, covering roughly 60% of the offset requirement. Genie Capital estimates the net incremental cost of accepting the trajectory rather than opposing it at R1–2 billion per year in additional compliance and disclosure costs.

What it saves. The credibility gap that makes every renewable investment suspect. The investor abstentions. The Just Share recommendations against. The regulatory hostility. And the terminal-value discount that analysts apply because they cannot see a credible path to a lower-carbon business.

Time to effect. Six to twenty-four months. Changes in lobbying position can be announced quickly, but rebuilding credibility takes longer. The market will want to see the company accept policies it previously opposed, not just say it accepts them.

How we will know it worked. Carbon tax opposition ceases. Climate vote support recovers above 90% on a reinstated vote. A separate climate report is reinstated. Just Share changes its recommendation to vote in favour. The 2-gigawatt renewable target is delivered and independently verified. And the flexible 25–35% emission reduction range is replaced by a fixed target that the company commits to.

4.3 Why these two and not others

Community investment is not a third move. It is an output of the first two. The Mozambique evidence shows why. Sasol ranked first in transparency while communities reported broken promises. Formal disclosure decoupled from lived experience. Spending more on communities while the structural conflicts persist is money spent to address a symptom while the cause continues. Once pricing is competitive and climate policy is accepted, community trust has a foundation to build on. Until then, it does not.

Coal-to-liquids expansion into other countries is not an option. It would scale up the carbon-intensive part of the business at precisely the moment when the regulatory environment is turning against it. The European Union's carbon border adjustment mechanism and similar instruments are closing the window for carbon-intensive exports. A thirty- to forty-year capital commitment to coal-to-liquids in a shrinking regulatory corridor is value destruction, not growth. Sasol's existing international GTL operations are a different matter, but expanding CTL into new coal-rich nations would compound the structural problem rather than resolve it.

4.4 Sequence

The two moves must be sequenced. Pricing reform first, climate stance second.

The reason is arithmetic. As long as the company is defending above-competitive prices, any climate investment it makes is read as a distraction from the pricing problem rather than a genuine commitment to transition. The

market has already priced it that way; the greenwashing finding is evidence. Move one removes the obstacle. Move two then has a clear field.

There is also a practical reason. Pricing reform is faster and cheaper than climate stance reversal. It can be implemented in months and costs less than 2% of EBITDA. Climate stance reversal takes longer and costs more. Doing the cheap, fast thing first builds credibility for the expensive, slow thing.

4.5 What this costs, and what it buys

The combined cost of the two moves is estimated at R1.5–3 billion per year in foregone revenue and additional compliance costs (R0.5–1 billion for pricing plus R1–2 billion for climate). Against FY2026 Adjusted EBITDA of R61 billion, that is 2.5–5%. At about R16.5 to the US dollar, the rate implied by Sasol's reported total debt in rand and dollars, that is roughly US\$0.09–0.18 billion a year. ^[4]

The potential benefit is a re-rating of the equity. A move from a price-to-book of 0.88 to 1.0 would add roughly 14% to the market value of equity, about US\$1.2 billion on a market capitalisation of US\$8.66 billion. Convergence toward peer multiples would add more. The trade is straightforward: give up 2.5–5% of EBITDA each year to remove a discount that is costing far more than that in foregone market value and elevated cost of capital.

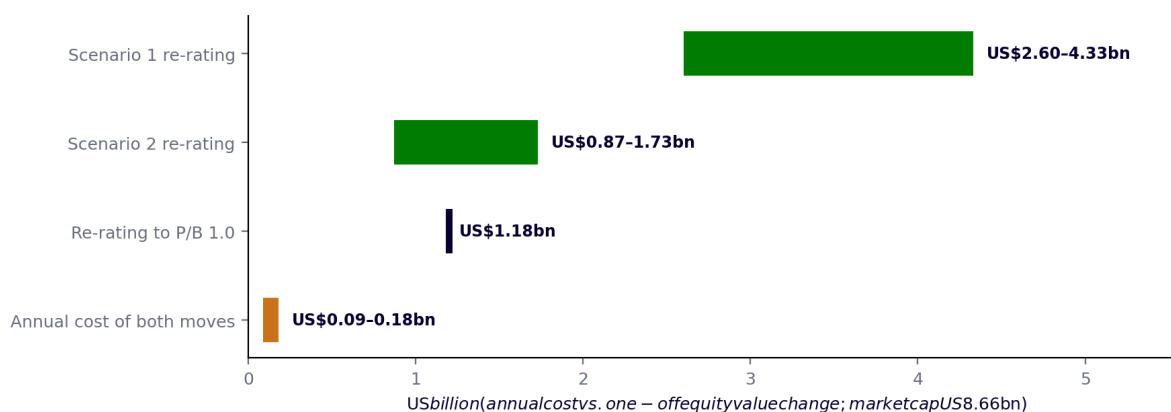


Figure 10. Annual cost of the two moves against the one-off equity value at stake

4.6 What not to do

- **Do not spend more on community relations as a substitute for structural change.** The evidence shows it does not work. Formal transparency and lived experience can diverge completely. Fix the structure first.
- **Do not expand coal-to-liquids into new markets.** It scales up the problem rather than resolving it. The regulatory window is closing. Capital committed to CTL today is at risk of becoming stranded.
- **Do not rely on communication to fix a structural problem.** Better disclosure helps, but it cannot make a structurally conflicted business look structurally sound. The market sees through it. Fix the structure, then communicate.
- **Do not wait for the market to force the change.** The regulatory and legal processes are already in motion. NERSA has imposed caps. The Competition Commission is investigating. The carbon tax is rising. Waiting means implementing the changes later, at higher cost, with less control over the terms.

4.7 How we will know it is working

The test is empirical, not rhetorical. We will know the strategy is working when:

- NERSA's price caps are lifted because they are no longer necessary.
- Safripol withdraws its complaint and the remaining disputes are settled.
- The gas price premium to marginal cost disappears from Sasol's accounts.
- Carbon tax opposition ceases and the company publicly accepts the trajectory.
- Climate vote support recovers above 90% on a reinstated shareholder vote.
- A separate climate report is reinstated with a fixed, verified emission reduction target.
- Just Share changes its recommendation to vote in favour.
- The price-to-book ratio moves above 1.0.
- The Tobin's Q for Secunda rises from about 0.19.
- The forward earnings multiple converges toward peer levels.
- Citigroup and other analysts withdraw their terminal decline theses.

None of these outcomes can be achieved by communication alone. All of them follow from the two structural moves.

PART 5 • THE FUTURES

Scenarios: Four Possible Futures

The four scenarios below are Genie Capital judgements, not forecasts. Re-rating ranges are indicative changes in equity value relative to October 2026 and depend on how much of the discount the market attributes to structural risk rather than other factors.

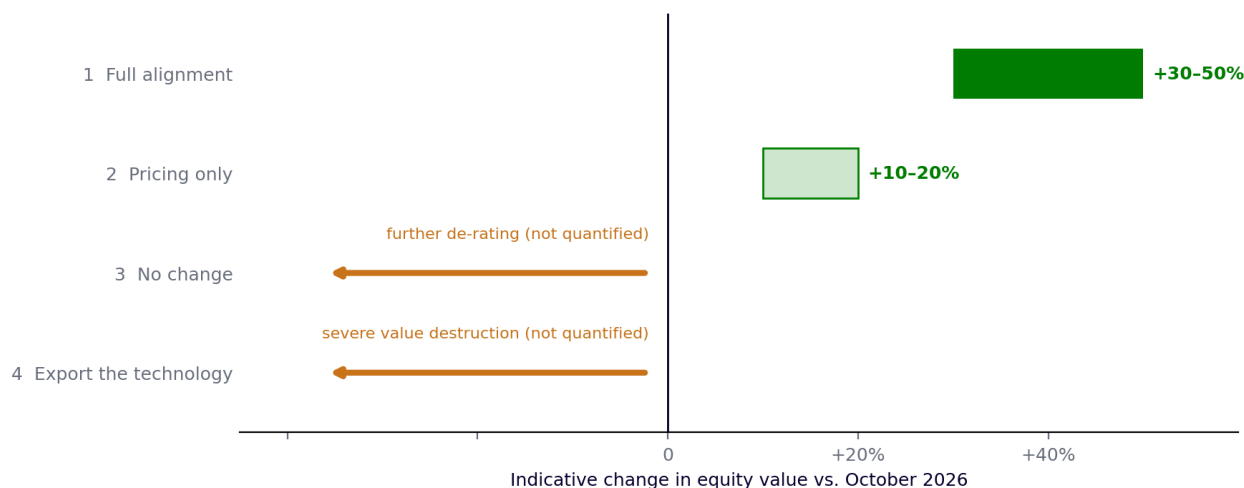


Figure 11. Indicative change in equity value by scenario

Scenario one: full alignment

Sasol implements both moves. Pricing becomes competitive. Climate policy is accepted. The regulatory overhang is removed. The structural conflicts are resolved.

What happens. NERSA lifts the price caps. The Safripol disputes settle. The carbon tax is absorbed as a normal operating cost. The climate vote recovers. The market re-rates the equity. Price-to-book moves above 1.0. Tobin's Q for Secunda rises. The discount rate applied by analysts falls toward the cost of capital for comparable companies.

Probability. Low in the near term. The empirical record of the past five years shows a company that has opposed carbon tax, fought price regulation, and withheld climate disclosure. A full reversal would require a change in strategy and, plausibly, in leadership. It is possible but not likely on the current trajectory.

Financial impact. A capital re-rating of 30–50% from current levels (about US\$2.6–4.3 billion), based on convergence toward peer valuations.

Scenario two: pricing only

Sasol implements pricing reform but continues to oppose climate policy. The pricing conflict is resolved, but the rule-making conflict persists.

What happens. NERSA lifts the caps. The Safripol disputes settle. The regulatory overhang on pricing is removed. But the climate vote remains below historical levels, Just Share continues to recommend against, and the terminal-value discount persists because the transition path remains unclear.

Probability. Medium. Pricing reform is cheaper and faster than climate stance reversal. The regulatory pressure on pricing is more immediate. It is plausible that the company addresses the easier problem first and defers the harder one.

Financial impact. A partial re-rating of 10–20% (about US\$0.9–1.7 billion). The discount narrows but does not close. The market continues to apply a terminal-value discount to Secunda because the climate strategy remains contested.

Scenario three: no change, imposed regulation

Sasol continues its current strategy. Pricing remains above competitive levels where possible. Climate policy continues to be opposed. The regulatory processes run their course.

What happens. NERSA's caps become permanent. The Competition Commission may rule against Sasol in the ethylene investigation. The carbon tax rises as scheduled. The gas cliff arrives in 2028 without replacement supply. Secunda's economic life shortens. The discount persists or widens. At some point, the market may force a change through a lower share price, an activist campaign, or a takeover approach.

Probability. Medium-high if the current trajectory continues. The company has shown no sign of a strategic reversal.

Financial impact. Further de-rating. The Secunda impairment remains. The gas cliff forces operational contraction. The cost of capital remains elevated. The equity remains cheap, but for a reason.

Scenario four: export the technology

Sasol expands coal-to-liquids into other coal-rich nations, applying its technology in new markets.

What happens. The company scales up the carbon-intensive part of its business at the moment when the regulatory environment is turning against it. The European Union's carbon border adjustment mechanism and similar instruments penalise carbon-intensive exports. The market prices carbon arbitrage risk. The legitimacy deficit deepens because the company is seen as exporting the problem rather than solving it.

Probability. Low but not zero. Sasol has existing international GTL operations in Qatar and Nigeria and has explored projects in Mozambique. The temptation to license CTL technology to coal-rich nations is real, particularly if the domestic business continues to face regulatory pressure.

Financial impact. Severe. A thirty- to forty-year capital commitment to a technology whose economic window is closing is value destruction. The more successful the expansion, the larger the stranded asset.

Scenarios side by side

Scenario	Moves made	Probability	Indicative equity impact
1 Full alignment	Pricing and climate	Low (near term)	+30–50%
2 Pricing only	Pricing	Medium	+10–20%
3 No change	None	Medium-high	Further de-rating
4 Export the technology	None; expands CTL	Low	Severe value destruction

PART 6 • THE VERDICT

Conclusion

Sasol is a company with a genuine cost advantage and a small but valuable rent stream. The cost advantage is durable. The rent stream is not. The fight to preserve the rent stream is destroying the trust that supports the cost advantage. The market sees this and applies a discount to the entire business.

The discount is not a communication failure. It is not commodity cyclicality. It is not external regulatory risk. It is the market's estimate of the probability that the regulatory, legal, and social environment will not permit Sasol's assets to earn a normal return on capital over their remaining life. The Tobin's Q of about 0.19 for Secunda is the market's estimate of that probability expressed as a valuation haircut.

The fix is not to build more, communicate better, or spend more on communities. The fix is to give up the rent deliberately, in exchange for removing the overhang. Two moves: end above-competitive pricing on gas and ethylene, and stop fighting climate policy.

The cost is 2.5–5% of EBITDA. The benefit is the removal of a discount that is costing far more than that in foregone market value and elevated cost of capital. The trade is straightforward.

The empirical test is clear. If Sasol implements the two moves, do the regulators respond? Do the disputes settle? Does the climate vote recover? Does the market re-rate? If the answer is yes, the diagnosis was correct. If the answer is no, the diagnosis was wrong.

THE QUESTION

The data assembled in this report suggests the diagnosis is correct. The market is already pricing the risk. The question is whether Sasol will price the solution.

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