

SA seeks way to allow Eskom to take on green debt

The finance ministry has appointed a consultant to come up with a plan by August to allow Eskom to accept billions in loans designed to help it cut its carbon emissions when the government has blocked it from taking on new debt.

By Promit Mukherjee and Carien du Plessis 19 Jun 2023



Source: Sphiwe Sibeko/Reuters

Wealthy nations, including Britain, France, Germany, the European Union and the United States, committed \$8.5bn at UN climate talks in November 2021 to help South Africa cut its emissions and accelerate a shift from coal, which provides most of its electricity generation.

Of that, over \$3bn was to be loaned to Eskom whose ageing infrastructure and crippling debts have subjected the country to the worst blackouts on record.

In February, the government said it would assume some of Eskom's debt, but on condition it did not take on any more loans for three years, unless the finance minister gives written permission.

Two diplomats, who asked not to be named because they are not authorised to speak publicly, told Reuters the government's conditions meant international pledges of green funding were in limbo.

The theoretically obvious solution of Treasury making an exception and giving permission would require complex recalculations and more parliamentary procedures, a top government official said.

In a response to Reuters questions, Treasury said it, along with President Cyril Ramaphosa's office, had appointed a consultant to find ways to resolve the issue.

The government is looking at "best mechanisms to disburse the \$8.5bn International Partners Group fund without negatively impacting Eskom's balance sheet", it said, referring to the consortium of countries and multilateral agencies providing the funding.

It said it was in regular contact with the international donors and would present a report on solutions by August.



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South Africa is experiencing its worst energy crisis on record, with electricity supply shortfalls leading to daily, hours-long planned power outages.

According to official estimates, Eskom, which supplies over 80% of South Africa's power mainly through 1 coal-fired power plants, will have to invest over \$7bn into its transmission grid by 2027, its biggest share of expenditure over the next four years.

The grid upgrade is partly necessary to allow it to cope with more renewable energy.

It would also allow the decommissioning of three power plants, which the government is considering delaying because of the shortages of generation capacity.

Rudi Dicks, the head of project management at the South African presidency, said there was a need to "clarify as a matter of urgency" whether the international loans could be accepted.

He also said that by next month, the government could release a report on its review of the decommissioning schedules of Eskom's power plants to help the utility meet electricity demands.

Of the \$8.5bn pledged to South Africa, \$3bn is from the Climate Investment Funds (CIF), a multilateral investor in developing countries.

In a statement it said it remained "committed to supporting South Africa's just transition from coal to clean power".

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