

Is the Eskom debt trap real?

Energy experts Ted Blom and Dr Grové Steyn differ in their opinion on the nature of the Eskom debt burden and thrashed it out in a panel discussion at the African Utility Week and Powergen Africa conference and exhibition in Cape Town.

 By Nicci Botha 15 May 2019



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Blom called Eskom's debt burden a "fallacy" and said corruption and mismanagement is well entrenched at the power utility. He said South Africans are made to believe the debt is due to Eskom but more than three quarter of this monies are due to corruption and mismanagement. "They want you to pay this debt but 75% of that debt is not due and that is why I have called for a forensic investigation."

In 2008, for example, the price to Medupi was R33bn. "A year ago, I went back to Eskom to verify that amount and today Medupi is running at R170bn for a half-finished project. If that is not corruption and mismanagement, then I don't know what is and I don't understand why we have to pay for that."

"Eskom's governance has collapsed. We don't know who is running Eskom because it certainly does not look like it is the board. All it can be is a third force," he said. "We simply do not know who is held responsible because it is not maintained properly and not run properly. So, in terms of Eskom of the future it's already dead in the morgue. All we are throwing money at is for more people to be corrupt."

It is real

But for Steyn the debt trap is very real. "Eskom is indeed in a debt trap. It is now being bailed out by government almost on a monthly basis and even the R23bn allocated in the budget is not going to be enough to fill the gap and get Eskom out of the debt trap. So, it is quite serious, and it means we will have start thinking outside the box and find a range of solutions to help ensure - given Eskom's systemic role in the economy - we do not end up in a situation where we have a full on default on debt."

Steyn also remarked on Eskom's relevance in the future where the energy space is more competitive. "The Eskom of large-scale coal-fired power stations is not the future anymore," he said.

As the technological economic paradigm changes the cheapest power does not necessarily come from large coal-fired power plants but from smaller scale renewable projects. “If Eskom is not going to be the only party generating power, but what will it look like? That is an important question we do not have an answer for.

“Around the world traditional large-scale utilities have been successful in changing their business models and becoming players in the renewable energy space but that is a radical change that will require drastic changes in Eskom. The parts of Eskom that runs the grid and the distribution business, will of course continue to exist and will be very important for our future.”

Both Steyn and Blom served on the Presidential Task Team on Eskom.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.
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