

Welcome! SENSE is a service of the Energy Policy Unit of the Sustainable Energy and Climate Change Project (SECCP) of Earthlife Africa Johannesburg (ELA Jhb).

SENSE is a regular publication, edited by Tristen Taylor. We welcome any feedback and submissions. Also, let us know if you wish to get more information from ELA Jhb, or know someone else who should be receiving SENSE. Please note that the material in SENSE does not necessarily reflect the positions or policies of Earthlife Africa Jhb and/or the SECCP.

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1. Editorial

So the marriage made in the heaven of aluminium for cluster bombs has failed with BHP Billiton walking away from Rio Tinto (owner of Alcan). Even America's twin wars, Russian adventures in Georgia and death & mayhem in the Congo, are not enough to prop up the aluminium price (30% of all aluminium production goes to the global arms industry). It is highly unlikely that the Alcan smelter will ever be built at Coega, which is sure to be a great relief to the multitudes in Port Elizabeth and

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elsewhere that protested against its construction.

That doesn't mean the demise of Coega. PetroSA is going to build a refinery at Coega, thus providing the anchor industry the consultants at the Coega Development Corporation were praying mightily hard for. Although, it does seem a bit odd as Coega was supposed to attract foreign investors--that was the entire reason for its existence--not state-owned domestic industries. Talk about a market failure.

Speaking of market failures, there is the kingpin of the paraffin wax underground, Sasol. With rising public and government pressure not to build another CTL plant in South Africa, Sasol is building one in China. CTL plants produce massive amounts of CO₂, that greenhouse gas which is heating our atmosphere, drying out our lands, rising sea levels, and wiping out species; hence the rational resistance to new CTL plants. Sasol doesn't really seem to care about the common fate of the planet; if they can't build a plant in SA, they will quite happily skip country and try somewhere else. Thanks a lot Sasol. Maybe the Sasol board will use their multi-million rand bonuses to buy boats for people in the Maldives, whose islands are being submerged by rising sea levels.

On the nuclear front, the proverbial penny may be beginning to drop. Nuclear power is expensive, so expensive that it will bankrupt this country, and Eskom is beginning to realise this. With over 14 billion spent on the PBMR and with the projected construction costs of a light-water reactor (a la Koeberg) rising from R100 billion to R120 billion, the economics are looking increasingly unattractive. A Business Day editorial has called for a freeze on the nuke programme, based on the uncertainty of the economic costs. Here's hoping that Treasury calls a stop to this shredding of state funds; funds that could be used for renewable technologies, free basic electricity, social grants, anti-retrovirals, and so on.

The costs for solar water heaters are declining, good news for citizens who impetuously want hot water when the next bout of load-shedding hits us. With the growth in the SWH industry, increasing analysis of renewable energy targets, African countries (like Senegal) turning towards renewable resources, and research in to power from organic waste and the ocean, the future is coming closer to reality. Make no mistake, we as a species will be going the renewable path sooner or later. Declining fossil fuel resources and increasing climate change will force this transition. The issue are only how much pain we will inflict upon ourselves between now and then, and what the state of our environment will be when we go the renewable way.

These are sobering issues, and included gigantic topics such as mass extinction. As Chris Thomas--an ecologist at the University of Leeds--states, "The absolutely best case scenario - which in my opinion is unrealistic - with the minimum expected climate change... we end up with an estimate of 9% [of all species] facing extinction."

Tristen Taylor
Energy Policy Officer
Earthlife Africa Jhb
27th of November 2008

2. SECCP News

Press Release: Disappointment in Manuel's Delay of 2c/kWh Levy on Fossil Fuel Power Generation
Earthlife Africa Jhb
22nd of October 2008

Earthlife Africa Jhb is disappointed that Minister Manuel is delaying the introduction of the 2c/kWh levy on electricity generation from non-renewable sources. This levy is vital to begin accounting for the externalised costs of energy-generation in South Africa, and shouldn't have been delayed.

As South Africa produces the vast majority of its electricity from coal-fired power stations, it produces significant pollution from those power stations. According to Eskom, vast amounts of CO₂ (209Mt), SO₂ (1875kt), N₂O (207kt) and NO₂ (930kt) are produced each year from its power stations. All of these pollutants cost the South African economy through increased global temperature rises, decreased air quality and resulting increases in respiratory illnesses, and the ecological and agricultural damage from acid rain. These externalised costs are paid, ultimately, by Treasury in one manner or another.

Treasury needs to recoup these costs from the producers, and the 2c/kWh is a start to internalising these externalised costs. This levy and carbon taxation are important interventions in the energy market to ensure the correct cost of producing electricity in South Africa; the current pricing strategy, by not accounting for these costs, grossly mis-prices electricity.

Earthlife Africa Jhb seriously hopes that this delay does not prove permanent or marks the beginning of another Manuel u-turn, such as the proposed SASOL windfall tax.

If there is a positive from this announcement, it is that Minister Manuel has the time to consider pro-poor measures that will offset the effect of the levy on poor people. Any increase in energy costs affects poor people disproportionately, and the levy needs to be combined with poverty alleviation measures. These measures include low food prices (increasing zero VAT ratings to include additional food items), social grants, and major expansion of the free basic allocation of electricity. With financial mechanisms such as levies on non-renewable forms of electricity generation and carbon taxation on major producers of CO₂ (SASOL and Eskom), these pro-poor measures are financially possible.

Press Release: March for Free Basic and Clean Electricity
Anti-Privatisation Forum, Earthlife Africa Jhb
28th of October 2008

On Thursday the 30th of October 2008, Earthlife Africa Jhb and the Anti-Privatisation Forum will be marching on the Department of Minerals & Energy, Eskom, and the City of Johannesburg. Communities across Gauteng are protesting to demand a decent, meaningful Free Basic Allocation of electricity and for increased generation of electricity from renewable resources.

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The march will start at 9:30am at Beyers Naude Square/Library Gardens (Market and Rissik Street, Johannesburg CBD), it will then proceed to Eskom and the Department of Mineral and Energy in Braamfontein. The march will end at the Johannesburg Civic Centre.

The issues at hand are pressing for poor communities and the wider nation at large.

Many poor households remain unconnected to the electricity grid, or unable to afford electricity entirely, leading them instead to use fuel-wood, coal, and paraffin as their primary energy carriers. Many others suffer varying frequencies of disconnection due to their inability to afford the entire amount charged for electricity, although most are able to pay at least some on a regular basis.

Poor households who are connected to the grid spend a staggering proportion of their income on electricity relative to more wealthy consumers. The poorest 20% of households spend about 5% of their average R500 a month income on electricity, when they remain connected, compared to the richest 20%, who pay about 1.6% of their average R30 000 per month income. This is despite the fact that the poorest quintile uses about 1/40th the amount of electricity as the richest quintile. Combined with the constant threat of disconnection, affordability of access will only become a greater problem as Eskom seeks to raise tariffs to fund its new investment programme.

South Africa's poor already suffer from an epidemic of disconnection due to inability to pay tariffs prior to 2007/2008 tariff increases: Despite the Government and Eskom's repeated boasts about electrification, 30% of South Africans are still without electricity. Of the 70% who do have electricity, many poor users suffer from disconnection. The independent researcher David McDonald has calculated that there were two million disconnections by 2002. Furthermore, users of prepaid meters disconnect themselves (due to lack of funds to feed the meter), thus transferring the onus of disconnection from the state to the citizenry. Currently, prepaid users pay more for electricity than any other user of electricity outside of deep, rural areas. The poor pay the most per kilowatt-hour; people in Sandton pay less per unit than people in Soweto.

Currently, DME's Draft Electricity Pricing Policy is heading towards Parliament. This Policy was meant higher electricity prices, greater deregulation in the electricity sector, no meaningful investment in renewable technologies, and an insulting and paltry free allocation of 50kWh per household. This is less than certain municipalities are currently offering, and takes no regard to the size of households. With eight people in a household, 50kWh wouldn't last a week.

Furthermore, this "free" electricity will be means-tested (with huge administration costs), require the installation of a prepaid meter, and will be limited to a 20A connection, instead of the normal 60A connection. This means that poor users may be able to heat water but not cook or vice versa. This is completely inadequate and will only prolong the misery of millions of poor South Africans.

The Policy also makes for no meaningful investment in renewable technologies, which will be, in the next decades, cheaper options than coal: The latest research into pricing of electricity in the South African context clearly demonstrates the superiority of renewables. The current cost of generating electricity from new coal-fired stations (such as Medupi) is R0.25/kWh, set to rise to R0.36/kWh by 2020. The cost of solar thermal is currently at R0.40/kWh, and is set to decline to R0.25/kWh by 2020.

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The cost of wind is presently R0.49/kWh and will fall to R0.29/kWh in 2020. Solar thermal technology can provide base-load power, making it a viable alternative to coal, and there is no real limit to its usage in South Africa.

Please note that the costs for coal cited above exclude the externalised costs of burning coal; i.e. the costs of health and environmental damage from SOX and NOX emissions. This would double the economic costs. These figures also exclude recent commodity price increases; they are the most conservative fossil fuel costs available.

Oddly enough, DME's Electricity Policy directly contradicts the Long-Term Mitigation Scenarios (approved in June 2008) that calls for 50% of all electricity to come from renewable resources by 2050. Eskom is also ignoring this policy with its building of new coal-fired power stations.

The Anti-Privatisation Forum and Earthlife Africa Jhb therefore demand:

1. A free basic allocation of 100kWh per person per month , and with a corresponding step-block tariff. The People's Budget Campaign has consistently called for these.
2. The end of the prepaid metering system.
3. Massive investment in renewable technologies. We do not see nuclear power as a safe, cost-effective alternative to coal, and no nuclear plants should be built in South Africa.
4. The DME should withdraw its Draft Electricity Pricing Policy in its entirety. A progressive policy should be written with a humane basic allocation of electricity as its starting point, not the maximisation of Eskom profits, which stood at nearly R1 billion last year.

New Website

The Earthlife Africa Jhb website has undergone a makeover. Please check it out at www.earthlife.org.za.

CANI and SACAN Membership

Please note that Earthlife Africa Jhb and the SECCP have withdrawn from both CANI and SACAN.

3. SA Sustainable Energy News

Eskom mulls energy-saving laws

Sapa

15th of October 2008

Eskom may propose legislation to force companies to save energy, a senior manager said. "There's an attempt within Eskom to push for energy efficiency and we've also been imploring the industry to drop

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their usage by about 10 percent," said Monkwe Mpye, senior manager of energy efficiency and demand side management at Eskom.

"The energy power reservation programme is intended to do that. We do see some savings, but there is a view that maybe it must be legislated and we are in discussions about that," he told a convention of the SA Chamber of Commerce and Industry in Johannesburg.

Mpye was briefing the convention on Eskom's energy saving incentives and said the most successful project so far had been the compact fluorescent lights (CFL) programme. CFLs use up to 80 percent less energy than incandescent light bulbs and they last six to ten times longer. In 2004, Eskom replaced five million traditional light bulbs with energy saving light bulbs.

"This year alone we are doing six million of the CFL exchanges," said Mpye. That includes 1.3 million light bulb exchanges at corporate companies, an easy way to "reach out to the gated type communities", he said.

The rollout would exchange more than eight million light bulbs in 2009 / 2010.

Eskom would also like to replace electric geysers with solar water heaters but that was a costly exercise. The installation of a solar water heater could cost anything between R8000 and R30,000. Local insurance companies replaced about 30,000 geysers every month. If 900,000 electric geysers could be replaced by solar water heaters, it would save Eskom 578 megawatts.

"It will be good to see a mass rollout. The danger here is you will get fly by nights who will install geysers that break after a year," said Mpye.

South Africa had only about three or four local manufacturers which were "very small businesses".

"It's a huge business opportunity to set up a plant here," said Mpye.

Another energy saving area was replacing electric motor systems with pumps, fan systems, compressed air systems or conveyors. In South Africa, motor systems account for 60 percent of industrial electricity usage, and many of these motors are oversized. Globally, the percentage is 40 percent. Eskom's aim is to replace 5100 motor systems, but it has up to now only replaced 200.

Source: <http://www.thetimes.co.za/News/Article.aspx?id=863801>

Affordable solar geyser launched in South Africa

By Guy Copans

Engineering News

17th of October 2008

South African solar heating specialist Home Comfort has launched a high pressure solar geyser which, it says, is the first affordable solar geyser for South Africa. It says that the 150 L geyser, which can be

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fully installed for R10 000, will help bridge the affordability gap for middleclass South Africans. Based on a five-year repayment period and a prime interest rate, a fully installed solar geyser would cost less than R250 a month. The offering is fully inclusive of installation and commissioning.

Home Comfort says that the offer has been put on the market in the wake of power utility Eskom's recent 43% increase in the cost of electricity for residential users.

"With electricity costs undoubtedly on an upward trend for the foreseeable future, we put our heads together to come up with a way to make it possible for ordinary South Africans to save on their electricity bill by using solar heating to generate hot water for their homes," says Home Comfort MD Hendrik Roux.

"The project had been on the table for some time while we engineered the perfect package, but the timing could not have been better in the face of the escalating electricity costs currently being experienced in South Africa," he notes.

Roux says that, until now, the cost of solar-powered geysers has been beyond the reach of average South Africans. However, he says that with the new offering, the company has been able to breach the cost barrier.

"In the average home, a high percentage of electricity consumption is attributed to heating water. Based on calculations, the installation will pay for itself within a few years and, with a lifespan of 20 years, a solar geyser will continue to bring real savings to the homeowner, in addition to increasing the value of their property," he says.

Solar water heating has been used commercially around the world for more than 50 years and, in several countries, it is mandatory to install a solar water geyser in every new home.

Roux notes, therefore, that Home Energy's new offering effectively brings it in line with the latest energy saving trends in First World countries. He adds that solar heating is clean energy that does not pollute the environment or exploit limited natural resources....

Read the rest at: http://www.engineeringnews.co.za/print_version.php?a_id=144681

Renewable energy target will be 'feasible but tricky'

By Ingi Salgado

Business Report

7th of November 2008

Johannesburg - A renewable energy target of 15 percent by 2020 is feasible and affordable for South Africa, but would be challenging to implement, according to research released yesterday by the University of Cape Town's Energy, Environment and Climate Change unit.

The primary challenge would be funding the investment requirements, said Andrew Marquard, the lead

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author of the research. A regulatory framework, so far absent, was imperative for certainty, he said. The report identifies the industry's potential to be worth between R50 billion and R65 billion a year.

The research, commissioned by environmental group WWF South Africa, means to bring sharper focus to immediate measures the country can take to reduce emissions of the greenhouse gases that cause global warming. It uses methodology similar to that of the long-term mitigation scenario study, commissioned by the state, that modelled options to 2050.

The 2020 study, which considers combinations of wind and solar thermal energy, finds that given a 15 percent renewable energy target, electricity prices would be about 15 percent higher than in a business-as-usual baseline case.

But electricity prices would fall below this baseline cost if the renewable energy target is combined with an energy efficiency programme that reduces total electricity supply, the study says. And electricity prices would fall 18 percent below the baseline if carbon finance is secured for both efficiency and renewable programmes....

Read the rest at:

http://www.busrep.co.za/general/print_article.php?fArticleId=4700084&fSectionId=561&fSetId=662

Organic waste could be viable energy source

By Brindaveni Naidoo

Engineering News

14th of November 2008

Organic waste generated in South Africa has the potential to generate an alternative energy source, through harvesting biogas from the fermentation of the organic fraction of municipal solid waste (OFMSW). This process could thus assist in providing heat and electricity.

‘From organic waste to energy: a feasible option in South Africa?’, a paper produced by the Council for Scientific and Industrial Research, says that, with the observation that State-owned utility Eskom was not able to supply the power needed by South Africa at the beginning of 2008, the mindset of waste companies and municipalities should change from ‘waste to landfill’ to ‘waste to energy’.

Currently, most waste generated in South Africa is disposed of in landfills but the scarcity of available land in close proximity to areas of waste generation has caused landfilling to become a less attractive option. Further, landfilling often causes unwanted gas and leachate production.

Through anaerobic digestion (AD), a biological treatment process applied to the OFMSW, which has become an established treatment process in western Europe as well as in several Asian countries, products, such as biogas and a nutrient-rich sludge, are generated from this technology. The biogas produced is a potential energy source and the nutrient-rich sludge has beneficial value as a fertiliser.

However, the biological treatment of the OFMSW is marginally recognised in South Africa, the paper

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says, adding that this is a result of “relatively inexpensive landfill fees and a lack of an energy policy that recognises organic waste as an energy source rather than just a waste material”.

Author of the paper Harma Greben says that the thinking around biological treatment in South Africa is starting to change. A study conducted for the Department of Science and Technology by a University of Cape Town team led by Professor Harro von Blottnitz, to evaluate the opportunities for energy from waste to influence policy in this regard, concluded that waste to energy has an “exciting future” in South Africa, but only when approached innovatively and responsibly.

The report further points out that, when using AD technology for energy production, one has to consider the environmental, social and economic aspects of the different locations in the country. For example, in poorer communities, especially in informal dwellings, gas, paraffin, wood and coal are often used for heating and cooking, which have the potential to be unhealthy, owing to inhalation of fumes associated with burning these fossil fuels....

Read the rest at: http://www.engineeringnews.co.za/print_version.php?a_id=146819

4. SA Unsustainable Energy

BHP Billiton drops its \$66bn takeover offer for Rio Tinto; Rout in commodity prices derails hostile bid
By Rebecca Keenan
Business Report
25th of November 2008

Melbourne - BHP Billiton abandoned its year-long pursuit of Rio Tinto Group yesterday, blaming the rout in commodities prices and the credit market squeeze for derailing the hostile offer.

Marius Kloppers, the chief executive of BHP Billiton, the world's biggest mining company, said that the combination of \$40 billion (about R416 billion) in new debt and regulatory hurdles had made the \$66 billion offer too risky at a time when the slowing world economy had reduced demand for raw materials.

When BHP Billiton announced the plan to buy Rio Tinto, commodity prices were heading towards record highs and the Standard & Poor's 500 index was approaching its peak. Twelve months and \$450 million of shareholder money later, Kloppers is confronting a 50 percent decline in copper prices and a 45 percent drop in oil prices, as the world's biggest economies face their first simultaneous recessions since World War 2.

"When you combine all those factors, along with the decreased cash flow, you get to a situation where this is very difficult," said Kloppers. "We have an obligation to look at these value-creating investments, but also we have an obligation to stop them when the conditions have deteriorated."

"BHP needs to focus on existing operations and I think going into an economic downturn they need to

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batten down the hatches and generate as much cash flow as they can," said Jason Teh, a fund manager at Investors Mutual in Sydney. He holds both BHP Billiton and Rio Tinto shares.

"We note their comments," said Nick Cobban, a spokesperson for Rio Tinto in London.

Rio Tinto, the world's second-largest iron ore producer, had rejected BHP Billiton's sweetened, all-share offer on February 6, saying it undervalued the company and its growth prospects. The hostile bid had angered steel makers, who said that the acquisition would have raised iron ore prices and should have been blocked by regulators.

"I was expecting this," said Sajjan Jindal, the managing director of JSW Steel, India's third-biggest producer. "The steel industry has many players but there are few in iron ore, so it would have created a monopolistic market."

Aluminum Corporation of China, the largest shareholder in Rio Tinto, said BHP Billiton's dropped takeover bid would benefit Chinese steel makers.

Source: <http://www.busrep.co.za/index.php?fSectionId=565&fArticleId=4731107>

Proposed sites for demo reactor ruled out

By Melanie Gosling

The Cape Times

1st of October 2008

Three sites under consideration for Eskom's pebble bed modular reactor (PBMR) - Thyspunt, Bantamsklip and Pelindaba - have been ruled out as suitable locations for the proposed demonstration model of the nuke. According to the draft environmental impact report released on Tuesday, Thyspunt, near Cape St Francis, and Bantamsklip, near Pearly Beach, have been eliminated because of their "greenfield" status.

All three were eliminated because of the lack of infrastructure and the high cost of providing it.

Pelindaba was ruled out after the Nuclear Energy Corporation of SA (Necsa) stated "categorically" that it was not responsible for generating electricity, but for the manufacture of nuclear fuel. It was unlikely to begin producing commercial electricity before 2023

The report quotes Necsa as saying: "Unless the national energy policy and strategy for South Africa is altered to reflect Necsa as a commercial power generator, and the Nuclear Energy Act is amended accordingly, it will not be possible to locate the demonstration power plant at Pelindaba."

The only site left was Koeberg....

Read the rest at:

http://www.iol.co.za/index.php?set_id=1&click_id=124&art_id=vn20081001053842189C159005

Eskom's Moody blues
By Marcia Klein
The Times
14th of November 2008

Energy department casts doubt on second nuclear plant, citing prevailing economic climate

The department of minerals and energy has thrown into doubt the expected roll-out of a multibillion-rand nuclear energy power plant in South Africa. Eskom confirmed yesterday that it remains on course to announce, before the end of the year, the winner of the bid to build SA's second nuclear power plant after Koeberg. But it appears that the government might have other plans.

Tseliso Maqubela, acting deputy director-general at the department of minerals and energy, said SA needs to review plans for a nuclear power plant in the light of the current economic climate.

"To say that we can proceed with the nuclear build the way we had envisioned would be misleading. All our plans will have to be re-looked at and we will have to come to a happy medium. We will have to prioritise," he told an energy conference.

Areva of France and US-based Westinghouse are the two bidders for a multibillion-rand nuclear plant. This forms part of a huge expansion programme to get SA's inadequate power infrastructure back on course.

Nuclear plants are expensive to build, but do not have to rely on coal to keep running.

Eskom spokesman Fani Zulu said yesterday that "the commercial process has been running and is still on course to be completed by the end of the year". He said Maqubela was not commenting on the commercial process, but "making observations on the impact of the global financial crisis" on SA's energy sector.

Maqubela said that re-prioritisation did not mean a change of policy, but said it would be difficult to see how SA could afford the nuclear plant now.

A decision on the nuclear bid would be made by the end of the year, and this would be to either give the contract to build the plant to one of the two bidders, or to delay construction altogether.

"The decision still has to be made by the Eskom board and Eskom has to advise the government. We need advice on how to proceed."

Zulu said countries were recalibrating economic growth projections as a result of the global financial crisis, and if GDP expectations were lower it would be necessary to review the infrastructure development strategy for energy. He said the country's reserve margin for electricity remained low, but Eskom needed to look at expectations for the growth in demand and then review how it sequences the building of capacity.

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“That is what is happening now. We are reviewing all of those plans.” Additionally, debt markets are “as good as closed” so companies and countries needed to review their funding requirements.

Eskom needs more than R340- billion to fund its capital expansion programme and needs money at the worst possible time, not only because of the financial crisis but also because it was downgraded by Moody’s, making it more difficult for it to borrow money. It is getting a R60-billion loan from the government and has recently announced a 500-million (R5.25-billion) loan from the African Development Bank. It has also approached the World Bank.

While reduced economic growth projections point to less demand for electricity than was originally planned, SA has significantly less power capacity than it should have because of a long-term lack of investment . Its capacity remains woefully inadequate. Zulu would not comment on whether Eskom has come to a different conclusion on expectations of future demand and the number and size of power plants that would be needed .

Source: <http://www.thetimes.co.za/News/Article.aspx?id=884085>

Renewed call for Sasol re-nationalisation

IOL

2nd of October 2008

News of Sasol's R3,7-billion fine for price fixing and market sharing led to renewed calls for the renationalisation of the chemical and fuel company on Thursday. Sasol was fined about R3,68 billion on Wednesday by the European Commission for being a leader of a cartel, which, with eight other companies, was found to have fixed prices for paraffin wax products in Europe.

"The EU fine once more underlines the correctness of the SACP's call for the re-nationalisation of this strategically critical corporation," said the SA Communist Party of the company which was privatised in 1979.

It argued that because Sasol produces about 30 percent of local oil needs, it is an extremely important national strategic asset. The party also claimed the company charges the same price as an imported product for products it manufactures locally.

"... as if Sasol oil had come all the way from the Middle East," it commented.

They called for intervention by the SA Competition Commission and the introduction of a windfall tax on the company's oil profits which would be invested in energy security and public transport. The Competition Commission's Shan Ramburuth said the structure of the market for the supply of paraffin wax is different in South Africa from that of the European Union.

"In fact in South Africa, Sasol is dominant in the supply of wax and the collusion does not arise," he said. "However, participants in this market have raised concerns with the commission with regard to

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Sasol's pricing and exclusionary conduct. The commission is looking into these concerns."

A commission tribunal previously prohibited Sasol's purchase of Price's candles because of exclusionary conduct, but the company successfully appealed this and bought the company. The commission recently completed an investigation into Sasol's role in an investigation into the fertiliser industry. The company provides one of the inputs for fertiliser. This will be heard before a tribunal shortly.

Company spokesperson Johann van Rheede said the company would not comment further until it had read the full documentation related to the fine. On Wednesday it announced that it may appeal as it did not understand why the fine was so big. The company did not respond to a question on whether it could afford to pay the fine (over three months) or if anyone had resigned or been fired as a direct result of the commission's decision.

Cosatu's Patrick Craven said the latest "scandal" reinforced their call for the nationalisation of Sasol.

Paraffin waxes are used in a wide variety of products such as candles, waxed paper, paper cups and plates, the wax coating on cheese, chemicals, tyres and car components as well as in the rubber, packaging, adhesive and chewing gum industries. The market is worth almost 500-million euros, the European Commission said. - Sapa

Source:

http://www.iol.co.za/index.php?set_id=1&click_id=594&art_id=nw20081002171740986C666381

PetroSA Granted Licence for Coega Refinery

By Siseko Njobeni

Business Day

3rd of October 2008

THE minerals and energy department has granted state-owned oil and gas group PetroSA a manufacturing licence for the 400000- barrels-per-day crude oil refinery at Coega, near Port Elizabeth. The licence allows PetroSA to manufacture refined petroleum products at Coega. In August, PetroSA appointed global financial services group HSBC as a financial adviser for the project, also known as Project Mthombo.

The \$11bn refinery is central to government's plans to ensure security of supply in the liquid fuels.

"It provides a strategic new energy hub in addition to the present Durban crude supply chain, while presenting a major economic growth opportunity for an under- developed region of SA," PetroSA CEO Siphon Mkhize said yesterday.

The refinery -- said to be one of the biggest post-2010 investments -- is in line with the recommendations of the department's energy security master plan which proposed that PetroSA procure at least 30% of all crude oil consumed in SA. Mkhize has said the growth rate of demand for

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fuel justified the construction of a new crude oil refinery within the next five to seven years. The demand for automotive fuels in southern Africa exceeded local production capacity, and SA was increasingly dependent on the importation of refined products....

Read the rest at: <http://allafrica.com/stories/printable/200810030517.html>

India, South Africa identifies areas for cooperation in oil sector

ANI

16th of October 2008

New Delhi, Oct 16 (ANI): Union Minister of Petroleum and Natural Gas Murli Deora met B.P. Sonjica, Minister for Minerals and Energy of South Africa here today. While recalling close, historic and warm ties between India and South Africa, the two Ministers discussed ways and means to establish cooperation in the oil and gas sector between the two countries.

Among the issues discussed were: setting up of LPG logistics in South Africa, collaboration with PetroSA of South Africa for utilization of Coal-to-Liquid (CTL) technology in India, bilateral cooperation in setting up of CNG network in South Africa, and availing of training facilities in India by South African personnel in the hydrocarbon sector.

Deora has accepted the invitation extended by Sonjica to visit South Africa on a mutually convenient date.

Source: <http://www.newstrackindia.com/newsdetails/28601>

South Africa Will Give Eskom 30-Year Loan, Guarantee Some Debt

By Nasreen Seria and Mike Cohen

Bloomberg

21st of October 2008

South Africa's National Treasury will allow Eskom Holdings Ltd. to repay a 60 billion rand (\$5.8 billion) loan over 30 years and guarantee some of the power utility's debt. The loan will have a coupon of 6.25 percent, and Eskom will be exempt from repaying any capital for the first 10 years, Lesetja Kganyago, the Treasury's director general, told reporters in Cape Town today.

The government will guarantee some of Eskom's debt to help the utility raise funds for its 340 billion rand expansion plan aimed at easing electricity shortages that shut gold and platinum mines in January. Moody's Investors Service cut Eskom's credit rating by three levels to Baa2 in August, boosting its debt costs.

``These are not blanket guarantees and would be provided upon application," Kganyago said. ``It won't come free."

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Eskom has already applied for some debt to be guaranteed, Kuben Naidoo, head of the Treasury's budget office, said, declining to give further details. A guarantees certification committee, appointed to advise Finance Minister Trevor Manuel, will take ``months" before it makes a recommendation on whether to give Eskom the debt guarantee, Naidoo said.

The National Energy Regulator allowed Eskom to raise power prices by 27.5 percent this year, lower than the 61 percent the utility had applied for. The higher tariffs have added pressure on inflation, which reached a record 13.6 percent in August.

Source: <http://www.bloomberg.com/apps/news?pid=20601116&sid=aZCXh67caCVk&refer=africa#>

Sasol's CTL project in China ahead of South Africa's CTL project
Mining Weekly
By: Martin Creamer
Published: 24th October 2008

Sasol's proposed coal-to-liquids (CTL) project in China is ahead of its CTL project in South Africa. The project in China is at feasibility stage whereas the one in South Africa is still at prefeasibility stage.

The Chinese CTL has a physical site whereas the prefeasibility study for South Africa's Mafutha project includes determining whether or not the site under study in western Limpopo is suitable. Both are targeting an 80 000 bl/d capacity, which is half the capacity of Sasol's flagship synfuels plant in Secunda, which is being enlarged by 4% while an additional 16% extension is at prefeasibility stage.

Sasol Synfuels' fuels output should have grown by several percentage points more than the moderate 1,1% in the 12 months to June 30, 2008, but Sasol CEO Pat Davies assures that the company has plans to do better in the current financial year. In China, Sasol has agreed to focus on only one CTL project with China's State-owned Shenhua.

"We will focus only on the Ningxia project," says Davies.

This project is in China's Ningxia Hui Autonomous Region and is one of "ten and 20 CTL projects that were on the go in China", Davies reveals. But the Chinese government has given approval to only two CTL projects – and Sasol's is one of them. Moreover, Sasol's is the only one involving foreign investment; the other is 100% Chinese.

"This gives us a lot of comfort about the priority that the Chinese government is placing on this project going ahead. We are pretty excited about it – we can focus our resources on it and do it as quickly and as efficiently as we possibly can," he says.

An analyst expressed concern that the Chinese may try to copy Sasol's proprietary technology, but Davies says that the "copying" risk is being given Sasol's "very serious attention".

"We are quite happy in this feasibility stage that we are taking sufficient precautionary measures, but,

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clearly, as we go into the execution and actual running phase, there are long and short answers. The short version of it is that we are dealing with Shenhua, which is the largest coal company in the world and is listed on stock exchanges, and Shenhua has to play the game, otherwise it just won't be accepted in the international community," Davies says.

He adds that he has had personal assurances from the Premier of China on the copying issue....

...Renewed global interest in CTL, despite the propensity of the process to emit large volumes of carbon dioxide, has arisen as coal-rich countries seek to diversify their transport-fuels mix away from the current heavy reliance on crude oil imports, and to ensure greater energy security.

Read the whole article at: http://www.miningweekly.com/article.php?a_id=144507

5. SA Energy Policy & Analysis

Coal Prices Set to Go Up
Research Oracle
29th of September 2008

Globally, coal prices are witnessing a significant spike, thanks to the growing steel demand and supply constraints. Coal, which is one of the major raw materials for producing steel, is already short of 25 to 35 million metric tons in FY 2008 across the globe, which is likely to reach 70 mn metric tons in FY 2009 (as per Steve Leer, Arch Coal Inc. chairperson and CEO). Recent floods in Australia, the world's second largest coal exporter, forced several coal producers to shut down their mines, resulting in a huge decline in coal output in the first quarter of FY 2008. According to Macquarie Bank Ltd., coal production from Australia may decline by approximately 15 million metric tons, or about 12 percent of Australia's annual exports in FY 2008.

In addition, a power crisis faced in South Africa in January 2008 and thereafter a reduced power supply from Electricity Supply Commission (Eskom, South Africa's national power supplier), resulted in a shutdown of several mines and forced coal producers to cut their output, which further decreased the coal production. Meanwhile, International Iron and Steel Institute forecast that demand for steel is going to increase by 6.7 percent in FY 2008, led by an 11.5 percent increase from China. The shortfall in production of coal along with the increasing demand for steel led world's leading steelmakers such as Nippon Steel Corporation, ArcelorMittal (MT), JFE Holdings Inc. and Pohang Iron and Steel Corporation (POSCO), to increase contract coking coal prices approximately 200% to US\$300.00 a metric ton for the 2008 coal year (commenced 01 April 2008). On a similar trend, contract prices for thermal coal, used in power plants, more than doubled to US\$125 a metric ton for FY 2008.

China plans to reduce exports of coal in FY 2008, as it remains concerned with its domestic power needs, since two-third of China's energy production depends on coal. Moreover, in order to curb the ever-increasing inflation rate and the over-heated Chinese economy, the government of China raised its export tax for steel billets from 15 percent to 25 percent, effective from 1 January 2008; to reduce the

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inflow of funds. This resulted in a tight global coal supply condition, leading to a hike in coal prices. While China's coal exports are expected to decline moderately, coal production capacity is expected to increase to 2.73 billion tons in FY 2008, supported by expansion of coalmines and technical renovations to meet the growing demand from domestic market (Source: chinamining.org).

Furthermore, with the steep increase in oil and gas prices, coal's importance in the world energy mix is set to increase in the future. According to the International Energy Agency, there are abundance of coal resources of approximately 200 years worth of coal reserves, evenly distributed in the US (27%), Russia (17%), China (13%) and India (10%). It is estimated that by 2030, coal will account for 27% of the global energy mix, up from the 24% that it holds today. Given the abundance and accessibility of coal resources, the increased usage of coal will facilitate minimizing the global energy crisis.

Going forward, the demand-supply mismatch is expected to last for at least two to three years before it recovers from the supply bottlenecks in Australia and ease power shortages in South Africa. Hence, coal price outlook in FY 2009 is likely to remain strong with coking coal prices expected to increase to US\$320 a metric ton and thermal coal to increase to US\$135 a metric ton for 2009 coal year (Source: Merrill Lynch & Co Inc).

Source: <http://seekingalpha.com/article/97771-coal-prices-set-to-go-up>

Aluminium output cut unlikely to stem price fall

By Suresh P. Iyengar
The Hindu Business Line
4th of November 2008

Despite the sharp cut in global production, aluminium availability is expected to be in surplus till 2009. In the first half of 2008, the metal was in surplus of 7.59 lakh tonnes, leading to high inventory in the London Metal Exchange and sharp fall in prices.

With the current aluminium prices hovering at \$2,050 a tonne in LME, about 75 per cent of smelters in China, the US and Europe are operating well below their break even level of \$2,500 a tonne. Taking a cue from the sharp fall in prices, aluminium producers globally have decided to cut production by 6.79 lakh tonnes (lt).

It is widely expected that the capacity of 1.5 million tonnes a year being added in China over the next six months may be delayed by a few months due to the global economic slowdown. The delay in capacity addition may not lead to a rise in aluminium prices as the demand has also fallen sharply, said an analyst.

Demand slowdown

China, the key demand driver for aluminium, accounted for 32 per cent of the global consumption in 2007 and 90 per cent of the incremental aluminium consumption growth. Chinese aluminium consumption in the first half of 2008 has grown 8 per cent compared to 46 per cent recorded in 2007.

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Similar fall in demand from the realty and automobile sectors was witnessed in the US due to the recessionary trends. "For instance, car production in the US is expected to fall 25 per cent to 12 million a year against 16 million a year," he added.

Barring China, aluminium consumption growth is static around 3 per cent. US-based Alcoa Inc expects aluminium consumption in North America to contract 5 per cent in 2008, as automotive and construction sectors remain weak, said Mr Prasad Baji, Research Analyst, Edelweiss.

Production cuts

Globally, aluminium production has been adversely affected due to inadequate power supply. Electricity cost accounts for 35-40 per cent of aluminium production cost. According to International Aluminium Institute (IAI), world production growth in aluminium has slipped in first eight months of 2008 to 6.7 per cent from 12.3 per cent growth in 2007.

In July, the top 20 Chinese aluminium producers, constituting 70 per cent of Chinese production, agreed to cut their smelter output by 5-10 per cent till September. In a move to discourage export of energy-intensive industries, the Chinese Government recently imposed export tax of 15 per cent on aluminium alloys. BHP Billiton has decided to cut smelter capacity in South Africa due to power shortage.

Cost push

Aluminium production is energy-intensive. Nearly 15,000 KWH is required to produce one tonne of aluminium. Overall, at least 50 per cent of global smelters depend upon coal-based electricity grids to draw power for aluminium.

The acute shortage of thermal coal has resulted in long-term contracts being settled at \$125 a tonne, up 125 per cent from last year. Coal on spot basis has touched a high of close to \$200 a tonne and has recently come down to \$125 a tonne against \$95 a tonne last year. This huge increase in coal prices has resulted in increasing electricity costs for aluminium smelters.

Further, coal supply in South Africa was affected due to heavy rains, which prevented movement of coal. Over the years, China has closed down thousands of coal mines due to safety issues. On July 1, China raised average electricity tariffs by 4.7 per cent and in August further hiked on-grid tariff by 5 per cent. The increase in energy cost has raised the aluminium production cost by \$400 a tonne for Chinese producers.

Power needs

In contrast, Indian aluminium smelters have captive power plants to meet its power requirements and, in general, have lower power costs. Coal is supplied for these power plants mainly through linkages from Coal India.

Short supply by Coal India of late has led to aluminium producer to depend on e-auction and imported thermal coal. The production cost for Indian aluminium producers was between \$1,600 and \$1,800 a

tonne.

Source: <http://www.thehindubusinessline.com/2008/11/04/stories/2008110450091800.htm>

South Africa Power Report Q3 2008

<http://www.companiesandmarkets.com>

17th of October 2008

The new South Africa Power Report from BMI forecasts that the country will account for 20.77% of Middle East and Africa (MEA) regional power generation by 2012. BMI's MEA power generation estimate for 2007 is 1,117 terawatt hours (twh), representing an increase of 6.0% over the previous year. We are forecasting an increase in regional generation to 1,526twh by 2012, representing a rise of 36.6% between 2007 and the end of the period. Thermal power generation in 2007 is estimated by BMI at 971twh, accounting for 86.9% of the total electricity supplied in the region. Our forecast for 2012 is 1,322twh, implying 36.2% growth that reduces slightly the market share of thermal generation to 86.6% – thanks in part to environmental concerns that should be promoting renewables, hydro-electricity and nuclear generation. South Africa's thermal generation in 2007 was 243twh, or 24.99% of the regional total. By 2012, the country is expected to account for 22.03% of thermal generation.

For South Africa, coal was in 2007 the dominant fuel, accounting for 76.5% of primary energy demand (PED), followed by oil at 20.2%, and nuclear with a 2.3% share of PED. Regional energy demand is forecast to reach 868.8mn toe by 2012, representing 26.8% growth over the period since 2007. South Africa's 2007 market share of 18.65% is set to fall to 17.30% by 2012. The country's 13.2twh of nuclear demand in 2007 is forecast to reach 16.5twh by 2012, with its share of the Middle East/Africa nuclear market falling from 100% to 67.35% over the period. South Africa is now ranked equal fourth, alongside Iran, in BMI's updated Power Business Environment rating, thanks largely to its significant market size, low level of energy import dependency and reasonably high proportion of renewables use. The power sector is not yet competitive, with little progress towards privatisation. The regulatory environment remains relatively unattractive. While South Africa is currently keeping company with Iran, it has greater potential to break away and move clear over the medium term.

BMI is now forecasting South African real GDP growth averaging 4.73% per annum between 2007 and 2012, with the 2008 forecast at 3.10%. Population is expected to expand from 47.9mn to 50.6mn over the period, with GDP per capita and electricity consumption per capita both forecast to increase significantly. (by 41.5% and 13.7% respectively). The country's power consumption is expected to increase from 230twh in 2007 to 276twh by the end of the forecast period, providing theoretical surplus generation if the country can deliver our forecast annual 4.1% of generating growth. Between 2007 and 2018, we are forecasting an increase in South African electricity generation of 33.0%, which represents the bottom of the range for the MEA region. This equates to 18.8% in the 2013-2018 period, down from 21.2% in 2007-2012. PED growth is set to decrease from 17.6% in 2007-2012 to 15.9%, representing 40.5% for the entire forecast period. An increase of 110% in hydro-power use during 2007-2018 is one key element of generation growth. Thermal power generation is forecast to rise by 31% between 2007 and 2018, with nuclear consumption up 25%. More details of the longer-term BMI power forecasts can be found in the Appendix of this report

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Source:

<http://www.companiesandmarkets.com/Summary-Market-Report/South-Africa-Power-Report-Q3-2008-51555.asp>

Energy: EDITORIAL

Business Day

20th of November 2008

JUST because we haven't had load shedding since April doesn't mean we don't have a power crisis. And the global financial crisis has simply made the issues more complicated.

First, there's demand. Growth in power demand is likely to be lower than Eskom had planned for - but for all the wrong reasons. Recent weeks have seen a slew of reports about ferrochrome producers, steel makers and miners cutting back on production in response to falling global demand and plummeting commodity prices. These are among SA's most energy-intensive industries and cutbacks will curb demand for electricity, and possibly not only in the next year or two but well beyond that, if future expansion projects are shelved in response to the downturn in the commodity cycle.

That may be good for Eskom, in a limited way, but it's not good for the economy. One way or another, commodities account for more than half of SA's exports. And though mining and related industries use lots of electricity, they generate far more foreign currency for each unit of power they use than other industries do. With foreign capital inflows to emerging markets drying up, SA needs that export revenue more than ever.

And ironically, perhaps, the more energy-intensive industries cut back on output, the less likely are the voluntary savings that Eskom and the government had asked for in the wake of the January power emergency. Big users were asked to save 10% and the mining industry has made significant progress towards achieving this. But other bulk users such as municipalities have hardly come to the savings party at all. Though there was an initial flurry of energy-saving enthusiasm from consumers and businesses, the emergency has been quickly forgotten, with overall savings at no more than 2% and Eskom seeing the extent of the saving decreasing with each passing month.

Nevertheless, slower economic growth in the next couple of years should crimp demand growth. So what does that mean for supply? In the next seven to 10 years, probably nothing. Eskom has improved the management of its power stations significantly since January so it is able to cope much better despite the fact that the reserve margin is still very low and the system is still vulnerable. But SA is so short of power that even if demand falls short of projections, it will still need to build power stations as fast as it can to make up the deficit in the next few years. That means much more than just the two large new coal-fired stations that are already being built. But does it mean the equivalent of 10 more Koebergs, as originally planned for the next 20 years?

A decision on a single new nuclear power plant was originally promised for July but will now be only by the end of this year. And no wonder. Even though international demand for power stations may now

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be falling, nuclear is still frighteningly expensive: SA's new station could cost as much as double the R120bn suggested earlier this year. And given that the cost of finance has escalated at a rapid rate as debt spreads have blown out, a decision cannot be taken lightly. And there's no rationale whatsoever at this stage for making long-term commitments to any more than one nuclear station. Far wiser to tie up the supply SA needs to see it through the next decade, and wait to see what will happen to demand and to technology beyond that.

Source: <http://allafrica.com/stories/printable/200811200171.html>

6. African Energy News

Power-hungry Senegal to go solar in energy overhaul

By Diadie Ba

Reuters

14th of November 2008

Senegal hopes to rein in surging electricity prices, reduce frequent blackouts and power most of its street lighting through an energy policy using solar panels, the government said Friday. Located on Africa's west coast at one end of the arid Sahel belt south of the Sahara, Senegal has huge solar potential but has so far lacked the expertise and investments to harness it.

President Abdoulaye Wade, 82, instructed his energy minister to extend the national electricity grid over the entire country and build a factory making low-energy light bulbs, a government statement summing up Thursday's cabinet meeting said.

U.S. space agency NASA scientists have identified a location in nearby Niger as the sunniest piece of land on earth, and renewable energy campaigners say the region has huge solar generating potential.

"He (Wade) has also decided to put in place an energy-saving and management policy to lower prices for electricity consumers and reduce the negative effects of costs on our nation's economic development," the government statement said.

Like many African countries, Senegal has suffered long-term underinvestment and neglect of its power network. This has hampered economic development despite it being one of the region's most stable democracies since independence from France in 1960. Last month, crowds of youths smashed up offices of the state power utility Senelec in the capital Dakar to protest against frequent power cuts due to load-shedding.

Wade said last year he was investigating installing a nuclear power station to help make up the generation shortfall, which would make Senegal only the second sub-Saharan African nuclear producer after South Africa. Two years ago, Wade, an economist by training, launched "The Wade Formula" as a proposal for Africa's oil-exporting countries to share a proportion of their windfall profits from high world oil prices with their poor neighbors. So far none has done so.

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Senegal generates a small amount of power from local natural gas, but depends mostly on oil-fired stations run on imported fuel, which has caused large electricity price increases in the past two years as world oil prices have reached record highs.

Source: <http://www.reuters.com/articlePrint?articleId=USTRE4AD50N20081114>

Industry feels heat of energy costs

By John Oyuke

The Standard

30th of August 2008

The grim picture of what Kenyans face in the wake of the energy crisis is now emerging. On the list are massive job losses, lower revenues to the Government and economic slump and stagnation.

Also at stake is Vision 2030, the country's new development blueprint, aiming to transform Kenya into a newly industrialising, middle-income country providing a high quality life to all its citizens by the year 2030. None other than the manufacturing sector, a key player in realisation of the 2030 plans, last week doubted its implementation and warned of thousands of Kenyans being retrenched. The industry warned that many factories may shut down or relocate to countries with lower production costs of which electricity is a key input.

The industry also proposed a number of ways to deal with the rising electricity costs including the Government reviewing its revenue policies, and providing relief to consumers, by absorbing some of the additional power production costs, like rental charges for emergency power generation.

"If the Government fails to address the issue, I know a number of our members are considering physical relocation to countries where the cost of doing business is cheaper," Kenya Association of Manufacturers (Kam) Chairman, Mr Vimal Shah who spoke for industrialists said.

Kenya Private Sector Alliance (Kepsa) Chairman, Mr Steve Smith added that already a number of local firms were increasing their production capacity in Uganda and Tanzania, while scaling down their Kenya operations. The power tariff increase affects all sectors, including horticulture, Jua Kali, tourism and manufacturing.

In the short term, the industry players contended, they do not have a choice but to increase commodity prices, which would add to the already very high cost of living, further fuelling inflation. The manufacturers proposed the Government addresses the high electricity costs, by lowering or suspending rental charges for the emergency power generators, and the fuel used, where it goes above \$70 (Sh4,900) a barrel.

The proposals

"Government revenue makes up a significant portion of the fuel price, at 35 per cent, and with a high

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thermal content in electricity, Government should cap its revenue collections from fuel used for generation to ease the price consumers pay,"they proposed.

They also want the Government to review financing models used by the utility companies.

This, the sector players said, is important, because one of the arguments made by the Energy Regulatory Commission (ERC) when announcing the new tariffs in June, was that it would help Kenya Power and Lighting Company (KPLC) and KenGen meet the cost of new capital expenditure on systems improvement.

"We urge that this model used is revised, to reduce initial burden on consumers and spread payout over a longer time span," Kam said in the proposals.

Kam members also say the Government should review the many programmes for demand expansion. The Government, manufacturers said, should introduce tax incentives and for energy conservation, and credits for installation of power saving devices at household level and industry.

"Relying on State provision of electricity by KenGen alone is insufficient. Government should actively encourage other investors from the private sector to participate and explore other sources of thermal energy besides fuel based for example coal," they said.

Renewable energy

They noted that there are investors that have expressed interest to Government in this regard, but there has been slow response. The State also needs to encourage industries or large consumers to generate power for their own use and sell excess to national grid, like Mumias Sugar is doing.

The manufacturers also want the Government to promote renewable energy. They observed that the Government has stated severally its commitment to expansion and adoption of renewable energy generation for example solar and wind. Addressing Kam board of directors last week, Shah said electricity prices had increased by approximately 600 per cent over the last one year.

Kenyan manufacturers are paying between Sh10 and Sh15 per kilowatt hour (KWH) of electricity, while their competitors in China and India pay the equivalent of between Sh2.50 and Sh3.80 per KWH of electricity, making their products much cheaper than Kenya.

According to Shah, the fuel cost adjustment in power bills is expected to go up again, from Sh7.69 to Sh7.78 per unit this month.

In January, the charge was Sh1.77 per unit, compared to January last year, when it was Sh1.12 per unit. Shah disclosed that over the last two months, Kam had received strong protests from members regarding the the increase in electricity costs. Kam Chief Executive, Betty Maina, warned that an estimated 72,000 to 80,000 jobs were likely to be lost due to the energy crisis in the manufacturing sector this year.

Close down

The director of Alloys Steel Castings Sagoo Tejwany said his factory might be forced to close down within the next one-and-a-half months, if the current state continued. This, he said, would result in about 800 workers losing their jobs. During the power rationing which devastated the economy in 1999 and 2000, several major companies moved production to other Common Market for Eastern and Southern Africa (Comesa) states from where they re-exported their products back to Kenya, without paying duty.

Within the Comesa bloc, Egypt and South Africa have low power costs compared to Kenya. Reckitt Benckiser East Africa, which closed its Nairobi factory last year, cited the increased cost of production as the main reason.

Source: <http://www.eastandard.net/InsidePage.php?id=1143995877&cid=457>

Kenya turns North for power supply

By Allan Odhiambo

Business Day Africa

7th of October 2008

October 7, 2008: Kenya is looking North for electricity interconnectivity to help it plug a growing supply gap that is threatening to slow down growth in the domestic economy.

Ministry of Energy officials say an \$800 million budget for the setting up of a regional power pool with Ethiopia is ready for tabling before prospective financiers later this month. The planned interconnection deal with Ethiopia represents an about-turn from an earlier policy preference that had favoured linking Kenya to Southern Africa's power grid.

Energy permanent secretary Patrick Nyoike said plans to connect to the southern Africa grid had been suspended because of supply constraints that have left South Africa, the continent's economic powerhouse, in an energy security crisis of its own.

"All our target sources in the South, including South Africa, Zambia and Tanzania have recently run into supply problems and that could only get worse with our tapping into the pool," the PS said.

Rapid economic growth in the past four years has rapidly eroded Kenya's ability to meet its electricity needs raising fears that this growth could soon become victim of supply shortage.

Consumption of electricity has risen from 3742 million Kilowatt hours to in 2002 to 5155 million Kilowatt hours in December 2007 thinning out the supply surplus to a margin of 4.5 per cent against the standard margin of 15 per cent.

This margin has been thinning out mainly due to the slow pace at which new power projects are being completed as well as the heavy reliance on the erratic hydro power whose dip during times of drought

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forces the country to rely on expensive thermal power.

Read the rest at:

http://www.bdafrica.com/index.php?option=com_content&task=view&id=10471&Itemid=5812

Mozambique negotiates power supply with South Africa

www.chinaview.cn

10th of October 2008

MAPUTO, Oct. 9 (Xinhua) -- The Mozambican government is working with the South African authorities to ensure the resumption of full supplies of electricity to the MOZAL aluminium smelter on the outskirts of Maputo, AIM reported on Thursday. MOZAL uses about 900 megawatts of power. This electricity comes from the company MOTRACO, which was set up specifically to cater for MOZAL's needs.

Although MOTRACO is owned jointly by the Mozambican, South African and Swazi electricity utilities (EDM, Eskom and SEB), the power it provides to MOZAL is purchased from Eskom. The arrangements for MOZAL are completely separate from the sale of 1,300 megawatts of power from the Cahora Bassa dam on the Zambezi to Eskom. Because of the South African government's refusal to allow Eskom to invest in new plant earlier this decade, Eskom has been running short of power.

In early 2008, Eskom had to impose rotating power cuts on its South African clients, since it was unable to meet demand. One drastic measure taken by Eskom was to demand that major industrial clients reduce their power consumption by 10 percent. But the Mozambican government does not see why Mozambique, which exports power to South Africa, should pay for a South African electricity crisis.

Energy Minister Salvador Namburete told reporters that the government has been negotiating with the South Africans to minimize the losses to Mozal. As a result of the Mozambican protest, Mozal has been allowed to cut its power consumption by only 4 percent rather than 10 percent. But the government wants the restrictions completely lifted.

Namburete revealed that last week he had held a meeting with the South African Minister of Minerals and Energy, Buyelwa Sonjica. "There have been a series of negotiations between the Mozambican and South African governments", he said. "As a result this reduction of 10 percent, recommended by South Africa, has fallen to 4 percent, and we are in the process of eliminating the reduction completely".

In the meeting with his South African counterpart, Namburete said "the vision of the two government was clear", adding "Soon the two governments, and staff from the energy sector of both countries, will meet in Maputo to solve this situation definitively, and stop the continued punishment of Mozal".

Source: http://news.xinhuanet.com/english/2008-10/10/content_10172542.htm

ANC assures Botswana of power supply

By Bame Piet

www.mmegi.bw

7th of October 2008

The new African National Congress (ANC) leadership has given assurances that South Africa will continue supplying power to Botswana until 2013. The Botswana Minister for Minerals, Energy and Water Resources, Ponatshego Kedikilwe, said he was given the assurances when he met with the new ANC top brass early this year to discuss power supply problems to Botswana.

The minister was addressing the press yesterday on the power supply constraints expected to hit Botswana from today until end of November. By 2012, Botswana is expected to be an exporter of power when its Mmamabula project starts operating.

Currently, Botswana gets its supplies from its Morupule Power Station (120mw) and imports from South Africa's Eskom (327mw) and Mozambique (85mw).

"The above supply sources give a total combined supply of 532mw. Due to an on going statutory overhaul on one of the generating units, Morupule Power Station's output has been reduced to 90mw. The overhaul is planned for completion at the end of November 2008. In addition to the Morupule shortfall, Botswana Power Corporation (BPC) is not able to access 50mw of supply from Mozambique due to equipment failure and urgent remedial repairs on one of the Mozambique sources," he said.

Kedikilwe explained that he is aware of recent remarks made by the leadership of South Africa's powerful Confederation of South Africa Trade Unions (COSATU) that it might consider forcing Eskom to meet local demand before exporting electricity. The minister is hopeful that the good political and economic relations between the two countries will deter Eskom from switching off supplies to Botswana. "I have held meetings with senior ANC members, some of them now in government and they appreciate how Botswana assisted them during the liberation struggle," he said. Kedikilwe added that there are many South African companies doing business in Botswana hence switching off power to the country will be economic suicide for South Africa. "However, governments are sovereign and can do what they want," said Kedikilwe.

The minister pleaded with people to preserve electricity at their homes and offices. He outlined ongoing projects to address power shortages in Botswana until 2013 when the multi-billion Mmamabula project is commissioned. "As part of the long-term supply security strategy, our facilitation of Mmamabula Energy Project (MEP) is continuing. The project is still envisaged for commissioning in 2013 and is planned to supply 75 percent of its output to South Africa, while 25 percent will be for domestic use. The project sponsors are currently in discussions with interested Chinese parties," Kedikilwe said.

The minister visited China two weeks ago, with a delegation of stakeholders from South Africa, to lend support to the project. He said at yesterday's briefing that load-shedding has not affected the mining sector much, as they have put measures in place to alleviate the problem. he said.

Source: <http://www.mmegi.bw/index.php?sid=1&aid=2&dir=2008/October/Tuesday7>

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