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ESKOM CORPORATE AND FINANCES

Deputy President blames struggling municipalities for Eskom woes

Deputy President David Mabuza has blamed the failure of municipalities to pay their debt to State-owned power utility Eskom for ongoing service delivery issues. In replies to written questions from the National Council of Provinces submitted on August 5, Mabuza said municipalities experiencing severe electricity challenges were often suffering as a result of usage more than the notified maximum demand, as well as a failure to honour debt repayment to Eskom. These were the "foremost" contributors to service delivery challenges, Mabuza said. "In this regard, the Political Task Team on Eskom, chaired by the Deputy President, is looking into all the municipalities that are exceeding the contracted demand with a view to resolving the negative impact on communities," the Presidency said.

Eskom replaces energy chief

Monopoly power utility Eskom shuffled some senior managers weeks after missing its own target for restricting power outages. Bheki Nxumalo has moved from his position as head of generation to the post of a group executive overseeing new projects and will be replaced by Rhulani Mathebula. Daniel Mashigo is moving from his position as general manager of primary energy to head up Eskom's Cluster 2 of power plants, replacing Mathebula, Eskom spokesperson Sikonathi Mantshantsha said. The primary energy position will be advertised.

Eskom, SIU issue summonses to recover State capture funds

State-owned power utility Eskom and the Special Investigating Unit (SIU) issued summonses in the North Gauteng High Court on August 3 to recover funds from former Eskom executives, board members and members of the Gupta family and their associates, as well as others.

"The funds were lost in a concerted effort corruptly to divert financial resources from Eskom, to improperly and illegally benefit the Gupta family and entities controlled by it and their associates during their 2015/16 acquisition of the operations of Optimum Coal Holdings (OCH)," Eskom said. "The delictual claim for damages that Eskom suffered relates to the recovery of about R3.8-billion in funds illegally diverted from Eskom to help the Gupta family and its associates to acquire the operations of OCH, which owned the Optimum Coal Mine that supplied the Hendrina power station, in Mpumalanga, with coal. The further delictual claim for damages pertains to the payments that were unlawfully made to Trillian by Eskom executives," the utility stated in a media release.

The defendants are former Eskom employees, including former group CEO Brian Molefe, former CFO Anoj Singh, former generation group executive and former acting group CEO Matshela Moses Koko and former company secretary and group legal head Suzanne Daniels. Eskom is also seeking damages against former nonexecutive directors, including Ben Ngubane, Chwayita Mabude and Mark Vivian Pamensky, as well as former Mineral Resources Minister Mosebenzi Zwane. It is further seeking damages from Gupta-linked cohorts, Salim Aziz Essa and the "Gupta brothers" – Rajesh, Atul and Ajay. Eskom alleges that all the former executives and board members breached their fiduciary duty of care and good faith to Eskom and acted in a concerted State capture effort with the Gupta brothers, Zwane and Essa, to illegally divert funds from Eskom. The Gupta brothers owned the majority of shares in entities – including Oakbay Investments and Fidelity Enterprises – that in turn owned the majority of shares in Tegeta Resources and Exploration, which bought the Optimum mine from diversified miner Glencore in 2015. The Gupta brothers and Essa are currently fugitives from justice in South Africa and are based in Dubai.

ESKOM GENERATION

Camden power station resumes operations

Operations at the Camden power station, in Mpumalanga, resumed on August 27 after a four-month shutdown to relocate ash from an unsafe dam at the station. Operations at the station were suspended in April, following the outcome of a review by a professional body, which was contracted by power utility Eskom to conduct a risk assessment on the structural integrity of the ash dam. The contractor concluded that the existing dam had reached its maximum height and, therefore, posed a safety risk to all personnel on site, including neighbouring communities and could also be a cause for environmental contravention if not attended to. Eskom has removed about 795 000 m^3 of ash from the dam, inclusive of 300 000 m^3 that is being moved by road to an opencast mine for beneficiation.

Despite Covid-induced demand slump, load-shedding surpasses 2019 levels and risk of more cuts rises

The Council for Scientific and Industrial Research (CSIR) has estimated that load-shedding during 2020 has already surpassed that of 2019, which has hitherto been the country's worst-ever year for load-shedding. In addition, it again warned that, absent urgent action, the risk of load-shedding will worsen and persist for at least two more years, but possibly to 2025.

The CSIR released its latest load-shedding analysis as Eskom issued a fresh alert on August 12, warning that the system was severely constrained, owing to a combination of delays in returning five units to service and the breakdown of two additional units, at a time when unplanned maintenance stood at 11 000 MW and planned maintenance at 5 500 MW. By August 13, it had resumed load-shedding following a short hiatus. Days earlier, CEO Andre de Ruyter told the Cape Town Press Club that the risk of load-shedding would persist deep into 2021. The CSIR analysis, compiled by Dr Jarrad Wright and Joanne Calitz, shows that load-shedding for the year to date stood at 1 383 GWh, or 661 hours of outages.

Teke urges power sector to usher in carbon capture, storage tech

South Africa has to start accelerating its drive towards a responsible transition to clean coal power generation technology to increase the country's gross domestic product, economy and drive job creation, says empowered coal miner Seriti Resources CEO Mike Teke. He has urged government, the private sector and all key role-players "to come to the party" in accelerating the retrofitting of most of South Africa's coal-fired power stations, especially those marked for closure. Despite capital being scarce in a country that is faced with numerous economic and societal challenges, Teke advocates for a responsible transition towards integrating the use of carbon capture and storage in clean coal power generation. He highlighted the importance of understanding how other countries, like Japan, were achieving higher efficiencies and lower carbon emission rates with their coal-fired power stations.

INDEPENDENT POWER PRODUCERS

DMRE calls for engagement over litigation following IPP judgment

The Department of Mineral Resources and Energy (DMRE) has urged stakeholders in the electricity industry to engage on an ongoing basis to avoid litigation, following a court ruling in August referring a dispute between the Minister and the City of Cape Town regarding the procurement of electricity from independent power producers (IPPs) back to the parties to seek a settlement. The City of Cape Town has since 2015 been in dispute with the national government and the National Energy Regulator of South Africa (Nersa) regarding its right to contract directly with IPPs, after it failed to receive a response from the Energy Minister to its request for a Ministerial determination under Section 34 of the Electricity Regulation Act to enable it to do so. The city approached the court in 2017 for a declarator after Nersa concluded that it could not license an IPP to establish new generation capacity without a Ministerial determination. The matter was heard in the Gauteng Division of the High Court in Pretoria in May.

DMRE launches procurement process for 2 000 MW of 'dispatchable' power

The Department of Mineral Resources and Energy (DMRE) has formally initiated the much-anticipated procurement process for 2 000 MW of 'emergency power' under its so-called Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP). The request for proposal bid documentation was available online from August 23, with the bid submission deadline scheduled for November 24. Preferred bidders should be announced on December 15 and financial close for selected projects is anticipated by April 30, 2021. The documentation will be released only to prospective bidders that complete an electronic registration form and pay a nonrefundable fee of R25 000 for each prospective project.

Globeleq appoints chief development officer

Independent power producer Globeleq has appointed Jonathan Hoffman chief development officer (CDO). The newly created CDO role is intended to unify the company's growth strategy. Hoffman, who will be based in Cape Town, has led business development activities in Southern Africa as an MD since 2015. He originated and managed Globeleq's growth into target countries such as South Africa and Mozambique.

Projects developed in renewables zones, gas and grid corridors 'not exempt' from environmental processes

The Department of Environment, Forestry and Fisheries (DEFF) has dismissed suggestions that renewable-energy projects developed within the designated Renewable Energy Development Zones (REDZs), including the three new zones being proposed, will be exempt from all environmental authorisation processes. In July, the department called for public comment on the creation of new REDZs in Emalahleni, Klerksdorp and Beaufort West, in addition to the eight existing REDZs in Overberg, Komsberg, Cookhouse, Stormberg, Kimberley, Vryburg, Upington and Springbok. Simultaneously, it published notices proposing that the environmental authorisation process be streamlined in the designated REDZs, as well as for gas and power transmission developments, respectively, built within the 'Strategic Gas Pipeline Corridors' and 'Strategic Transmission Corridors' outlined in the notices.

The DEFF is proposing that developments in the REDZs and the gas and power corridors follow a 'basic assessment' process rather than a 'scoping and environmental-impact assessment' process. It also proposes that the timeframes in which the department takes decisions on such applications be reduced from 107 days to 57 days. "This is because the proactive site sensitivity work has already been undertaken through two two-and-a-half-year strategic environmental assessment processes. These determined the environmental sensitivity of each of the zones and corridors," the DEFF explained in a statement.

Report reveals minigrid benefits for Africa

Minigrid electricity developer industry association, the Africa Minigrids Developers Association (Amda), launched its 'Benchmarking Africa's Minigrids' report on August 13, which finds that minigrids outperform utilities in terms of affordability, with average installed costs of $733 a connection. The report measures industry performance through a comprehensive collection of data across 12 countries and 28 companies. The report, produced in collaboration with Economic Consulting Associates and Odyssey Energy Solutions, covers a ten-year period and focuses on metrics such as installed and operating costs, financing, quality of service and regulatory approval times. Amda says the report provides a previously absent methodology and transparency to track the fast-evolving minigrid sector.

Sasol sets sights on large-scale renewables procurement

Chemicals and energy group Sasol intends issuing, during its current financial year, a request for proposals (RFP) for wind and solar projects, with a combined capacity of between 200 MW and 300 MW having received a strong response to a market-testing request for information (RFI) issued in May. Business development, technology and SHE VP Kribs Govender has said that about 100 independent power producers responded to the RFI, providing details of more than 220 potential projects, with a combined capacity of more than 7 GW. The responses have helped inform the JSE-listed group's renewable-energy strategy, including a decision to start the roll-out with two embedded solar photovoltaic projects of 10 MW apiece. These small-scale projects are to be deployed at Sasol's operations in Secunda, in Mpumalanga, and Sasolburg, in the Free State. An RFP for the two 10 MW projects was released on August 3, with the closing date for submissions set for Friday, October 2.

NUCLEAR

Necsa poised for year-long 'rationalisation' as it warns of R331m loss

The South African Nuclear Energy Corporation (Necsa) expects to formally initiate a year-long rationalisation of the State-owned enterprise in September, while warning of a likely R331-million loss for the current financial year. Chairperson David Nicholls has confirmed the board's support for a rationalisation of the group into a single operating company. A streamlined governance structure has already been established, with the collapsing of the NTP and Pelchem boards into the Necsa board. Pelchem manufactures fluorochemicals, while NTP is a leading global supplier of radioisotopes, used in nuclear medicine.

Peaceful use of nuclear tech underscores its value to Africa's developmental needs

The development and peaceful use of nuclear technology could further underscore its value by helping to meet Africa's developmental needs, says African Commission on Nuclear Energy executive secretary Messaoud Baaliouamer. He says the safe and peaceful use of nuclear technology has already proven to be beneficial in human health, such as in the prevention, diagnosis and treatment of noncommunicable diseases. In water, nuclear technology can assist with sound water resource management through isotopic hydrology.

TRANSMISSION

Eskom Transmission head says policy, legislative and regulatory changes needed to facilitate unit's full independence

The head of Eskom's Transmission division has outlined some of the progress being made to establish an Independent Transmission System Operator (ITSO), but has also warned that full separation will take time and will also require major policy, legislative and regulatory changes.

The creation of the ITSO is considered as key to levelling the playing field between Eskom power stations and independent power producers and had, thus, been identified as a priority by the Department of Public Enterprises in its 'Roadmap for Eskom in a Reformed Electricity Supply Industry', published in November 2019. The roadmap envisages functional unbundling of Eskom Transmission by December 2020 and full legal separation of the ITSO as a subsidiary of Eskom by December 2021.

Eskom has since highlighted the legal and financial risks associated with full legal separation and has instead received support for a divisionalisation plan that will delay legal separation until about 2024. Speaking during a recent webinar, Eskom Transmission CEO Segomoco Scheppers said that a ringfenced transmission structure was already in place and that the unit had also started piloting a "market operator concept" internally, through which Eskom power stations would compete to supply electricity. Market rules and processes had been defined and internal day-ahead and balancing markets were operational.

"A market operator is being piloted internally to gauge how the ITSO could support competition between Eskom power stations and we will be looking to see whether we can open up the mechanism to external parties, which would be the ideal," Scheppers said during the event. He emphasised, however, that many internal and external steps were still required to fully transition to a market system, including the introduction, by government, of a formal policy that had been tested with stakeholders.

ENERGY PLANNING

Coal to remain relevant despite growing shift to renewable energy, says consultancy

The use of coal is enabling the energy transition, owing to its provision of a basis for the economy to develop, drive wealth and enable economic progress, which then, in turn, creates and enables the funds for stronger and further investment into renewable energy, says Boston Consulting Group MD and partner Tycho Möncks. "Very often the discussion is that coal and renewables are enemies – that it's either one or the other; and I don't think that's the right mindset [to have]." Möncks acknowledges that, while coal is facing issues from a decarbonisation perspective, the mineral also faces tension in the sense that it is a contributor to global warming, even as it remains a substantial contributor to electricity production, steel and even cement manufacturing. However, while there is a global trend to move away from fossil fuels, specifically coal, towards renewable energies, Möncks says a switch from coal-fired generation to renewable energy almost overnight will not be feasible for South Africa as it will have significant economic consequences, such as industrial activity coming to a halt – which the country can ill-afford. An alternative narrative to this is the push for renewable energy to complement the baseload generation from coal, and when required, integrate hydropower or even biofuels to a certain degree.

Global wind body urges South Africa to explore 'excellent' offshore wind potential

While South Africa has strong onshore wind potential, the Global Wind Energy Council has said it will encourage domestic policymakers to begin creating the framework for an offshore wind industry given the country's "excellent" offshore wind-energy potential.

The World Bank Group's 2019 'Going Global Report', which assessed the technical potential for offshore wind energy within 200 km of the coasts of eight developing countries, estimates South Africa's technical offshore potential to be 646 GW. Only Brazil's potential, at 1 228 GW, was higher in an assessment that also included India, Morocco, the Philippines, Sri Lanka, Turkey and Vietnam. The regions with the highest potential, with average wind speeds of more than 7 m/s, were identified as being off the eastern coast near Durban, as well as along the coast stretching west from Durban to the Namibian border.

Six months set aside for merger of CEF's oil and gas subsidiaries into 'Newco'

The process of merging State-owned entities PetroSA, Igas and the Strategic Fuel Fund into an "integrated national petroleum company" will formally begin on September 1, with six months having been set aside for the creation of a Newco that is "commercially viable". All three entities are currently subsidiaries of the Central Energy Fund (CEF), with PetroSA in the throes of a long-running financial and operational crisis that has left it technically insolvent. CEF CEO Dr Ishmael Poolo says a consortium of external advisers has been selected to help with the implementation of the restructuring, for which a R65-million budget has been allocated. Cabinet has approved the restructuring.

OIL AND GAS

Rig platform vessel arrives in Mossel Bay for gas drilling expedition

Rig platform, the Deepsea Stavanger, arrived in Mossel Bay on August 21 ahead of its deployment to the Outeniqua basin where it is scheduled to work on the next phase of the Luiperdpadda project. The basin is situated off the coast of Mossel Bay, where energy giant Total discovered gas condensate in 2019. Owned by The Odfjell Group, the Deepsea Stavanger is a sixth-generation deep-water and harsh environment semisubmersible with an overall length of 118.6 m and width of 96.7 m. This unit, is, as is the case with its sister rigs Deepsea Atlantic and Deepsea Aberdeen, a dual derrick, dynamic-positioned unit of enhanced design.

OTHER

Botswana plans to add 600 MW of coal-fired and solar power by 2026

Botswana plans to add 600 MW of solar and coal-fired power in the next six years as the country looks to wean itself off imports while also eyeing power exports. Botswana currently has national demand of 600 MW, but recurring breakdowns at one of its main power stations have left the country reliant on imports and diesel generators to cover shortfalls. Mines Minister Lefoko Moagi has said procurement for an additional 200 MW solar plant will start early next year, with completion expected in 2026, while a 10 MW coal-bed methane extraction plant is expected to be operational by 2025. Under a 20-year resource plan approved in August, procurement is also under way for a 100 MW solar photovoltaic plant due in 2022 and a 300 MW coal plant expected to come on line by 2026.

Kibo advancing PPA discussions for Mozambique projects

A grid impact assessment and integration study for multi-asset energy company Kibo Energy's Benga power plant project (BPPP), in Mozambique, has been completed and submitted to power utility Electricidade de Moçambique (EDM). This forms part of the definitive feasibility study optimisation and financial model integration for the BPPP, the company reports. Kibo is seeking to secure an agreement to supply EDM with about 150 MW from the BPPP. Kibo also has a binding term sheet to supply Baobab Resources' Tete steel and vanadium project, in Mozambique, with about 200 MW of energy from the Baobab power station project. Negotiations with EDM and Baobab regarding potential power purchase agreements are under way and are expected to be completed by the end of this year and at the start of the fourth quarter, respectively.

Mozambique, Total agree to 'Joint Task Force' to help secure mega LNG project

French energy major Total, which is leading the development of the $20-billion liquefied natural gas (LNG) megaproject in northern Mozambique, has signed a new security-related memorandum of understanding (MoU) with the government of the Southern African country. Mozambique is facing an increasingly assertive insurgency in the Cabo Delgado province, where the Mozambique Area 1 LNG project is based. The project includes the development of the Golfinho and Atum fields located within Offshore Area 1 and the construction of a two-train liquefaction plant, with a yearly capacity of 13.1-million tons. The project is scheduled to enter production by 2024. Earlier in August, fighters, which are said to have links with Islamic State of Iraq and the Levant, captured Mocimboa da Praia, located about 60 km south of the site where the gas project is being developed and there have been ongoing attacks in the region since 2017. Total says in a statement that the MoU provided for a 'Joint Task Force' to ensure the security of project activities at the Afungi site and across the broader area of operations of the project.

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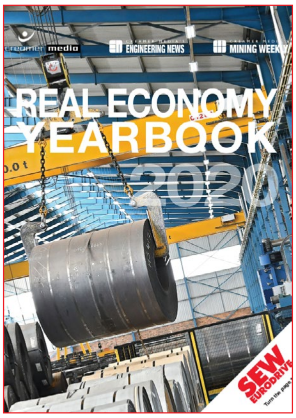

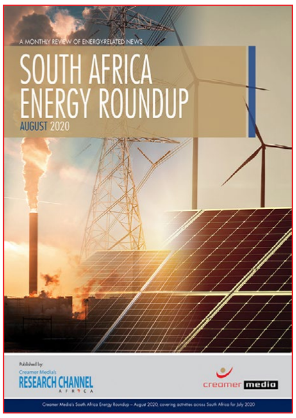

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