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Power gap hobbles Zimbabwe's plans

Zimbabwe's ambitious plans to enforce local beneficiation of platinum have been dealt a blow by a Chinese company's failure to raise funds to complete a US$2bn upgrade to the Hwange power station.

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The indefinite delays to the expansion underscore the impracticality of the government's efforts to force platinum producers to build a refinery in the country before the end of the year.

Zimbabwe's biggest platinum miners are units of JSE-listed Impala, Aquarius and Anglo.

Despite being the country's main source of foreign earnings, they have come under intense pressure from the government in recent years to implement local ownership and beneficiation.

Last week, Zimbabwe's Herald newspaper reported that the Chinese contractors that have the $2bn contract to expand Hwange's capacity, China Machinery Engineering Company, have not secured the funds for the project. The firm won the tender eight months ago.

"They overpromised on what they could do on the funding," Zimbabwe Power Company MD Noah Gwariro said.

Zimbabwe has five power stations, each about 30 years old, which generate on average about 1,300MW, against peak power demand of about 2,200MW.

The government wants to address this gap with various projects, mainly the 600MW expansion of Hwange and adding 300MW from the Kariba South hydropower station. Funding is in place for Kariba South, where the work was also awarded to Chinese contractors.

Mining companies in Zimbabwe have to pay dearly for power, which is essential for hoisting and crushing.

Mark Learmonth, vice-president of corporate development and investor relations at Caledonia Mining, which operates the Blanket gold mine in Zimbabwe, said the company had full standby diesel power and also pays a premium for uninterrupted power.

"Our power outages are currently very small. Without the uninterrupted power arrangement, outages would probably be up to 10 hours a day."

Impala Platinum (Implats) said Zimbabwe's power supply remained inadequate due to old equipment and lack of investment, with load-shedding widespread.

Zimplats has been spared direct load-shedding as part of a security of supply deal. Its maximum demand about 68MW.

"Current projections indicate the power needed to run a refinery would be upwards of 100MW, posing a serious challenge for a project of this magnitude in this environment," an Implats spokeswoman said.

In November, the Zimbabwe electricity authority said it wanted to raise average tariffs to US11.48c/kWh (R1.23) this year from the current US9.86c/kWh. In South Africa, Eskom's average tariff is SA65.51c/kWh this year, rising to SA89.13c in 2018.

Last week, Zimbabwe mining industry representatives met government officials over an ultimatum to platinum miners to put forward plans by January 18 for investment in a refinery or the government would ba all exports of unrefined platinum.

Taking punitive measures against the miners makes little sense after forcing them to comply with an indigenous ownership requirement of 51%, since it would also punish the new beneficiaries of indigenisation.

Previous estimates suggest about 500,000oz of platinum production a year is needed to justify spending t $3bn on a refinery, but Zimbabwe produces only about 360,000oz.