

Power shortages threaten as Eskom puts five projects on ice

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By Justin Brown

Cash-strapped Eskom has put five projects, requiring more than R54-billion in capital expenditure, on ice as a result of its funding shortfall, raising the threat of future power crises.

Cornelis van der Waal, a Frost & Sullivan energy analyst, said the project halts would reduce Eskom's spending, deepen South Africa's recession, cut opportunities in employment creation, and affect suppliers of cement, steel and other commodities.

He confirmed that the cautious spending was aimed at helping Eskom focus on its priority projects.

Only three projects, Medupi, Kusile and Ingula, which together cost about R235bn, will go ahead.

On hold are the Tubetse pumped storage project in Mpumalanga, worth R19bn; Upington's 100 megawatt concentrated solar power plant, projected at between R2bn and R6bn; and the R3bn 100MW wind farm in the Northern Cape. Also affected is the R1.8bn Majuba rail venture and CIC Energy's \$3bn (R24bn) Mmamabula power project in Botswana.

"Everything is on track at Medupi, Kusile and Ingula. The government is committed to supporting these projects," said Andrew Etzinger, Eskom's spokesman.

Van der Waal said the reduced expenditure could mean that South Africans might face lower power price increases in the years ahead.

Andrew Steel, the head of Fitch Ratings' energy team in Europe, said Eskom's credit rating was expected to deteriorate over the next two years before stabilising and increasing as the revenue from tariff increases and earnings from its new power stations came through.

He said that to handle its expansion, Eskom would have to reschedule its projects.

The two key risks to Eskom's credit rating were weaker-than-expected government support and the failure to achieve more cost-reflective energy tariffs

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