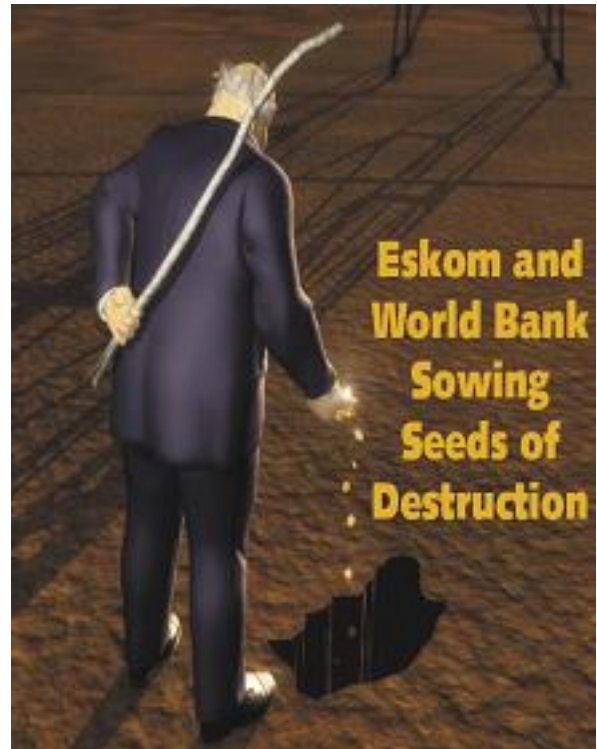


**Should the World Bank
lend South Africa's
electricity company
Eskom \$3.75 billion to
build the world's
fourth-largest coal-
fired power plant?**

Who wins and loses?

**Media statements, press
coverage and commentary from
January-May, 2010**



Business Report

Eskom still requires R200bn in funds, no plan beyond 2017

May 5, 2010

By Donwald Pressly

Despite receiving a massive World Bank loan and steep tariff hikes for the next three years, Eskom needed additional finance of nearly R200 billion for its build programme over the next seven years, MPs were told yesterday.

Eskom is in a race against time as building costs rocket because of delayed decisions, which creates a vicious circle of rising costs for the power utility. It also admitted yesterday to having calculated its build programme sums incorrectly, by a long margin.

Eskom acknowledged that it would turn again to the World Bank for funding of clean technology power projects. It would also participate in public-private partnerships and go to equity and debt markets to fund massive build cost inflation.

Mpumalanga's coal-fired Kusile station costs have rocketed from R80bn to R142bn, because of delays and higher interest charges.

'We really have a problem with funding,' Eskom chief financial officer Paul O'Flaherty told MPs.

After discussion in Parliament's public enterprises committee, it emerged that Eskom appeared to have no game plan beyond 2017.

A \$3.75bn (R27.7bn at yesterday's exchange rate) loan granted by the World Bank last month will fund the Medupi coal-fired plant in Limpopo. Some of the funds will flow to wind and solar power plants, but none would go to Kusile.

Pressed on why more money was not sought from the bank, Eskom said that the application had been made before its request for a 35 percent tariff hike had been rejected by the National Energy Regulator of SA. The regulator gave it about 25 percent a year instead.

MPs were also warned that there could be power shortages, particularly after 2017, if alternative fuels for power generation other than coal use were not found.

If a decision to use nuclear was taken, it had to be taken now, as it took 20 years for such a plant to come on stream.

O'Flaherty, who joined the parastatal in January, said he did not believe that the World Bank would fund more coal-fired projects.

He noted that Eskom produced about 41 000 megawatts of power at present.

An additional 17 000MW would be needed by 2017, a further 8 000MW by 2020, and 17 000MW more by 2025 to keep up with anticipated demand.

While the coming on stream of the Kusile and Medupi power plants 'gets us there by a tight measure by 2017', O'Flaherty reported, other answers to the energy requirements were needed thereafter.

Eskom acting chief executive Mpho Makwana said the shareholder, which is the government, needed to conduct its

own investigation into the changing power needs of the country. Eskom needed to work within these parameters.

O'Flaherty said about a quarter of the 'current fleet' of coal-fired power stations needed to be replaced between 2021 and 2028.

Some were nearing 50 years old, about 10 years older than intended. Makwana reported that the utility had 27 power plants, 85 percent of which were coal-fired, while the rest were either nuclear, open-gas turbines or hydropower plants.

Engineering News

Eskom still R190bn short up to 2017

Sapa

4th May 2010

Eskom faced a total shortfall of R190-billion between now and 2017, despite a large World Bank loan, its financial director Paul O'Flaherty said on Tuesday.

Eskom faced a R111-billion shortfall over the next three years to implement its build programme, he told Parliament's portfolio committee on public enterprises.

The company needed the money to complete its new power station at Kusile, which was vital to meet electricity demand forecast to recover apace with the economy, said O'Flaherty.

'In the next three years we really have a problem with funding,' he said.

'The unsecured funding as we sit today is R173-billion and year by year also results in a cumulative shortfall of R17-billion, so the actual shortfall is R190-billion over seven years.'

Acting Eskom chairman Mpho Makwana and O'Flaherty said Eskom was mulling '50 options' to make up the shortfall in coming years, but conceded that beyond 2017 there was no gameplan.

Eskom's reserve margin of supply is expected to dip below 15% between 2018 and 2023 following the decommissioning of old power stations like Hendrina and Arnot.

Documentation provided to MPs showed that it would need to produce an additional

8 184 MW between 2017 and 2020 with no clear idea yet as to how.

O'Flaherty said that if Eskom had to ensure it continued as a going concern and remained solvent with such a large shortfall, it needed to find another method by which to fund new technology.

Eskom's representatives were rebuked by committee chairwoman Vytjie Mentor for still not having finalised a funding model.

MPs wondered why the utility had not asked the World Bank for a bigger loan than the \$3,75-billion approved in April.

O'Flaherty said the company started negotiations with the bank more than 18 months ago, before it knew that the national energy regulator Nersa would reject its application for tariff increases of 35% a year.

Instead, Nersa approving hikes averaging 25% a year for the next three years.

O'Flaherty assured MPs that Eskom was 'far down the track on finding solutions' to cash woes for the next three years.

These included saving money on personnel, which could come to some R4-billion or more, by controlling overtime and improving productivity, which he conceded was not optimum.

O'Flaherty told reporters that Eskom would like the government, which has already underwritten R176-billion in debt for the company, to give it further guarantees.

'That would be a definite benefit for Eskom because it would enable you to raise more guaranteed money.'

He said Eskom did not want to 'saturate the local bond market' and rejected suggestions that the utility approach the Industrial Development Corporation as it was not in a position to give anybody a loan of more than R2-billion.

Makwana said Eskom had enlisted international financial services group Credit Suisse to finalise an equity model for Kusile, and JP Morgan to help conclude a broader funding model for Eskom.

Both companies were contracted in April and given 60-day deadlines, which meant their proposals would be submitted in June.

Makwana dismissed criticism from MPs and a handful of environmentalists who gate-crashed the meeting about Eskom's continued reliance on coal, but added that the company's mid-term aim was to cut the percentage of total power output derived from coal from 85% to 70%.

'Coal is our immediate reality,' Makwana said.

'In the end, it is matter of rands and cents and dollars,' he said, and argued that coal in the southern hemisphere contained less sulphur and therefore contributed less to global warming.

O'Flaherty acknowledged that Eskom would be unlikely to secure further funding from the World Bank for coal-fired plants.

He told reporters Eskom would get its first instalment of the World Bank loan in July, to pay for construction already completed.

He insisted that the public could rest assured that none of the World Bank funding would be used to cover work by

Hitachi Power Africa, in which the ANC's investment arm Chancellor House holds a 25% stake.

Under the terms and conditions of the loan, Eskom will present the World Bank with invoices for completed work and only then will the bank release the money to pay, he said.

Funding shortfall could force Eskom to sell stake

Utility considering various options

May 4, 2010 10:19 PM |

By Caiphus Kgosana

Power utility Eskom is considering selling a stake in its Kusile power plant to cover an expected funding gap of R190-billion over the next seven years.

Patrick O'Flaherty, finance director at the electricity company, said Eskom was exploring up to 50 funding options and had asked financial services groups JP Morgan and Credit Suisse to work out the best possible funding model from those options.

He said an attractive option would be to sell an equity stake in Kusile.

'The unsecured funding as we sit today is R173-billion and year by year also results in a cumulative shortfall of R17-billion, so the actual shortfall is R190-billion over seven years.

'We have 50 potential options to close this funding gap including increasing equity into Kusile,' he said during a presentation by Eskom to the public enterprises portfolio committee yesterday.

O'Flaherty said if Eskom was to remain solvent and ensure continued security of supply, it would have to find innovative funding mechanisms. He said it would also be ideal if government - which has already provided R176-billion in guarantees - could increase this further as it would allow Eskom to borrow much more money.

Acting Eskom CEO and chairman Mpho Makwana said the cabinet had mandated the board to expedite the process of finding equity partners for Kusile, adding that this could be extended to other power stations depending on which funding model the parastatal would have adopted at the end of the day.

The final funding model will have to be approved by Cabinet.

The World Bank recently approved a US\$3.75-billion (about R27-billion) loan to the electricity parastatal to help finance its coal-powered Medupi power station in Limpopo.

There was an outcry, however, over ANC investment arm Chancellor House's stake in Hitachi, which is providing boilers to Medupi, with opposition parties urging the bank not to grant the loan unless the ANC divests from Hitachi.

Asked why Eskom had not sourced the money from local financial institutions, Makwana said it had held discussions with the Industrial Development Corporation and the Public Investment Corporation, both of which indicated that they would only be able to provide about R2-billion and nothing more.

'We have to balance the delivery of security of supply while at the same time walking a tightrope of securing funding,' he said.

Business Day

Eskom eyes R40bn from private buy-in

LINDA ENSOR

Published: 2010/05/05 06:10:30 AM

Eskom is thinking of raising R40bn by selling minority stakes in existing power stations now that the disposal of a 30% stake in the R144bn Kusile power station is looking increasingly unlikely.

The adoption of this approach would be a shift from the Cabinet decision in December to restrict equity sales to Kusile only.

It emerged yesterday that not only is Eskom considering the sale of minority equity stakes in 27 power stations, but it is also likely to need further government financial support for its massive build programme.

State support would enable the utility to maintain its credit rating, on which it raises loans.

The option to sell equity in some power stations is one of about 50 possibilities the cash-strapped parastatal is investigating in a bid to make up a R111bn cash shortfall over three years.

The options are to be whittled down to a final funding model proposal, which Eskom financial director Paul O'Flaherty said yesterday would be finalised by the end of next month.

Eskom's board would consider the options and make a proposal to the Department of Public Enterprises, he told Parliament's public enterprises committee.

Two external advisers were appointed last month to assist Eskom in its decision making.

Credit Suisse was mandated to come up with a suitable equity model for Kusile within two months while investment banker JPMorgan was tasked with proposing a broader funding model for the utility by the end of next month.

But O'Flaherty told the committee he was 'not highly confident' that it would be possible to pull in an equity partner for Kusile as it was already a committed, planned project.

Normally, equity partners were brought in at the start of the process. As an alternative, minority interests could be brought into other power stations either directly or through the sale of transmission and distribution systems.

More equity funding would lower the risk of debt holders.

O'Flaherty said that to maintain its BBB+ rating, Eskom would require significant 'equity-like' cash injections.

He also said that most of the funding options proposed 'would require a level of additional government support, particularly in the short term'.

This would most probably involve an increase in the R60bn government guarantee that Eskom has already received.

O'Flaherty gave as one potential funding option a R40bn injection from the sale of equity in other power stations and R45bn in international bonds underpinned by the

as yet uncommitted R60bn government guarantee. Eskom acting CEO and chairman Mpho Makwana was adamant that no consideration was being given to selling a stake in Eskom Holdings, which is wholly state-owned. The labour movement would oppose that strongly.

Eskom's total funding gap over seven years is R190bn, if R93bn is included for uncommitted future investment in new generation capacity. But with R15bn deducted from the cash reserve, R10bn in efficiency savings over three years and R20bn over seven years, the shortfall would drop to R86bn over three years and R62bn over seven.

The funding gap arose with the National Energy Regulator of SA (Nersa) agreeing to tariff hikes of about 25% a year over three years instead of the initial 45% and then 35% requested by Eskom. Eskom's funding projections assume that Nersa will grant average tariff increases of 25% for each of the later two years and 6% thereafter.

O'Flaherty discounted the possibility of a further concessional World Bank loan.

He said that the bank would neither want to invest more in coal-fired power stations nor increase its exposure to Eskom. Eskom raised a 3,75bn loan from the bank to help fund its Medupi power station.

O'Flaherty stressed the critical importance of Eskom clarifying its funding model as all the rating agencies had the utility on a negative outlook due to uncertainty about this and the regulatory environment in future.

He said that without the state guarantee, Eskom looked 'quite weak'. It was

absolutely critical for the funding solution to strengthen the credit rating.

A preliminary study by Eskom on the effect of a fall in the rating showed that this would cost between R4,3bn and R15,9bn in additional financing costs calculated on a funding requirement of R150bn.

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Engineering News

Eskom to test market appetite for Kusile stake this month

By: Terence Creamer

5th May 2010

State-owned power utility Eskom will undertake international and domestic road shows during May to gauge the appetite among a 'confidential' group of potential strategic equity partners (SEPs) for a position in its already delayed R142-billion Kusile project - a transaction that many critics believe carries too many risks to be feasible.

Financial director Paul O'Flaherty told Engineering News Online on Wednesday that, while he was fully alive to the criticism surrounding the proposed sale of a 30% to 49% equity stake in the Mpumalanga-based project, it was premature to say that there definitely was, or was not, appetite for the Kusile project.

'There are some obvious complications in [attracting private participants into] Kusile,' O'Flaherty admitted.

The fact that the contracts had been placed and that construction was under way, meant that there was 'construction risk' for any equity partner.

'So we need to reconfigure it [Kusile] into a legal package that we can go and sell,' he explained, noting that Credit Suisse had been appointed specifically to deal with the matter.

He said that the road shows would enable the utility to assess appetite, as well as the '15 or so requirements' to unlock the

transaction, and dismissed market speculation that the project's cost had climbed beyond the R142-billion figure that had been stated publically.

The cash-strapped utility hoped to raise R40-billion from the sale to an SEP in order to close a R90-billion funding gap between now and 2017.

The utility indicated earlier in the week that the funding gap was R190-billion. But that figure included the capital necessary for projects that were not yet committed, and might not even be built by Eskom.

'Our true funding gap is R90-billion,' O'Flaherty said, adding that his attention was being given to closing that immediate gap - defined as the total cash shortfall resulting from capital expenditure that is not offset by the profitability of Eskom and its [currently] secured funding agreements'.

Credit Suisse had been appointed transaction adviser on the Kusile sale, which was a key element of a broader funding strategy that was being developed by Eskom together with JP Morgan.

JP Morgan had also received a mandate to study alternative equity injection proposals, particularly should there be no takers for the Kusile stake.

O'Flaherty said that, while he needed to follow prescribed approval processes (which included gaining sanction from the Eskom board, Public Enterprises Minister Barbara Hogan and the National Treasury), he expected to be in a position, by June, to begin pursuing some of the funding solutions being interrogated.

BOND PROGRAMME, QUASI-EQUITY

There were 'literally 50' solutions under study, with the launch of a global medium term note programme (GMTNP), to raise capital on the global bond markets, being the 'lowest-hanging fruit'.

Eskom expected to list a GMTN in either the US or Europe during the second half of 2010 (possible in June), with O'Flaherty indicating to Engineering News Online that the US looked 'very attractive'.

Another possible solution lay in converting some R60-billion of a larger R176-billion National Treasury guarantee into 'quasi-equity', so as to improve the capacity of Eskom to borrow.

This could be done by creating a special purpose vehicle, owned by government, which invested equity into Eskom, to be recovered through the payment of dividends over a long time horizon. Such a reconfiguration of the debt/equity on the utility's balance sheet could enable Eskom to borrow beyond the constraints of its current balance sheet.

One option not being considered, was the cancellation of Kusile altogether, which O'Flaherty argued would carry severe penalties both for Eskom and for the country.

'We realise that we have a big funding gap to close. We are looking at ways to close it, and we are most definitely not sitting idle.

'In fact, we are working flat out on the funding model,' O'Flaherty concluded.

Bloomberg

Eskom Sees 190 Billion Rand Funding Gap Over 7 Years (Update1)

May 04, 2010, 11:57 AM EDT

By Mike Cohen

May 4 (Bloomberg) -- South African power utility Eskom Holdings Ltd. said it has to secure additional financing of 190 billion rand (\$25 billion) over the next seven years to fund an expansion program needed to prevent a repeat of power outages that shut mines and factories in 2008.

State-owned Eskom, supplier of 95 percent of South Africa's electricity, expects to spend about 693.3 billion rand on new capital projects by March 2017. Last month the utility appointed JPMorgan Chase & Co. to help it develop a funding strategy.

'They have 60 days to revert back to us with solutions,' Eskom's acting Chairman Mpho Makwana said to lawmakers in Cape Town today. We have taken a conscious decision to secure the right funding to ensure continuity of supply. Given the financial constraints that we have been finding ourselves in, we've had to cut our cloth accordingly.'

On April 9, the World Bank agreed to lend Eskom \$3.75 billion, \$3.05 billion of which will be used to complete its coal-fired Medupi power plant. Environmental groups opposed the loan, saying the project would generate pollution.

Eskom may look to tap further loans from the World Bank's Clean Technology Fund, saw 'zero chance' of securing more financing from the Washington-based

lender for coal-fired plants, Finance Director Paul O'Flaherty said to lawmakers.

The World Bank loan will be drawn down over three years and between \$1 billion and \$1.5 billion will be accessed in the first year, O'Flaherty said to reporters.

'The first tranches are expected in July,' he said. 'We take out cash flow hedges immediately' to guard against currency losses.

Eskom expects electricity demand in South Africa to rise 4.4 percent in the 12 months through March 2011, gain about 2.2 percent in the 2012 financial year, and 1.9 percent in the following 12 months. Xstrata Plc, BHP Billiton Ltd. and ArcelorMittal South Africa Ltd. are among the country's biggest power users.

--Editors: Raj Rajendran, Will Kennedy.

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African Development Bank to Fund More Power Plants

By Renee Bonorchis and Nasreen Seria

May 5 (Bloomberg) – The African Development Bank plans to fund more power projects on the continent to help ease an electricity shortage that's hindering faster economic growth.

'The appetite for this type of a project has really risen,' Tim Turner, director of private sector initiatives at the bank, said in a speech in Dar es Salaam, Tanzania today. 'A year ago, we couldn't get any response.'

Africa needs to spend \$93 billion a year on power, transport and water projects over the next decade to lift growth and reduce poverty in the world's poorest continent, the World Bank said on Nov. 11. At least half of that will be needed to expand electricity capacity, which amounts to only 68 gigawatts, about the same as Spain, for 48 countries, according to the World Bank.

Sub-Saharan African nations including South Africa and Nigeria, the continent's biggest economies, have run into power shortages in recent years as growth accelerated. Nigeria, Africa's most populous nation, borrowed \$600 million from the World Bank in November to help boost energy production.

The Tunis-based African Development Bank is investing \$100 million in Kenya's Turkana wind project and lent Eskom Holdings Ltd., South Africa's state-owned power utility, 1.86 billion euros (\$2.4 billion) to build the Medupi coal-fired power plant.

Fiber-Optic Cable

The bank has also provided loans to build communication networks, including \$66 million to help finance the undersea fiber-optic cable connection along the west coast of Africa being developed by Main One Cable Co. Turner said today the cable, which runs from Europe, will arrive in Nigeria in the middle of this month.

The African Development Bank is seeing a significant increase in investor interest in Africa as more opportunities open up, Turner said.

Members of the African Development Bank are expected to ratify an agreement to triple the bank's capital base to \$100 billion at the lender's annual meeting in Abidjan, Ivory Coast, later this month, Turner said. The bank more than doubled its loan commitment to \$11.8 billion during the global crisis, the bank's President Donald Kaberuka said on April 22.

Turner was speaking ahead of the World Economic Forum, being held for the first time in East Africa. The conference has attracted more than 1,000 delegates, a record, including seven African heads of state, such as South Africa's Jacob Zuma.

Growth

Infrastructure development is a key concern being discussed at the conference. Rapid urbanization has led to 72 percent of Africa's population living in slum settlements in cities and towns, Anna Tibajuka, executive director of the United Nations Human Settlements Program, told reporters in Dar es Salaam today.

Africa, which sits on the world's biggest deposits of platinum, chrome and diamonds, is attracting investment from China and India, helping to boost growth

on the continent to 4.7 percent this year, double the pace of 2009, according to forecasts from the International Monetary Fund.

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<http://www.sustainactmove.org/>

SAM gets 'unparliamentary', protests during Eskom hearing

By David Le Page on May 4, 2010

This rainy Cape Town morning, four SAM activists mounted a brief silent protest during the Public Enterprises committee meeting hearing on Eskom's funding model at the Townhouse Hotel. We held up a banner saying 'Eskom + Big Coal = Fewer Jobs + Climate Chaos', as Eskom reps addressed the committee.

Having made our point, we acceded.

<http://nuclear-news.net/2010/05/05/community-opposing-nuclear-power-in-south-african-eastern-cape/>

Community opposing nuclear power in South Africa's Eastern Cape

The Fight Against Nuclear Power: suite101.com, by Christian Theron, 4 May 2010, The Community in South Africa's Eastern Cape is currently facing Construction of a Nuclear Power Plant even though no guarantees of safety are provided. '...

..The sleepy Eastern Cape Community have recently discovered that Coega Development Corporation (CDC) have identified a small area near Cape St Francis' coast line. After nearly twenty years of looking for the ideal location, they have finally announced their plans to the public.....Research has shown that the majority of people living in the Kouga region have expressed their concern about the Plant's impact on local Fauna and Flora. The area is heavily dependent on Chokka fishing and any damage to the marine life would severely affect the economy. Locals are also concerned about the Company's provision for storing Nuclear Waste....

CDC have acknowledged the public's concern, but that's about as far as it goes. Despite various promises that the Plant will benefit the country in times of a dire power shortage, they have been unable to present any evidence of sufficient safety measures....

Eskom (South Africa's Electricity Mogul) have just received a twenty-four Billion Rand loan from the world bank and will have to apply for another small fortune to help build this Plant.....

If the World Governments were so concerned about Global Warming they would have pushed for Green Power. Even though the Eastern Cape is one of the windiest regions in South Africa, there are no talks of Wind Turbines. South Africa has one of the sunniest climates and yet Solar Panels are not an option....We are in the midst of a power crisis, yes, but the solution is clean energy and zero impact on our environment. Until our Industry Leaders can provide this, all the talks about going green is no more than Crowd Control. The Fight Against Nuclear Power

SA sees investment worth \$16bn by 2013

TRADE & INDUSTRY

Published 05 May 2010

Article by: Reuters

South Africa has targeted some of the world's fastest growing economies, such as China, to reach a minimum target of R115-billion in foreign investment projects by 2013, Trade and Industry Minister Rob Davies said on Tuesday.

'Targeted potential sources of FDI (foreign direct investment) will include China, India, Russia, Brazil, Japan, the US and Middle East,' Davies said in his budget vote speech to Parliament.

'We anticipate that the work programme will translate over the next three years into an investment pipeline of R115-billion (worth) of projects,' he said.

Although the targets were ambitious, they were 'achievable and realistic', Davies added.

Africa's largest economy is emerging from its first recession in almost two decades, where its export and manufacturing capacity shrank significantly as a result of a global economic slowdown and lower demand.

Sadiq Jaffer, chief director at government-linked Trade and Investment South Africa, said that there was major interest in the energy sector, particularly renewable energy, which had the potential to contribute thousands of megawatts to an ailing national power grid.

Jaffer said that they were looking at a combination of greenfields and brownfields

projects, with the first deal expected to be signed in 2010.

'It will be signed within this year definitely. Who with, we obviously can't say,' he told reporters.

Jaffer said that they were looking at a merger between foreign players with local partners, so that investments could be sustained over the longer period.

South Africa is increasingly looking at renewable power sources such as solar and wind to help alleviate a chronic power shortage that has hit the key mining sector and cost the economy billions of dollars.

Power utility Eskom last month revived two renewable energy projects after a \$3,75-billion World Bank loan was granted.

Fin24.com

BHP pulls rug under metal firms

48 minutes ago

Jan de Lange

Johannesburg - Aluminium processing companies have failed in an attempt to get BHP Billiton to supply them with liquid metal from the group's Richards Bay-based Hillside smelter - a deal that would have saved huge amounts of electricity.

The R500bn BHP Billiton was initially willing to supply the liquid aluminium, but then changed its mind because it earns more from tax benefits derived from exporting the base metal.

Syd Kelly, CEO of the Richards Bay Industrial Development Zone (IDZ), said five years of negotiations had gone into sourcing the aluminium. In fact, the negotiations were so far advanced that a contract had been drafted in terms of which metal companies would buy 180000 tonnes of liquid aluminium a year from the Hillside smelter.

The metal would be transported to smaller plants where up to six downstream aluminium processing companies would cast it into products such as aluminium powder and sheet aluminium.

BHP Billiton said, however, it did not wish to continue the negotiations because an environmental impact study indicated the safety risks associated with transporting the hot aluminium were too great, Kelly said.

However, transporting hot aluminium by road is a well-known, often-used

technology, especially as it saves so much energy, and electricity in particular.

In Richards Bay, BHP Billiton itself transports considerable amounts of liquid aluminium from its Hillside plant, where the aluminium is manufactured, to Bayside, an outdated facility where the group built a modern foundry a couple of years ago.

It gets the electricity from Eskom at low prices which involve a loss for the power producer. The Hillside smelter draws some 1700MW from the utility.

Hulamin, a downstream aluminium semi-fabricator, processes about 250000 tonnes a year of aluminium, although not all comes from BHP Billiton.

The foundry is however being shut down this year, after which BHP Billiton will produce only certain products, such as rods, which will be cast at Hillside and Mozal and then exported.

From next year, therefore, Hulamin will have to import and cast its own aluminium, as will the six smaller processing companies that have for some years attempted to buy the liquid stock from BHP Billiton.

In Europe thousands of tons of aluminium are transported about 600km by road from smelters in Germany to, for instance, vehicle factories in Italy. The Alps are even crossed with the molten aluminium in trucks in temperatures far below freezing.

Transfer pricing

The real reason why Billiton does not want to deliver the liquid metal to South African customers is because it earns more by exporting it, sources said.

This is owing to transfer pricing in which it exports the aluminium to itself at less than market prices which then incurs a tax benefit.

Johnny Dladla, vice-president of communications and external affairs at Billiton South Africa, said BHP Billiton's business philosophy did not support third-party production risks that can affect its operations, and the company therefore does not permit the transfer of liquid aluminium to third parties.

He denied that BHP Billiton derives tax benefits from using transfer pricing for aluminium exports.

The chief executive of one of the metal-processing companies that wants to use Hillside's liquid metal said they are competing with companies that buy liquid aluminium in Europe and don't have to bear the costs of the electricity required to smelt it.

BHP Billiton consumes electricity and water to cool the aluminium down after casting.

The Hillside plant produces some 700000 tonnes of aluminium a year, and consumes about 5% of the electricity Eskom generates.

An engineer advising some of the smaller companies says Hillside could save up to 4% of its electricity consumption by selling the 180000 tonnes in liquid form. This would represent an annual saving of about 924MW.

The biggest saving would however benefit the smaller processing companies, which would no longer have to liquify the aluminium before processing it.

They would save about 2640MW a year, said an engineer who does not wish to be identified.

This would represent about 80% of what it costs the group in electricity to process aluminium.

- Sake24

Sunday Independent

Judge gives round 1 to Maroga but slams Eskom door in his face

May 02, 2010 Edition 1

Wiseman Khuzwayo

AXED ESKOM chief executive Jacob Maroga has won the first round of his legal battle with Eskom when the High Court on Friday found the termination of his contract was unlawful.

But the court dismissed his application for his reinstatement, saying the trust between him, the Eskom board and Minister of Public Enterprises Barbara Hogan had irretrievably broken down.

Judge Moroa Tsoka of the South Gauteng High Court found that Maroga, as CEO, was a vital link between Eskom, its board and the minister. 'For the proper functioning of the board and Eskom's smooth and efficient execution of its public duty to generate electricity without which the entire economy would fail, it is vital that there be trust between Mr Maroga, Eskom, its board and the minister,' the court said. It also dismissed his application to interdict the power utility from proceeding with the appointment of his successor.

Judge Tsoka said this was because it was in the public interest and good corporate governance that there was certainty about the leadership at Eskom.

In his application for an interdict, Maroga said he had learnt in February that the Eskom board had instructed recruitment specialists to identify suitable candidates for his replacement.

An expert on employment law said Maroga's hope now lay with suing Eskom not for unfair dismissal but for the unlawful termination of his employment contract.

He said it was unlikely that an application to another court for his reinstatement would be successful.

Sunday Independent

Public pays for Eskom's blunders

May 02, 2010 Edition 1

THE Johannesburg High Court's finding this week that the dismissal of former Eskom chief executive Jacob Maroga was unlawful is an indictment on the parastatal's board.

And if sanity prevails, the board should step down or be fired by the government, now that it has been proved in court that it showed no regard for basic corporate governance laws when it fired Maroga.

It is a blight on Eskom corporate governance - and precisely the lack of it - not because Judge Moroa Tsoka found in favour of the man, who was unpopular in the public's eyes because of the load shedding we had to endure under his tenure.

The state-owned monopoly energy supplier was also found to have gone to the extent of flouting rules that would have been obvious to a student of Labour Law 101: the right to reply to the charges of non-performance.

Judge Tsoka found that Maroga's rights and obligations were spelt out in his employment contract; he was entitled to be heard. This is one of the fundamental principles of the law. It is known as *audi alteram partem* - literally, hear the other side

The government, through Public Enterprises Minister Barbara Hogan, has again proved to be a negligent shareholder.

According to Maroga's court papers, Hogan had, through her legal adviser, threatened him with limited deployment opportunities if he did not step down as chief executive of Eskom.

At the same time the then board chairman, Bobby Godsell - who had spent years in the corporate sector and should have known the importance of due process - accused Maroga of poor performance a few months after the board awarded Maroga a performance bonus.

The public, which owns Eskom via the government and has to dig ever deeper into its battered pockets to pay for ridiculous tariff increases, was, in the process, short-changed.

If Maroga had caught the common disease of poor performance so endemic in many state entities, he should have been fired a long time ago. Indeed, having kept him at the helm while his performance was felt to be below par would have been as scandalous as awarding bonuses to the chief executives of investment banks whose scant regard for corporate governance delivered a painful recession to the global economy.

Why give a bonus to a poor performer in the first place?

What appeared to have been a clash of personalities and disagreements over corporate strategy between Maroga and Godsell was dramatically transformed into a governance problem.

The public was unnecessarily divided, in some instances along racial and political lines. Emotions were whipped up for what has since emerged to be utter negligence

of procedure and disregard of facts about Maroga's actual performance by the board.

How a chief executive could be fired without due process is baffling. This has exposed Eskom to an obligation to pay Maroga compensation.

Now the supposed poor performer stands to gain millions - thanks to the Eskom board's incompetence.

Eskom is ailing. It survives thanks to being a monopoly and the government's generous guarantees to help it secure loans with the World Bank.

It also survives on its rather strange unbusinesslike strategy: it is probably the only company in South Africa that begs its customers not to buy too much of its product.

The ruling in favour of Maroga comes as controversy continues over the ANC's shareholding, via Chancellor House, in Hitachi Power Africa, which has secured boiler-making tenders with Eskom. The tenders will be financed partly by the World Bank debt, which in turn will be financed by the South African public.

As if this was not enough, it has since emerged that for a long time Eskom has had preferential tariff rates for multinational companies.

We are yet to hear the outcome of the renegotiation of these dodgy rates, which in effect meant that the ordinary taxpayer subsidised big corporations.

It does not help that when Eskom applied for the multiyear tariff increases to the National Energy Regulator of SA, it did not disclose these unsavoury deals. All of these

happen on the watch - in fact, with the blessing - of the negligent shareholder.

In any event, who would quarrel too much when the ruling party is conflicted?

In the final analysis, if the Eskom board still has any residue for due process it should quit en-masse - unless it successfully appeals Judge Tsoka's ruling.

Chancellor House the biggest 'front' of all - Zille

Helen Zille

30 April 2010

DA leader says the pot in the presidency has been calling various kettles black

Yesterday, in an address to a Black Management Forum (BMF) symposium, President Jacob Zuma tried to present himself as a defender of the Constitution.

Despite the irony of this claim, it represents some progress. Not long ago, President Zuma repeatedly and proudly stated that the ANC was more important than the Constitution. And he showed that he meant it when he proceeded to undermine the independence of the criminal justice system to protect himself and his closest allies from prosecution.

But, in trying to project himself as a defender of the Constitution yesterday, Zuma bizarrely chose to attack the Democratic Alliance for lodging two court applications that, if successful, would overturn two of the most unconstitutional decisions ever taken in our country.

The first is the DA's application for the High Court to review the National Prosecuting Authority's decision to drop the corruption charges against Zuma on the eve of the 2009 election, despite the overwhelming prima facie case against him. The second is the DA's application to have Zuma's decision to appoint Menzi Simelane (a man who does not believe in prosecutorial independence) as head of the NPA declared invalid and unconstitutional.

In his address yesterday, Zuma said: 'We have noticed in recent months a tendency to use the Constitution by some parties to block transformation, or to seek to reverse decisions made by the Executive, through endless court actions.'

This is deeply ironic.

As everyone knows, it is Zuma who is the past-master of 'endless court actions' to prevent the law taking its course. He opposed every aspect of the state's corruption case against him on procedural grounds to prolong it until he had the political power to undermine the constitution to make it go away. Unlike the DA, Zuma can rely on a limitless amount of taxpayer's money to do so. He will continue to drag out the appeal as long as he possibly can.

Zuma needs to understand that it is his unconstitutional behaviour that needs to be called into question, not the DA's legal challenge of it. Far from 'petty politicking' - as Zuma called these court cases yesterday - they are fundamental to the future health of our constitutional democracy. If the DA is successful, we will send out a powerful message to Zuma and the ANC that they are not above the law, that some people are not more equal than others.

What was even more ironic was Zuma's assessment yesterday of Black Economic Empowerment (BEE). He acknowledged that BEE was not sufficiently broad-based and vowed to 'identify where the current bottle-necks are in implementation, and eliminate the unintended consequences.'

'We cannot allow an abuse of the [BEE] policy to empower just a few', he said, before railing against the 'unintended consequence of fronting which he said

should be exposed and eradicated by the 'various sectors involved.'

What is astonishing about these remarks is that Zuma talks of BEE as if it was imposed on the ANC from elsewhere, as if he is powerless to take immediate action to stop it being perverted by the ANC. The ANC's perverted version of BEE, based on cadre deployment, is designed to benefit the politically faithful few. It is not an 'unintended consequence' of the policy. It is the purpose.

If Zuma really wanted to stop 'fronting', he would shut down the biggest 'front company' in the country - the ANC's own front company, Chancellor House. This 'front company' is the very manifestation of the ANC's approach to BEE. It is not intended to empower previously disadvantaged people, or to achieve what he calls 'broad-based empowerment.' It is designed to enrich the ANC. It does this through corruption. The ANC in government channels contracts and tenders to the ANC in business to enrich the ANC and its leaders.

As we know, Chancellor House channels hundreds of millions of rands (possibly billions) to the ANC through its stake in deals such as Hitachi Power Africa which won the Eskom tender to build boilers in Limpopo and Mpumalanga.

As the Institute for Security Studies has revealed, Chancellor House has a stake in numerous other companies too - most of which do business with the state. These include Wits Gold, Afgem, Bateman Africa (which has also won Eskom tenders), Tshole Business Solutions (which does work for various government departments) and Grindrod J&J logistics. I have no doubt that Chancellor House has many other

dubious business interests that have not been exposed yet.

Most of these companies claim - as Hitachi Power Africa did last week - not to have known that Chancellor House was linked to the ANC at the time it acquired a stake in them. They say they believed Chancellor House was a bona fide BEE partner that would empower previously disadvantaged South Africans.

This is because Chancellor House, as the name suggests, is a front company that pretends to be something it is not. It does deals with the state under the guise of BEE and then gives the money to the ANC. That is fronting - the very practice that Zuma criticised yesterday. And it has nothing to do with BEE. It is crony enrichment.

So, if Zuma wanted to stop fronting, he would start by disbanding the mother of all front companies - Chancellor House.

Interestingly, for a short while, it appeared that the new ANC leadership after Polokwane would do just that. In February 2008, newly-elected ANC Treasurer-General Matthews Phosa announced that Chancellor House would pull out of the Eskom deal. 'There will be no deals in the corner,' he said, 'it will be very transparent.'

A week later, Phosa announced that he had commissioned an Ernst and Young forensic audit into the activities of Chancellor House. If there was evidence of wrongdoing, 'the law will have to take its course', Phosa said.

Of course, as we know, Chancellor House never pulled out of the Eskom deal. And, since then, we have heard nothing of the Ernst and Young audit - either because it

never happened or because it did happen and revealed that the pickings were too rich for the new ANC leadership to ignore. I am sure that once the Zuma power clique saw how much money was being generated by Chancellor House, their appetite to end this corruption waned considerably.

Besides disbanding Chancellor House, there is another thing Zuma can do if he wants to stop fronting and narrow-based BEE. He can take a leaf out of the City of Cape Town's book.

When the DA-led coalition came into power in 2006, we revoked the requirement stipulated by the previous ANC government that a company must be 30% black-owned to qualify as a supplier of goods and services to the City. We did so because we knew that this stipulation did nothing to broaden BEE, it simply ensured the same ANC cronies were repeatedly empowered. This effectively undermined the achievement of broad-based empowerment.

At the time we were, predictably, derided by the ANC for being 'anti-transformation.' But, as a result of this policy shift, the City increased the procurement from BEE and SMME companies from 40% to 80% between 2006 and the end of last year. This happened through broadening opportunities for the many, not manipulating outcomes for the few.

In the 'open opportunity' system, empowerment is genuinely broad-based. The City increased the number of vendors from which it procures goods and services from 10,000 in 2007 to more than 15,000 at the beginning of this year.

The conclusion to be drawn from all this is that there are practical things Zuma can do to stop the perversion of BEE. But, if he does them, he will shut off the ANC's funding supply and his own power of patronage. He will alienate his cronies who repeatedly benefit from narrow-based BEE deals. So he continues to say one thing - and do the opposite.

In the same way, there are things that Zuma could do to uphold the Constitution to prevent corruption and power abuse. He could, for example, ensure that the Head of the NPA is not an ANC deployee. He could guarantee the independence of institutions in the criminal justice system. But, if he does these things, he and many of his allies would in all likelihood face renewed corruption charges against them. He certainly won't allow that.

For all these reasons, Zuma will not stop the perversion of the Constitution or of BEE. We must judge him by his actions, not his words.

This article by Helen Zille first appeared in SA Today, the weekly online newsletter of the Democratic Alliance

Chancellor House to profit by R50m from Eskom contracts - Hitachi

Hitachi Power Africa

20 April 2010

Company says that to date no dividends have been paid to ANC's funding vehicle

Hitachi Power Africa sets the record straight

Hitachi Power Africa, the main contractor for the boilers on the Medupi and Kusile Projects, has set the record straight around its shareholding and stakeholder partnerships in South Africa.

To date Hitachi Power Africa has paid no dividends to Chancellor House. When dividends are paid to Chancellor House in the future it is likely to be less than R50 million for both contracts over the next eight years. If they in turn declare and pay a dividend to their shareholder, the Chancellor House Trust, any distribution made by the Trust to beneficiaries will go to natural Black persons only - people belonging to specific categories such as youth, women, rural and disabled. This excludes benefits being paid to political parties.

Speaking to journalists today at the company's offices in Sandton Hitachi Power Africa chief executive, Johannes Musel noted that Chancellor House Holdings would not earn billions of Rand as a result of its interest in Hitachi Power Africa. 'Contract value, in this case R38.5 billion for both the Medupi and Kusile boiler contracts, does not equal profit'.

The company in a consortium with its holding company, Hitachi Power Europe,

successfully bid for, and won the Medupi Power Station boiler works contract in October 2007. The Kusile Power Station contract was awarded two months later. An independent audit report by Deloitte & Touche (which is on the public record) found the tender evaluation to have followed due process and the subsequent award of the contracts to be fair.

In terms of the Eskom contracts Hitachi Power Africa is required to be BEE compliant. For this reason HPA had to ensure that the Trust Deed of the Chancellor House's shareholder, the Chancellor House Trust, stipulated beneficiaries who are natural persons.

Musel said, 'Our main focus is the successful execution of the projects and the fulfilment of the ASGISA contract obligations. These obligations call for 60% local content, preferential procurement, skills development and investment in South Africa.

These contracts will benefit local industry through know-how transfer and skills enhancement in a highly specialised engineering field'.

'We are satisfied that our corporate governance structures are sound and we are committed to South Africa and to working with our customer, local partners and stakeholders to contribute to bring the nation the electricity it needs to power growth.

If we can achieve this, then the socio-economic benefits to the country will be substantial.' Musel said.

Background information

Hitachi Power Africa was established in October 2005 as a private company. Hitachi Power Europe GmbH, the holding company, responsible for the African market within Hitachi global, was interested to enter the local market and to participate in the planned electricity generation expansion programme. The holding company, in anticipation of the new business order in South Africa, recognised the need for local empowerment shareholders and business partners to meet Eskom's capacity planning intentions.

At the end of November 2005, a shareholders agreement between Hitachi Power Europe, Chancellor House Holdings and Makotulo Investments was signed and all shareholders paid for their shares in full.

Work on both projects began immediately and orders placed with local companies for the manufacture of boiler parts and other components have effectively revived the boiler making industry in South Africa. Hitachi Power Africa has, between the two projects, generated 3 000 jobs to date. At peak, an estimated 6 000 jobs would be created. Medupi is scheduled for completion in late 2015 followed by Kusile in 2017.

State of the art technology is being applied at both power stations. Medupi and Kusile will be approximately 20 percent more efficient than existing plants and would therefore result in considerable savings in coal and emissions.

Statement issued by FD Media and Investor Relations on behalf of Hitachi Power Africa, April 20 2010

Business Report

Take Your Q: It's time for Hitachi to pay the price for moral turpitude

28 April 2010

Quentin Wray

Given its half-baked efforts to 'set the record straight' last week, would you still happily buy a Hitachi product or would you, given the choice, rather buy another brand?

In case you have been trapped on top of a mountain with no contact with the outside world, Hitachi Power Africa held a press conference last Tuesday during which it claimed:

 that it didn't know that Chancellor House was a front for the ANC when it signed it up as a partner;

 that Chancellor House paid a fair price of more than R1 million for its 25 percent stake in the South African operation; and

 that Chancellor House would make a mere R58m out of the Eskom deal over the next eight years or so.

Apart from that, the ANC, as a political party, would not benefit from the deal, Hitachi said, as the money would go to 'natural persons'.

If the Hitachi blokes who conducted the press conference weren't lying, I want to know when they're going to get fired for naivete unbecoming of an executive.

After all, if I were going to do business worth nearly R40 billion, I know that I would want to know exactly who I was

getting into bed with. But, to be honest, I am struggling to believe Hitachi's story.

Let's face it, ANC-aligned business people are not known for hiding the fact that they are associated with, and have access to, massive amounts of state power.

Often, it is the only thing of value that they bring into a deal. There is no reason to believe it would have been any different in this case.

And do Hitachi's top brass have such a low opinion of South Africans that they think we will believe that the money will not flow into the ANC coffers if Chancellor House is an ANC-owned company?

Come on, how dumb do they think we are? I know that Julius Malema has dominated the headlines for the last few years but do they really think that he is this country's intellectual benchmark?

But, sadly, the reality is that Hitachi and Chancellor House's Eskom contract is going ahead no matter how unpalatable it is.

The awarding of the tender has passed muster and, besides, there are no laws on the statute books that require that political parties and companies behave ethically.

In another country, a scandal such as this might well have brought the government down or, at the very least, have changed the way things were done.

Not here.

The the ANC is too powerful and too arrogant to care about how this all looks.

The ruling party will therefore continue to rake in money that should have gone to

real black businesses, the supposed beneficiaries of black economic empowerment, where it could have uplifted some real people and done some good.

Instead, these millions will flow into the ANC's own bank account where they will do nothing of any value.

All that will happen is that the ANC's efforts to retain and further entrench its dominance of the local political scene will be boosted.

Although it is clear that nothing can be done to derail the deal at this late stage what we, as citizens and consumers, can do to protest it is boycott Hitachi's products.

So next time you want a fridge, microwave, breadmaker, futon dryer, air conditioner, shaver, television, camcorder, DVD player, computer or elevator, just walk past the Hitachi stand and go buy from any one of a myriad other suppliers.

Tell the salesman why you are shunning his products and forward this message to as many people as you can.

Maybe then Hitachi will realise that its reputation should have been worth more to it than the profits - which Hitachi Power Africa has claimed are very small in any case - from one power station.

As a friend said to me last week: 'I am amazed that people think that what happens in South Africa stays in South Africa. It doesn't.'

He agreed with my call for a protest of Hitachi products but took it one step further, suggesting that the next time Hitachi is involved in global projects where

funding is required from bodies such as the World Bank or the UN, 'I suspect questions will be raised that could torpedo Hitachi's involvement.'

He has more faith in the governance processes of these multilateral organisations than I do, but I hope he's right.

It takes two hands to shake on a deal and it doesn't seem right that the ANC and Eskom are the only parties to this abomination suffering the reputational fallout. Hitachi must pay the price too.

DA wants probe into Eskom deal
2010-04-29 19:03

Cape Town - The Democratic Alliance on Thursday formally requested Public Protector Thulisile Madonsela to probe Eskom's loss-making contract with mining giant BHP Billiton.

DA MP Pieter van Dalen said the party had learnt that a senior official from the national energy regulator, Nersa went to work for BHP Billiton shortly after the contract was negotiated.

'If this is true, then it clearly further necessitates an investigation by the public protector,' he said.

'The mere existence of the special pricing agreements without any explanation from Eskom ... is already sufficient reason for an investigation.

'The possibility of a conflict of interest and possible corruption makes the case for an investigation much stronger.'

Van Dalen last week disseminated a monthly business report from Eskom, marked 'strictly confidential', which he claimed provided proof that the electricity utility sold power to BHP Billiton's aluminium smelters in Mozambique at some 12 cents per kilowatt while South Africans were paying almost three times as much.

R9.5bn loss

Eskom has resisted pressure to make public the terms of the contract, which is built around embedded derivatives and last year saw the company post a paper loss of R9.5bn.

Public Enterprises Minister Barbara Hogan, who has revealed that the deal was due to run until the end of 2025, said indiscretion would make South Africa 'look silly'.

Eskom acting CEO and chairperson Mpho Makwana told Parliament that the company had reached an in principle agreement with BHP Billiton to restructure the 'onerous' deal, which would remove 95% of Eskom's liability in terms of embedded derivatives.

He conceded that a similar long-term deal with Anglo American to provide power for the company's zinc operations in Namibia was proving harder to restructure.

Deal caused storm

Van Dalen said on Thursday he found it hard to believe that BHP Billiton would agree to pay a higher price for electricity in future without having imposed a hefty penalty for renegotiating the deal.

He said the terms of the redrafted agreement should be made public.

The devastating impact of the BHP Billiton deal on Eskom's balance sheet and income statement caused a storm last year as the cash-strapped utility was raising power prices by 25% a year to contribute towards its build programme.

Van Dalen said the public protector has wide powers to investigate improper dealing with public money on the part of government and parastatals.

Madonsela's predecessor Lawrence Mushwana found that former Eskom chairperson and ANC veteran Valli Moosa acted improperly when the company awarded Hitachi Power Africa a contract to build boilers for new power stations.

The ANC's investment arm Chancellor House holds a 25% stake in Hitachi Power Africa. Mushwana said Moosa should have recused himself from the decision.

- SAPA

Business Report

Nationalisation: Dismal past, dreadful future

30 Apr|01:11

African National Congress Youth League president Julius Malema has presumably been fortified by having sat at the feet of Venezuelan president Hugo Chavez, metaphorically speaking, and heard about the virtues of nationalisation of the commanding heights of the economy.

But there are powerful arguments against the nationalisation of the economy in South Africa, and elsewhere for that matter, though Malema will no doubt ignore them and press on with his crusade to nationalise the mines;

One salient fact about state-owned and state controlled corporations in South Africa is that nearly all are badly managed and heavily in debt and, consequently, a burden on the relatively small number of taxpaying citizens.

Think of Eskom, the state-owned electricity utility, which failed to plan ahead in the 1990s and the consequences that followed: the need to borrow billions of rands from the World Bank to build new power plants to boost the supply of electricity and the recurring power failures and load shedding that will plague South Africa for the immediate future.

Think, too, of the South African Broadcasting Corporation which is so cash strapped and heavily in debt that it hobbles along like a cripple, one, moreover, who gobbles up millions of rands that could be spent on the building of houses or the repairs to roads pock-marked by potholes.

Think as well of SA Airways and the huge sums of sums of money doled out from the treasury to keep it in the sky and to reward its former big spending CEO with a large exit bonus.

The tale of woe for state-owned corporations and top-down command and economies extends far beyond the borders of South Africa to Eastern Europe, the former Soviet Union and the People's Republic of China.

The collapse of the Soviet Union's communist satellites in Eastern Europe in the late 1980s and of the Soviet Union itself in 1991 marked more than the eclipse of communism. It simultaneously signalled the terminal failure of centrally controlled economies and Soviet-style, apparatchik-directed five year plans.

The People's Republic of China falls into a different category. It escaped the worst convulsions of the Soviet Union and its satellites by timely dismantling many of the state controls over the economy introduced by Chairman Mao Zedong and introducing free economic zones.

China stopped short, however, of relaxing the control of the Chinese Communist Party and showed a willingness to use brutal force to suppress pro-democracy dissidents as shown by the Tiananmen Square massacre of June 1989.

While it cannot be denied that capitalist economies are vulnerable to crises as manifest by the financial crisis that overtook the United States, the world capital of capitalism in 2008, before spreading across the globe. It did not lead, however, to the collapse of states.

The assumption that black people in South Africa are enamoured with the idea of nationalising of a large proportion of the economy is also dubious. Their main aim seems to be to earn enough money to live comfortably and, in case of the more ambitious to become 'filthy rich.'

The township protests against the poor or non-delivered of social services serves as evidence of their anger at government inefficiency or negligence and should not be interpreted as a desire for nationalisation of large chunks of the economy.

In a reaction to a statement by President Jacob Zuma that nationalisation of the mines was not official ANC policy, Molema riposted that the ANC Youth League did not need Zuma's support as nationalisation was prescribed in the 'Freedom Charter adopted by the Congress of the People at Kliptown in June 1955.

In a new book entitled *The Rise and Fall of Apartheid*, emeritus professor David Welsh provides interesting information on the drafting and adoption of the Freedom Charter.

He records that the National Action Committee responsible for collecting and collating the wishes of 'the people' complained that not enough demands had flown in and, for that reason, the Congress of the People was not as representative as it should have been.

Welsh further draws attention to an astonishing admission by Ben Turok, one of the moving spirits behind the Freedom Charter initiative: it was that he was felt the economic clause did not adequately reflect his understanding of what the Congress of the People thought and,

consequently, amended it to read that the commanding heights of the economy should be under the control of the general citizenry

The amended clause reads: 'The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole.'

As Welsh notes, even more revealing of the 'pre-packaging of demands' was an instruction given to volunteers. It reads: 'It is essential for each and every volunteer ... to attend lectures where they will be trained to understand, analyse and correctly assess the local and national situation (so) that they will be able to give the correct lead to the people.'

Subbed down that seems to mean they were required to obtain the answers that were required by the National Action Committee.

A further point needs to be emphasised. The National Action Committee consisted of eight representatives from each of the four participating congresses representing the black, white, coloured and Indian components of the Congress Alliance, which, in turn, means that the non-black representatives outnumbered their black comrades by 24 to 8.

It is thus paradoxical that Malema should be so quick to quote the Freedom Charter to justify the Youth League's campaign for the nationalisation of the mines when he has been so vociferous in complaining that the three people in control of the financial and economic affairs in the Zuma are all non-blacks.

For the record they are Trevor Manuel (minister in the presidency in charge of

planning), Pravin Gordhan (minister of finance) and Ebrahim Patel (minister of Economic Development).

It is strange too that Malema should ignore that three black presidents of the ANC - Nelson Mandela, Thabo Mbeki and Jacob Zuma - have implicitly but unmistakably rejected the nationalisation clause in the Freedom Charter in favour of a more investor and market friendly macro-economic policies.

Arcelor profits soar as legal battles rage

Allan Seccombe | Thu, 29 Apr 2010 08:06

[miningmx.com] -- SOUTH Africa's largest steel maker ArcelorMittal SA posted a steep rise in profits for the first quarter of the year in which it will challenge its key iron ore provider in a dispute over the terminated supply of cheap feedstock.

ArcelorMittal's results did not reflect the higher prices Anglo American's 63% held subsidiary Kumba Iron Ore said would become effective from 1 March.

Kumba has said it will continue invoicing ArcelorMittal at the old cost plus three percent level until the dispute has been settled by arbitrators and, if the decision goes in Kumba's favour, then the steel maker must pay the difference between the lower price and the commercial terms backdated to the start of March.

Kumba subsidiary Sishen Iron Ore Company (SIOC) has sent ArcelorMittal an invoice showing the difference between the export parity price of iron ore and the cost plus three percent price. The arbitration process has been set in motion.

Under the old agreement, ArcelorMittal paid around R220/tonne for its iron ore. This will now rise to around R900/tonne.

At the heart of the dispute lies the failure by ArcelorMittal to convert its old-order mining rights over a 21.4% stake in the Sishen iron ore mine to new-order rights by end-April 2009. These rights reverted back to the state. Kumba used this event as the reason for terminating the cost plus three percent agreement to supply 6.25 million tonnes of ore to Arcelor, which is about 20% of the mine's production.

'Results are good (prices, volumes and margins up), earnings are better than expected, outlook is strong, but all is overshadowed by the ongoing iron ore supply debacle,' Investec Securities said in a note. 'Stock should move higher, but uncertainty with respect to Kumba arbitration should keep it in a tight range.'

Nonkululeko Nyembezi-Heita, ArcelorMittal CEO, said the controlling shareholder ArcelorMittal, the world's largest steel producer, fully backed the South African company in its battle with Kumba. 'They are highly aggrieved at what has happened,' she said, adding they would take 'robust steps' to protect the agreement.

ArcelorMittal does not dispute the fact that it did not convert its rights, but it is awaiting the outcome of a review process initiated by the Department of Mineral Resources after a protest by Kumba, who lost out securing a mining right over the 21.4% when the department awarded a prospecting right over it to an unknown, politically linked group called Imperial Crown Trading 289.

'We thought it prudent to wait for the outcome of that review before we launch a legal process to recover the rights,' Nyembezi-Heita said on a conference call.

ArcelorMittal will from 1 May impose a R600/tonne or \$80/tonne levy on the steel it sells to make provision for the higher iron ore costs, but it has said it will pay this money back to customers if the arbitration ruling goes in its favour. This could be some years off.

The operation most at risk from the higher iron ore price is the Saldanha plant, which

is primarily an export operation. Nyembezi-Heita said a decision would be made in the third quarter about its future, but she warned it would not be profitable in the second quarter at current steel prices.

In the three months to end-March, ArcelorMittal recorded headline profit of R748m, up from a R469m profit in the December quarter and a R237m loss in the first quarter of last year when the effects of the global economic crisis were felt.

'This was achieved as a result of an improvement in trading conditions, good cost containment and lower raw material prices compared to the first quarter last year,' ArcelorMittal said in a statement.

Looking ahead, it said: 'Financial results for the second quarter of 2010 are expected to show some improvement on the first quarter mainly due to higher expected sales volumes and prices offset by higher raw material input costs as well as electricity and rail tariffs.'

ArcelorMittal will let the domestic market know on Friday, the end of March, what it will do with the base price of steel, which, given the firmer international prices, are likely to rise, Nyembezi-Heita said.

Total steel sales for first quarter 2010 rose by a third year-on-year to 1.3 million tonnes. Sales were up 15% quarter-on-quarter.

Domestic sales climbed eight percent against the December quarter and are expected to rise again in the second quarter, driven by lower interest rates.

Costs fell by nearly one third from a year earlier because of lower prices for coal,

scrap and alloys, with increased steel volumes also driving costs down, it said.

ArcelorMittal is contesting a number of cases before the competition authorities. The Competition Commission has referred ArcelorMittal and four other steel makers to the Tribunal for alleged collusion and price fixing of some long steel products.

The commission recommended ArcelorMittal be fined 10% of its 2008 turnover.

'The parties and the Commission are engaged in preliminary applications regarding access to documents. The matter continues,' ArcelorMittal said.

A second case before the tribunal was brought by Barnes Fencing Industries, alleging price and payment discrimination on wire rod. A date for the hearing has not yet been set.

iafrica.com

Eskom turns on whistleblowers

Thu, 29 Apr 2010 12:02

Electricity parastatal Eskom has called for the deportation of four expatriate employees following a television exposé.

The four expats appeared on MNet's Carte Blanche in January and accused Eskom of luring them from the US under false pretences. The four also blamed Eskom for tinkering its employment equity figures by listing them as locals.

It appeared that they were part of more than 300 black people the power producer recruited through a massive drive in 2006 and 2007.

Eskom reportedly paid New York-based recruitment agency CareerNation approximately R60-million for recruitment of the employees.

Eskom has offered to terminate the fixed five-year contracts of the four expats and to pay them a six-month salary on the condition that they leave the country within 30 days of being paid. However, they are opposing this move as some of them have already made South Africa their permanent home, according to News24.

Meanwhile, Eskom's Human Resources manager Mpho Letlape testified in an April disciplinary hearing that the project had been a 'resounding success' despite the fact that two thirds of the employees left the parastatal in their first two years of employment.

Business Day

Eskom seeks Medupi carbon credits
JOCELYN NEWMARCH

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Photo: Sunday Times

ESKOM wants to apply for carbon credits for Medupi, its planned coal-fired power station in Limpopo, under the United Nations (UN) Clean Development Mechanism (CDM) programme, in a move sure to inflame environmental sensibilities.

Medupi will use supercritical coal technology — known in fossil fuel circles as 'clean coal' — which emits fewer greenhouse gases per kilowatt compared to older technology.

Nevertheless, the power station is expected to add about 32-million tons of CO₂ e (CO₂ equivalent) emissions, a large addition to SA's annual total of 450-million tons .

'It would be very controversial. This is a coal-fired power station, with large emissions and using discard coal,' said Ciska Terblanche, MD of carbon market consultancy CDM Africa Climate Solutions and a member of the UN's CDM methodology panel, last week.

Mandy Rambharos, Eskom's climate change and sustainability manager, said a feasibility study was under way to check whether Medupi could apply for carbon credits.

Medupi, which will produce 4800MW, is set to cost about R120bn, but Eskom has struggled to pay for it, even with a 3,5bn World Bank loan. Rambharos said Eskom's carbon credits application, if it went ahead, could take up to two years. To receive the

credits — which can be traded — projects must be registered with the UN programme.

Although CDM registration does not provide for a direct cash injection, projects are awarded carbon credits based on the amount of avoided emission reductions each year.

A methodology for supercritical coal has been approved by the CDM, although as yet no large coal projects using this technology, such as Medupi, have been registered.

Projects must prove 'additionality', that is, that they would not be viable without CDM registration, or that there were barriers to establishing the newer, more efficient technology in a particular country. It is not yet clear whether Eskom would be able to prove additionality.

Terblanche said Eskom would need to put forward documentation showing why Medupi would need CDM funds, and would then apply for registration .

She said Eskom's application might be accepted on the basis that Medupi would be the first power station of its kind in SA to use this technology, but that it was difficult to say without details on the project.

The World Bank might have encouraged Eskom to apply for carbon credits, as the bank was known to push its projects for CDM accreditation, Terblanche said.

Eskom would be able to sell forward any potential carbon credits in order to obtain funds up front, but this would be risky as it would have to pay these back if Medupi's registration were not approved.

Richard Worthington, climate change manager for the World Wide Fund for Nature lobby group, said Eskom would have built a supercritical coal plant anyway and the application was unlikely to work.

'Eskom has enough to get right without trying to get carbon credits for a business-as-usual power station,' he said.

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No magic wand to remedy Eskom's funding blues

Siseko Njobeni

Published: 2010/04/28 07:18:23 AM

Azar Jammine

MARCH 31 marked the end of another financial year for Eskom and it remains to be seen if the utility has achieved its self-imposed target to break even in the 2009-10 financial year.

For a company that reported a R9,7bn loss in its previous financial year, that was a bold aim. But because of the magnitude of its build programme and the hurdles it faces in order to raise the necessary money, it is crucial for Eskom to be financially sustainable.

Breaking even, however, is not a magic wand to chase away Eskom's funding blues.

Good financial health will instil confidence in the utility and hopefully lead to improved credit ratings, which the utility needs in order to raise money at favourable rates and conditions.

The power supplier has appointed financial services group JPMorgan to assist it in developing a funding model which involves strategies to close its multibillion-rand funding gap.

Eskom finance director Paul O'Flaherty says Eskom is considering 50 funding options for the utility to close an estimated gap of R190bn. This is in addition to the 3,75bn World Bank loan.

One option to reduce the funding gap is selling Eskom bonds. The utility usually sells bonds to raise money for capital projects such as building power stations and transmission lines.

Econometrix director and chief economist Azar Jammine says there is a significant appetite for bonds in the local and international markets. Jammine says now is the right time for Eskom to dabble in the bond market. 'At the moment the international sentiment is positive,' he says.

He says the big question is the percentage of the funds that will be sourced offshore.

'Eskom has a huge offshore loan (the 3,75bn World Bank loan). Will it want to raise more money offshore?' he says.

Jammine says that if Eskom is to succeed in its fund-raising efforts, it needs government support. 'Government must stand behind it,' he says. Government financial support to Eskom is in the form of a R60bn loan and a R176bn guarantee for present and future debt.

He says the biggest risk facing Eskom in its efforts to raise money through bonds is global risk aversion. Eskom has already borne the brunt of this phenomenon.

As international markets dried up at the height of the global economic meltdown, Eskom's options for funds shrunk. This is one of the reasons the utility looked to previously untapped sources such as the World Bank, raising the ire of many who could not stomach the fact the World Bank would finance the Medupi coal-fired power station in Limpopo. The government's defence of the loan was that access to finance in the international markets had largely dried up.

The government says there is a general risk aversion arising from the global financial crisis 'resulting in a reassessment by lenders and investors of lending to institutions perceived to be a credit risk'.

Jammie says that one factor that could suddenly change sentiment — to the detriment of Eskom — is a decision by a major economy such as the US to tighten monetary policy.

Frost & Sullivan energy programme manager Cornelis van der Waal says Eskom has various options to raise money for its capital expenditure programme. In addition to raising money through bonds, Eskom could sell equity in some of its existing power stations, Van der Waal says. But this will not find favour with unions.

Eskom is on the look out for a buyer of a 30% equity stake in the new Kusile coal-fired power station. Van der Waal says selling portions of existing power stations is another option that Eskom should consider.

The utility recently denied that it intended to restructure its operations. But the utility intends to improve its efficiencies in order to drive down its costs. 'If we expect South Africans to pay 25% (tariff increases for three years), we must cut the waste. We will improve the efficiencies,' O'Flaherty says.

Eskom acting chairman Mpho Makwana says, in order to drive down its costs, the utility must be 'lean and mean'.

Eskom has recently appointed Credit Suisse as transaction adviser to secure private equity partners for the Kusile power station.

Eskom says details of the private equity participation in the project will be made public once the process has been completed.

Van der Waal says that Eskom is unlikely to get further assistance from the government. 'Government has said that there is no cash,' he says.

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Business Day

Eskom aims to turn a new leaf

Apr 27 2010 15:24

Sikonathi Mantshantsha

Johannesburg - New management at Eskom has apparently taken a conscious decision to look anew at the power utility's corporate governance policies in a bid to avoid reputational damage.

According to Eskom's finance director Paul O'Flaherty, the power utility would prefer to avoid the type of controversy it created by awarding tenders to Hitachi Power Africa, in which South Africa's ruling party had an indirect stake through its Chancellor House investment arm.

'In the next few weeks the chairperson [Mpho Makwana] and I will have a conversation on whether we should bring the Chancellor House matter to the board when it next meets towards the end of May,' O'Flaherty recently told Fin24.com. 'As executive directors we normally put the board agenda together.'

Eskom's board has not met since before the power utility was awarded a R28bn World Bank loan to complete the construction of the Medupi power station. O'Flaherty and Makwana are the only executive directors sitting on the company's board.

The reason why O'Flaherty said the board might have to discuss the Chancellor House issue, is because he feels Eskom has to turn over a new leaf and start winning friends.

The Eskom board had in 2008 decided there was nothing untoward about the Hitachi/Chancellor House deal, said O'Flaherty. But the controversy it has since generated has brought reputational damages to both Eskom and Hitachi.

'We have not covered ourselves with glory in the past. This is a reputational issue,' said O'Flaherty. 'We'll look at the lessons learnt from this. And we'll learn to manage conflict of interests better.'

- Fin24.com

Joburg power cut raises fears for World Cup

LUPHERT CHILWANE

Published: 2010/04/28 06:39:20 AM

Photo: Sunday Times

AN EXPLOSION at a Craighall, Johannesburg, electricity substation that cut power to the city's northern and western suburbs yesterday has raised fresh questions about the city's readiness to provide electricity during the World Cup.

Louis Pieterse, director of engineering and operations at City Power, said suburbs including Rosebank, Braamfontein, Linden and Roosevelt Park were affected by the cut, which lasted from 9am to 2.30pm.

Pieterse said an explosion at the substation had caused the blackout.

The incident, the latest in a series of blackouts to hit the city — a result of insufficient investment in and poor maintenance of infrastructure by City Power, rather than load-shedding by Eskom — highlights the precarious state of power provision during the World Cup, which starts in 43 days.

Officials of the local organising committee could not be reached for comment.

'These regular power outages are not acceptable. They would cause an unnecessary embarrassment during the World Cup,' said Victor Penning, Democratic Alliance caucus leader in the Johannesburg council.

'Imagine the embarrassment that would come ... while watching a big match on

television, or at a stadium, and then the power going off. There is a need for a proper maintenance plan to avoid such explosions,' he said.

Johannesburg mayor Amos Masondo should hold senior officials accountable for the power cuts 'because we cannot afford to have this situation now', Penning said.

City Power CEO Silas Zimu yesterday said the agency, responsible for distributing power in the metro area, could not guarantee there would be no electricity interruptions during the World Cup.

'You cannot guarantee electricity, but we are doing our best to minimise the impact,' he said.

Since 2003, City Power had spent more than R5bn on upgrading electricity networks to cope with demands, Zimu said.

City Power had struggled for years to get money to upgrade its infrastructure.

The R5bn spent was not enough to get the infrastructure up to the level required, he said.

'An extra R7bn would be required to install new transformers, overhead lines, underground cabling and metering to meet the demand,' Zimu said.

Still, Johannesburg had 3400MW that could be used this winter before the city faced supply problems, he said.

'If people fail to conserve electricity, we will have a big problem.'

Theft and vandalism are hampering the city's ability to get its facilities up to scratch.

'There are syndicates who are stealing those cables, and we are working with the police to arrest suspects,' Zimu said.

He said theft, which was costing the city about 30% of maintenance costs, vandalism and accidental damage were the causes of power cuts that had frustrated Johannesburg residents who phoned local radio stations to complain.

Eskom spokesman Andrew Etzinger said last week the power cuts were due to technical problems being experienced by the city and were not due to load-shedding. 'We have had no scheduled load-shedding since 2008.

'We have extensive plans in place to ensure that there is continuous supply to critical sites during the 2010 World Cup.'

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Eskom Loan 'Will Help' South Africa's Poor Neighbours

Tuesday, April 27, 2010 3:52 AM

(Source: IPS - Inter Press Service)

By Green, Adam Robert

The controversial loan, awarded earlier this month to South Africa's state-owned power utility Eskom, will part-fund the Medupi coal plant. Located in the country's northern Limpopo province, the plant will add 10 percent to the country's dwindling power supplies and emit 25 million tons of CO2 per year. The loan has been opposed by several charities, environmental groups and non-governmental organisations (NGOs) on account of its impact on the climate, and local residents in Limpopo.

Earthlife Africa and groundWork, two South African NGOs, predict Limpopo residents will suffer 'considerable' public health problems.

But, in an interview with IPS, Abdelrahman argued that the World Bank was right to fund Medupi because of the potential impact of energy shortages in surrounding low income countries.

'Eskom is pivotal in southern Africa because of the considerable electricity trade between South Africa and the neighbouring countries. Power shortages mean blackouts throughout the region, which cause disturbance of industry, lost profits and harm to public services.'

Eskom generates 95 percent of the electricity used in South Africa and over half that is used in Africa, and is the main producer and buyer in the Southern African

Power Pool (SAPP), a 12-nation energy union.

Years of underinvestment have led to growing power shortages affecting all countries in the SAPP, with widespread blackouts in 2008.

'Lesotho and Swaziland, as well as Namibia and Botswana, are very dependent on Eskom, as they have very little energy production of their own,' according to Hans-Arild Bredesen, managing director of Nord Pool Consulting, advisers to the SAPP.

Doctors at Lesotho's Queen Elizabeth II Hospital postponed surgical operations after the Eskom cuts, because of fears of future shortages. When supplies resumed, it was too low to meet the country's needs, stated Mzimkhulu Sitheto, advocacy officer of the Transformation Resource Centre, an ecumenical group in Lesotho.

She told IPS: 'Demand could only be met during the night hours.'

Two years on, Basotho salesperson Motanyane Makara struggles to keep up with the escalating tariffs: 'Money has lost value. Even if I put aside 100 Maloti (13 dollars), it is not enough given the rate at which tariffs have increased.'

For someone who has five dependents, it is hard to maintain a stable livelihood.'

The mining sector in southern Africa - which provides almost a quarter of the region's output and 13 percent of employment - was heavily affected by the January 2008 cuts too.

Konkola Copper Mine in Zambia, one of the largest in that country, shut down

temporarily and Zambia's energy company Zesco reduced supplies to Zimbabwe.

Mining companies in uranium-rich Namibia, a country relying on Eskom for 80 percent of its power, were asked to reduce power use. BHP Billiton, the resources company, temporarily closed down operations at its Mozambique smelter.

'Whether you have a small shop or business, or a factory making plastics or glass, blackouts incur physical loss and forfeited profits. Supporting energy supplies will support industry and job creation,' explained Abdelrahman.

But critics of the loan do not believe low income countries in the region will benefit from the Medupi loan.

'Eskom is driving energy policy in a way that favours extractive industries and heavy energy users over providing energy for the poor, which is one of the region's pressing problems,' declared Lori Pottinger, who works on African energy issues at International Rivers, a California-based advocacy group.

'Providing low-cost electricity to mines and smelters while three-quarters of the regional population has no electricity is an unsustainable and unjust model of development,' she added.

Several mines and smelters have access to cheap energy because South Africa in previous decades had abundant power, which the government offered to companies at a low cost to attract value-added industries.

Some present contracts reflect the historical agreements, and demand from these companies is now 'overwhelming'

South Africa's electricity system, said Elliot Whittington, senior adviser of the Climate Justice Initiative at Christian Aid. Christian Aid is an international development charity working to eradicate poverty.

But NordPool Consulting's Bredesen expressed concern that, if Eskom falls too far behind, tariffs will spiral in surrounding countries.

'South Africa has the best economic resources to pay for electricity as well as being the largest market in the region, so if Eskom cannot keep up with demand it will buy more power from other producing countries in the SAPP region, pushing up prices for their consumers,' he argued.

Regarding renewable energy, while South Africa has considerable potential for wind, solar and marine energy, in the short term the sector can only play a 'limited' role, explained Professor Wikus van Niekerk, director of the Centre for Renewable and Sustainable Energy Studies at Stellenbosch University near Cape Town, South Africa.

This is due mainly to regulatory problems in South Africa, (c) NoticiasFinancieras - Inter Press Services - All rights reserved

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<http://www.legalbrief.co.za/article.php?story=20100426162454872>

Corruption issues under the spotlight

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The enormity of the corruption issues facing South Africa has been highlighted by the Eskom expansion plan for which the World Bank approved a \$3.75bn loan, writes Legalbrief.

A week later, the African National Congress (ANC) changed its tune about its relationship with Hitachi. The ANC's investment arm, Chancellor House Holdings, owns a 25% stake in Hitachi. The official opposition Democratic Alliance (DA) has slammed the ANC turnaround on its investment, saying the ruling party is 'playing the country for fools'. DA leader Helen Zille has written to the Competition Commission to investigate possible collusion between Hitachi and Alstom over the tender. According to a Mail and Guardian Online report, Zille wrote in her weekly newsletter SA Today that Hitachi and Alstom appeared to have 'stood back' to allow each other to win a part of contract, while 'maintaining the façade' that this was a competitive process. 'The evidence, although very powerful, must still be tested,' Zille said. 'I have written to the Competition Commission to request that it investigates the possibility that there was collusion in this tender process.' Earlier, in another Mail & Guardian Online report, Zille claimed that President Jacob Zuma cannot act against corruption in government because he is held in what has been called a 'corruption gridlock'. 'Zuma cannot get tough on corruption, even if he wanted to,' she said. 'The cronies he relies on for

political support benefit from corruption too much. Not only this, the ANC benefits. Most of all, Zuma and his family benefit.'

First Mail & Guardian Online report

Second Mail & Guardian Online report

Column on SA Today site

See also a report on the Moneyweb site

The ANC has reacted to the allegations of corruption by saying the country has inherited a 'corrupt and a wrong value system', which it was currently managing. 'What we inherited actually corrupted us and therefore we are actually managing a corrupt system and a wrong value system ... The new order ... inherited a well-entrenched value system that placed individual acquisition of wealth at the very centre of the value system of our society as a whole,' said ANC secretary-general Gwede Mantashe, according to a Mail & Guardian Online report.

Full Mail & Guardian Online report

Corruption in South African business stems from its historical culture of being closed to the world, said Sekunjalo Investment Group executive chair Dr Iqbal Surve. Addressing a conference on corporate governance in Cape Town last week, he said his experience in the more than 10 years since starting the empowerment investment group was that South African business was 'corrupt to the core'. Business Day reports that Surve said Sekunjalo, a listed black-owned group with more than 130 investments, was among the first black economic empowerment (BEE) groups on the JSE and had managed to survive where many others had failed. 'Corruption is a two-way thing ... often big business stands silently by in the expectation of corruption. We would rather lose a big contract than be corrupt,' Surve said.

Full Business Day report

Veteran political commentator Allister Sparks says the extent to which the ruling ANC has lost its hold over its own core principles is astonishing. In a Business Day column, he says the rot has been evident for some time, spreading ever deeper into the very soul of the organisation, but the speed of its acceleration over the past few days with the 'consummation of the biggest corruption deal yet' has poisoned the national atmosphere to a degree not seen since pre-democracy days. 'We have become a corrupt country. Why is all this happening? Why has corruption become so endemic? The answer lies in what might be called the Law of Creeping Corruption. If corruption, verbal or monetary, is not dealt with the moment it manifests itself, the corrosion will spread. And the more it spreads the harder it becomes to stop. The arms deal was the ANC's original sin. Full Business Day column

Business Day (Johannesburg)

Paul Hoffman

26 April 2010

Johannesburg — THERE was a considerable flurry in the dovecote of Parliament when Democratic Alliance MP Pieter van Dalen arrived at an energy select committee hearing concerning Eskom with a large binder marked 'secret'. It contained embarrassing details about Eskom's dealings with its most favoured (below-cost) customers.

Questions about the secret file were ruled out of order by Vytjie Mentor, the redoubtable committee chairwoman, and their subsequent publication elicited denials of their veracity and accuracy from Eskom.

Why these matters should be regarded as confidential or secret is a mystery. It is not as though Eskom has any competitors that could gain an unfair advantage from knowing the ins and outs of the favouritism that Eskom has indulged in over the years with its 'sweetest' corporate customers. Keeping 'dirty little secrets' from public scrutiny when a state-owned enterprise, which enjoys a monopoly, is providing a public service, purportedly in the public interest, is simply not on in an open and democratic dispensation in which the values of openness, transparency, accountability and responsiveness to people's needs are all foundational values enshrined in the constitution.

Everyone in SA is entitled to an environment that is not harmful to health and wellbeing. This is a right guaranteed to all in the bill of rights. The burning of coal to generate electricity is the single most noxious polluter of the atmosphere over

our corner of the global village. SA generates more air pollution than the rest of Africa combined.

The long-overdue Eskom expansion plans, aimed at getting to grips with the shortage of electricity that has long been anticipated by experts and equally long been ignored by politicians, are based on the burning of coal and the use of nuclear sources of energy. The clean and renewable sources have been generally regarded as too inefficient or too expensive or both, without proper regard to the new employment opportunities that would be created by harnessing the sun, wind, tides, biomass or water to supply the ever increasing demand for electricity.

The downside of burning coal, which compromises our life-sustaining atmosphere, and of going nuclear, with its ever present risk of radiation, are played down by Eskom, as are the cost of coal, the infrastructure damage transporting it causes and the ultimate non-sustainability of relying on finite sources of energy when there are free and unlimited sources waiting to be harnessed.

Eskom's two gigantic new coal-fired power stations are in the pipeline for construction. The boilers for both will be built by Hitachi, a Japanese multinational corporation that has spread its tentacles throughout the world. After a long silence, the spokesmen of Hitachi Power Africa have now sought to explain how it came about that they have managed to land these two lucrative contracts with a combined value of R38,5bn.

They protest that they were innocent of all knowledge of the connection between their BEE partner, Chancellor House, and the African National Congress (ANC) when they

tendered for the boiler contracts. They would have the world believe they sold 25% of the equity in Hitachi Power Africa to Chancellor House for 'over R1m' and that the dividend stream on this miniscule investment will be R50m over the next eight years. A truly remarkable return on an investment in which the only intangible brought to the table was the BEE credentials of Hitachi's mysterious partner of unknown pedigree.

Hitachi is quick to point out that the tender process it won has been certified 'fair' by accountants. What is not revealed is that Hitachi has directors in common with Chancellor House, deployed cadres of the ANC, and that the Eskom tender committee was chaired by another deployed cadre, Valli Moosa, who at the time was on the national executive committee of the ANC.

Scratch the surface of most of those who were on the tender committee and further deployed cadres will doubtless be revealed. (Remember how the disgraced MD of Eskom ran to President Jacob Zuma for support after he resigned and to his great consternation his resignation was accepted.)

The conflict of interests inherent in this cadre merry-go-round has only to be stated to be seen. It renders the granting of the tenders irregular, and the contracts concluded antecedent and pursuant thereto are very arguably voidable in law as an arms-length transaction would have been different.

Hitachi, obviously feeling the heat from its decent shareholders worldwide, is now constrained to explain how none of the proceeds of the tenders will find their way into ANC coffers. Protestingly a trifle too much, they proclaim that the trust that

owns Chancellor House has amended its beneficiary categories so that only previously disadvantaged 'natural persons' may benefit from the dividends to be paid to Chancellor House. Presumably these persons will naturally not be members of the ANC and will naturally not vote so that no political party may be seen to benefit from Hitachi's considerable largesse, which in a mere 10 years is able to grow the clever BEE investor's initial investment 50 times.

To add insult to injury, Eskom applied to the ostensibly independent National Energy Regulator of SA (Nersa) for a tariff increase so that it can make long-suffering consumers of energy pay for these shenanigans. A brief peek at the Nersa website reveals what cynics by now expect: the overwhelming majority of the regulators are deployed cadres of the ANC and proud of it. None recused themselves and hefty tariff hikes were foisted upon the long-suffering consumers of electricity from Eskom.

All this while well-heeled large corporate consumers enjoy the benefits of electricity at below cost, in accordance with individual tariffs specially negotiated when energy was available in abundance in the early 1990s. What went down around these deals is not difficult to imagine. Other large consumers of electricity who do not find themselves in the favoured category are furious that they should have to compete in the market place with competitors so favoured. The anticompetitive implications are self-evident.

This whole debacle follows inevitably when the cadres at Luthuli House tell the cadres at Chancellor House to go influence-peddling and Hitachi provides a convenient vehicle for turning over their 'investment'

50 times in 10 years with the tender help of the cadres at Eskom and the hugely hiked tariffs determined by the cadres at Nersa. The only losers are the ordinary consumers of electricity, a disorganised and powerless lot quite incapable of standing up to the cadres of the national democratic revolution. No wonder Mentor disallowed reference to Eskom's dirty secrets in parliamentary debate.

The issues here are bigger than environmental degradation, conflicts of interests, collusive dealings, anticompetitive behaviour, the irrational choice of coal before renewable sources of energy and the public policy/constitutional considerations that call in question all of the contractual arrangements and administrative steps in the scheme.

At issue is the very fabric of multiparty democracy based on openness, transparency, accountability and responsiveness to the needs of the people. Despite the venal attractions of the deal, there are fortunately members of the ANC, led by treasurer-general Mathews Phosa, who can see the bigger picture and recognise that there is much more to be lost than gained in the deal. May the rule of law and good sense prevail.

Hoffman is with the Institute for Accountability in Southern Africa.

Read more:

<http://www.africanseer.com/news/southern-africa/42478-South-Africa-Eskom.html#ixzz0mHWWdXCc>

<http://www.sustainactmove.org/2010/04/26/sam-protests-against-coal-stations-at-basic-ministerial-meeting/comment-page-1/#comment-148>

SAM protests against coal stations at BASIC ministerial meeting

April 26, 2010 in Campaigns, Medupi and Kusile coal power stations: Campaign by Eduard Grebe

On Sunday environment ministers of the BASIC bloc (Brazil, South Africa, India and China) met in Cape Town to discuss progress towards a global climate change agreement. As part of our campaign on Medupi & Kusile, activists from the Sustainability Action Movement held a small protest outside the venue, holding up a banner that read 'Eskom + coal industry = fewer jobs & climate chaos.' Greenpeace also staged a separate protest demanding stronger action on climate change.

There was some positive news from the meeting. The BASIC environment ministers expressed the hope that a legally-binding treaty on climate change mitigation would be agreed during the COP16 summit to be held in Cancún, Mexico later this year or, at the latest, at the COP17 summit to be held in South Africa in 2011. Ministers also called for the United States to take the lead in climate mitigation efforts and to pass domestic legislation to accelerate mitigation efforts. However, the BASIC countries still focused too much on ensuring leadership from industrialised countries and global funding for mitigation and adaptation in developing countries, rather than making substantial new commitments to enhance mitigation domestically.

Greenpeace activists at the BASIC ministerial meeting

SAM activist David Le Page was able to ask the South African Minister of Environmental Affairs, Buyelwa Sonjica, about South Africa's targets for renewable energy. She reiterated a commitment to the wholly inadequate targets specified in the Long-Term Mitigation Strategy which is conditional on financial and technical support from rich countries. This leaves South Africa substantially behind the other BASIC countries, with both India and China aiming to have 15% of their energy supplied by renewables by 2020 and Brazil far ahead with half of all energy supplied by renewables.

It is clear that South Africa is being left behind by its BASIC peers and surrendering a leadership position in global climate talks by not investing seriously in renewables and instead going ahead with the Medupi and Kusile coal-fired electricity projects. SAM and the rest of the environmental movement in South Africa will have to redouble our efforts to push the South African government towards a serious commitment to renewables and energy efficiency, with clear and ambitious targets, while continuing to pursue a binding global mitigation framework.

The Mercury

Ask us, plea over climate talks

April 27, 2010 Edition 1

Aziz Hartley

CIVIL society groups have criticised the government for not consulting communities before last year's failed Copenhagen climate change talks, and are demanding that it insists on other countries taking legally binding undertakings at negotiations in Mexico later this year.

About 150 supporters of organisations that included Climate Justice Now and Earthlife Africa held 'parallel' meetings to that of four countries, Brazil, South Africa, India and China in Cape Town.

Following the Copenhagen debacle where the US refused to place a limit on its carbon emissions, environmental ministers of the four countries have gathered to work out a strategy for talks in Cancun, Mexico in November.

Yesterday leaders of the civil society groups said communities were never consulted or asked to give input before the Copenhagen talks.

In a draft statement the organisations said that in South Africa about 90 percent of electricity was produced from coal - a major contributor to climate change. They said that combating climate change required interventions such as an overhaul of the food system.

They called on the government to commit itself to investment in renewable energy, to stop construction of nuclear and coal fire

power stations and to lead by example in the fight against climate change.

Eskom revives solar, wind projects with World Bank funds

26 April 2010, Business Report

URL:

<http://www.busrep.co.za/index.php?fArticleId=5442012>

Johannesburg: South Africa's power utility Eskom has revived two renewable energy projects after the injection of funds from a \$3.75 billion (R28 billion) World Bank loan earlier this month, the company said on Friday.

The power firm said in a newspaper advert that it would procure the construction of a 100 megawatts wind farm and a 100 MW concentrated solar power (CSP) plant. Both projects have been put on hold due to financial woes at the troubled utility.

Eskom supplies some 95 percent of South Africa's power, with current capacity of around 40 000 megawatts. Eskom has previously said some \$260 million of the total World Bank loan would go to the two renewable energy projects.

The company will try to seek the balance of the cost for the two projects, estimated at a total of between 9-10 billion rand (\$1.22-1.35 billion), this year, Steve Lennon, Eskom's Managing Director for Corporate Services told Engineering News in an interview. Construction on both projects could start in early 2011, the online publication reported.

Lennon said the project teams were being reassembled and work was being accelerated to secure the remaining funds, either via concessional-type funding or commercial funding pools.

The projects are also likely to benefit from a \$500 million funding from the World Bank-administered Clean Technology Fund.

The Sere wind farm will be built near Skaapvlei, some 160 km north of Cape Town.

Eskom has said in the past the project could be scaled up to produce 200 MW in the future, but the company was not betting on wind as a major contributor to its power grid owing to its inconsistency.

The CSP plant will be built in South Africa's Northern Cape province, seen as having the world's highest solar potential.

Eskom is working with others, including the Clinton Foundation, on a regional 'solar park' concept, that could include neighbouring Botswana and Namibia, Lennon said. 'We are developing the first project with a fleet model in mind,' Lennon was reported as saying, adding that there was enough sun for other investors to come in as well.

Eskom has said the country's solar thermal potential was in the tens of thousands of megawatts.

The World Bank has faced wide criticism because of the loan, mainly to be used to pay for a coal-fired power plant, with countries and environmentalists accusing the bank for helping fund dirty power.

Eskom has been battling to raise funds to pay for new power plants needed to supply fast rising demand in Africa's biggest economy, and the recently approved loan has raised its hopes to be able to close a 190 billion rand funding gap. - Reuters

Civil Society Calls on World Bank to Reform its Energy Lending By Matthew Berger

WASHINGTON, Apr 26, 2010 (IPS) - Against the backdrop of the World Bank and International Monetary Fund's spring meetings this weekend, numerous groups have chimed in on the need for and direction of a new World Bank energy strategy.

The bank's review of this strategy, according to which it makes decisions on loans to energy projects in developing countries, is ongoing and is due to be finalised early next year. For now, though, it remains under fire.

Earlier this month, a controversial loan package for a coal-fired power plant to be built by utility giant Eskom in South Africa was approved by the bank's board of executive directors - with Italy, the Netherlands, Norway, Britain and the United States all notably abstaining from the vote.

The countries - and civil society organisations opposed to the coal plant - noted a range of objections, but chief among them were the emissions from the burning of coal, the apparent lack of impact on increasing energy access in southern Africa, the air and water pollution to be caused in the local area, and fears the loan repayment would weaken the rand.

On the other hand, the loan would include small - though relatively large by renewable standards - funds for renewable energy projects in the South Africa. Some analysts also contended it would increase ties between the country and the bank, potentially giving the bank leverage it could

later use to move developing economies toward clean energy solutions in the future.

The issue of how and when the bank should use its power to move developing countries squarely on the clean energy path, then, is far from straightforward. But the Eskom vote made one thing clear - a reexamination of the bank's energy lending in the new, climate change-impacted world is overdue.

The new energy strategy will try to bridge the dangerous gap between increasing energy access and not exacerbating the effects of climate change. As such, energy likely represents one of the most contentious areas of the bank's lending policy.

It also represents an opportunity for the bank to be a leader in the emerging clean energy economy, say some civil society groups.

This weekend's spring meetings came in the midst of the first comment period for the bank's energy strategy review, which stretches from January to May and during which the institution engages in consultations with a variety of groups. Amid the events here this weekend were several on this energy strategy.

Friday, the World Resources Institute hosted a discussion at bank headquarters, and Saturday, the Bank Information Centre, an NGO that focused on influencing international financial institutions, presented its model for how the World Bank's eventual energy policy should look.

Jake Schmidt of the Natural Resources Defence Council participated in the WRI event. His main message was that 'the

World Bank needs to be a full part of the solution and not part of the problem and part of the solution at the same time.' Investing in Eskom, he says, undermined the clean energy investments the bank has also made.

The goals of ending poverty and responding to climate change should not be trade-offs, but 'solving these issues - which can be trade-offs if you don't do them right - requires the bank to be innovative,' Schmidt told IPS. He recommends a broader examination of the options available and deeper consultations with the countries receiving energy-related funds.

'The bank needs to ask countries why they need this energy, is it really access for the poor - I think in the case of Eskom, it clearly wasn't - and then really look at the energy resources in a holistic way it doesn't usually do,' including energy efficiency and renewables. Only after those options have been examined should it have a conversation on how to meet the gap between the price of renewables and the price of fossil fuels, he said.

'The bank doesn't do a good enough job looking at the full suite of energy options before making a decision,' he added.

Yong Chen, author of the Bank Information Centre's report and a sustainable energy expert there, also sees room to reconcile poverty reduction and a transition to clean energy. 'Trade-off is the bank's word,' he told IPS. 'We don't think there is a trade-off.'

His report makes several specific recommendations to achieve its broad goals of increasing energy access from reliable and sustainable sources and

transitioning toward zero- or near zero-carbon development. Among them, it would increase financing for both renewable energy systems and energy efficiency by 40 percent annually starting from fiscal year 2011, phase out fossil fuel lending to middle-income countries by 2012 and all countries by 2015, and provide 'clean, reliable and sustainable energy services' to 700 million of the world's poor by 2021.

Prior to this weekend's meetings, another spate of reports and recommendations were released in the wake of the Eskom controversy.

An Apr. 19 report from the London-based Bretton Woods Project, the Campagna per la riforma della Banca Mondiale and the German environmental group Urgewald criticised the contradictions it found between the World Bank's energy-related lending and its commitment to combating the impact of climate change on developing country populations.

The authors found fossil fuel lending still plays a 'dominant role' in the bank energy portfolio, even with recent expansions of renewable and energy efficiency lending. It also pointed to the way in which projects like coal-fired plants are 'locking developing countries into coal-based energy for decades to come' and are neglecting the bank's core mandate of increasing energy access for those without it.

In a report released a week earlier by the Bretton Woods Project, Christian Aid, Greenpeace and other groups, the authors recommended greater balance in the bank's energy portfolio 'between centralised, decentralised, stand-alone and commodity-oriented energy delivery systems,' a verifiable target to phase out

fossil fuel lending to all middle-income countries by 2015 and to all countries by 2020, and internalising low-carbon approaches to supplying energy through 'structural, staffing and operational changes.'

Dave Levitan's blog

Defining 'Subsidy': The Difficulties in Rolling Back Fossil Fuel Aid

U.S. Push for Subsidy Reform Faces Seen and Unseen Obstacles

by Dave Levitan - Apr 26th, 2010

One of the most important steps in transitioning the world away from a fossil fuel-based energy system is to scale back government subsidies for the oil and coal industries around the globe. This is easier said than done, and not only because the dirty energy lobbies are good at what they do. Before the world can roll back the half trillion dollars of fossil fuel subsidies, we need to be able to find them.

A recent series of reports from the Global Subsidies Initiative — a part of the International Institute for Sustainable Development — shines a spotlight on the nebulous nature of fossil fuel subsidies and just how difficult it will be to reform them. The reports were released in a week when the G20 leaders met behind closed doors in Washington, a reminder that at the group's meeting in Pittsburgh last September an agreement was reached to begin phasing out fossil fuel subsidies.

'The G20 is suggesting that we should cut subsidies that encourage 'wasteful consumption,' so it is deflecting the massive role that fossil fuel production subsidies have in our system,' said Michelle Chan, a senior policy analyst at Friends of the Earth who provided some guidance to the GSI report authors.

The Obvious: Tax Incentives

In the developing world, those consumption-based subsidies are largely intended to help people pay for electricity and fuel. Iran, for example, is the world's largest subsidizer of fuel, with \$55 billion a year going to make gasoline remarkably cheap for its citizens; they pay only 10 cents per liter, compared to 56 cents in the United States.

Developed countries like the U.S. tend to focus their fossil fuel subsidies on the production side; these often take the form of tax incentives for coal and oil companies.

David Victor, a professor at the University of California, San Diego, who wrote one of the fossil fuel subsidy reports, said that, 'arguably we under-tax fossil fuels, especially in light of concerns about emissions of CO₂,' but that the country's consumption-oriented subsidies actually peak in the renewable energy sector with biofuels and wind power.

On the production side, President Obama is now trying to follow-up last year's G20 statement with action by starting to repeal some of the tax breaks given to fossil fuel industries. The 2011 budget proposal includes rollbacks of an enhanced oil recovery credit, as well as rules that allow oil and coal companies to deduct as much as 25 percent of income from fossil fuel deposits. In a hearing earlier this month, Republican members of the House Ways and Means Committee showed that there will be stiff opposition to removing some of those subsidies.

As difficult as removing those types of subsidies might be, those are only the obvious ones.

'It is important to take a look at the guise under which a lot of these subsidies occur,' Chan said.

The U.S. also plays a huge role in international financial institutions like the World Bank that might subsidize fossil fuel production or consumption. Recently, the U.S. and several other countries abstained from supporting a \$3 billion World Bank loan to the South African utility Eskom for a huge coal-fired power plant, but as long as such subsidies continue to be handed out, it will be difficult to separate where the support is coming from.

The Not-So-Obvious: Chinese Subsidies

The U.S. does benefit in these reform efforts from a relatively transparent tax and financial system. In other countries around the world, the climb might be even steeper.

In China, an ongoing transition from a state-run financial system toward a more market-based approach makes a subsidy very difficult to define. For every dollar funneled toward, say, a new coal power plant, is it a government handout or a market-based bank loan?

'China is seen as a developing country that's an exception to everyone else,' Chan said. 'If you can estimate how many fossil fuel subsidies China is providing by itself, then perhaps that can be used against them. Perhaps you can argue that they don't deserve as much [money] when it comes to international climate finance for adaptation.'

The existence of widespread fossil fuel subsidies could also be used as a bargaining chip for implementing

mandatory caps on greenhouse gas emissions, she said.

According to the GSI report, a recent estimate puts the Chinese total fossil fuel subsidy between \$5 and \$15 billion, although much depends on those difficult definitions. Chan pointed out that even projects that might appear 'green' — a new rail line, say — could be considered a fossil fuel subsidy if the infrastructure supports the industry in some way. If that rail line is used largely to carry coal from one place to another, the coal industry has effectively been subsidized.

Notably, the U.S. may be able to stay away from such projects now, but this is largely because of differences in historical development paths.

'Earlier in our history, Army Corps of Engineers projects helped make the Mississippi more navigable so we could bring coal around,' Chan said. 'We did it too. It's just in the past.'

The Opposition: Industry Influence

So far, the Obama administration's attempts to reform fossil fuel subsidies have not taken a hard-line approach based on the need to move away from those energy sources.

At the House hearing, the Treasury Department's assistant secretary for tax policy, Michael Mundaca, told the members that attempts to repeal the tax credits were largely due to inefficiencies in the system and not a desire to stop subsidizing dirty energy sources. This somewhat timid approach most likely allows the strong oil and coal lobbies to maintain pressure on lawmakers that may be difficult to push through.

As Victor wrote in the GSI report, if we assume that government leaders act with a goal of staying in power, 'policies that provide subsidies often help leaders achieve that goal by channeling resources to interest groups that could affect government survival, such as by voting or by donating to their political campaigns.'

'Once a subsidy is created, regardless of its original purpose, interest groups and investments solidify around the existence of the policy and make change difficult,' he added.

At the heart of the battle to reform fossil fuel subsidies is those nebulous definitions. The GSI report includes a policy brief recommending a way through that challenge, involving a three-step process: define, measure and evaluate. If we know what we're looking for, we can find it and add up those billions, perhaps finally paving the way to slow the consumption of fossil fuels around the world.

<http://www.brettonwoodsproject.org/art-566262>

A sustainable World Bank energy strategy: perspectives from various stakeholders Civil society event at the World Bank spring meetings 2010, 23 April
Minutes|Bretton Woods Project|26 April 2010|url

Jake Schmidt (International Climate Policy Director, NRDC) Richard Caperton (Policy Analyst, CAP) Shannon Lawrence, (International Rivers)

The World Bank is a huge player in economic development. Is it being done sustainably? Can it be done more sustainably?

Taking a snap-shot of Bank energy financing was more difficult than thought. The US treasury guidelines for all Multilateral Development Banks are especially important in the light of the GTI requests.

Transparency, the Bank needs to make more available what financing decisions are. More transparency on decision making and process side. How is energy access measured and energy poverty measured.

Planning – what the Bank can do develop capacity for countries to address gaps in planning, this was the failure of Eskom.

Richard Caperton (Policy Analyst, CAP)

In the Bank's Energy strategy approach paper, it recognises that energy and climate change are interrelated.

Welcome the Bank's integrated approach to clean energy. Have become uncomfortable with the language of trade-

offs so would like to think about synergies. The first step is to build the demand for clean energy from client countries, developing countries tend to ask for coal.

Need to learn from the feed-in tariff policy in Spain where feed in-tariffs led to expansion of solar power, but it became clear that very few would be able to survive without subsidies.

Need for capacity building: part of creating the demand. If you look closely at South Africa's department of energy there was little appreciation of how to assess risks, and how to incorporate clean energy. There was a lack of policy co-ordination.

Another set of actors that need capacity building are the regulators, who are tasked with setting caps, emission reductions. If civil society is going to push for regulators to be empowered, the Bank needs to look at training opportunities and curriculums.

AGI is trying to fill this vacuum by creating a fora for developing country regulators, to exchange lessons about clean energy regulation.

WRI launching latest policy piece based on sustainable energy reform and regulatory investment.

Shannon Lawrence, International Rivers

Hydropower. Why has the Bank's role in the energy sector been controversial? Chad-Cameroon pipeline and Eskom are examples of large, centralised, high impact on local communities and environment projects.

Focus on the poor – the Bank should not try to do everything in the energy sector. The approach paper doesn't categorise the

area it should focus on. Large hydropower is likely not to supply power to the poor.

The Bank should take on the incremental costs of new renewables.

The Bank should work with government to choose the best project. Need to look at the full range of feasible supply and demand side options, should factor in the social and environmental costs as well as the GHG emissions. With hydropower, should consider the methane and CO2 emissions of the reservoir areas, the lost flooded agricultural land, lost livelihoods.

The World Commission on Dams reviewed the development effectiveness of large dams. This year is the 10th anniversary of the commission. The WCD included rules that hydropower projects should ensure safeguarding of human rights, ensuring the free prior and informed consent of indigenous peoples. The WB has failed to adopt the recommendations of the WCD, which it actually set up. More upstream engagement is needed, if the WB is going to support large dams going forward, it must do a better job of managing the risks.

Bishop Geoff Davies, Faith communities and environment institute of South Africa

Eskom began building Medupi in 2007, and have signed a contract for another coal fired power station. Our present direction is not going to bring energy access to the poor. We need a paradigm shift. The impacts of Medupi on water supplies will be disastrous. Need to bring energy to the poor through decentralised off grid technologies. What's the obstacle? Finance. The Bank wants to keep the control that it has when it deals with big projects.

A groundWork report recommends that sustainable access to energy is possible if we put power in the hands of the people.

When we discuss this issue at the Bank, we are told this is a demand driven issue. How to build capacity in developing countries to drive low carbon energy policy?

The Bank sets conditions, it has dialogue with countries and provides expertise. There is a huge disconnect between the environment ministries and finance ministries, and the Bank tends to work with the finance ministries. Countries need to develop a plan to grow as an economy and generate energy in a low carbon way. Any plan will be changing all the time, because the cost of renewables is changing every year. The money to help countries start that dialogue, and do integrated assessments should be forthcoming from countries like the US and the UK. 170 countries have said that they want to do this at the highest level.

Carbon Finance Unit at the World Bank, do the panellists have concerns over how off-setting will be part of climate work at the Bank?

Carbon Finance shouldn't be a unit. Climate should be integrated into everything that you do. Every project at the World Bank should look at the opportunities for carbon finance and the impacts on climate change.

Green jobs – Global Climate Network has done some work on job creation in developing countries. Demand doesn't happen in a vacuum, it comes from constituencies in the country that are asking for something. There should be a job constituency with people recognising the scope for jobs within a low carbon economy; in mechanics, engineering as

well as in regulation and monitoring country emission reduction targets.

System security – There are additional costs associated with renewables because of the intermittent nature of them. Looking at regional markets where there is demand variation.

We're not talking about one power source, with a combination of renewable sources then it is possible to provide constant supply.

With regional integration, there are balancing acts that need to take place. There is a danger that centralised sources of supply get the most attention, and the markets are not rural but urban from other countries. Possibly baseload needs are prioritised over the needs of rural or urban poor. Would encourage the Bank to think about distributive energy supply.

Energy efficiency – Analysis in China of wasted energy shows that simple energy efficiency measures would reduce the energy need by the equivalent of 50 coal fired power plants. A better approach to energy policy is to work out what the energy needs of a particular country are, then work through what the energy options there are, starting with energy efficiency, then renewable sources and lastly fossil fuel supply.

There is a clear role for the Bank to finance things that are expensive therefore it has a role to play in financing renewables. The approach paper says the Bank will be financing the costs of climate change. Industrialised countries need to come up with the money to cover the incremental costs.

Larger developing countries have more of a say in what they ask for. However the Bank is not passive, there are all sorts of projects that the Bank turns down for environmental reasons.

<http://www.brettonwoodsproject.org/art-566260>

Launch of Bank Information Center's (BIC's) model energy strategy Civil society event at the World Bank spring meetings 2010, 24 April
Minutes|Bretton Woods Project|26 April 2010|url

Chad, BIC - We'd like to see an energy targets for each country.

Currently the Bank doesn't fund nuclear, they should do the same for coal. A policy that still allows for a large project such as Eskom is the wrong way for the bank to go. Over the years the Bank has developed safeguard policies which are extremely important. We look forward to the Inspection Panel enquiry to find whether the safeguards have been followed to the spirit and the letter. If it finds that they were not, hope that the Bank will recognise Eskom was the wrong choice of project.

Encourage the Bank to take the resources to pursue small scale off grid solutions.

Dr Amory Lovins, Rocky Mountain Institute

Efficiency-oriented strategy would have a huge multiplier effect. Need to remove inefficient old technologies. Often there is a south-south trade in these technologies. Distributed and decentralised electricity. Micropower (renewables minus large hydropower) is providing 17 per cent of the world's electricity and 91 per cent of the world's new electricity. The decentralised options are much more modern in their financial risks. The paper mentions the importance of decoupling – need to start rewarding utilities for cutting customers bills.

The variable sources of electricity (e.g. wind and photovoltaic), do not require storage for application to the grid. When renewables are properly diversified and integrated there is no need for bulk storage. Don't see much work on efficient cooking pots but these simple technologies can increase efficiency of energy by a factor of 2-5. Need for more innovative thinking in deploying renewables. There is a good deal of worthwhile discussion about reducing carbon emission. We need the most power per dollar and the most reduction per year. Similar opportunity cost if we buy the wrong things.

Bishop Geoff Davies, Faith communities and environment institute of South Africa

Eskom is an example of what the World Bank should not be doing. This is a political decision which will look absurd in the light of the impacts of climate change. There has been a lack of democracy in this decision. This development is not going to meet the inequalities. You can't get onto the grid in a vast rural landscape. The World Bank must somehow find ways of meeting civil society need, not just government when agreeing its projects. Have to go in the direction of projects which will benefit people in the country directly, and is not simply export-led. South Africa has become the most unequal country in the world.

Need to support the local people in Africa to have access to renewable energy in order to stop deforestation.

Ikal Angelei, Friends of Lake Turkana

Gibe dam – most of the electricity generated will be for export, to get foreign exchange to help the poor. With previous

projects done, there's been no downstream assessment to check that has happened.

Trying to cope with climate change but the local people don't know that it's climate change, they think that it's a national disaster.

When energy is sold to Kenya it is used for manufacturing.

The Gibe project will reduce the size of the lake, the impacts will include the reduced water table level, the bore holes and shallow wells that have been built will dry up. A refugee camp of displaced people will be created. The question from these local people is – can we eat electricity?

There is conflict in the region, in southern Ethiopia, Southern Sudan and northern Kenya people are heavily armed. The dam will tamper with the little livelihoods we have, is the bank willing to fund a project that will increase conflict between communities. If the Bank wants to invest in renewable energy, they should research what the potential of these energy sources are for Africa and start making decisions to invest in them.

At the moment the Bank's definition of development is increased poverty in Ethiopia, and women having to arm themselves.

Times

NewsMaker: No light at this tunnel's end

Vytjie Mentor: Chairman, Public Enterprises Committee

Apr 25, 2010 12:10 AM | By Chris Barron

Don't put your money on Mentor to halt Eskom's sweetheart-pricing deal, warns Chris Barron

Vytjie Mentor, the chairman of parliament's public enterprises committee, says she has given Eskom a deadline to 'exit' or renegotiate the sweetheart-pricing contract with which it has favoured BHP Billiton for the best part of 10 years.

This would be wonderfully bracing for the rest of us who are being wrung dry by the utility, while this and probably other lucky corporates pay less than cost, but it's hard to know how seriously to take her.

For the first 15 minutes of our 21-minute interview, the real object of her wrath seems not to be Eskom at all, but the person who blew the whistle on its secretive dealmaking, Democratic Alliance MP Pieter van Dalen.

Without the information he obtained from sources at Eskom, none of us, including madam chair herself, would have been any the wiser.

And yet, at this week's meeting of her committee, she ignored Van Dalen's information and - instead of demanding answers from Eskom's acting chief executive officer, who was at the meeting - focused on the manner in which he had obtained it.

In a bizarre twist, Van Dalen was suddenly the villain, not Eskom.

Does this mean she thinks whistleblowing is the real crime here, or what?

'I don't think we should encourage personnel to steal classified information,' says Mentor. 'I think a member of parliament must be very cautious about handling stolen property.'

But surely this is the stuff of whistleblowing? Somebody leaks information a company would rather keep hidden.

Is she against whistleblowing?

'No. Secret information when people have told about wrong things, that I agree with. But when things are classified, there are acts passed by Parliament that deal with the classification of information and declassification of information.

'We should still listen to what they have to say, but we must be careful we don't get involved in dealing with physically tangible stolen files.

'My concern is not about the information in the file, my concern is about how it was supplied. As parliament, I don't think we can encourage that kind of behaviour where people steal information and forward it to parliament.'

Isn't it in the public interest to know what is really going on at Eskom?

'Only Mr Van Dalen knows what is in that file ... he is scared to distribute it to other colleagues because he got it in a particular way,' she says.

'We also want to know what is in that file so we can raise the issues collectively. But if somebody stole information and then gave it to me, I would say to that person, 'I don't want to see that file.'

Isn't that a dereliction of duty?

'So that I do not become conflicted or involved in having touched or dealt with stolen material,' she explains.

Aren't the contents of the file more important than moral niceties about whence it emerged?

'I don't even know the contents of the file. I've never seen the contents of the file. How am I supposed to engage with them? How am I supposed to lead the committee in engaging with them?

'Only Mr Van Dalen knows what is in the file.'

Did she ask to see it?

'Of course I did.'

Van Dalen told her, 'It's secret, he can't give it to me.'

Van Dalen concedes that he said this, but was only joking. Everybody laughed, including Mentor. If she'd really wanted to see the file then of course he would have shown her. He suspects that she really didn't.

In fact, he says, she seemed to agree with the acting Eskom chief executive officer who said Van Dalen's possession of the file was a crime.

It's interesting that parliament, as well as the general public, should find Eskom a

joke. The concern is that it's such an expensive one.

So will she try to get to the bottom of the pricing deal between Eskom and BHP, or won't she?

'That's why we had that meeting in the first place,' she says.

'I thought the issue was in the interests of South Africa.'

She has requested information from Eskom and 'even gave them a deadline. I gave them 10 working days' to answer.

She has given them until the end of May, she adds, to 'extract themselves from this contract. I expect by May 27 at the latest to have a report from Eskom that says, 'We have successfully completed this mission.'

'I told them that I need timelines. Until we reach finality on this, our meetings with them are not done.'

So she's instructed them to renegotiate the contract?

'We said so during the tenure of (ex chief executive officer) Mr (Jacob) Maroga already.'

Initially, she says, Eskom's stance was that 'these are special contracts which we cannot back out of'.

'We said, 'They're not in the interests of South Africa; go and see what you can do.'

Now Mentor is sounding more like the feisty, take-no-prisoners politician the media was in love with until it emerged she'd instructed Eskom to keep quiet about

its tariff demands because they might cause 'public consternation'.

'When the BHP and Anglo American contracts were signed, there was an abundance of electricity. We don't have that abundance anymore,' she says.

'What bothers me is: how do you sign a lifetime contract, a contract without a time span? There might have been good reasons for the contracts at the time, but my view is that they are no longer in the interests of South Africa.'

Eskom might not be R9.5-billion in the red if it had been getting a decent rate from BHP and Anglo, she says.

'We wouldn't maybe have had to go to the World Bank if we had renegotiated this contract five years ago.'

Talking of which, does she think the ANC's 25% stake in Hitachi, which Eskom contracted to provide boilers for its planned new coal-fired power station, is a conflict of interest?

'I don't know if Eskom did a due diligence on the BEE factor when they gave the contract to Hitachi,' she says. What she seems to be saying in a perhaps deliberately confusing way - because she knows what an astonishing statement this is on so many levels - is that she doesn't know if Eskom knew about the ANC's connection with Hitachi.

'We have not yet discussed this issue. Because of this I would rather not say much. If I want to know I must call them to Parliament and ask them.'

Will she? She has no immediate plans to, she says.

'The public protector's report has been forwarded to the speaker,' so the ball is now in her court.

In other words, don't hold your breath.

Dispatch online

24 2010 8:20AM

'Secret' Eskom deal to sell power below cost claimed

2010/04/23

THE DA yesterday posted on the Internet a confidential business report from Eskom that, it claims, proves the electricity provider sold power to BHP Billiton at below cost.

Eskom acting chair and CEO Mpho Makwana has threatened to take DA MP Pieter van Dalen to court, terming the leak 'a form of a crime'.

The document, marked 'strictly confidential', backs up a statement Van Dalen made during Makwana's briefing to Parliament's portfolio committee on public enterprises that Motraco (the Mozambique Transmission Company) owes Eskom R100 million.

Makwana told Business Report that the claim about Motraco's debt was 'not true'.

Motraco owns a transmission network built expressly to supply power to BHP Billiton's Mozal aluminium smelter in Mozambique.

Van Dalen said the report supported his allegation that Eskom charged BHP Billiton just over 12c a kilowatt hour (kWh) for electricity supplied to Mozal.

He arrived at the figure by dividing the company's power bill by the amount of electricity supplied to it, according to the report.

The terms of the contract under which Eskom has been powering this and two other BHP Billiton smelters are at the heart of a controversy over a special pricing agreement between the mining giant and South Africa's embattled electricity utility.

Makwana told MPs on Tuesday that Eskom had renegotiated its 'onerous' contract with BHP Billiton which, along with a deal to supply power to Anglo American's zinc operations in Namibia, left the company with an accounting loss of R9.5 billion in the 2008/09 financial year. He said it should be signed on May 27, releasing Eskom from 95 percent of its liabilities in terms of embedded derivatives, which linked the future value of the long-term contract with BHP Billiton to the aluminium price.

The contracts became a massive burden for cash-strapped Eskom when the commodity price plunged during the global economic crisis.

Eskom said efforts to restructure Anglo American's contract were proving more difficult.

Makwana refused to answer a question from the Independent Democrats on whether Eskom was selling electricity it bought from Mozambique to BHP Billiton's smelters at a loss.

It buys electricity from the Cahora Bassa dam, then channels it to the smelters through Motraco.

He said he had the answer, but would provide it to Parliament in writing, drawing protest from opposition MPs who said he was clearly reluctant to make the information known to the media.

Makwana told committee members that the generating cost of a kilowatt-hour would rise to 24.3c and the production cost to 41.6c this year once the new electricity tariffs came into effect.

Eskom's communications team yesterday said they would respond to the leak later.

Van Dalen claimed the document 'provides definitive proof, amongst other things, that Eskom has been charging vastly discounted electricity tariff rates to companies that provide little or no benefit to the South African economy'.

ID MP Lance Greyling said he would ask Public Enterprises Minister Barbara Hogan whether Eskom had been forced to pay a penalty for renegotiating its contract with BHP Billiton. — Sapa

[http://www.witness.co.za/index.php?showcontent&global\[_id\]=39472](http://www.witness.co.za/index.php?showcontent&global[_id]=39472)

Eskom: contracts go ahead after bank loan

24 Apr 2010

Sapa

JOHANNESBURG — Following a World Bank loan of \$3,75 billion and funding from the Clean Technology Fund, Eskom has announced that several contracts will proceed.

The electricity parastatal issued a general procurement notice detailing the various contracts in a daily newspaper yesterday.

These included transmission lines related to the Medupi power station as well as the construction of the 100 megawatt Sere windfarm near Vredendal.

'Specific procurement notices for contracts will be announced as they become available,' Eskom said.

Business Day

How Eskom Has Generated an Ethical Dilemma

Eusebius Mckaiser

23 April 2010

Johannesburg — MORAL philosophers indulge in intellectual masturbation when ethical dilemmas are thrown their way. Courtesy of an enthusiastic whistle-blower at Eskom who found a seemingly conscientious MP, Pieter van Dalen, on the opposition benches, a classic ethical dilemma has been put on the table for those of us so inclined. The whistle-blower leaked a confidential document. The MP happily accepted it and after perusing its content put it all in the public domain on grounds of public interest.

Eskom is unhappy. It claims commercial sensitivity required the document to remain confidential. The chair of the parliamentary portfolio committee on public enterprises, Vytjie Mentor, labelled the MP's behaviour unethical and illegal. An ethical challenge can be clearly stated in a question that might have been yanked from an ethics examination paper. Was the opposition MP ethically justified in his actions? The Democratic Alliance (DA) politician's action is ultimately justifiable but it is not so obvious why. Let's rehearse the moral argument in his favour.

Not all of the salient facts are known or agreed on by Eskom, many members of Parliament and the rest of civil society. This makes it difficult to assess whether the MP did the right thing since the utilitarian principle he acted on, which I discuss shortly, is not controversial. It is the principle's application to the facts that

matter. An absence of factual certainty, however, ultimately helps his utilitarian case.

There has been widespread public suspicion for months now that Eskom has been selling electricity to large corporations such as BHP Billiton and Anglo American at unit prices smaller than those of electricity sold to municipalities and ultimately millions of households. Suspicion has been that the major electricity tariff hikes we have been dumped with may well have been smaller but for these contracts containing preferential rates of supply to large companies.

One particularly callous upshot of all this is the possibility that the little people are cross-subsidising the operational expenditure of the big guys. Add to all of this the additional macroeconomic insult that some companies bring iron ore from abroad, smelt it here and then export the intermediary product for further use in value chains elsewhere, and Eskom's preferential treatment goes from being economically unfair on individual households to being economically disastrous for some of our industry sectors.

However, while this story makes sense in principle, at least one official from the National Energy Regulator of SA (Nersa) made a counterargument in a radio interview several months back. The counterclaim was that while the nominal unit fee charged for electricity to the big guys is lower than that paid by the rest of us, the cost of supplying electricity to big clients is significantly less, so that profit margins generated for Eskom from those customer segments are in fact much higher than profits flowing from the segment comprising us little people. The unspoken implication was that the big guys, if

anything, may well be cross-subsiding us. Supply cost structures are not uniform across customer segments.

These are two equally coherent stories. But not both of them can be true. It is a matter of empirical investigation which version is correct. Given the impact of the tariff hikes on inflation and thereby the standard of living of millions of South Africans, finding out which of the stories is true matters. When massive loans like the one granted by the World Bank are added to the mix, with the reality that future generations will be saddled with debt not of their own choosing, the lack of factual certainty becomes ethically significant. We are forced to adjudicate between the Nersa story and the contradictory intuitions of civil society and ordinary South Africans.

That is the context within which the DA MP's decision was taken. What is an MP to do when he or she is landed with a document that sheds light on the material disagreement about certain facts that are of substantive ethical significance? This is, furthermore, against the background of a cabinet minister who has, according to the MP in question, failed to offer illuminating answers to parliamentary questions on the matter, so 'second best' solutions are off the table.

The MP applied an ethical principle that can be roughly stated as follows. If the overall consequences of doing something will have overwhelming benefit for society and no gross injustices are suffered in the process, then that action is ethically justified. This principle, with its built-in consideration about justice, is surely reasonable. Killing someone would be grossly unjust even if it would make most of us happy. The principle is therefore not blind to justice.

However, given that Eskom is a monopoly and that the wellbeing of millions is affected by the price hikes, directly and indirectly, getting to the bottom of whether or not Eskom's factual claims are accurate matters. No grosseconomic injustice will result to Eskom, BHP Billiton or Anglo American. Since the document's public existence takes us a step closer to resolving these factual disputes, the whistle-blower and MP's actions, even if possibly illegal, are ethically justified.

McKaiser studied and taught moral philosophy.

<http://blog.ethical.org.za/?p=588>

23 April

Ethical Co-op

Organic Market Online

Eskom energy

I was in Darling this weekend, and drove past the 4 wind turbines there. Although there was only a light breeze, the turbines were turning. For years, this was the only wind generation capacity in the country. 4 turbines that produce a pitiful fraction of the total amount of electricity, and a fraction that's due to fall further as South Africa becomes one of the world's worst polluters. While most of the world at least crawls to roll out renewable energy, Eskom is obstructing any progress here.

Eskom's secret pricing has long been a concern, but now it appears there's a number to the speculation. A leaked document indicates that Eskom supplies electricity to the multinational mining company BHP Billiton at 12c a kilowatt hour, less than the cost of generating it. Eskom has a similar contract with Anglo American, and together, the two mining companies alone consume 10% of South Africa's electricity. As a result of these huge losses, Eskom has had, to put it mildly, financial difficulties

So, what we thought of as 'our' electricity company is in effect working for the World Bank and various mining multinationals, providing them with below cost electricity, all while using the most polluting form of generation possible, and blocking attempts to introduce renewable energy.

SABC

SA committed to reducing gas emissions
April 23 2010 , 7:27:00

Deputy President Kgalema Motlanthe has assured the international community that South Africa is still committed to reducing its greenhouse gas emissions. The recent decision by the World Bank to grant power utility Eskom a multi-billion dollar loan, mainly to fund a coal-fired power station, was strongly opposed by environmentalists.

Motlanthe spoke to leading financial journalists and business executives at a gala dinner in Pretoria, organised by the Financial Times and the International Marketing Council, last night.

Motlanthe says the approval of the loan will help the country meet its energy supply requirements. The construction of the Medupi plant will provide extra base load capacity. SA will at the same time address its objectives of growing a green economy by adopting a state of the art new and clean coal technology. This is a demonstration of a joined up energy and climate change strategy. Accordingly government is serious about the call to save 10 000 GWh of power through renewable energy solutions.

www.mg.co.za

Zille approaches competition watchdog over Eskom-Hitachi deal

CAPE TOWN, SOUTH AFRICA Apr 23 2010 16:20

Democratic Alliance leader Helen Zille has written to the Competition Commission to investigate possible collusion between Hitachi Power Africa (HPA) and Alstom for a R38,5-billion tender to build boilers for Eskom.

Zille wrote in her weekly newsletter that Hitachi and Alstom appeared to have 'stood back' to allow each other to win a part of the multibillion-rand contract to build the boilers at Eskom's new Medupi and Kusile power stations in Limpopo and Mpumalanga while 'maintaining the facade that this was a competitive process'.

'The evidence, although very powerful, must still be tested,' Zille said. 'I have therefore written to the Competition Commission to request that it investigate the possibility that there was collusion in this tender process.'

Eskom announced the awarding of the contract in November 2007, saying at the time that a consortium of engineering firms, Alstom and Steinmuller, had originally outscored HPA and that the board had approved the award of the tender to them.

The Alstom and Steinmuller consortium then hiked its price following a difference of opinion over the scope of the work and negotiations reopened with Hitachi, which then emerged as the preferred bidder.

'Plot thickens' Zille said 'the plot really thickened' after the European Competition Commission imposed a record R7,5-billion fine on a cartel that included Alstom and Hitachi for colluding to fix prices and share out tenders.

In its press release, the European Competition Commission said it had 'put an end to a cartel which has cheated public utility companies and consumers for more than 16 years'.

It found that members of the cartel met regularly 'to divide projects and to prepare sham bids by the companies not supposed to win the tender, in order to leave an impression of genuine competition'.

Zille said this raised 'new and interesting questions' about the Eskom tender process.

'Given Hitachi and Alstom's previous corrupt relationship, it introduces the possibility that there may have been some form of collusion between the two companies in this instance,' she said.

Allowing Alstom to win the Medupi boiler contract, only for it to pull out later, would have given the eventual awarding of the tender to an ANC-linked company the veneer of legality and respectability required to ensure that Hitachi was awarded the tender with no comebacks, Zille said.

It was 'laughable' that Hitachi had claimed that it did not know the ANC had a 25% stake in the deal through its investment arm, Chancellor House Holdings.

'Hitachi has admitted that the ANC's front company, Chancellor House, paid only R1-million for a 25% stake in this mega-

company. Hitachi obviously believed that, with the ANC as a 25% stakeholder, it could look forward to many state tenders and contracts,' she said. -- Sapa

Was there collusion in the Eskom-Hitachi Deal?

Apr 23, 2010 4:19 PM | By HELEN ZILLE

This week saw yet another scandal involving Eskom. It was revealed that Eskom was secretly giving mining firm BHP Billiton which uses nearly 10 percent of all electricity generated by Eskom a below-cost discount for electricity. This at a time when consumers are expected to fork out for the 25 percent electricity price hike announced in February.

Since Billiton contributes only 0.1% of our Gross Domestic Product, it is impossible to see how this discount can be justified. The cost of the discount to Billiton, reportedly, amounted to the bulk of Eskom's R9,5-billion loss last year.

No explanation from Eskom has been forthcoming. All we have heard from Eskom are contradictions. They say this revelation is nothing new as it was in their financial statements; but on the other hand they threaten to sue DA MP Pieter van Dalen for exposing the secret dossier in Parliament.

Predictably, the ANC, represented by Chairperson of the Public Enterprises Portfolio Committee Vytjie Mentor, has threatened to take action to prevent MPs from divulging sensitive state information in their Portfolio Committees.

She clearly does not understand that, because Eskom is a public utility, the public have a right to such information, especially as Eskom's losses are subsidised by all South Africans. It is Mentor's job to create a platform in the Portfolio Committee for such information to be tabled, and interrogated. Instead, she seeks to assist Eskom in a cover-up. Why?

The answer is that Vytjie Mentor, like many other ANC MPs, believes Eskom belongs to the ANC and not to the people of South Africa.

The ANC deploys its cadres to all public utilities. These cadres are bound by the ANC's constitution to carry out ANC instructions. The ANC's interests take precedence over any other. As a result, these enterprises offer tenders and contracts to ANC front companies, so that the ANC makes hundreds of millions of Rands, courtesy of the taxpayer. It is corruption on a grand scale. It is stealing from the South African public. It is making poor people poorer.

But, politically, the ANC must continue to pretend that it is the champion of the poor. That is why Vytjie Mentor has to cover up for Eskom. In doing so, she covers for the ANC.

Once again, the party's interest trumps the public interest.

Many in the ANC do not understand that the constitutional role of political parties in Parliament – including the ANC – is to hold the government, and state enterprises such as Eskom, to account. They do not understand that it is inherently corrupt to deploy ANC cadres to state institutions, to give business to ANC front companies, to enrich the ANC.

They pretend it is BEE. But this is just a fig-leaf. It is corruption of monumental proportions that will turn South Africa into a failed state if it is not stopped.

This must be our frame of reference as we analyse the ongoing developments at Eskom.

In the coming weeks, the DA will endeavour to get to the bottom of the BHP Billiton discount. We will find out why Eskom is so keen to give massive discounts to this company and we will do what we can to establish the nature of the ANC's relationship with BHP Billiton. We will leave no stone unturned.

This is the approach we are taking in the other major Eskom scandal involving the awarding of a multibillion Rand tender to Hitachi Africa which is part owned by the ANC's front company Chancellor House.

This week, Hitachi claimed that it did not know the ANC was involved in the deal and that it believed Chancellor House's profits would go to previously disadvantaged South Africans.

This is laughable. Hitachi has swallowed the corrupt 'BEE' line.

Hitachi has admitted that the ANC's front company, Chancellor House, paid only R1-million for a 25% stake in this mega-company. Hitachi obviously believed that, with the ANC as a 25% stakeholder, it could look forward to many state tenders and contracts. This belief was richly rewarded in the Medupi boiler tender. This illustrates the real motive of Hitachi. They should spare us the pious and patronizing pronouncement about benefiting disadvantaged South Africans.

I had an opportunity this week to study the Public Protector's report on its investigation into alleged improper conduct by former Eskom Chairperson and ANC National Executive Committee member Valli Moosa in the Eskom-Hitachi Deal.

The report contains an inexplicable contradiction, which requires the Public Protector to explain.

First, the Public Protector finds that Moosa had a clear conflict of interest. The report says: 'There can be no doubt that Mr Moosa as a member of the [ANC] NEC and its Finance Committee owed a duty to the ANC to act in its best financial interests. Likewise, as the Chairperson of the Eskom Board of Directors it was expected of him to act in the best financial interests of Eskom. These two interests were therefore in direct conflict at the time when the awarding of the contract to the Hitachi Consortium was considered by the Board.'

Next, the Public Protector finds that Moosa failed to disclose his conflict of interest and recuse himself from the tender process as he should have done. It says: 'Mr Moosa failed to manage his said conflict of interests in compliance with the Conflict of Interest Policy of Eskom and therefore acted improperly.'

Inexplicably, despite all this, the report concludes that the contract awarded to Hitachi was not in any way affected by Mr Moosa's improper conduct. On this basis, the Public Protector finds that: 'the awarding of the contract by Eskom to an entity in which the ruling political party has an interest was not unlawful.'

The question is, on what basis does the Public Protector reach this conclusion? How could he know that Moosa, an ANC NEC member, did not influence the outcome in favour of a company 25% owned by an ANC?

The Public Protector reasoned that the fact that the contract was initially awarded to another company – Alston and Steinmuller

– ‘supports the contention that the boiler contract was not awarded to the Hitachi Consortium because of its relationship with the ANC.’

At first glance, this seems plausible. After all, if Moosa was acting on behalf of the ANC, why was the contract initially awarded to a company that had no links to the ANC?

This is where things get really interesting. According to the Mail & Guardian, when Eskom announced the awarding of the contract in November 2007 it said that: ‘a consortium of engineering firms, Alstom and Steinmuller, had originally outscored Hitachi, and that the board had approved the award to them. Only after Alstom and Steinmuller hiked its price following a difference of opinion over the scope of the work were negotiations reopened with Hitachi which then emerged as the preferred bidder on an objective basis.’

In other words, after winning the bid, Alstom and Steinmuller voluntarily pulled out. As a source told the Mail and Guardian at the time, Alstom had ‘effectively disqualified themselves’ by not meeting Eskom requirements.

The plot really thickens if you consider a ruling by the European Competition Commission in January 2007. The Commission imposed a record €750-million fine (R7,5-billion) on a cartel for colluding to fix prices and share out tenders.

Two of the main players in this cartel were none other than Alstom and Hitachi.

In its press release, the European Competition Commission said it had ‘put an end to a cartel which has cheated public utility companies and consumers for more

than 16 years.’ It found that members of the cartel met regularly ‘to divide projects and to prepare sham bids by the companies not supposed to win the tender, in order to leave an impression of genuine competition.’

This raises new and interesting questions about the Eskom tender process. Given Hitachi and Alstom’s previous corrupt relationship, it introduces the possibility that there may have been some form of collusion between the two companies in this instance.

Allowing Alstom to win the Medupi boiler contract – only for it to pull out later – would have given the eventual awarding of the tender to an ANC-linked company the veneer of legality and respectability required to ensure that Hitachi was awarded the tender with no come-backs. Indeed, that Hitachi was the second (albeit only other) choice gave the Public Protector sufficient grounds to conclude that the awarding of the tender was lawful, despite Moosa’s failure to manage his conflict of interest.

And, having disqualified itself from the boiler tender, what did Alstom gain? Alstom was the winning bidder of the R13-billion Eskom steam turbine contract – but only after Hitachi (again, the only other bidder) pulled out of the tender process because ‘it could not meet the original delivery schedule’. (‘ANC Front wins Huge State Tender’, Mail & Guardian, 23 November 2007).

In other words, Hitachi and Alstom appear to have stood back to allow each other to win a part of the contract while maintaining the façade that this was a competitive process.

The evidence, although very powerful, must still be tested. As the opposition, it is our duty to raise these kinds of questions – particularly when the public's money and interest is at stake. I have therefore written to the South African Competition Commission to request that it investigates the possibility that there was collusion in this tender process.

There is something rotten at the heart of the Eskom deals. It is a contagion that has spread from the rotten heart of the ruling party. We will do all in our power to get to the truth.

Business Report

Inside Parliament: MP drums up drama over power utility deals

April 23, 2010

By Donwald Pressly

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Pieter van Dalen, a DA MP, is an unlikely candidate to play a role in theatre. He lives in a simple but comfortable house in Kuils River, which is a far cry from what Afrikaners call 'skuldbuld' - the leafy, heavily bonded suburbs that used to make up the bulk of the official opposition's constituencies.

Gone are those days. Van Dalen represented the area as a city councillor in Cape Town - having snatched the ward from the ANC in 2006 - and then became an MP and deputy shadow public enterprises minister. He sold his business upon entering politics. He ran a successful electronics shop in the area.

His command of English, in which he conducts all his parliamentary business, is amusing, to say the least. But his heart is in the right place.

This week was Van Dalen week in Parliament. He played the lead role in the political theatre surrounding the secret Eskom dossier that not only told the story of cheap electricity being supplied to Motracō - a joint venture between Eskom and the power utilities of both Swaziland and Mozambique - but gave evidence of how cheaply power is sold to BHP Billiton, which runs the Mozal aluminium smelter near Maputo. It is about a quarter of the cost price.

Van Dalen appeared no stranger to playing up the drama of the moment. He carefully bound the confidential Eskom document - appropriately named 'Business Report' by the power utility - in a file. Just so nobody missed it, he displayed 'Secret/Geheim' in block letters in red on the file on both the front and back. He laid it on his front bench table in the public enterprises portfolio committee, directly in line with the television camera.

There is nothing like typing 'confidential' or 'secret' on a document. Then everyone wants a glimpse at it.

Van Dalen waited for the lengthy Eskom presentation at the portfolio committee to end, tapping on his document from time to time. After a few questions from colleagues, including his exceptionally dull party compatriot Manie van Dyk, he snatched his moment. Even our own Charlize Theron would have been impressed with the performance.

Accusing Eskom of being disingenuous to say that only two customers had special deals - apparently BHP Billiton and Anglo American - he said: 'If you look at the percentage of the overall electricity generated, those two customers use about 15 percent, about what we need to have a safe reserve margin.' Motracō was making a fat profit' and then was not paying for it, according to the dossier. 'They are not ploughing anything back into the fiscus or the GDP (gross domestic product).'

BHP Billiton also owns the Bayside and Hillside smelters at Richards Bay, which benefit from the special pricing arrangement. Van Dalen said these smelters and Mozal 'contribute 0.1 percent to GDP. That is nearly nothing.'

His advice to Eskom was to 'cut off'
Motracō and help keep South Africa's lights
on. There is a thought.

The Witness

Eskom secrecy
23 Apr 2010

ESKOM is supplying power to BHP Billiton's three aluminium smelters for 12 cents per kilowatt hour, under a third of what it costs to produce. It is believed that Anglo-American has a similar arrangement; and that discounted electricity explains much of the parastatal's R9,5 billion loss last year.

Its only shareholder is the government; in short the taxpayers. And they — industrial, commercial and domestic consumers — are effectively subsidising multinational businesses. This secret arrangement has emerged into the public domain only through a whistleblower and an opposition member of the parliamentary portfolio committee on public enterprises.

Instead of congratulating those involved, committee chairperson Vytjie Mentoor berated Pieter van Dalen for using a file marked secret. Legal repercussions have even been threatened. Yet the people of South Africa have a right to know exactly how their asset is being managed and for whose benefit. So how committed is the government to access to information?

Eskom announce contracts after World Bank loan

April 23, 2010

Following a World Bank loan of \$3.75 billion (R28 billion) and funding from the Clean Technology Fund, Eskom has announced that several contracts will proceed.

The electricity parastatal issued a general procurement notice detailing the various contracts, in a daily newspaper on Friday.

These included transmission lines related to the Medupi power station as well as the construction of the 100 Megawatt Sere Windfarm.

There was also a contract for the construction of the pilot and demonstration of a 100 Megawatt central receiver concentrating solar power station.

Another contract was for a railway line between Ermelo and Eskom's Majuba power station.

'Specific procurement notices for contracts will be announced as they become available,' Eskom said. -

Sapa

Peters lashes US over Eskom loan

April 21, 2010

By Christelle Terreblanche

Energy Minister Dipuo Peters has taken a stab at the US for not supporting South Africa's World Bank loan application to complete Eskom's Medupi coal-fired power station.

Speaking in her budget vote debate on Tuesday, Peters lashed out, saying the fact that a major US coal mine accident happened days before the World Bank decision earlier this month showed again how America was still relying on coal for 51 percent of its energy.

'That is an indication of its lying to the world!' Peters told MPs.

The US, Britain and the Netherlands abstained from voting when the World Bank granted South Africa a R30 billion loan - amid global protests over its support for future coal-energy generation.

The bank also got flak for not making it a condition that the ANC disinvest its stake in a company that scored a contract to provide boilers for the Medupi station.

A coal mine explosion in California two days earlier led to the deaths of 25 miners.

Peters yesterday stressed that South Africa was totally committed to reducing its carbon emissions by about 42 percent by 2025, developing clean coal technologies and revving up green energy sources.

'We all know that the challenges we face today in relation to climate change are

actually the sins of our great, great fathers being carried out on us,' she said.

The fact that South Africa had abundant coal resources and reserves meant it could not simply say to 24 percent of the rural people who still did not have electricity that 'we can't provide them with electricity while we have coal stocks'.

Earlier, Peters sidestepped a question on whether she would allow Parliament to scrutinise the World Bank loan as opposition parties were demanding.

'The ANC government is on record as saying that it is a government that is transparent and believes in citizens' right to know, and I believe that if there were any conditions attached to the World Bank loan other than normal banking conditions, the National Treasury and Department of Public Enterprises would have released that,' she said.

The minister promised that the National Energy Regulator of South Africa would soon release documents outlining the implications of the World Bank loan and new funding mechanisms to keep Eskom afloat.

She said her department was also in discussion with the Treasury and Department of Co-operative Governance to find a new way of funding municipalities to wean them off their reliance on electricity tariffs - and huge profit margins on the bulk power they buy - for income.

She also announced that developers would be offered a rebate through a 'financial incentive scheme' option to make all buildings less energy intensive.

DA leaks secret Eskom report CAPE TOWN, SOUTH AFRICA Apr 21 2010 14:55

The Democratic Alliance (DA) on Wednesday posted on the internet a confidential business report from Eskom, which it claims proves that the electricity provider has been selling power to BHP Billiton at below cost.

Eskom acting chairperson and CEO Mpho Makwana has threatened to take DA MP Pieter van Dalen to court, terming the leaking of the document to the politician 'a form of a crime'.

The 291-page document marked 'strictly confidential' backs up a statement Van Dalen made during Makwana's briefing to Parliament's portfolio committee on public enterprises that Motraco (the Mozambique Transmission Company) owes Eskom R100-million.

Makwana told Business Report that the claim about Motraco's debt was 'not true'.

Motraco owns a transmission network built expressly to supply power to BHP Billiton's Mozal aluminium smelter in Mozambique.

Van Dalen said the report supports his allegation that Eskom charged BHP Billiton just more than 12 cents per kilowatt hour for electricity supplied to Mozal.

He arrived at the figure by dividing the company's power bill by the amount of electricity supplied to it according to the report.

The terms of the contract under which Eskom has been powering this and two other BHP Billiton smelters are at the heart of a controversy over a special pricing

agreement between the mining giant and South Africa's embattled electricity utility.

Makwana told MPs on Tuesday that Eskom has managed to renegotiate its 'onerous' contract with BHP Billiton which, along with a deal to supply power to Anglo American's zinc operations in Namibia, left the company with an accounting loss of R9,5-billion in the 2008/09 financial year.

He said it should be signed on May 27, releasing Eskom from 95% of its liabilities in terms of embedded derivatives, which linked the future value of the long-term contract with BHP Billiton to the aluminium price.

The contracts became a massive burden for cash-strapped Eskom when the commodity price plunged during the global economic crisis.

Eskom said efforts to restructure Anglo American's contract were proving more difficult.

Refusal to answer

Makwana refused to answer a question from the Independent Democrats on whether Eskom was selling electricity it bought from Mozambique to BHP Billiton's smelters at a loss.

It buys electricity from the Cahora Bassa Dam, then channels it to the smelters through Motraco.

He said he had the answer, but would provide it to Parliament in writing, drawing protest from opposition MPs who said he was clearly reluctant to make the information known to the media.

Makwana told committee members that the generating cost of a kilowatt-hour would rise to 24,3 cents and the production cost to 41,6 cents this year once the new electricity tariffs came into effect.

Eskom's communications team on Wednesday said it would respond to the leaking of the report at a later stage.

Van Dalen claimed that the document 'provides definitive proof, among other things, that Eskom has been charging vastly discounted electricity tariff rates to companies that provide little or no benefit to the South African economy'.

He said it was leaked to the official opposition from 'high level' Eskom officials.

In the meanwhile, ID MP Lance Greyling said he would ask Public Enterprises Minister Barbara Hogan whether Eskom had been forced to pay a penalty for renegotiating its contract with BHP Billiton.
-- Sapa

Eskom revives solar, wind projects with W. Bank funds Fri
Apr 23, 2010

JOHANNESBURG (Reuters) - South Africa's power utility Eskom has revived two renewable energy projects after the injection of funds from a \$3.75 billion rand World Bank loan earlier this month, the company said on Friday.

The power firm said in a newspaper advert that it would procure the construction of a 100 megawatts windfarm and a 100 MW concentrated solar power (CSP) plant. Both projects have been put on hold due to financial woes at the troubled utility.

Eskom supplies some 95 percent of South Africa's power, with current capacity of around 40,000 megawatts.

Eskom has previously said some \$260 million of the total World Bank loan would go to the two renewable energy projects.

The company will try to seek the balance of the cost for the two projects, estimated at a total of between 9-10 billion rand, this year, Steve Lennon, Eskom's Managing Director for Corporate Services told Engineering News in an interview.

Construction on both projects could start in early 2011, the online publication reported.

Lennon said the project teams were being reassembled and work was being accelerated to secure the remaining funds, either via concessional-type funding or commercial funding pools.

The projects are also likely to benefit from a \$500 million funding from the World Bank-administered Clean Technology Fund.

The Sere wind farm will be built near Skaapvlei, some 160 km north of Cape Town. Eskom has said in the past the project could be scaled up to produce 200 MW in the future, but the company was not betting on wind as a major contributor to its power grid owing to its inconsistency.

The CSP plant will be built in South Africa's Northern Cape province, seen as having the world's highest solar potential.

Eskom is working with others, including the Clinton Foundation, on a regional 'solar park' concept, that could include neighbouring Botswana and Namibia, Lennon said.

'We are developing the first project with a fleet model in mind,' Lennon was reported as saying, adding that there was enough sun for other investors to come in as well.

Eskom has said the country's solar thermal potential was in the tens of thousands of megawatts.

The World Bank has faced wide criticism because of the loan, mainly to be used to pay for a coal-fired power plant, with countries and environmentalists accusing the bank for helping fund dirty power.

Eskom has been battling to raise funds to pay for new power plants needed to supply fast rising demand in Africa's biggest economy, and the recently approved loan has raised its hopes to be able to close a 190 billion rand funding gap.

PRESS RELEASE

April 22, 2010

Civil society opposes Zoellick's General Capital Increase request

Global outcry from international NGOs on eve of World Bank recapitalization ask due to Bank's ongoing support for oil and coal

World Bank President Robert Zoellick is expected to formally release the World Bank Group's request for an estimated \$58 billion general capital increase (GCI) on Sunday, April 25th at the conclusion of the World Bank's Spring Meeting this weekend. A broad and growing global coalition of environmental, faith-based, human rights, community, and indigenous rights groups are calling for an end to the Bank's continued financing of dirty energy projects, withholding support for the Bank's GCI request within member country capitals as a consequence.

'We will be calling on governments to oppose a general capital increase for any part of the World Bank Group unless the Bank Group ends support for all dirty energy projects that do not have energy access for the poor as their sole purpose,' said Gerald LeMelle, Executive Director for Africa Action. The Bank Group must focus its limited resources on new renewable projects that provide affordable, reliable, and clean energy to those who are in greatest need.'

The timing of the GCI request – and the civil society objections - is especially conspicuous as The World Bank Group is currently reviewing their Energy Strategy, which will guide their substantial energy investments (more than \$8 billion in FY 2009 alone) over the coming decade. The

new World Bank Energy Strategy is not expected to be published until April 2011.

'A new World Bank Energy Strategy that limits financing for dirty energy projects and prioritizes investment in clean, renewable energy opportunities for the poorest communities must be approved and publicly available before countries support this general capital increase,' said Mark Kresowik of the Sierra Club. 'Governments should direct their support for poverty reduction, sustainable development, and clean energy through other institutions until the Bank has a clean energy strategy in place.'

The request also comes in the wake of the World Bank Board approval of a highly contested \$3.75 billion loan to South African power utility Eskom for the construction of a 4800 megawatt coal-fired power plant. That decision, which was opposed by nearly 200 groups and elicited abstentions from the United States, United Kingdom, Italy, the Netherlands, and Norway, was seen by some as a particularly hypocritical move from an institution both yearning to take on the mantle of 'Climate Bank' and the attached billions in international climate funds, while consistently financing dirty energy projects as a sizeable component of its energy portfolio.

'The people of this diverse and beautiful planet we live on cannot afford more lending to projects like Eskom's coal plant,' said the Right Reverend Geoff Davies, former bishop of the Anglican South African Diocese of Umzimvubu and current Director of the Southern African Faith Communities' Environment Institute, currently in Washington, DC to attend the World Bank meetings. 'Why should countries reward the Bank with additional

capital for financing dirty energy projects that won't benefit those who are least well off or deal with the health and environmental damage caused by burning fossil fuels?'

The finance ministers of the G-20 are also meeting in Washington, DC this week, with the G-20 pledge to phase out fossil fuel subsidies at the top of the agenda. The groups opposing the World Bank's financial support for coal and oil have argued that approval of additional capital for the Bank must be contingent upon the Bank working within the confines of this G-20 pledge.

'The members of the G-20, who are also the largest donors to the World Bank, have made the right decision to stop subsidizing fossil fuels, and the World Bank must follow suit,' said Karen Orenstein of Friends of the Earth. 'Energy lending reform is clearly necessary before countries give the Bank another dime.'

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SABC

Eskom's high tariff hikes necessary:
Economists April 22 2010 , 6:20:00

Economists say the steep tariff hikes that the National Energy Regulator of South Africa (Nersa) has granted Eskom, would still have been necessary even if Eskom had not sold electricity to big companies at lower rate than what it charges the public.

Yesterday, the Democratic Alliance announced that it has secretly obtained an Eskom document which shows that the power utility has over the past decade sold electricity to a distribution company which supplies power to BHP- Billiton's Mozal Aluminium smelter in Mozambique for just 12c per kilowatt hour.

But, economists say even if Eskom had charged big industrial users higher tariffs, the need for steep price increases would still apply.

'The key issue about the 12c per kilowatt tariff is that it did not enable Eskom to cover some its operating expenses. But, it would not have made a major difference in terms of the capital expenditure programme that needs to be undertaken in order to meet the electricity requirement of a growing economy,' says economist, Tshupo Ntsimane.

In February this year, Nersa announced that electricity tariffs will increase by 24.8% from April 1, 2010. Eskom initially applied for a 35% increase after it was granted a tariff increase of over 27% in 2008 and another 30% hike last year. The new tariff increases will be followed by two others that are over 25% until March 2013.

Cape Times

Eskom's secret deal dossier exposed April 21, 2010

By Melanie Gosling

A secret Eskom dossier has revealed that the electricity supplier has been supplying electricity to BHP Billiton at 12c a kilowatt hour - below the cost of electricity production.

The secret pricing deal with the multinational company to power its massive aluminium smelters accounted for the bulk of Eskom's R9.5 billion loss last year.

Eskom has special secret price deals with BHP Billiton and Anglo American, which use nine percent of all electricity generated in South Africa.

This emerged during a meeting on Tuesday of the parliamentary portfolio committee on public enterprises, where Eskom executives made a presentation to MPs on the utility's controversial special pricing agreements.

While Eskom made their presentation, Democratic Alliance MP Pieter van Dalen sat in the front row with his arm on a thick blue ring-back file, marked in red on its spine: 'SECRET/GEHEIM'.

At question time, Van Dalen tapped his fingers on the file and said he had information that Eskom was selling electricity to BHP Billiton for 12c a kw/h. This was done via Motraco, a joint venture company between South Africa, Mozambique and Swaziland.

He added that his information was that the company's three aluminium smelters

contributed a mere 0.1 percent to GDP and that BHP Billiton owed Eskom R100m. He said Eskom's price of 12c was a case of 'giving electricity away' to BHP Billiton.

Asked by the committee chairwoman, Vytjie Mentor, about the file that he appeared to be referring to, Van Dalen said he could not hand it over to the committee because it was secret.

'Who made it secret?' she asked.

'Eskom itself,' Van Dalen replied.

She ruled that Van Dalen was 'out of order' for accepting the secret Eskom file.

Van Dalen said: 'But if Eskom could say whether it is a lie or the truth.'

'I'm ruling you're out of order... You should not tempt employees to give you secret information,' Mentor said.

When it was Eskom's turn to reply to a list of questions put to them by the MPs, a sober-looking Makwana began: 'I've just been informed of a form of crime with an MP, indicating a serious leaking of information out of our system. I will find out what I should do in that regard.'

Later when ID MP Lance Greyling asked Eskom to confirm the 12c kw/h, Makwana replied: 'I would prefer to respond in writing because it is more than face value. There are other components of value embedded in this contract.'

Makwana told the committee that Eskom had reached an in principle agreement with BHP Billiton that would release it from the long-term tariff agreement. Attempts to renegotiate a similar contract with Anglo American was proving more difficult.

Makwana said '95 percent of the liability' had been eradicated with the agreement signed on March 31. Eskom hoped they would sign a binding agreement on May 27, once it had been subject to an audit.

The special low tariffs had been negotiated in a different era, prior to 1994, when there was a surplus of electricity.

The BHP Billiton electricity contracts were to supply electricity to its Mozal and Hillside aluminum smelters. Makwana said Eskom had been 'held to ransom' by these agreements, which linked the electricity tariff to the aluminium price, which had dropped in the global economic crisis.

Eskom battles giants Article By: Wed, 21 Apr 2010 08:23

Eskom has reached an in principle deal with BHP Billiton that will release it from an 'onerous' long-term tariff agreement that triggered book value losses of billions last year, acting chief executive officer and chairman Mpho Makwana said on Tuesday.

However, attempts to renegotiate a similar contract with Anglo American to remove liabilities linked to embedded derivatives was proving more difficult.

Eskom finance director Erica Johnson said this was due to the recalcitrance of one of the parties to that contract, the Skorpion Zinc mine in south-western Namibia.

'There has been a bit of a challenge, Skorpion Zinc has been difficult to engage,' Johnson told Parliament's portfolio committee on public enterprises.

Makwana said the contract with BHP Billiton to supply electricity to the mining giant's Mozal and Hillside aluminium smelters accounted for 95 percent of Eskom's embedded derivative liabilities that led to a book value loss of R9.5 billion last year.

He said Eskom had 'been held to ransom by the long-standing liability' on derivatives that linked the tariff to aluminium prices, causing panic when these plunged in the wake of the global economic crisis.

The renegotiated contract with BHP Billiton was subject to audit and should be signed at the end of May, he said.

'On May 27, we will sign against that audit opinion.'

A defensive Makwana declined to answer repeated questions from MPs on whether Eskom had been supplying power to BHP Billiton's smelters at below cost.

Johnson suggested this was the case when she explained that when Makwana termed the contracts 'onerous' he meant that 'we do not recover our cost of supply to them'.

'We had to go and talk to the counterparties and say fundamentally this is onerous. Every single year we are going to be showing the volatility of embedded derivatives on our financial statements.'

Johnson said there was a major challenge in approaching the two companies because the contracts were binding and they were under no obligation to reopen negotiations.

BHP Billiton had nonetheless 'willingly' agreed to renegotiate, she said.

Makwana informed MPs that for the current financial year, Eskom's generation costs came to 23.4 cents per kilowatt-hour and its production costs to 41.6 cents per kilowatt-hour.

He said he had the answers to their questions at hand, but would prefer to respond in writing because the issues were complex.

Inkatha Freedom Party MP Mario Oriani-Ambrosini tried to object, but was silenced by committee chairwoman Vytjie Mentor, whom he later accused of routinely seeking to censor briefings.

There were more fireworks when Makwana threatened to take legal action against Democratic Alliance MP Pieter van Dalen after he claimed to be in possession of a 'secret' internal document showing that

Eskom had been supplying power to the Mozal plant at 12 cents per kilowatt-hour.

Van Dalen also claimed that the severely cash-strapped electricity utility was owed R100-million on the contract to keep Mozal running.

Makwana refused to respond to the allegation and rejected notions that the company suffered a loss in real terms after aluminium prices tumbled.

He insisted that embedded derivatives would not have become an issue had international financial reporting standards not changed in the new millennium and forced the company to report long-term liabilities that would arise under the deal.

He said the terms of the long-standing contracts with the mining houses also had to be understood in the context of South Africa's political commitments 'to empower our neighbours' under the New Partnership for Africa's Development (Nepad) launched by former president Thabo Mbeki.

'We are taking this at face value when in fact other components of value were embedded in this'.

The deals with BHP Billiton and Anglo American have been blamed for Eskom's cashflow and supply capacity problems, with commentators saying the country's energy woes would be eradicated if the deals were cancelled.

Makwana said the two contracts accounted for just under 10 percent of South Africa's electricity consumption.

Public Enterprises Minister Barbara Hogan had put the figure at 'approximately five percent' but the chief executive officer said

this was because she was referring to their share of peak-hour consumption.

Hogan had consistently refused to divulge finer details of the deals, which were inked from 1994 onwards when South Africa had excess electricity supply and sought to sell power cheaply to attract investment.

The minister said indiscretion would make the country look 'silly'.

Polity

SA needs to make 'urgent' supply decisions in 2010 – Eskom

ELECTRICITY Published 20 Apr 2010

Article by: Chanel Pringle

South Africa had to make 'urgent decisions' this year to ensure the security of energy supply in the next 20 years, Eskom chief officer for generation Brian Dames said on Monday.

Addressing a National Union of Mineworkers energy forum in Johannesburg, he said that the country would have to continue building new capacity, while also investing in other technologies than coal.

According to some plans Eskom had devised, nuclear should contribute about 14,4% of the country's electricity supply by 2028, with existing power generation units contributing 41% and new coal-fired power stations about 10,7%.

Dames further highlighted that power conservation could no longer be a choice in South Africa and that it should be mandatory.

Meanwhile, finance director Paul O'Flaherty emphasised that Eskom had to commit to completing the Medupi and Kusile coal-fired power stations, as well as the Ingula pumped-storage project.

He noted that it was important for Eskom to obtain the R190-billion funding shortfall it was still facing for the next seven years, as the power utility could not afford to become insolvent.

He added that to stop the construction of the Kusile power plant now would be a waste of money, in terms of what had already been committed on the project.

Also, while Eskom understood concerns from environmental groups around the \$3,7-billion World Bank loan, O'Flaherty said that it was not helping the power utility, as it could impact on its credit ratings and subsequently its ability to raise capital.

Dames added that the World Bank loan would also support renewable energy and environmental protection, as some of the funds would go towards building the largest wind farm in South Africa and the largest concentrated solar power plant in the country.

Business Report

Eskom faces fire over R10 billion in back payments

April 20, 2010

By Donwald Pressly

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Top executives from Eskom are set to appear before parliament's public enterprises portfolio committee to answer why nearly R10 billion is owed to the state-owned power entity in back payments.

This R10 billion was outstanding at the end of June 2009, according to a document in Business Report's possession, and includes about R1.2 billion owed to Eskom by its international clients and about R450 million which have 'special (pricing) arrangements' with the entity.

The amount outstanding represents almost 19 percent of Eskom's revenue in its last financial year ending March 2009 when the utility generated R53.8 billion in revenue.

Eskom chairperson Mpho Makwana and senior staff are expected to answer questions at the committee on Tuesday chaired by fiery ANC MP Vytjie Mentor.

Eskom itself has reported that Soweto owes near R2 billion in back payments, while a company called Motraco, which is a joint venture between Swaziland, South Africa and Mozambique – which itself supplies about 95 percent of the BHP Billiton's aluminium plant, Mozal, in Mozambique – owed about R100 million.

DA MP Pieter van Dalen said it was deeply puzzling that the Soweto debt continued to

build up with about R1.8 billion of it owed for 60 days or longer and about R57 million of it for more than 15 days over due payment date.

Van Dalen said about 10 percent of Eskom's entire capacity of 53 000 gigawatt hours in the quarter ended June 2009 was supplied to the three aluminium plants, through Billiton's Hillside and Bayside plants in South Africa and Mozal.

An Eskom sales document shows that Johannesburg's City Power used some 3 300 gigawatt hours per year (GWh) in the first three months of 2009/10, Billiton's Hillside and Bayside plants used just short of 3 000 GWh, Durban's Metropolitan area 2 700 GWh, the City of Tshwane Metropolitan area 2.250 GWh, Motraco – which Eskom noted was an international customer – just short of 2 000 GWh, Sasol Synthetic Fuels 1 808 GWh, Ekurhuleni Metro used 1 800GWh, the City of Cape Town 1 631GWh, Nelson Mandela Metro 949 GWh and AngloGold Ashanti 843 GWh. These were the 10 biggest customers.

Revenue from these was just short of R17 billion while other international customers made up R1.2 billion and 'the rest of Eskom' R34.8 billion – with total revenue amounting to R53 billion in the three months, down slightly from R55 billion the previous year.

While Billiton's Hillside and Bayside plants paid R451 million for their power in those three months, this was down from R724 billion for the corresponding period of the previous year.

This was the result of the fluctuating price of aluminium. Motraco's costs did not fluctuate – it paid just R252 million for 1

959 GWh in the three months of 2009/10 up from just R235 million for slightly less power usage of 1 957 GWh in the corresponding three months of 2008/09.

Van Dalen said questions needed to be asked of the Eskom management about this deal with Motraco.

While Public Enterprises Minister Barbara Hogan last week said the special deals with the aluminium companies needed to be renegotiated as they were legacy deals, Van Dalen said the Motraco deal had been struck in 2000 'well into the post-apartheid period'. In addition Motraco had been provided R224 million in guarantees.

He said that it was paying about 12 a kilowatt hour, about a third of what Eskom's chief operating officer of generation Brian Dames said was the cost price of 33 to 34 c a kilowatt hour. Billiton was paying about 24c to 26c. 'There are a lot of questions to be asked and difficult answers sought from Eskom.'

Last week public enterprises deputy director general Chris Forlee said many of the special deals could not be made public owing to their commercial sensitivity.

Van Dalen wondered why SA was continuing to supply Motraco, on whose board Eskom has two board members and which showed about a R4 billion profit last year, when it appeared not to be paying its bills. 'The amount of power it is using is about what is supplied by Koeberg. We can save 1 900 GWh per year.'

In reply to a parliamentary question from Independent Democrats MP Lance Greyling, who asked how many companies received an 'even lower and fixed tariff' –

as Motraco appeared to get – than the so-called 'mega-flex contract', Hogan said Eskom only had two customers who had long term contracts and it had started the process of engaging the customers concerned 'with a view to revising the contracts.'

'These contracts were entered into during the period when Eskom and excess capacity,' she said, adding that the request for her to name the companies 'relates to confidential commercial information of a third party and is subject to the protection provided in terms of the Promotion of Access to Information Act.'

http://www.racewire.org/archives/2010/04/development_politics_and_climate_injustice_converge_in_south_african_power_plant_deal.html#more

Michelle Chen Abandoning Justice for Power in South Africa

South Africa has been struggling for over a decade to overcome the vestiges of apartheid, and to this day is constantly challenged by racial conflict and socioeconomic inequality. And as if there weren't enough obstacles strewn in the country's rocky path to equity, environmental concerns are posing yet another stumbling block. The government's pending deal with the World Bank to finance a massive coal-fired power plant reflects the cruel paradoxes of 'development': Like many other poor countries, South Africa is pressured not only to mortgage its economic sovereignty to boost industrial development, but to trade away environmental protection to sate an overwhelming hunger for energy.

Earlier this month, the World Bank approved a \$3.75 billion loan that will enable South Africa to build the world's fourth largest power plant. Run by the South African electricity company Eskom, the plan for the Medupi power station has drawn international outcry. But the realities of the global economy trumped the loftier environmental rhetoric of curbing climate change.

In an op-ed, South Africa's Finance Minister Pravin Gordhan defended the move as a short-term measure to boost energy security, stressing South Africa's long-term commitment to emissions reductions:

We are using every tool at our disposal -- legislative, regulatory and fiscal -- to

promote clean and renewable energy and manage demand.

If there were any other way to meet our power needs as quickly or as affordably as our present circumstances demand, or on the required scale, we would obviously prefer technologies -- wind, solar, hydropower, nuclear -- that leave little or no carbon footprint. But we do not have that luxury if we are to meet our obligations both to our own people and to our broader region whose economic prospects are closely tied to our own. South Africa generates more than 60 percent of all electricity produced in sub-Saharan Africa. Tight supplies are not just a problem for us. Our neighbors Botswana, Lesotho, Namibia, Swaziland and Zimbabwe all rely on Eskom for their electricity. They face the same growth constraints that we do. Their factories and businesses, hospitals and schools, and their ability to provide basic services all depend on Eskom-generated power.

In a country that has broken so much ground for global human rights, the hurdle of climate justice remains insurmountable. Yet dependence on fossil fuels reflects not only the mechanics of longstanding inequality but invidious corporate blackmail that tethers 'development' to the worst forms of resource exploitation. South Africa's leaders aren't naïve about the environmental-economic tensions, but their bargain with the fossil fuel industry and its financiers shouldn't be seen as inevitable.

Jesse Jenkins of the Breakthrough Institute frames South Africa's move as one of many untenable choices imposed on poor countries, which are crushed between the international financial regime and the climate crisis:

Consider that not having access to affordable, modern energy sources, particularly electricity, means no access to potable, running water; it means having to burn dung and wood and other primitive biofuels to provide cooking and indoor heating; and it means sputtering kerosene lamps as the only source of light after the sun goes down.

The human toll of such energy poverty is incredible. According to the World Health Organization, solid fuel use causes 1.6 million excess deaths per year globally, especially among women and children, while waterborne disease is one of the leading global killers, ending the lives of over 3 million annually -- again, many of them young children -- who lack access to clean and safe water supplies.

For the climate justice movement, Jenkins argues, poor countries could only be empowered to take the 'high road' out of poverty with international support for full-scale conversion to sustainable energy.

The simple fact is, without access to clean and cheap energy sources, developing nations like South Africa will continue to turn to coal. They must, as the challenges of ending energy poverty and pulling millions of their citizens out of poverty demands it...

Breaking out of this untenable position is the urgent challenge of the century. The only way out of the Development Trap, and the only route to sustainable development and an end to pervasive energy poverty is to make clean energy cheap. On that front, the world can't afford to delay.

South Africa's coal quagmire is mirrored in the United States, too. How many times

have energy companies peddled promises of jobs to struggling fenceline towns, marginalized by racism and poverty?

From Appalachian coal fields to Refinery Row, workers and communities lean toward polluting industries in hopes that economic gains today will offset the environmental fallout tomorrow.

The proposed Desert Rock power plant in the Navajo Nation is a stark illustration of the cruel trade-off. Indigenous communities were torn between murky promises of economic growth and activists' fears that the plant would extend a legacy of corporate predation that has ravaged the region's natural wealth.

The site of the struggle might vary—oil drilling on native lands or smog-filled skies over southern California—but there are always those who refuse to take the bait-- the activists who remind neighbors that economic improvement built on environmental devastation is bound to collapse.

In the debate over the World Bank loan, advocates with Africa Action see a tragic compromise:

Caroline Ntupoane, a representative from a polluted industrial area near Sasolburg, pointed to the real social cost of industrialization: 'I know first-hand what the communities have to look forward to, because we experience it every day. We live it in the polluted air we breathe, when our water taps run dry, and when our children get sick. We shouldn't have to choose between electricity and our health.'

Bobby Peek of Groundwork in South Africa argued that the poor would be the last to reap the project's supposed benefits, since

'This project is to secure uninterrupted electricity for large corporations, such as smelters and mining houses under secretive special pricing agreements. It is not for the millions of poor people who cannot afford or do not have access to electricity.'

Critics have dismissed green-economy initiatives as unrealistic, seeking material prosperity without ecological consequences. It's true that environmentalism faces a critical dilemma at the dregs of the global economy. But South Africa's choice shows that ultimately, the political conflict is not between the goals of social and environmental justice, but between the hegemony of destructive industries and the communities who have always struggled under their grip.

Business Day

South Africa: Eskom Can Now Seek Other Funds, Says Finance Chief

Tuesday 20-Apr-2010

By Siseko Njobeni

Johannesburg - ESKOM was looking at various funding options to reduce its R190bn funding gap, finance director Paul O'Flaherty said yesterday.

The finalisation of the 3,75bn World Bank loan and the National Energy Regulator of SA's determination on tariffs allow the utility to look to other sources of funding to keep its multibillion-rand build programme on track.

Speaking at a National Union of Mineworkers (NUM) workshop on energy yesterday, O'Flaherty said the funding options open to the utility included the local bond market. 'Appetite is there to tap that market,' he said. Other options were the international bond market, export credit agencies and refining some of Eskom's existing power stations, O'Flaherty said.

He said it was imperative to continue with Eskom's existing projects, notably Medupi, Kusile and the Ingula pumped storage scheme.

O'Flaherty said of the criticism of the World Bank loan: 'Noise makes it difficult to raise money. We need the support.'

Eskom's chief officer for generation, Brian Dames, said yesterday that SA needed 50000MW of new electricity capacity by 2025, assuming decommissioning of about

10000MW of the existing capacity. He said SA should save energy.

The risk of supply interruptions would rise significantly between next year and 2013, and between 2018 and 2025, due to higher demand.

Investment in generation capacity in SA has not tracked economic growth. Dames said that between 1994 and 2008, the economy grew 64%, while investment in generation capacity increased 14%.

Eskom acting chairman Mpho Makwana assured that the upcoming Soccer World Cup would proceed without power glitches. 'We are ready,' Makwana said.

O'Flaherty also denied that there were plans to restructure the company. He said the company would, however, improve its efficiencies. 'If we expect the South African public to pay 25% (tariff increases for three years) we must cut the waste. We will improve the efficiencies,' he said.

Makwana said 'improving efficiencies' would not lead to job losses. He said the move was in line with an undertaking that Eskom took last year to break even in the year to March. In the past financial year Eskom reported a loss.

Meanwhile, Deputy Public Enterprises Minister Enoch Godongwana said yesterday that SA could not avoid investing in nuclear power.

While SA had one nuclear power plant, concern about safety had mainly turned opinion against the construction of more.

However, Godongwana said the technology had advanced to the point where there had

not been problems anywhere in the world in a long time.

'For baseload we can't avoid nuclear,' he said at the NUM workshop. The union opposes nuclear energy, saying the state, rather than the industry, carries most of the burden for waste disposal and liability.

But deputy secretary-general Oupa Komane said the NUM was willing to be convinced otherwise.

Godongwana defended the World Bank loan to Eskom. He said the government had insisted it should not be in the form of a sovereign loan to the government because that would have burdened the state.

With Wilson Johwa

Mineweb

Hitachi SA insists it has no links to political parties

A media conference in Johannesburg on Tuesday left more questions than answers
Author: Barry Sergeant Posted: Tuesday , 20 Apr 2010

JOHANNESBURG -

A well-attended media conference at the Woodmead, near Johannesburg, head office of Hitachi Power South Africa (HPSA) on Tuesday left more questions than answers about the 'ANC' connection. This could be for the better, but perhaps not. CEO Hannes Musel and CFO Robin Duff were defensive on a number of questions, insisting that HPSA has 'no link with political parties'.

The questions continue to beg. Hitachi, a transnational, has been awarded contracts worth ZAR 38.5bn (about USD 5.2bn) to build boilers at new power plants for Eskom, South Africa's beleaguered monopoly, state-owned, electricity supplier. Medupi is in build, but not yet fully financed, and Kusile is yet to go into build.

The base line controversy is that Eskom answers to the governing party, which is apparently a shareholder in HPSA, which is benefiting from huge contracts over which the ANC has effective final say. In many countries, this kind of structure can get people into very serious trouble.

While happily painting Hitachi globally as a big company, which it is, the domestic executives were keen to point out that when it arrived here, it was but a little company, with a fax machine and a bank account. In December 2005, in a bid to

become 'black economic empowerment' (BEE) compliant, HPSA sold 25% of its shares to Chancellor House Holdings (CHH), and 5% to another BEE company.

Only after the ANC's conference in Polokwane in December 2007, when Thabo Mbeki was banished from the office of president, did it come to light that CHH was a 'front company' for the ANC, according to HPSA today. This triggered a series of meetings, culminating in the August 2008 decision that CHH would, sadly, not be sold by the ANC.

This left HPSA in a real bind. Early in 2009, HPSA was told that it scored 'zero' on BEE equity, viz., shareholding, because the black beneficiaries of its CHH stakeholders could not be proven. After negotiations, the Chancellor House Trust, which controls CHH, created a new set of 'B' beneficiaries. Today HPSA was emphatic that 'we've done what we can to ensure that there is no funding of political parties'. Beneficiaries are all, curiously, 'natural persons', according to HPSA, 'youth, women, disabled, aged', which, indeed, could include quite a few, if not most, ANC members.

HPSA says it does not know the identity of the beneficiaries of the Chancellor House Trust; 'you need to ask them', it was said today. In other words, in this opaque structure, the ANC may or may not benefit. It also seems that the ZAR 38.5bn contracts awarded by Eskom to Hitachi will be split 60% to the domestic unit, and 40% to foreign Hitachi units. The domestic executives were keen to point out that HPSA was forecast to pay a total dividend of just ZAR 50m, to CHH, over eight years.

This is relatively small beer compared to what's been doing the rounds. Helen Zille, leader of the official opposition, the Democratic Alliance, has for some time marketed the idea that the ANC's income from the HPSA connection would amount to about ZAR 1bn, effectively rendering the ANC immune to losing political market share to the opposition.

As early as November 2006, in a special study, 'SA Democracy Limited: corporate fronts and political party funding', journalists Stefaans Brummer and Vicki Robinson stated that: 'HPSA is 30% black-owned, with 25% reportedly belonging to Chancellor House Holdings'. Based on a 24 July 2006 interview, HPSA's Robin Duff 'preferred not to comment on the links between Chancellor House and the ANC'.

To repeat, HPSA's bosses today stated that they only became aware of the ANC connection after December 2007. Today I put it, in public, to the executives, that Hitachi's global listings include the NYSE, where there is particularly harsh legislation governing opaque foreign activities, and that HPSA should have invoked such laws to reverse itself out of CHH structure, and find a new partner.

It seemed that CFO Robin Duff was going to throw a punch at me, but sitting solidly between the two of us was CEO Hannes Musel. We will have to get around to trading blows some other day; there are lots of more important nuts to crack.

Richard Calland

Talk, talk and more talk can be enlightening

RICHARD CALLAND:CONTRETEMPS | CAPE TOWN, SOUTH AFRICA - Apr 16 2010 11:45

Thursday March 18 Dinner at the Twelve Apostles with a flutter of fund managers (if that is the correct collective noun). I always enjoy the piercing simplicity of their questions: Who is in control of the ANC? Will the Reserve Bank's mandate be changed? Do Pravin Gordhan and Gill Marcus see eye to eye? Who exactly is the right wing of the ANC? (No one. No. Yes, more or less. Work in progress, I'll get back to you.)

These are good questions (and debatable answers). In exchange they tell me that 'selling SA' has become a very difficult task since January. Something happened that tipped the balance, turned market opinion.

Now it is my turn: Was it Jacob Zuma? The childish talk of nationalising the mines? Or Eskom, perchance, and the general lack of leadership and uncertainty around state-owned-enterprises? (Probably. Probably. Maybe.)

Why these infernal questions about a 'lurch to the left'? I quarrel: Dissect your concerns about the government, about the president, about the ANC, about the culture of politics and the strength of democracy and examine where your interests align with those of the 'sensible' left. Now do the same exercise with the right of the ANC. Take nationalisation. Who is arguing for it, the right or the left? Yes, the right. Take corrupt accumulation. Yes,

exactly. They're intrigued; they're definitely listening. Maybe I'm on to something here.

Friday March 19 Host a roundtable discussion at Idasa's aptly named new Spin Street restaurant and bookshop where our visitor, Klavs Holm, Denmark's first ambassador for public diplomacy, brings a connoisseur's subject to life. It's about the need for governments to seek to influence a more complex array of non-state actors; old-fashioned foreign office to counterpart bilateral relationships will no longer suffice.

Linking neatly with my previous evening, Holm tells his audience that 'people will form very quickly made decisions about another country and their views can change very rapidly'. Denmark had to deal with the Islamic cartoon a year or two back. Even if they had wanted to use traditional methods, the question was who to talk to? The 'offence', after all, was to the whole of the Islamic world. But they talked and talked, to as many of the think-tanks and media outlets they could, reminding people that one cartoonist is not a nation (note to Zapiro) and that Denmark's commitment to freedom of expression is a deeply held cultural value.

Holms is compelling on the related subject of 'nation branding'. Denmark's is built on the foundations of a happy people who care about the climate, are strong on design and have a flexible attitude to employment law, based, in turn, on very strong social security provision. With the Rainbow fading, does South Africa have a durable, cohesive brand beyond Mandela?

Tuesday March 23 A glimmer of light: Economic Development Minister Ebrahim Patel delivers a well-rounded budget vote speech in the National Assembly followed by a roundtable on the 'next economy'.

Without funding, staff or substantial line functions, this is how he has to operate – like an NGO think-tank within the government – seeking to shift hegemonic attitudes to economic policy. And so far without much impact.

But today it looks and feels different. Partly it's the announcement of his ministerial advisory committee that not only pips Trevor Manuel's National Planning Commission to the post but contains, amid a list of the usual suspects, the name of Joseph Stiglitz. It's not that he is anything other than a moderate and, come to think of it, another usual suspect; it's that he is a rather large usual suspect. It adds gravitas to Patel's minimalist profile.

Flanked on the stage by the evenly matched Zwelinzima Vavi and Bobby Godsell, who are both in terrific form and clearly like each other, Patel is like a sharp-eyed sparrow betwixt two great eagles – but using his convening power to start a very necessary national dialogue: between big business interests and working-class interests, represented by 'sensible business' and the 'sensible left'.

Friday March 26 I table this at Ernst & Young's quarterly politics breakfast, framing it as a grand toenadering. It strikes a chord: it is time to focus on the right wing of the ANC -- represented so clearly by 'you know who' and not the alliance. It is the conservative wing of the ANC, too often ignored, that represents the real danger.

Monday March 29 I moderate a discussion in Cambridge on 'limits to growth': the speaker is Jeremy Baskin, a former South African trade unionist, who now heads Cambridge's programme for sustainability leadership in Australia. The delegates on

the four-day sustainable development leadership programme are senior managers from the World Bank, who are deciding whether to give South Africa its first major loan and the bank's biggest (\$4-billion).

Baskin uses the loan, which will enable Eskom to move ahead with its building programme of new coal-fired power stations, to make his case. It is, he argues, an entirely unsustainable and irresponsible loan; it puts South Africa on a coal-based growth path from which it will not be able to escape.

Before even the World Bankers can get their teeth into it, I put the government's case, with which I have much sympathy: We need to protect and create jobs; without those jobs, an already precarious society will surely collapse into instability and greater violence; therefore, we need the power that comes from cheap coal -- at least in the short term -- and we need the jobs that come with it; yes, we must change the economy, but it has to be done in stages, with a transitional path; cold turkey will do more harm than good.

Baskin is a brilliant provocateur and a vigorous debate ensues. Of course the loan was approved a week later.

Hitachi would 'gladly' entertain sale offer from Chancellor House

By: Terence Creamer

Published: 20 Apr 10

Hitachi Power Africa (HPA) would 'gladly' entertain an offer from Chancellor House to sell its 25% interest in the company, but no such offer had been made to date, CEO Johannes Musel reported on Tuesday.

The company also indicated that it had not been aware that Chancellor House was an African National Congress (ANC) 'front company' when it entered into a shareholders agreement with the entity in October 2005. Chancellor House has since been shown to have direct associations with the governing ANC, and has also been described as the party's investment arm.

However, CFO Robin Duff stressed that HPA, which is part of the global Hitachi Group, which reported sales of \$102-billion in 2009, had subsequently done what it could, from a governance perspective, to ensure that no funding flowed to a political party. Efforts had been made, for instance, to seek guarantees that the beneficiaries were indeed previously disadvantaged South Africans, in line with South Africa's black economic-empowerment (BEE) rules.

A due diligence conducted by Hitachi found there to be two classes of beneficiaries of the Chancellor House Trust, which owns Chancellor House Holdings, the shareholder in HPA. These beneficiaries had been identified as including: black 'natural' persons, as well as black 'natural' persons, classified into groups such as youth, women, rural citizens and the disabled.

Duff also stressed that Chancellor House Holdings had paid 'more than R1-million' for its position in HPA, which at that stage was still a start-up company in South Africa, and had, as yet, not received any dividend payments.

But when pressed on the precise identity of the beneficiaries, Musel indicated that it would be up to Chancellor House to confirm this, acknowledging legitimate public concern about the fact that benefits might flow to the ANC.

'All we can do, is to ensure that the legal conditions are correct in terms of what the trust deed states,' Musel said, indicating, though, that there might be a disconnect between what was legally allowable and what was proper from a moral standpoint.

R50M NOT R1BN It was stressed, however, that the profit margin on the Eskom boiler contracts would be less than 3% and the flow through to shareholders, including Chancellor House, was, thus expected to be 'in the millions, not the billions' of rands.

The maximum that Chancellor House could earn over eight years was R50-million, HPA asserted.

The Democratic Alliance, in opposing the recently approved \$3,75-billion World Bank loan to Eskom on the basis that the proceeds might benefit the ANC, suggested that the earnings could be closer to R1-billion.

'Contract value, in this case R38,5-billion for both the Medupi and Kusile boiler contracts, does not equal profit,' Musel highlighted.

Speaking at a briefing convened specifically to deal with the political and social fallout created by Chancellor House's holding in HPA, which was awarded Eskom boiler contracts in 2007, it was also stressed that the contracts had been won through fair processes, as confirmed by a Deloitte & Touche audit report. He also noted that some 40% of the contract value was attributable directly to Hitachi Power Europe and that HPA's order book, thus, stood at R24,3-billion.

ANC SPLIT There is currently division within the ANC over the future of the company, with treasury-general Mathews Phosa having indicated that the company will be liquidated, while secretary-general Gwede Mantashe has stated that it could not dictate to an independent entity, which is structured as a trust, without shareholders.

Chancellor House MD Mamatho Netsianda, meanwhile, has indicated that the ANC has no jurisdiction over its business interests and that he was not going to follow the instructions to liquidate the shareholding in HPA.

While noting the division within the ANC over the liquidation of Chancellor House's shareholding in HPA, HPA indicated publicly for the first time that the company would be more than open to such an offer.

In response to a question posed by Engineering News Online as to why, given the reputational damage being caused, neither HPA, nor the bigger Hitachi group, had been more proactive in ensuring the liquidation of the shareholding, Musel said that such a transaction requires 'all parties involved to agree'.

'If the opportunity comes up, we will gladly deal with it,' Musel added, indicating that, while numerous discussions had been entertained on the matter, no sale offer had been forthcoming.

HPA would, however, seek to safeguard its BEE status should such an eventuality arise, with Musel indicating, too, that the other shareholders – which included Hitachi Power Europe and Makotulo Investments, a black women-owned entity – had preemptive rights.

'We can confirm that we have had no direct approach from our shareholders [regarding the sale of the Chancellor House stake],' Duff said.

'But if there is a sale, it will be governed by the provisions of our shareholders agreement . . . but importantly, we cannot lose our empowerment status. So, if we buy the shares back, they would have to be on sold to another empowerment partner to ensure that we comply with our contractual obligations,' Duff explained.

The Mercury

We need a deepening of democracy

April 21, 2010 Edition 1

Imraan Buccus

JULIUS Malema is the most vocal public opponent of our democracy. If there were any doubts about how to interpret his increasingly neo-fascist political orientation, his embrace of the Mugabe dictatorship made it crystal clear that he aspires to an out-and-out totalitarianism.

His threats to the media and his attack on the BBC journalist made it quite clear that he intends to begin an immediate roll-back of our democratic gains.

Political analyst Justice Malala is quite correct to argue that if Jacob Zuma does not have Malema expelled from the ANC, then Zuma's presidency will descend into an irredeemable crisis of credibility. There is simply no other credible course of action for Zuma to take.

But while Malema's jobbish contempt for democracy is the most visible and crass threat to our democracy we would be wise to recall that there are others.

For a start Malema is not alone. He is the 'useful idiot' fronting the project of what the trade unions have called 'Kebbelism' - the unsavoury alliance between business and political elites.

But Kebbelism has other adherents in the party - most notably Tony Yengeni and Fikile Mbalula. If the ANC is not able to engage in some sort of internal revolution against the Kebbelism within its ranks, as its left flank demands, the cancer will

spread despite the expulsion of its most visible face - Malema.

But the rot runs deeper than Kebbelism. The fact that the ruling party stands to profit from the World Bank loan to Eskom is absolutely unacceptable. For a start the loan is a disaster. World Bank money never comes without strings attached and once a country is indebted to the bank, it has to give up its economic autonomy.

So, it seems we have put our economy in the clutches of imperialism. And when the party stands to profit, and hugely, from this sort of decision it is quite clear that there must be an enormous temptation to put party interests before the national interests.

Of course there has been a call to conscience on the question of stake in the Hitachi contract from within the party.

People like Pravin Gordhan and Barbara Hogan, who unfortunately did not oppose the loan, have, at least, taken a clear position against the institutionalisation of corruption in the nexus which joins the party to the state. It is essential that they are supported and that a broad coalition is built to support forces that are seriously committed to opposing corruption.

Corruption does not just introduce inefficiency and wastage into delivery. It fundamentally distorts delivery towards the interests of the corrupt and thus undermines democracy which is, of course, supposed to be government by and for the people.

The turn towards a more repressive approach to grassroots dissent is also a matter of deep concern. Kader Asmal is quite right to berate the militarisation of

the police as a grave error of judgement. And the tendency to ban marches and beat activists shows a turn towards repression.

If basic democratic rights, including the right to organise and protest, are not guaranteed, then we are not living in a democracy.

After World War II Aneurin 'Nye' Bevan, the Welsh Labour Party politician who played a key role in the development of the National Health Service in Britain, famously said, 'Either democracy will destroy poverty or poverty will destroy democracy.' This, to put it bluntly, is the choice that confronts us. Either we use democracy to end poverty or poverty will be used, as in Zimbabwe, by some or other force to end democracy.

Those among the rich who think that they can keep on with this elite deal in which black and white elites have got fabulously wealthy while the poor have got poorer really need to face up to the fact that they are sitting on a powder keg.

We do not have a passive citizenry in this country. Ordinary people were highly involved in the struggle against apartheid and remain highly politicised.

Some are involved in movements and others in spontaneous upsurges of anger. But in both cases the demand for a full and equal inclusion into society is clear and unrelenting.

Some among the rich, black and white may prefer to go the route of carrying on with their elite deal and defending it with more security from the police and private security.

But security does not resolve the problem; it merely delays the resolution of the problem. The problem is massive inequality and the solution, the only real solution, is movement towards equality.

Julius Malema has shown us all the ugly face of the right-wing nationalist alternative to democracy. His expulsion from the ANC will be a clear indication that the ANC does not wish to follow the path of Zanu-PF which will result in the fabulous enrichment of the political elite at the price of the devastation of the entire country.

But not following Zanu-PF is not enough. Continuing on the current path of an elite democracy in which the majority are both politically and economically excluded is simply not viable. What we need is a profound deepening of our democracy.

Imraan Buccus is attached to the School of Politics at UKZN and to the Democracy Development Programme

ABNDigital

<http://www.youtube.com/watch?v=FOiYaxq1a2w>

Paul O'Flaherty, Eskom Finance Director:
'The international bond market is definitely something we believe there's opportunity

Medupi privatisation 'is part of our options'.

WB loan negotiation took 15 months. 'The biggest loan they've ever given. The first time the IBRD ever gave money to a South African company.'

Hedging 'is just good practice.'

Cape Times

The next instalment

April 20, 2010 Edition 1

On April 8 Melanie Gosling reported on the Eskom plans to develop three nuclear power stations around the South African coastline over the next decade.

This announcement was made on the eve of the decision by the World Bank on a loan to Eskom to support its energy build programme. There was massive opposition in South Africa and abroad against the granting of this loan because Eskom and the government have failed to demonstrate commitment to developing generation capacity which does not continue our wasteful and carbon-intensive modes of production.

It can only be assumed that the announcement was timed to try to convince the World Bank that Eskom and the government are planning development of less carbon-intensive forms of production. That the government is so stuck on nuclear as the only alternative remains of concern.

South Africa is particularly blessed with a geographic location and climate lending itself to the development of sustainable alternatives (wind, solar, wave, etc). Not only would such development provide ample scope for research and development within the country and provide employment opportunities for those currently employed in the nuclear and coal electricity generation industries, it would also provide massive opportunities for further employment creation, which we so desperately need.

And all this in a safer and cleaner environment without the environmental and health risks associated with coal and nuclear.

Nuclear remains a highly contested and secret industry. Which makes it highly attractive to corruption.

Despite the general acceptance in the broad public of corruption in the arms deal when the current government had just come to power, the government has been consistent in its continued refusal to allow proper investigation of the allegations in this regard.

Is nuclear merely the next opportunity for such grand corruption?

In view of the ANC's continued involvement in Hitachi and the coal electricity generation development programme, one can only assume so.

Louis de Villiers

Observatory

<http://www.qfinance.com/blogs/anthony-harrington/2010/04/20/when-push-comes-to-shove-who-really-defines-the-green-agenda>

When push comes to shove, who really defines the green agenda?

Posted by Anthony Harrington, April 20, 2010

One of the problems with green politics is that for the leading nations it is always so much easier to instruct others on the necessities of cutting emissions than it is to make deep cuts themselves. The unseemly spat over the World Bank's \$3.75 billion loan to the South African power giant Eskom for its Medupi power station, with both the UK and the US initially objecting to the project and blocking the funding, is a prime case in point.

South African cities are already experiencing frequent brownouts because of weaknesses in the country's electricity grid, which the Medupi plant is designed to address. The loan is the World Bank's first major engagement with the South African government since the fall of apartheid 16 years ago. The project, generally speaking, would be considered a good thing for the South African economy by the world at large, if it were not for the fact that the Medupi plant is a coal-fired plant. Even with the latest technology planned for the plant, it still contravenes what the US and the UK consider to be 'desirable.' Gas-fired plants are desirable. But South Africa is rich in coal, not in natural gas.

The fact that both the US and the UK still have and operate far dirtier plants is not the point. We are in an idealistic space here and the problem with idealistic spaces has always been that they define their own

premises, which have a habit of wandering away from what the rest of the world thinks of as practical reality.

If you are designing the world from scratch, why not insist on the greenest possible solutions? The obvious answer is that sometimes one has to go for the more immediately practical solution or nothing gets done. In the case of South Africa, doing nothing would be economically disastrous. As a general point, this is precisely why business and the various regulatory regimes often butt heads, despite the best efforts of business to comply. It is not that one side is wrong and the other right, it is simply that their different perspectives on a particular issue are on a collision course because each is working off different premises.

Within a country, when business and the regulatory regimes clash and business says: 'If I do that I can't make a profit,' the regulator can simply reply 'Tough, it's my way or the highway...' Pose the same problem at the national level and it gets very much more difficult since the issue of who, ultimately, has the power, is so much less well defined. Neither the UK nor the US want to be in the hugely unpopular position, as far as the developing world is concerned, of playing the 'heavy' and blocking growth, yet both (the UK rather more than the US so far) are committed to doing something to prevent runaway global warming, which would be catastrophic for everyone and particularly for the developing world.

If, say 50 years from now, the world is being hammered by extreme weather events and rising sea levels, and some scientist somewhere works out that the Medupi project was the point where the 'green' agenda faltered and failed, we'll all

have a very different view of things. But the probabilities of this being the case, from our current standpoint, look vanishingly remote. It is the World Bank's job to fund development projects. Whether it is the West's job to hold a green magnifying glass to those projects and to block them wherever the pure green light seems somewhat tainted, is a much more debatable proposition. Regulation at the supra-national level needs a great deal of common sense and a willingness to accept that sometimes three steps forward, two steps backwards, is the best speed available.

NUMSA STATEMENT ON ESKOM
RETRENCHMENTS 19 April 2010

The National Union of Metalworkers of South Africa (Numsa) notes media reports which appeared in the /City Press/ that Eskom is intending to retrench 20% of its workforce.

We believe the intentions by Eskom to retrench 20% of its workforce feed into the World Bank's loan as it relates to high tariffs and job shedding in the interests of profit maximization. We are appalled and disgusted that Eskom is engaging labour on this critical matter through the organs of class rule – the media, as opposed to following proper internal communication channels.

As Numsa we reject the pending Eskom retrenchments and we strongly believe there are imposed by the World Bank loan which thrives on neo-liberal and capitalist policies to suffocate the lives of the working class and the poor. We call on Eskom to engage labour on these retrenchments and desist from being cowards by engaging through the media.

As labour, we are currently in wage negotiations with Eskom and thus far negotiations have not yielded any fruits given the arrogance and bullying tactics by Eskom. These are our demands:

* Housing Allowance which is still to be arbitrated on 28 April 2010

from the outstanding 2009 demands, employees are prepared to go on strike on this one.

* Death Benefit to be increased from R15000 to R30000 and to cover member's family.

* Temporary ill health insurance for employees

* Paid maternity leave of six(6) months

* Solar geyser installed for all Eskom employees;

* Labour brokers / contractors must be scrapped or banned with immediate effect;

* Wages 20% across the board including management level (MP&S);

* All allowances to be increased by 20%; and

* Benchmark 60% of the salary of the lowest paid employee to that of a senior manager 'F' band.

Issued by Numsa Head Office

Contact :

*Castro Ngobese National Spokesperson –
073 299 1595 Or Nathaniel Kgoete Eskom
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City Press

Eskom blacks out chunk of labour force
2010-04-18 13:00

ESKOM is planning a major restructuring, which could involve a partial privatisation and a major shake-up of its labour force.

In the latest edition of Finweek, Sikonathi Mantshantsha reports that Eskom has asked international mergers and acquisitions teams of financial giants JPMorgan and Goldman Sachs to advise it on a proposed restructuring.

Finweek has been informed that the company may be split up and certain of its assets privatised, in a similar fashion to that of arms utility Denel.

The first business unit apparently on the line is distribution.

Up to half of its labour force may be sold off to new owners as part of the partial privatisation and jobs may be on the line.

The restructuring idea is the brainchild of Eskom's newest executives, human resources director Bhabhalazi Bulunga and finance director Paul O'Flaherty. They - respectively joined the company from South African Airways and a construction company based in Dubai. O'Flaherty confirmed to Finweek that Eskom was considering restructuring.

'Organisations such as Eskom need internal efficiency and productivity. We need to show we can also produce something ourselves - some savings - and not only rely on external funders,' he told the magazine.

The plan is to produce some internal savings while the public utility scours the markets to produce the R45 billion funding gap in its capital investment programme. Over the next six months Eskom will produce a plan that seeks to reduce overheads to make it a 'lean and mean' operation, O'Flaherty said.

Bulunga was head of SAA's human resources team - which reduced the national carrier's staff complement by about 20% in 2008 - credited by the current management as having laid the foundation for its R398 million profit last year.

Eskom approached Bulunga to fill one of three key senior positions that had been vacant for more than a year in its executive committee.

While the World Bank recently approved a R28 billion loan for Eskom, the utility is under pressure after a R9 billion loss last year.

- Fin24.com

Engineering News

NUM will oppose Eskom privatisation –
Komane

By: Chanel Pringle
19th April 2010

The National Union of Mineworkers (NUM) would not allow for the privatisation of State-owned power utility Eskom, deputy general secretary Oupa Komane said on Monday.

He was speaking at the NUM's energy mix workshop in Johannesburg.

However, deputy Public Enterprises Minister Enoch Godongwana, speaking on behalf of the ruling African National Congress (ANC), said that government's plans did not involve the privatisation of the power company.

He emphasised that government was not considering selling entire power stations or privatising Eskom, but highlighted that Eskom and government alone could not continue to fund the new power expansions needed in the coming 20 years.

Eskom has recently appointed Credit Suisse as transaction adviser for the sale of a stake in the R142-billion Kusile power station to a strategic equity partner.

The utility may sell between 30% and 49% of the Kusile power station.

South Africa would require a further 50 GW of new power generation in the coming 20 years and government had to start buying power from the private sector.

To that end, the creation of an independent buyer of electricity should not be considered as the privatisation of Eskom, said Godongwana, adding that this entity would remain State-owned.

Further, he highlighted that the country had to increase its power generation capacity, as a number of older power stations would start to be decommissioned from 2023.

South Africa would not continue to be able to maintain its power exports to its Southern African Power Pool neighbours in the medium-term, which would impact on the development of its neighbours. This was something the country had to take into consideration, said Godongwana.

He added that South Africa could not ignore nuclear as a base-load power source.

Meanwhile, Komane said that the NUM should revisit its position on nuclear.

He noted that the union was anti-nuclear, but pointed out that this position was adopted in the Apartheid-era and that many things have since changed. The NUM should investigate nuclear energy as a potential alternative energy, he said.

<http://www.truthout.org/the-world-bank-funds-dirty-energy-south-africa58548>

The World Bank Funds Dirty Energy in South Africa

Monday 19 April 2010

by: Joshua Frank, t r u t h o u t | Report

The World Bank's rap sheet seems to be ever expanding. On April 8, the organization voted to approve a whopping \$3.75 billion dollar loan to build an enormous coal-fired powerplant in South Africa. A portion of those funds, fewer than 20 percent, will be allocated to solar and wind construction.

Eskom, the recipient of the loan, is the world's fourth-largest power company and the continent of Africa's single largest contributor to global warming, producing 40 percent of South Africa's carbon dioxide emissions. Climate activists across the globe amassed to oppose the loan, stating that the World Bank's alleged reputation as a 'climate-friendly' financier would be irreparably tarnished.

In late February, during the run-up to the vote, a coalition of organizations launched a campaign against the World Bank's proposed loan to Eskom. Climate Justice Now, groundWork and the Federation for a Sustainable Environment were behind the initiative.

'For communities near the coalfields and coal-fired stations, the externalized costs imposed by Eskom are extremely high, including the complete degradation of water sources, air pollution, a frightening rise in mercury associated with coal and other health burdens,' noted Professor Patrick Bond, director of the Centre for Civil

Society at the University of KwaZulu-Natal in South Africa.

Once completed, Eskom's plant will be one of the largest and most environmentally devastating anywhere in the world. The facility is to be constructed in the ecologically sensitive area known as Waterberg, near the country's capital of Pretoria. In all, the plant will require up to 40 new coal mines near the plant.

Despite the World Bank's approval of the loan, which the institution believes will provide much needed power to many impoverished South Africans, the United States, UK, Netherlands and Italy all abstained from the vote.

The US Treasury Department issued a press release about the World Bank's loan to Eskom prior to the decision, stating they would not vote because of 'concerns about the climate impact of the project and its incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation.'

Nonetheless, the US would not take a hard stand on the issue by voting against the loan instead of abstaining. The tactic drew criticism from environmentalists that believe the World Bank's loan will prove extremely detrimental in the long run.

In effect, the World Bank is putting private interests above the public good, opponents said. Financing private power generation, despite the fact that the Bank has such a poor record of public-private partnerships across the globe, drew opposition from over 200 organizations, a sign that the climate change movement has grown in recent years.

The loan was also granted during a period of fiscal uncertainty for Eskom, which lost \$1.3 billion after miscalculating hedge bets on the country's aluminum prices. As such, the company's mismanagement has drawn immense controversy in the country among investors as well as ratepayers.

'Demand-side management - a tried and tested alternative which the World Bank claims to endorse - would mitigate the need for new power plants,' said Bond, a vocal opponent of the loan. 'Moreover, South Africa's massive renewable energy potential has not even begun to be tapped. Eskom was given responsibility for rolling out more than a million solar-powered hot-water heaters over three years, and after two years, can claim only 1000.'

The notion that the power plant will help the more impoverished South Africans is also hotly contested by critics. In 2008, the company was responsible for raising utility rates three times the country's inflation rate. During the period of 2007-2010, Eskom estimates that monthly electricity rates for a normal household could rise as much as 127 percent. These huge spikes, opponents believe, will likely lead to poor South Africans being left without electrical power.

'I think it's pretty clear the World Bank is telling the people of South Africa that they're not taking their commitments to alleviating poverty and climate change seriously,' said Mark Kresowik of the Sierra Club's 'Beyond Coal' campaign.

»

Joshua Frank is the author of *Left Out! How Liberals Helped Reelect George W. Bush* (Common Courage Press, 2005), and along with Jeffrey St. Clair, the editor of

Red State Rebels: Tales of Grassroots Resistance in the Heartland (AK Press, 2008). Frank is also the co-author with St. Clair of the forthcoming *Green Scare: The New War on Environmentalism* (Haymarket Books, 2010)

<http://www.africareview.com/Business%20&%20Finance/Why%20World%20Bank%20funded%20controversial%20SA%20power%20plant/-/825446/902532/-/26nmcyz/-/index.html>

Eskom power project well thought out, says World Bank

By LEE MWITI

Posted Monday, April 19 2010 at 20:07

In Summary

- * South African utility proposes to build project by 2012
- * Lobbyists had said plant would add to carbon emissions
- * World Bank and IMF set for annual spring meetings
- * Funding, climate change on agenda of 10,000 delegate meet

The World Bank approved a controversial \$3.75 billion power project in South Africa because in addition to meeting the required criteria, it also had a clear plan on how to reduce carbon emissions, World Bank vice-president for Africa, Obiageli Ezekwesili, has said.

The plan by the country's national utility, Eskom, had been vociferously opposed by environmentalists who said the World Bank should not finance projects that contribute to climate change.

'This is one of those exceptional cases based on our criteria, and is a comprehensive programme that has an impact on the whole region's power security,' said Ms Ezekwesili in a video conference with African journalists ahead of the annual spring meetings of the World Bank and the IMF.

According to reports, some 125 campaign organisations had sent a letter to the lender saying that the project, approved last week, was likely to benefit large mining houses and smelters as opposed to the poor.

But Eskom in its submission said the 4,800 megawatt plant, expected to be commissioned in February 2012, would help meet Southern Africa's crippling energy shortfall.

Ms Ezekwesili supported the project, saying that it had a defined transitional pathway to green power.

'Not many people know that the (coal-fired) project has a renewable component such as farm, wind and solar, and in addition to being energy-efficient, has a clear exit timetable,' she said.

Eskom proposes 25 and 30-year targets for the plant to convert to green energy. The second major loan for the construction of the plant, \$475 million will be used for the renewable energy component. The African Development Bank (AfDB) also last year lent \$2.75 billion to the plant.

Challenges

The Washington-based multilateral lender also said it was looking at ways of clearing challenges facing another controversial energy plant in Ethiopia, the Gibe dam, although it was not directly involved.

The \$1.55 billion plant on the River Omo would generate 1,870 megawatts is funded largely by the AfDB but has been challenged by environmentalists who say it will affect the ecosystem.

Ms Ezekwesili said Africa's huge infrastructure gap needed strong private-public partnerships and strong government policies to attract investors.

'If policy is unclear and heavily government-laden, it will not be attractive to investors, as has been seen in telecommunications. Pricing also needs to be clear,' she added.

The World Bank estimates that investing an extra \$42 billion annually in infrastructure will give the continent's growth a two-percentage point bump.

Africa's economy is expected to expand at 4.5 per cent in 2010. The financial crisis of 2009 cut the continent's growth last year from 6.9 per cent in 2008 to 1.7 per cent in 2009.

The bank says that its crisis fund, launched in part to help African states weather the crunch and resulting budget deficits, has largely been successful.

Ways of reviving strong growth will feature strongly at the April 24-25 spring meeting of the International Monetary Fund in Washington.

The meeting is expected to attract 10,000 delegates, though Ms Ezekwesili admitted that the aviation chaos caused by an erupting volcano in Iceland might force the bank to turn to technology to ensure that Africa is not left out.

Needs

Climate change and adaptive steps for Africa will also feature in the sessions at the meeting, with the continent seen as the hardest hit despite contributing only four per cent to global carbon emissions.

'Africa needs significant investment in new technologies to help meet climate change challenges,' said the vice-president.

The Bretton Woods institution will also be seeking new funding with the 16th cycle of the Infrastructure Development Assistance (ISA) coming to an end this year.

The ISA is a concessional window through which the bank funds infrastructure projects and is replenished every three years. The last IDA effort was in 2007 and came into effect July 2008.

'This is important because there has been a shortfall in delivery of the pledges made at Gleneagles,' said Ms Ezekwesili.

The Gleneagles, Scotland, G8 summit pledged \$25 billion annually in donor money by 2010 for Africa to help cut poverty but has on average been contributing \$11 billion.

Africa is also set to get an extra seat on the bank's board, bringing to 25 the serving members.

Sweet deals use 5% of Eskom's power –
Hoan

By: Sapa
19th April 2010

Eskom's long-term special rate contracts with companies account for 'approximately 5%' of the total electricity consumption in South Africa, Public Enterprises Minister Barbara Hogan has said.

'These long-term contracts account for approximately 5% of the total electricity usage in the country,' she responded to a written question in Parliament by the Independent Democrats.

Hogan said only two companies benefited from special rates set in the long-standing contracts which have become controversial for adding to Eskom's losses and supply constraints, but again refused to name them.

The Minister said this was 'confidential commercial information of a third party and is subject to the protection provided in terms of the Promotion of Access to Information Act'.

The ID's energy spokesman Lance Greyling said neither the contracts, which date from the early 1990s, nor the secrecy surrounding them could be tolerated any longer.

'I was given the impression by Eskom's briefing to Parliament that they account for 10% of consumption. Whether it is 10%, or 5%, that is our reserve margin.

'Cancel the contracts and that is our electricity crisis at an end.'

Greyling said it was untenable to have a national energy regulator to police the situation of having a monopoly on energy supply, but then allow Eskom to have secret deals with international companies. There was an outcry last year after it emerged that Eskom's R9,5-billion book value loss was to blame on the derivative-based tariffs at which it supplied power to mining giant BHP Billiton's Hillside and Mozal aluminium smelters.

The tariff was partly linked to the aluminium price that nosedived during the global economic meltdown, Eskom said this month that BHP Billiton had agreed to renegotiate its contract.

<http://blogs.iol.co.za/busrep/2010/04/19/inside-resources-time-is-right-to-introduce-steel-sector-competition/>

Inside Resources: Time is right to introduce steel sector competition
19 April 2010

Justin Brown

The only way to end ArcelorMittal South Africa's dominant and anti-competitive position in the local steel market and allow for the emergence of other players is to split the steel group into four parts - with each part corresponding to one of the group's four steel mills.

Such a splitting of ArcelorMittal would create the potential for competition to emerge in the local steel market to the benefit of the economy.

The extent of ArcelorMittal's scale is clear by the fact that it produces as much as three-quarters of local steel output.

The use of steel is ubiquitous. The metal is used in agriculture, construction, health and hygiene, general industries such as manufacturing and mining, domestic appliances, office stationery, transportation, and communication - everywhere you look, you'll find it.

A clear sign of ArcelorMittal's market power is that in the past the steel group was able to charge import-parity prices at a time when it was exporting steel.

In theory, when a country is exporting a commodity, such as steel, that is an economic signal for prices to decline to export-parity levels or to prices that would encourage buyers on the international market to choose that country's steel over

other sources. When a country is importing steel that is a signal for prices to rise to attract importers to ship steel into the country.

Administrative penalties for anti-competitive behaviour that have been handed down by the competition watchdog won't make a lasting difference to ArcelorMittal's behaviour.

The state haranguing ArcelorMittal over its prices will not solve the issue either - because what is a fair price when you have one powerful and dominant player in the market?

The only way to solve the issue once and for all is to change the market structure so that the playing field is fair and competitive.

The Competition Tribunal said in 2007 that if other remedies were ineffective then having ArcelorMittal divest partially from its assets may be the only remedy for its anti-competitive behaviour.

It remains to be seen whether the tribunal and the state have the stomach, or means, to follow through on that one.

A positive development towards a competitive steel market is the ending of the cost-plus arrangement between ArcelorMittal and Kumba Iron Ore, as it removes a distinct advantage for ArcelorMittal over other players in the market.

Kumba cancelled that contract after ArcelorMittal failed to convert the mining rights attached to its 21.4 percent stake in the Sishen iron ore mine.

ArcelorMittal's lapse is a multibillion-rand disaster for the group, especially at a time of buoyant global iron ore prices.

Even if ArcelorMittal had remembered to convert its mining right to new order rights, it would not have been able to do so as it has no empowerment partner - a key criterion for the conversion of rights.

It would not be a surprise then that at the same time that ArcelorMittal acknowledged that Kumba had cancelled the Sishen contract, the steel maker announced it would resume its efforts to put in place an empowerment deal.

The ending of the contract creates a more level playing field in the long term for steel makers that wish to enter the local economy and build steel mills from scratch.

The government and its organs have been talking about creating a competitive steel market. Kumba's cancelling of its iron ore contract with ArcelorMittal should be a catalyst to create a level and competitive local steel market.

Business Day

THE THICK END OF THE WEDGE: THE
EDITOR'S NOTEBOOK

PETER BRUCE

Published: 2010/04/19 07:17:49 AM

I AM glad we didn't join the chorus greeting the ANC 'announcement' that it planned to get out of Chancellor House, its illicit party funding machine. Instead we urged caution and we were right. There's no plan (yet) to dismantle the business and every intention, it seems, of hanging on in until those Hitachi- Eskom profits start to flow.

What a disgrace. Imagine the uproar if the Democratic Party in the US owned a stake in Boeing? It is inconceivable that the World Bank should seriously consider releasing its \$3,75bn loan to Eskom while the ANC stands to benefit from it.

Sunday Times

Did the ANC pull the wool over the World Bank's eyes?

By Ray Hartley

LAST week this newspaper reported that the ANC's treasurer general, Mathews Phosa, had seen the light and wanted his party's investment arm, Chancellor House, to sell its stake in Hitachi Power Africa.

It seemed as if reason had finally prevailed following weeks of criticism because of Hitachi's contract to build boilers for the Medupi power station,

Phosa's words were:

'We are planning to exit within the next six weeks – but no one must hold us to six weeks because you don't know what will happen in a commercial transaction.'

And he made it clear that the investment company had agreed to withdraw, saying:

'The chairman of the [Chancellor House] trust, Popo Molefe, has been briefed about the planned sale and there is consensus between us and him.'

But Phosa appeared to have spoken too soon. The ink had barely dried when ANC's secretary general, Gwede Mantashe backtracked, saying:

'The debate whether we are going to sell the stake will continue for some time. I don't think it's an issue that must be taken at Luthuli House, because you have a company that has a board.'

On the face of it, this was yet more proof that the ANC's left hand didn't know what the right hand was doing.

Could Phosa and Mantashe not have consulted one another before going public? After all, they have offices a stone's throw from one another in the party's Luthuli House's headquarters.

But there is more to this prevarication than a mere comedic mix-up.

In the days between Phosa's statement and Mantashe's contradiction of it, something very significant happened.

The World Bank, which was heavily lobbied not to grant a loan to Eskom because of, among other things, the link to Chancellor House, finally agreed to write a cheque for US\$3 billion.

It is not a stretch to see it this way: Phosa's commitment to withdrawing the investment helped seal the deal and once that was done, Mantashe's riposte was aimed at holding onto the millions, perhaps billions, which the party stands to make.

By Thursday, the ruling party was taking yet another tack, this time in the person of Public Enterprises Minister, Barbara Hogan, who said:

'I don't understand what the conflict of interest is, when there is no political party involvement, where there is no beneficiary.'

And, for good measure:

'The World Bank loan does not cover the Hitachi contract. It is completely separate from the boiler. So the World Bank is not

involved in funding the boiler programme that Hitachi has contracted for.'

All of this misses the point which is that it is entirely inappropriate for the ruling party to hold a stake in a business which is a major beneficiary of a state contract.

Whether or not the World Bank funds the making of the boilers does not change the fact that decisions about public spending should not be influenced by the commercial gains those making the decision stand to make. Full stop.

SAToday: Why Zuma couldn't stop corruption, even if he wanted to.

Helen Zille, Leader of the Democratic Alliance
16 April 2010

The utterances of the ANC today have all the hallmarks of the double-think of George Orwell's 1984. If you haven't read the book, double-think involves holding two contradictory ideas in your head at the same time. This means that when your actions contradict your words, you actually believe your own propaganda.

Examples of ANC double-think abound, but nowhere is it more apparent than its stance on corruption.

How often have we seen commentators praising ANC leaders, including the President, for their tough talk on corruption? It always ends with rhetoric. Action never follows.

When the President launched the ANC's manifesto before the last election, he said:

'Most importantly, the ANC will step up measures in the fight against corruption within its ranks and the State...this will include measures to review the tendering system, to ensure that ANC members in business, public servants and elected representatives do not abuse the State for corrupt practices.'

In his State of the Nation address this year, he said: 'We will pay particular attention to combating corruption and fraud in procurement and tender processes...' He said the same thing the year before. Yet, we have seen no measures introduced to actually do anything about corruption.

These repeated anti-corruption promises are deeply ironic given the cloud of corruption that hangs over the President himself. Extreme double-think must be necessary for Zuma to speak of his 'zero tolerance' approach to corruption when he knows how many quashed charges hang over his own head. More than that. As he attacks corruption, President Zuma knows that the ANC undermined the independence of the National Prosecuting Authority to avoid ANC leaders, including himself, having to answer corruption charges in court. The Constitution itself is being sacrificed to the ANC's corruption.

What's more, the ANC has even set up front companies to institutionalise corruption. Most notorious is Chancellor House. Its purpose is to channel tenders and contracts from the ANC in government to the ANC in business in order to enrich the ANC and its leaders. Straight, institutionalised corruption.

Chancellor House facilitated the deal between Eskom and Hitachi Africa, to manufacture boilers for the proposed Medupi Power Station, from which the ANC stands to make an estimated R1-billion tax free profit. Eskom will have to pay with taxpayers' money. And, as a result, the ANC will become one of the wealthiest political parties in the world. Let South Africans remember this when they pay their inflated electricity bills.

So, while some in the ANC leadership rail against the proliferation of tenderpreneurs, the ANC has become the tenderpreneur-in-chief. A pattern is emerging here: the more corrupt the ANC becomes, the tougher its anti-corruption stance. Indeed, this is how double-think works. The graver the deed, the greater the falsehood required to neutralise it in one's mind.

It is time for everyone to realise that corruption is not just an aberration in the ANC that must be 'rooted out' from time to time. The ANC needs corruption to survive, it is its lifeblood. It needs it to fund its election campaigns. It needs it to pay the loyalty networks necessary for ANC leaders to entrench their power. And it needs corruption to pay for its leadership's lifestyles. ANC leaders in the party, the state, and in business have become an interlocked network of patronage and corruption. Everyone knows that everyone else is corrupt, so they cover up for each other, and abuse power to tighten their grip, undermining independent institutions and eliminating opposition both inside and outside the Party.

In the process, the ANC is turning South Africa into a criminal state. What will it take to get us out of this sordid mess?

The obvious thing would be for President Zuma to stop talking about corruption and take decisive action to actually expose and prevent it. He could announce anti-corruption measures such as preventing political parties from doing business with the state. He could announce laws which prevent government employees from doing business with government. And, he could stop the deployment of cadres to parastatals and institutions integral to the fight against corruption, such as the National Prosecuting Authority (NPA). He could re-instate the independence of the criminal justice system to expose and prosecute corruption without fear or favour.

But he cannot do any of these things without exposing himself and his closest political allies to criminal prosecution. The criminal justice system has been perverted

as an instrument for persecuting political opponents and protecting political allies. But even this selective use of the criminal justice system is becoming difficult because the entire ANC edifice -- allies and opponents alike -- are caught in what Allister Sparks calls a 'corruption gridlock'. Senior ANC members have so much dirt on each other, that they dare not take action against corruption. If one goes down, he will take the rest down with them. This is precisely what Jacob Zuma himself threatened to do when faced with prosecution relating to the arms deal before he became President.

This explains why the corruption in the arms deal was so successfully covered up. It explains why Julius Malema was able to get away with what he did and said before any rebuke whatsoever from Zuma. It explains why Schabir Shaik is still on medical parole, despite no evidence that he is terminally ill.

In all of these cases, the ANC leadership is paralysed because of its dubious past and future interest in maintaining the status quo. Zuma cannot go beyond rhetoric and take real action against corruption for fear of alienating those who have enough information to bring him down. His time and energy is spent placating those who hold this power over him instead of governing. This is the consequence of endemic corruption.

Most people think Zuma needed to avoid jail so he could become President. Actually, the opposite is true. Zuma needed to become President so that he could avoid jail.

Now that he has succeeded, Zuma is paralysed as a President. You can be sure that nothing will come of his rebuke of

Malema. There will be no tough anti-corruption measures taken while he is in office. And, in time, Schabir Shaik will receive a presidential pardon.

If we dig deep enough, I believe we would discover that Jacob Zuma continues to benefit from corrupt relationships to this day. The lifestyle of his family is too lavish to be affordable on his presidential income. We wonder how he can spend R65 million – which he has insisted is his own money – renovating his residence at Nkandla. And we marvel at how he can support his wives, his fiancée and 20 children on a single salary.

But we also know that his family members, including his wives, are involved in over 100 companies – some of which benefit from state contracts. It was therefore not surprising that Zuma missed the deadline to declare his financial interests by 10 months, and only disclosed his assets when public pressure forced him to. The irresistible inference is that his advisors were sanitising his business interests for public consumption.

All of this tells us why Zuma cannot get tough on corruption, even if he wanted to. The cronies he relies on for political support benefit from corruption too much. Not only this, the ANC benefits. Most of all, Zuma and his family benefit.

This week, the DA tabled private members legislation in the National Assembly that, if passed, would put an end to political parties doing business with the state. This would have prevented the ANC from using its influence at Eskom to grant a multi-billion rand state contract to a company it has a stake in.

Also this week, we announced new legislation in the Western Cape, where the DA governs, that will prevent state employees and their families from doing business with the state, because of the clear conflict of interest this presents.

I have challenged President Zuma to implement this legislation at national level and I look forward to seeing his response. But I am not holding my breath. After all, he is caught in a corruption gridlock. He has too much to lose from taking decisive action against graft.

But what Zuma and his cronies need to understand is that, if they do not act against corruption in their ranks soon, they will lose in the end. They must remember that we live in a democracy and that they are subject to the will of the people. The time will come when even the ANC's staunchest supporters will realise what their party has become. The only remedy available in a democracy is to vote for an alternative.

As ANC NEC member Jeremy Cronin said this week: 'The ANC should realise overwhelmingly that the honeymoon is over.'

ANTHONY BUTLER: Chancellor House and the clash of the titans

ANTHONY BUTLER

Published: 2010/04/19 07:17:48 AM

Anthony Butler

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BLESSED with a pastor, Jacob Zuma, as their state president for almost a year now, many spiritual South Africans have begun to ponder what role the Supreme Being should be playing in their earthly lives.

The Higher Power has been largely absent from our thoughts since September 2008, when His state presidency was so cruelly curtailed. This once omniscient being can no longer access the innermost thoughts, or cellphone communications, of His people. His unmediated opinions no longer appear, as if by miracle, on the pages of City Press newspaper.

Since Thabo Mbeki no longer adopts a physical form, it may seem fanciful to claim that he still plays a role in African National Congress (ANC) politics. Yet the products of his divine intelligence, such as the national planning commission, continue to shape our thoughts and actions. One small Eastern Cape sect even believes his spirit inhabits the corpse they call the Congress of the People.

When Mbeki's camp stared defeat in the face at the 52nd ANC national congress in Polokwane, treasurer-general Mendi Msimang told delegates that the movement's financial situation had been transformed by the creation of Chancellor House. Msimang, however, only detailed the holding company's R150m

contributions to the ANC's operating budget. He did not reveal that it had secretly amassed assets in excess of R1bn by investing in the energy and resources sectors where government officials (and Mbeki employees) exercised control over licences and tenders.

Chancellor House was not primarily created in 2003 to pay for ANC election campaigns. It was designed to fund the vastly expanded Luthuli House machine Mbeki envisaged as the centre of power after 2007, when he planned to become life president of the ANC. Though the governance structure of Chancellor House is poorly understood, Mbeki and Msimang clearly did not intend to pass control of the company's assets to the incoming ANC leadership.

Soon after Polokwane, in February 2008, the ANC's new treasurer-general, Mathews Phosa, announced that Chancellor House would 'immediately' sell its stake in Hitachi Power Africa. A forensic audit of the company's tenders and deals would be initiated, Phosa claimed, to uncover conflicts of interest in the company's activities. If and when criminal behaviour was discovered, he ominously warned, the law would 'have to take its course'.

Two years later Phosa is again insisting Chancellor House will sell its Hitachi stake. Today he claims Popo Molefe, chairman of Chancellor House Trust, has agreed to this sale, an interpretation Molefe appears to deny. ANC secretary-general Gwede Mantashe has weighed in to rebut Phosa by claiming the ANC cannot issue instructions to a legal trust. How can we interpret this clash of titans between treasurer-general Phosa and secretary-general Mantashe?

On a first interpretation, it is nothing more than a routine bureaucratic conflict. Chancellor House revenues pay Luthuli House salaries, and the secretary-general's own activities rely heavily on this funding stream. A liquidation of Chancellor House investments would transfer control of company assets to the treasurer-general, upon whom Mantashe does not wish to become dependent.

A second plausible interpretation is that Chancellor House lies at the centre of the next succession struggle. Phosa has long envisioned himself as state president. With Chancellor House assets under his control, he would be well placed to defend Zuma against challenges to his second term, and to install himself as ANC deputy president at the movement's 2012 elective conference. He would then be frontrunner for the ANC presidency in 2017.

A third possible explanation for this curious battle is that certain Chancellor House trustees may be receiving transcendental communications from beyond the political grave. A Higher Power may be using the complex governance mechanisms of the trust to exercise a ghostly control over its decisions. Some trustees might even be colluding with Mbeki-era state deployees who continue to control the mining licences and energy contracts upon which Chancellor House's prosperity ultimately depends.

- Butler teaches politics at Wits University.

Business Report

Inside Parliament: Is the ANC a pyramid scheme in disguise?

19 April 2010

Donwald Pressly

Chancellor House Holdings appears to have a myriad of interests in mining, the marine environment, engineering and information technology but its management and board of trustees are accountable to no-one, not even the treasurer-general of the ANC, Mathews Phosa, who has pledged repeatedly that the ruling party would divest itself of its shareholding in Hitachi Power Africa.

It has put the good guys in the ANC - few of them as there may be - on the spot.

Chancellor House, as Finance Minister Pravin Gordhan puts it, is an independent entity 'of the ANC' - so independent that it is starting to make the ANC look like a pyramid scheme, dressed up as a governing party.

What is so extraordinary about this is that the ministers with oversight in key areas where Chancellor House has put its greasy little investment paws - public enterprises and energy - have failed to recognise the principle. The ANC is benefiting from at least one state contract that we know of: through Chancellor House it has a 25 percent stake in Hitachi Power Africa, which in turn received the contract to provide a boiler for Eskom's Medupi coal power plant. That project has just benefited from a World Bank loan.

Whether or not the ban benefits Hitachi Power Africa is irrelevant.

The ruling party has a stake - albeit indirectly - in a state tender.

The granting of this tender opens up a host of questions. Did Eskom swing the tender in direction of Hitachi? When Chancellor House was set up in 2005, was it already aware of the business opportunities that lay ahead with a state-owned entity like Eskom? The public protector, in a rare display of backbone, questioned the presence of former Eskom chairman Mohammed Valli Moosa, an ANC national executive member, when the deal was struck.

Popo Molefe, a former North West premier and chair of Chancellor House's board of trustees, says that until the politicians pass legislation preventing a political party from holding an interest in state business, then the ANC's investment arm will continue to invest in money-making schemes.

Gordhan claims to know little about Chancellor House. 'The first thing (is) to get more clarity, which I am trying to get... as to what is Chancellor House, who are its shareholders, where does the ANC actually fit in, who has the stake in Hitachi, how much of Hitachi involvement is there in Eskom as a whole? So that we can put all the facts on the table,' he said.

Before he could comment further it was necessary to understand 'what the proportions (of its investments) are before we widely wave flags about the issue'.

He added that the ANC 'is a responsible organisation' which 'has a long history of (upholding) ethical standards itself'.

It is not the first time the ANC has funded an election campaign with funds from the

state: remember Oilgate? What is stopping it from doing so again?

S.Africa to face power crunch in 2011-13, 2018-24

Tue, 20 Apr 2010 06:40

South Africa will face a power supply crunch between 2011-13 and 2018-24 unless more power plants than are planned are built, state-owned power utility Eskom said on Monday.

Eskom has launched an extensive power generation expansion programme, but Head of Generation Brian Dames said that much more needed to be done to meet fast rising demand in Africa's biggest economy.

'We are confident for the World Cup and we must say that since 2008 we've had no interruptions,' Dames told a National Union of Mineworkers (NUM) conference.

'But the period between 2011 and 2013 when there is no major additional capacity coming online and again in 2018 after we've had Kusile (plant) commissioned, then again we will have quite a capacity crunch in the country.'

The power utility is under pressure to build new power plants after the national grid nearly collapsed in early 2008, forcing mines and smelters to shut for days and costing the country billions of dollars.

Dames said some 50 gigawatts (GW) of new capacity needed to be built by 2028 to meet demand. Eskom's own expansion programme for now plans for 18,000 MW of new capacity, out of which nearly 5,000 MW has been built since 2005.

He said Eskom was committed to completing the Medupi and Kusile power stations, each expected to supply 4,800 of

MW, with Medupi's first unit due in 2012 and that for Kusile in 2013.

The new power needs to partially compensate for ageing power plants which must be decommissioned, Dames said, adding some plants, with a total capacity of 10 GW, are nearing the end of their life.

Finance Director Paul O'Flaherty said the company was considering 50 funding options for the utility to close an estimated gap of 190 billion rand, and there were plans under discussion to cover parts of that deficit.

'We have 50 options we are looking at. We haven't reached certainty on those and need another two months to finalise it. Seventy (billion rand) of it is pretty uncertain at the moment and 120 (billion rand) of it is more certain,' he said.

O'Flaherty said the company was looking at international bonds, selling a stake in its planned Kusile power plant and refinancing of some of its existing plants.

Earlier this month the World Bank has awarded Eskom a \$3.75 billion loan, mainly to fund the 4,800 MW Medupi coal-fired plant.

<http://www.engineeringnews.co.za/article/sa-needs-to-make-urgent-supply-decisions-in-2010-eskom-2010-04-20>

SA needs to make 'urgent' supply decisions in 2010 – Eskom

By: Chanel Pringle

20th April 2010

Updated 2 hours 13 minutes ago

South Africa had to make 'urgent decisions' this year to ensure the security of energy supply in the next 20 years, Eskom chief officer for generation Brian Dames said on Monday.

Addressing a National Union of Mineworkers energy forum in Johannesburg, he said that the country would have to continue building new capacity, while also investing in other technologies than coal.

According to some plans Eskom had devised, nuclear should contribute about 14,4% of the country's electricity supply by 2028, with existing power generation units contributing 41% and new coal-fired power stations about 10,7%.

Dames further highlighted that power conservation could no longer be a choice in South Africa and that it should be mandatory.

Meanwhile, finance director Paul O'Flaherty emphasised that Eskom had to commit to completing the Medupi and Kusile coal-fired power stations, as well as the Ingula pumped-storage project.

He noted that it was important for Eskom to obtain the R190-billion funding shortfall it was still facing for the next seven years,

as the power utility could not afford to become insolvent.

He added that to stop the construction of the Kusile power plant now would be a waste of money, in terms of what had already been committed on the project.

Also, while Eskom understood concerns from environmental groups around the \$3,7-billion World Bank loan, O'Flaherty said that it was not helping the power utility, as it could impact on its credit ratings and subsequently its ability to raise capital.

Dames added that the World Bank loan would also support renewable energy and environmental protection, as some of the funds would go towards building the largest wind farm in South Africa and the largest concentrated solar power plant in the country.

<http://dailycaller.com/2010/04/20/the-cruelty-of-a-bleeding-heart/>

The cruelty of a bleeding heart

By Jeff Sural | Published: 04/20/10 at 12:00 AM | Updated: 04/20/10 at 12:10 AM

The single-mindedness among do-gooders never ceases to amaze me—and not in a good way.

The World Bank recently approved a loan to Eskom, a South African utility, to build a coal-fired generation plant and a wind-energy plant. The Bank found that half the country lives below the poverty level and AIDS continues to spread without mitigation. Recognizing that the harnessing and transmission of inexpensive energy has delivered humans from the shackles of poverty all around the world, the Bank acted out of compassion in approving the loan.

But not everyone is happy. Not environmentalists. Not wealthy liberal Senators and Congressmen, three of whom sent a letter to World Bank President Robert Zoellick questioning the loan. It's not that the crazy logic used by people in Washington drives me crazy; it's the fact that they can't see the craziness of their own logic.

Protests over the loan rose from those of liberal ilk who are more concerned about the mere theory of man-made global warming than the real, persistent fact of poverty. Those who suffer each day continue to suffer while ideologues theorize, pontificate and sacrifice lives to their narrow agenda. They are more interested in building unreliable windmills than they are in applying known solutions to poverty, namely reliable energy.

Wind and other alternative 'clean' energy sources provide an estimated 7 percent of the United States' energy. Why? Because these alternative sources have not matured to a point where they are reliable, inexpensive and satisfy the country's needs.

China and India are not building their economic expansion on wind turbines and solar panels. Why then are environmental groups and liberal politicians advocating that the poorest people in the world adopt these means of producing energy? The immorality of these do-gooders is appalling.

In the 1930s a chemical company developed a product, DDT, that was used widely in the United States and Southern Europe to eradicate malaria. Malaria is virtually non-existent in the US today because of it. Millions of lives were saved and the general welfare of the country improved.

However, malaria continues to plague Africa for one reason. In 1962 a book was written called *Silent Spring*. A largely unscientific tome, it claimed that DDT may be harmful to humans and the environment. Partially based on this book the World Health Organization and environmentalists deterred the use of DDT in Africa for decades. Millions of children in Africa died from malaria over the course of those decades.

Read more:

<http://dailycaller.com/2010/04/20/the-cruelty-of-a-bleeding-heart/#ixzz0ldA6D000>

These same environmentalists explored the use of 'earth friendly' alternatives to

solving the malaria problem. None worked as effectively as DDT, which is now being used in Africa. Sadly and without remorse environmentalists pat themselves on the back for saving the environment while water-borne diseases remain a leading killer of children under the age of five.

Once again, close-minded altruists are blocking Africans from modern-day advances that will save lives. Hiding behind a benevolent crusader's veil, these people will do more harm to Africans than the unfounded crimes attributed to their boogie-men: colonialists, banks, oil companies and greedy capitalists.

Protected by the marketing associated with their cause, the cruelty inflicted by these bleeding hearts goes unnoticed. Only in a country as opulent as ours do elected leaders and environmentalists have the audacity to pass judgment on the world's poor for not using expensive but antiquated energy generation sources to free themselves from the bonds of poverty.

Jeff Sural is counsel in the legislative and public policy group at Alston & Bird. He previously served as a deputy assistant secretary in the Office of Legislative Affairs at the Homeland Security Department and as Assistant Administrator for legislative affairs to Transportation Security Administration chief Kip Hawley. Sural also worked as a legislative counsel for Rep. Vernon Ehlers (R-MI). He lives in Washington, DC.

Read more:

<http://dailycaller.com/2010/04/20/the-cruelty-of-a-bleeding-heart/2/#ixzz0ldA1FbBZ>

<http://www.brettonwoodsproject.org/update/70/bwupdt70.txt>

Bank energy lending causes uproar

Debate about the World Bank energy portfolio and its impacts on climate change has reached the boiling point with hundreds of civil society organisations campaigning against the Bank's \$3.75 billion loan, most of which will finance a new coal power plant, to South Africa.

In early April the Bank's board met and approved a loan for Eskom (see Update 65, 64), the South African energy utility, with \$3.05 billion allocated to finishing construction of the Medupi coal plant, one of the largest of its kind in the world. In addition, \$440 million will go to a rail project to carry coal from associated coal mines with a mere \$260 million for wind and solar power.

The US proved to be the most vociferous shareholder opposing the project, postponing a vote earlier in the year and abstaining in April. It cited concerns about climate change, lack of plans to offset the project's large emissions and incompatibility with the Bank's strategy to help countries pursue economic growth and poverty reduction in ways that are environmentally sustainable. During intense debate sparked by the loan in South Africa, concerns were also raised about procurement procedures being inconsistent with Bank guidelines, deficiencies in environmental impact assessment and inadequate efforts to mitigate local pollution. The US further highlighted that the project is inconsistent with its 2009 coal lending guidelines (see Update 69).

The UK also abstained from voting, hiding behind restrictions on major government decisions in the run up to elections. 'The UK government's last minute abstention is too little, too late. They have allowed UK aid money to be used to support one of the world's most polluting power stations. Abstaining merely allows them to avoid political responsibility for this damaging decision during an election campaign,' says Ruth Davis of Greenpeace UK. The UK has set three-year targets to clean up the Bank's energy lending portfolio, but these were not cited as a reason for the abstention.

The Dutch, who also abstained, released a policy paper in March laying out targets for reform of the Bank's energy lending and calling for significant change at the institution. The paper also highlights inconsistencies in the way the Bank reports its investment in renewable energy, finding that more than half of the Bank's renewable and energy efficiency lending relates to efficiency in fossil fuel energy projects. 'The greater part of the Bank's renewable energy programmes are funded by specific donor funds and are not a structural part of [Bank] energy lending,' states the report.

Huge carbon emissions

The Medupi plant will release an estimated 25 million metric tons of carbon dioxide annually, more than the emissions of 115 other countries including Kenya, Luxembourg, Burma and Croatia, according to The Guardian newspaper.

The plant will, for the most part, produce energy for large-scale industrial users that have low cost energy guaranteed. As a result, there are likely to be price increases

for South African households in order to repay the loan.

Tristen Taylor of Earthlife Africa said that, 'With massive disconnections looming due to a doubling of electricity tariffs, a million jobs lost last year, and an effective 40 per cent unemployment rate, one would think that poverty eradication would be foremost in the World Bank and the South African government's minds. None of Medupi's output will be for the poor, but will be used to service multinational firms.'

The Bank has defended its support for coal, arguing that scarce publically backed resources are needed to finance the Medupi coal plant in the wake of the financial crisis.

However, South Africa's finance minister seemed unconcerned in advance of the vote: 'South Africa, in 16 years of democracy, never has had to take any loans from the World Bank ... If [the loan] doesn't come through we will cope. This is an opportunity for the World Bank to build a relationship with South Africa.'

Eskom's draft resource plan has been referenced heavily by World Bank experts evaluating the loan, but it has not been made public, raising concerns about transparency and participation.

Residents complain

Residents located near the site for the Medupi coal plant in South Africa's Limpopo province have filed a complaint with the Bank's independent complaint body, the Inspection Panel, highlighting the hidden costs of the project and the burden they will bear in terms of air and water pollution, land degradation and impacts on their livelihoods.

Bank track record

The Eskom controversy casts a shadow over the World Bank's ongoing energy strategy review (see Update 69, 68, 67). Despite claims of thoroughness and openness, from the start of the consultation process, the Bank has been protective of its coal investments. In Paris in February, at the first energy strategy consultation, Bank energy director Jamal Saghir stated that the Bank 's controversial approach to coal (see Update 69) was not likely to change.

As part of the consultations, a coalition of UK NGOs published a paper in April, proposing a limited role for the Bank focussed on supporting energy access for the poor and demanding a phasing out of fossil fuel lending.

Furthermore, Bank lending to renewable energy is still dwarfed by its fossil fuel investments, according to new research. A paper by NGOs CRBM, Urgewald and the Bretton Woods Project also shows an increase in lending to energy through private financial intermediaries, which is not accounted for in the Bank's energy lending reporting unless it is specifically for renewables.

David Wheeler, a former Bank economist, argues that the Bank is lagging far behind. 'Bank management beware: your institution's status as a 21st century player is clearly in jeopardy. Your major clients are now investing in clean energy at levels that dwarf your own resources, while you continue to subsidise coal-fired power projects.'

Eskom project information document, World Bank <http://tinyurl.com/EskomPID>

3. COMMENT: Eskom loan blackens the World Bank's name

By Bobby Peek, groundWork, Friends of the Earth, South Africa

The World Bank, Business Unity South Africa and the African National Congress (ANC) got their way with a major loan for Eskom, the national power authority, despite broad based opposition from local people, the poor, community organisations, the churches, unions, and environmental and social justice NGOs locally and globally. Why was business in bed with the ANC on this? It is because the likes of mining company BHP Billiton receive more than five per cent of South Africa's electricity at below cost through apartheid-era special pricing agreements.

Not only did progressive civil society organisations oppose this loan, but opposition political parties as well. The governments of Norway, Italy, the United Kingdom, the Netherlands and the United States also did not vote in favour. But still the World Bank prevailed.

By making this decision, the Bank has shown, that it has no regard for the state of the world's climate and environment, the future of South Africa, and economic principles of transparency and corruption.

While the project was pitched as addressing poverty reduction, the reality is that it was seen through the eyes of the market and increasing 'economic' production. However, 20 per cent of South Africa's population is still not on the grid which is not addressed by the loan. Already more than 10 million people have been cut off from electricity because of lack of affordability. These people and others will

suffer the same fate when prices escalate, as a result of this loan.

The World Bank granting this loan was not unexpected, but challenging the Bank and the government was a critical first step to developing a base of mobilisation in South Africa and globally to start questioning the hypocrisy and public spin of the South African government and big business in relation to energy. It was also vital to start supporting the local resistance in the Waterberg area, which Eskom and Sasol, (a South African energy multinational) - who is planning to build coal-to-liquid facilities - intend to make South Africa's new 'sacrifice zone'. Alarming, but not unexpectedly, the Department of Environmental Affairs in South Africa has acknowledged that this is going to be a 'non-attainment' area, in other words, heavily polluted.

Local people are already concerned about illegal sand mining for Medupi's coal plant development which is altering water courses. Multinational companies are opening mines adjacent to farms. Acid mine drainage, which contaminates groundwater by exposing it to mined minerals, is the bleak future in this water scarce part of South Africa. There is an environmental justice crisis of national proportion already in South Africa. What does the future hold for South Africa, when water for these developments is going to be taken from South Africa's three major sources, the Vaal, Limpopo and Orange rivers? The impact of these developments will be felt by people thousands of kilometres from the Waterberg. Air pollution standards on sulphur dioxide and particulate matter have already been exceeded in the neighbourhoods adjacent to Eskom's present coal-fired power station, Matimba, in the Lephele area.

Mercury pollution from coal burning is given scant regard, as there is no mercury abatement equipment in existing Eskom plants. This is even before Medupi.

Internationally, no matter how the World Bank spins its lending figures trying to make it seem a climate-friendly bank, the reality is that it is not. This loan will increase South Africa's carbon intensity and not service the poor. Eskom is now on the path to tripling its CO2 emissions in the next eight years.

Pravin Gordhan, the minister of finance, said that the government would not accept 'conditionalities', yet most of the loan must be repaid in US dollars. This will mean opening our markets and increasing exports to get foreign reserves. The only way to increase exports is by making them cheap, and one of the ways of making them cheap is making the rand weak. I thought South Africa said no to conditionalities and that structural adjustment programmes were a thing of the past.

The World Bank could not save Africa from poverty in the 70s and 80s and it will most certainly not save the world from climate change in the second decade of the 21st century. We have a local and global struggle on our hands, of which the base has been built.

Sunday Times

Phosa slams fellow ANC leaders as clueless and lying

Apr 18, 2010 12:00 AM | By CHRIS BARRON and BRENDAN BOYLE -Additional reporting by Anton Ferreira

ANC treasurer Mathews Phosa has accused fellow ANC leaders of lying and not knowing anything about business in a blunt interview with the Sunday Times

Last week Phosa said the party's investment arm Chancellor House would withdraw from its stake in Hitachi Power Africa, which stood to benefit from a contract with Eskom. He said he had spoken to chairman of the Chancellor House Trust, Popo Molefe, who agreed with him.

This week Molefe denied he had agreed to withdraw from the investment. But Phosa is adamant that Molefe agreed to pull out. 'He (Molefe) said to me: 'Six weeks is reasonable.' I'm just telling you this because there is a lot of nonsense in the air. I said: 'Popo, you accept six weeks is reasonable?' He said: 'Yes,'' Phosa said.

Asked about Molefe's reported denial of any agreement to pull out, Phosa said: 'I'm saying to you that Popo is being less than frank. He knows what we discussed. He went to AMB (financial advisory group AMB Capital) to work out the options. If what is reported is true, then he is lying. Full stop.'

Molefe refused in a telephone interview with the Sunday Times yesterday to confirm or deny the meeting Phosa referred to.

'I don't care about what Mr Phosa says. I'm not going to play politics based on the terms that they have defined for me to deal with the media,' Molefe said. 'Mr Phosa can say whatever he wants to say to the press. In the first place, we should not be debating the affairs of companies in public,' he added.

ANC secretary-general Gwede Mantashe said this week it would not be for the ANC to give instructions to Chancellor House.

But Phosa disagreed with him, too, saying: 'Gwede is not a businessman, he doesn't know. He says the matter must go to the board, but that's not true. People who know about these things know that it is a shareholder issue.'

Asked to comment on Phosa's remarks, Mantashe said yesterday: 'Don't drag me into this space. Don't do that.'

He declined to answer further questions.

Business Report

ANC's Mantashe: 'We inherited corruption'

April 16, 2010

South Africa inherited a 'corrupt and a wrong value system' which it was currently managing, ANC secretary general Gwede Mantashe said on Friday.

'...What we inherited actually corrupted us and therefore we are actually managing a corrupt system and a wrong value system.'

'...The new order [after 1994]... inherited a well entrenched value system that placed individual acquisition of wealth at the very centre of the value system of our society as a whole,' he said delivering the Inaugural Violet Seboni memorial lecture at the Johannesburg City Hall.

Quoting former president Thabo Mbeki, Mantashe said: 'Within the context of the development of capitalism in our country, individual acquisition and material wealth produced through oppression and exploitation of the black majority became the defining social value in the organisation of white society.'

This was historic he said.

'Now because the white minority was the dominant social force in our country, it entrenched in our society as a whole including among the oppressed the deep-seated understanding that personal wealth constituted the only true measure of individual and social success.'

Societal values have shifted from 'revolutionary morality to material ownership'.

The country needed reminding that life was not about 'being in business'.

'Youth must be informed about participation in academia, in politics, in trade unions, in NGOs and other structures and sectors that serve society if we dream of saving our society.'

'Serving our people, not monetary accrual is the definition of success.'

Mantashe told the hall, packed with Congress of SA Trade Union members, that 'prudence, modesty and hard work' should be the image projected by role models in society.

Seboni was second deputy president of Cosatu and she died in a car crash in April 2009 on her way to campaign for the ANC.
- Sapa

Chancellor House should do the right thing
- Gordhan

Sapa

14 April 2010

Finance minister admits he is in the dark about precise nature of ANC's funding vehicle

PARLIAMENT (Sapa) - Finance Minister Pravin Gordhan on Wednesday called on Chancellor House's shareholders to 'do the right thing' and deal with any conflict of interest arising from business dealings of the ANC's investment arm.

But he also told reporters that the full facts of the ANC's involvement in Chancellor House, and through it in Hitachi Power Africa, were unclear even to Treasury.

'The first thing is to get more clarity which even I am trying to get as to what is Chancellor House, who are its shareholders, where does the ANC actually fit in, who has a stake in Hitachi and how much of Hitachi's involvement is there in Eskom as a whole?

'Even you guys haven't reported on it properly, by the way. Right?' he said on the sidelines of a briefing by Treasury and the South African Revenue Service to Parliament's portfolio committee on finance.

'So can we put all the facts on the table, so we can understand what the proportions are before we wildly wave flags about it,' Gordhan said.

The ANC was a 'responsible organisation' with a long history of ethical standards. Chancellor House apparently had its own

board, own chief executive and was independent entity of the ANC, he said.

'Its shareholders must do the right thing and ensure that if there is any conflict of interest they must deal with it.'

The remarks come amid reports of a standoff between top ANC officials on whether Chancellor House would sell its 25-percent stake in Hitachi Power Africa, which has a R16 billion contract to supply boilers for Eskom's new Medupi power station.

ANC treasurer general Mathews Phosa is on record as saying the party's investment arm would dispose of the stake within six weeks.

But he has been contradicted by secretary-general Gwede Mantashe who said the decision did not belong to Luthuli House as Chancellor House had its own board.

He added that Chancellor House's stake in Hitachi did not translate into the ANC having a stake in the consortium.

The link between the ruling party, its investment company and Eskom's expansion programme and allegations about the extent of any conflict of interest have been hotly debated for months.

In February, a public protector's report found ANC heavyweight and former Eskom chairman Valli Moosa had failed to manage a conflict of interest that arose when the utility awarded the Medupi contract to the Hitachi consortium.

ANC riddled with dishonesty on Chancellor House - COPE
Phillip Dexter
14 April 2010

Phillip Dexter says ruling party is using its position to loot the state coffers

The ruling party is riddled with contradictions and dishonesty regarding its alleged divestment from Hitachi through its business arm, Chancellor House. Given the recent news of the approval of the World Bank loan to the South African government to facilitate Eskom's build program, divestment will still make the ruling party a huge profit. With the share price in Hitachi power Africa boosted by this news, divestment will bring a windfall to the coffers of the ANC in the form of profit from selling these shares.

Now that Chancellor House Holdings managing director Mamatho Netsianda and the Secretary General of the ANC have gone on record in contradicting the ruling party's Treasurer General Mathews Phosa by stating that Chancellor House will not divest from Hitachi, it is clear to us in COPE that the ANC is using its position as the ruling party to loot the state coffers.

It is therefore easy to see how the government can have a vested financial interest in failing to deliver infrastructure and services to ordinary South Africans - it profits from the extra costs to upgrade these.

The ruling alliance partners, namely the SACP and COSATU, also appear to stand by such cynical profiteering off the misery of ordinary people. If they seek to maintain their alliance in the face of such a hypocritical contradiction to their core principals, then it is clear that the

leadership of these organisations are more interested in self-enrichment than the plight of the poor. They have all cried loudly about tenderpreneurs, lifestyle audits and dealing with corruption. What they mean is that its business as usual and everyone else must stop looting the state, presumably to leave more for them to plunder!

The answer to this is for voters to have a serious look at how they vote in the upcoming municipal elections and treat their vote as a protest against the greed and corruption in the ruling party. It is easy for ordinary citizens to see how they are being duped into voting for a party that continues to profit from their seemingly deliberate failures on delivering on their oft-stated mandate of a better life for all.

COPE stands for the change in the electoral system, and for a drastic overhaul in accountability regarding the private funding of political parties. At all times funding must be accountable and transparent to all South Africans, as the Hitachi / Chancellor House episode demonstrates quite clearly how easily the future of an entire country can be bought and sold at the whim of the political elite.

An ad-hoc committee must be constituted by Parliament as soon as possible, so that the legislature can look at ways of protecting the interests of all South Africans from the greed of a few.

Statement issued by Phillip Dexter, Congress of the People head of communications, April 14 2010

'Eskom loan does not cover Hitachi boiler'
16 Apr 2010
Sapa

PARLIAMENT — The ANC's investment arm, Chancellor House Holdings, will not benefit from a \$3,75 billion World Bank loan to, among other things, build Eskom's new Medupi power station.

Public Enterprises Minister Barbara Hogan told journalists ahead of her budget speech in Parliament yesterday that the loan does not cover a contract to build a boiler for Medupi by Hitachi Power Africa, in which Chancellor House has a 25% share.

'I don't understand what the conflict of interest is, when there is no political party involvement, where there is no beneficiary,' Hogan said.

'One of the issues that comes up continually is that the World Bank loan covers the boiler contract, which is what the Hitachi contract is for.

'The World Bank loan does not cover the Hitachi contract. It is completely separate from the boiler.

'So, the World Bank is not involved in funding the boiler programme that Hitachi has [been] contracted for.'

Inkatha Freedom Party MP Mario Oriani-Ambrosini yesterday challenged the ANC 'to do the right thing' and subject the World Bank loan to review and approval by the National Assembly's public enterprises committee.

He called for the loan to be cancelled, or for it to be used 'merely as a credit line facility', should the need arise.

Oriani-Ambrosini said the ANC should have Chancellor House liquidate its holdings in Hitachi Power Africa at acquisition cost, 'so that its sale price may not discount the financial gains of the Eskom contract, which have already been discounted in the present value of the shares'.

'If there is an undeclared conflict of interest, the tendering process is usually null and void,' he said.

'If the ANC receives an estimated billion rand worth of net profits from this deal, it will be able to fund its election campaigns for years to come.

'No other political party will ever be able to compete with it and democracy may very well be declared dead,' he said.

<http://www.whistleblower.org/blog/31/513>

The World Bank's Anti-Corruption Charade

by Beatrice Edwards on April 12, 2010 (The Whistleblower / 2010)

As the World Bank approaches its donor governments for great huge infusions of new cash and loan guarantees this year, many of which have expressed concern about fraud and theft at the global institution, senior management has produced an extravaganza of anti-corruption fanfare. On Friday, April 9th, in Luxembourg, high-level officials and eminent persons at the multilateral development banks (MDBs), including the World Bank, joined hands and skipped gaily downstage to the footlights where they unveiled their joint debarment agreement for applause and ovations. Under the new agreement, if a firm is debarred by one MDB, it's debarred by all. Unfortunately, experience with the World Bank (as well as with the other banks) shows that high-viz, complex spectacles like this mean little because the political will to enforce them at the Bank itself is lacking.

Three years ago – for example – the World Bank convened a showy panel of experts chaired by Paul Volcker to address the hot mess simmering away in the Bank's anti-corruption unit, the unfortunately-named Department of Institutional Integrity (INT). The goings-on at INT had, at the time, become so chaotic and vicious that then Bank President Paul Wolfowitz was obliged to ask the Volcker Panel to review INT's practices. The review would be a tricky task, as a Wolfowitz crony running the show there, Suzanne Rich Folsom, did not take kindly to criticism.

So Volcker and his attendants delivered their conclusions with a series of recommendations and a mild rebuke of INT Director Folsom. In response, the current Bank President, Robert Zoellick, together with his crack management team, convened a working group to follow up. In his wisdom, Zoellick appointed Ms. Folsom and her none-too-popular deputy to the working group charged with implementing the 'reforms.' Since that time, the Bank has insistently trumpeted the effectiveness of the Volcker Panel exercise in re-shaping INT into a formidable anti-corruption tool.

HOWEVER, accounts now published by the World Bank's Administrative Tribunal, the institution's internal court, show that Folsom did not take the Volcker review lying down. She doctored documents, altered practices and intimidated witnesses. Most importantly, in the backwash from the whole sorry exercise, INT staff members sued the Bank over the vengeance and retaliation Folsom directed at them after she learned they had spoken critically to the panel about her.

The Tribunal, not known for radical decisions, revealed in the text of its rulings (AT decision 419, para. 45) that Folsom was able to retaliate because she had a snitch on the panel. A panel member systematically informed her about which of her staff members spoke to reviewers and what they said. The Tribunal went further and revealed that a lead investigator on the staff at INT knows who the slithery informant was – because Folsom told him. Curiously, Bank management has done nothing to re-examine the Vocker-recommended reforms or identify the person on the panel who subverted then entire effort.

This is not hearsay. Using its rulings, the traditionally conservative Tribunal was telling Bank management that the heavily publicized Volcker review was contaminated. That was roughly five months ago now. But rather than clean up the detritus left by Folsom and the Volcker panel, management has simply trotted out for donors and the press another 'anti-corruption' production.

In the anti-corruption world, internal auditors often refer to a fundamental principle they call 'the tone at the top.' If, on the one hand, senior management doesn't tolerate illicit activity, the prohibition tends to seep down through the ranks and effectively eliminate malfeasance. If on the other hand, managers can dance around the rules, everyone else tends to follow their lead. Despite the lively anti-corruption numbers staged at the Bank recently, the Tribunal rulings show that the tone at the top is a real stinker. Before producing yet another anti-fraud gala, management needs to go back to rehearsal on the Volcker panel review.

The Guardian

Obama administration will 'hold South Africa to account for Eskom plant CO2'

Climate chief Jonathan Pershing defends abstention on World Bank ban for controversial power station while holding country to account for carbon emissions

* Suzanne Goldenberg, US environment correspondent

* guardian.co.uk, Thursday 15 April 2010 18.17 BST

A Sasol coal-to-liquid fuel plant stands at dusk in Secunda, South Africa

A Sasol coal-to-liquid fuel plant in Secunda, South Africa, the world's single largest emitter of carbon dioxide on the planet.

Illustration: Per-Anders Pettersson/Getty Images

The Obama administration said today it intends to hold South Africa to its promise to act on climate change a week after the country secured \$3.75bn funds to build one of the world's biggest coal plants.

In an appearance before Congress, Jonathan Pershing, the deputy special envoy for climate change, said the Obama administration would hold South Africa responsible for a rise in greenhouse gas emissions from the controversial project by the state-owned Eskom utility.

'We do intend to hold people accountable for greenhouse gas emissions associated with these kinds of projects,' Pershing told the house subcommittee on Africa.

But he defended the administration's decision to abstain on last week's World Bank vote to fund the Medupi power

station. Democratic leaders in the Senate had called on the administration to try to block the deal, and the treasury department was very critical of the project.

'Why did we not just vote no? We did not vote no because at the end of the day there is a very clear ongoing development need in the continent,' Pershing said.

South Africa, in the run-up to the Copenhagen summit, committed to a 34% reduction in business as usual emissions by 2020 and a 42% by 2025. Both targets are put in jeopardy by the plant, environmentalists say.

But Pershing's comments align with the Obama administration's policy of shifting some of the burden for dealing with climate change from the industrialised countries which have historically caused most emissions to rapidly emerging countries, such as South Africa, India, China and Brazil.

In the administration's view, that shared burden also applies to climate aid. Countries that oppose or reject the Copenhagen accord will not be in line for the \$10bn a year the rich countries are mobilising to help poorer countries adjust to climate change.

The administration has denied funding to Ecuador and Bolivia, it emerged last week. Other countries could also be penalised if they register strong opposition to the agreement, Pershing told the Guardian.

'We are not saying that if you are not signed on to the deal you will not get funding,' he said. 'We are saying that if you actively oppose or reject the deal [you will not get funding],' he said.

Earlier, the house was told that the administration hopes to step up climate aid to the poor countries and small island states that will suffer the worst consequences of extreme warming.

Africa will get a growing share of such aid. Pershing in prepared testimony said the Obama administration was seeking \$1.4bn in climate aid for 2011, of which 30% would go to African countries.

He also said that the administration was putting more focus on climate change in other aid projects, especially potential for water shortages.

As with most events in Congress touching on the environment, today's committee had its resident climate sceptic expressing doubts about the science.

Chris Smith, a Republican from New Jersey, was dogged in expressing concern that climate change was a ruse to force African women to use birth control and have abortions.

He repeatedly referred to African children as 'carbon breathers', at least, he implied, in the eyes of those concerned about climate change.

'If we blame the child as a carbon breather for climate issues I think we are going down the wrong path,' Smith said.

http://www.huffingtonpost.com/erich-pica/world-bank-awards-375-bil_b_537152.html

Erich Pica

President, Friends of the Earth
Posted: April 14, 2010 10:53 AM

World Bank Awards \$3.75 Billion to Coal Company in South Africa

What would you do with \$3.75 billion - that is, if you had to use it to fund a project that alleviates poverty and mitigates climate change, and not to, say, purchase a personal tropical island?

The World Bank, supposedly committed to the above goals, voted April 8 to finance construction of massive coal projects in South Africa with a loan worth \$3.75 billion. Not only is coal use the largest cause of carbon dioxide pollution, but it puts both the environment and coal miners at risk.  Coal is cheap, the argument goes, and South Africans deserve cheap energy to help raise people out of poverty. Unfortunately, the word 'cheap' doesn't apply to the energy generated from this project. Eskom, the company building the plants, plans to raise energy prices for individuals by 25 percent over the next three years. This increase will occur even though large industrial firms in South Africa get cut-rate electricity.

Friends of the Earth is one of more than 125 community, labor, faith-based, and environmental groups worldwide allied with South African groups opposed to the World Bank funding this project.

Friends of the Earth joined several other groups April 7 to protest outside the World Bank offices in Washington D.C.

Here is a video from the protest:

From wearing smokestack hats to staging sidewalk skits and dressing up in suits on a 90 degree day, you can see how dedicated this group was to voicing our concerns.

Despite these facts and voices, on April 8 the Executive Directors from the World Bank voted to fund the project. Representing more than 26 percent of voting power within the World Bank, the U.S., U.K., Italy, Netherlands and Norway abstained from the vote. For an organization like the World Bank, which works largely by consensus, abstaining essentially voices opposition but allows a project to move forward. Sadly, by not voting no, the U.S., the World Bank's largest funding source, did not live up to its December 2009 U.S. Treasury guidelines to stop funding coal projects.

However, we are proud that our global collective efforts created such a large coalition of abstainers. The United States' explanatory statement cited its concerns over the environment and poverty as its reasons for abstention. Friends of the Earth will continue to be active and vocal in advocating just and clean energy decisions and denouncing unfair and dirty ones. Get educated at <http://www.foe.org/world-bank-dirty-coal-loan> and join us by signing up for our email list to stay informed.

World Bank issues latest round of green bonds

International Finance Corporation issues \$200m fixed rate bond to help fund low carbon projects in developing world

Jessica Shankleman, BusinessGreen 16 Apr 2010

The World Bank yesterday issued its latest round of 'green bonds', releasing a \$200m fixed-rate bond designed to raise funds for investment in low carbon projects in developing countries.

The four year bond were issued for the first time through the bank's subsidiary, the International Finance Corporation (IFC), and will be managed by financial group SEB, which has worked closely with the World Bank on previous green bond issues.

IFC vice president for Business Advisory Services Rachel Kyte said: 'IFC has made a commitment to continue growing its climate friendly business, and the proceeds of the green bond will help us achieve those goals.'

Projects that could be funded include rehabilitation of power plants and transmission facilities to reduce greenhouse gas emissions, as well as solar and wind farm installations.

The latest issue comes just months after the World Bank revealed that it has now raised more than \$1bn through green bonds since the first dedicated green bonds were released in late 2008.

However, the latest green bond issue is unlikely to distract from the growing row over the World Bank's decision to provide

funding to a controversial coal fired power plant project in South Africa.

The row is now threatening to escalate after one of the leading US climate change negotiators warned the US would hold South Africa 'accountable' for the greenhouse gas emissions that result from the plant.

Deputy special envoy for climate change Jonathan Pershing told a US congressional hearing that the Obama administration understood that the plant was needed to help drive development in the country, but still expected South Africa to deliver on its commitments to curb greenhouse gas emissions.

Earlier this month, South Africa secured a controversial \$3.75bn loan to build the Medupi plant, which will be operated the country's state-owned Eskom company. The loan sparked protests from a number of countries, including the US and UK, which abstained from the World Bank vote on the loan in protest at the decision to finance such a carbon intensive project.

<http://online.wsj.com/article/SB20001424052702304510004575186314120546290.html>

Obama Gets Reasonable on the Environment

By BJORN LOMBORG

President Obama shocked many supporters last month by proposing to expand offshore oil and gas exploration along the U.S. East Coast. The obvious explanation among outraged environmentalists was that the White House was playing politics with ecologically fragile coastlines. But this particular initiative had more to do with technological and economic realism than partisan maneuvering.

Mr. Obama indicated as much when he presented his offshore drilling plan. 'Given our energy needs,' he noted, 'we are going to need to harness traditional sources of fuel even as we ramp up production of new sources of renewable, homegrown energy.' This is a polite way of stating an inescapable fact: As much as the United States or any other nation might aspire to energy independence and a carbon-free future, none of us can end our addiction to fossil fuels any time soon. That's because no green-energy technology is remotely ready to shoulder more than a tiny fraction of the burden currently borne by oil and coal.

It took courage for Mr. Obama to acknowledge this unpopular truth. In the near term at least, we have no choice but to continue using fossil fuels. Ending our reliance on them instead requires a serious commitment to achieving breakthroughs in green energy technology. Ironically, Mr. Obama's drilling proposal offers a great opportunity to do just that. Offshore

production could generate an estimated \$165 billion or more in federal royalties—money that could and should be spent on green energy research and development.

The energy challenge for Mr. Obama is not just at home. An ugly international confrontation came to a head last week when rich nations faced off against poor ones in an argument over which problem deserved priority: global warming or poverty?

At issue was a plan by South Africa's energy utility Eskom to build a 4,800-megawatt coal-fired power station in the northern town of Medupi. The plant would be one of the largest power stations of its kind in the world—and would throw off an estimated 25 million tons of carbon-dioxide each year. But it is needed to relieve a shortage of generating capacity that threatens to undermine the economic growth of South Africa and its neighbors. As South African Finance Minister Pravin Gordhan noted recently, 'To sustain the growth rates we need to create jobs, we have no choice but to build new generating capacity—relying on what, for now, remains our most abundant and affordable energy source: coal.'

To help finance the power station's construction, South Africa asked the World Bank for a \$3.75 billion loan. Normally, such a loan would be quickly approved—although South Africa is poor by Western standards, its economy is relatively well-managed. But the request provoked vociferous opposition from some developed countries that didn't want the World Bank to support projects that may contribute to global warming.

In the U.S., three influential members of Congress—Rep. Barney Frank (D., Mass.)

and Sens. John Kerry (D., Mass.) and Patrick Leahy (D., Vt.) linked continued U.S. financial support of the World Bank to the bank's adoption of lending policies reflecting what they called '21st-century priorities.' While Africa's energy needs were certainly 'urgent,' they wrote in a letter to World Bank President Robert Zoellick, 'we cannot ignore the reality that our planet is hurtling toward potentially catastrophic climate change.'

In the end, Mr. Obama directed the Treasury Department not to oppose the loan but to abstain when it was voted on by World Bank directors—a decision that effectively guaranteed the loan's approval. As with Mr. Obama's offshore drilling plan, the Medupi decision exhibited common sense. Stopping the Medupi project would have shown that developed nations put more emphasis on discouraging use of fossil fuels than on developing affordable alternatives. This is an ineffectual response to global warming, and, in condemning tens of millions of Africans to continued poverty, downright immoral.

We can't expect South Africa or any other nation to stop using coal or oil unless we can find practical, affordable alternatives. For example, if we had solar panels that could produce electricity more cheaply than fossil fuels, then of course South Africa would switch. But we need to develop green technology before we can ask any leaders to consign their people to poverty for the sake of the climate.

Moral posturing about global warming is easy, and it feels good. Actually doing something to solve the problem—like committing serious amounts of money to green energy research and development—will take real effort and sacrifice.

Mr. Lomborg is the director of the Copenhagen Consensus Center at Copenhagen Business School and the author of 'Cool It: The Skeptical Environmentalist's Guide to Global Warming' (Knopf, 2007).

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http://www.huffingtonpost.com/bjorn-stigson/south-africa-needs-energy_b_538637.html

Bjorn Stigson

President of the World Business Council for Sustainable Development

Posted: April 15, 2010 09:12 AM

South Africa suffered through load shedding of electricity on a national scale two years ago - traffic jams, darkened shops, offices and homes without electricity, industry grinding to a halt. On the heels of that energy crisis came the global financial downturn, further hampering the country's growth prospects. Since then, electricity supply has stabilized, lulling the country into a false sense of complacency. The reality is that for many developing countries, if they want to grow and develop, they need energy to do so. This, combined with the ambitions to reduce global carbon emissions, presents the world with the dual challenge of providing access to energy and its accompanying development opportunities while shifting to low-carbon energy sources to manage climate change.

As the head of an international business association with links to many developing countries, I often am confronted with this dilemma. We know that underinvestment in energy reduces GDP growth in some countries by as much as 1-3% annually and so energy security has to remain the top of many countries' agendas. If they do not protect and increase the energy supply, South Africa will face further economic losses and hardship for the poor. This is not a scenario we want to see in developing countries such as India, China, Brazil or South Africa. To counter this

development we need global society to drive green transformations and solutions for energy efficiency, green technologies, new societal infrastructure, efficient markets and changes of lifestyle and consumption patterns.

What is clear is that this will not happen overnight, it will be a transition and the pace and scale of change will be different in different countries and regions and depend on many complex and interlinked factors. Each technology is different and thus requires different enabling policies. Governments choosing potential winners for their national situations (e.g., wind, hydro) must take account of the full development and deployment cycles.

The World Business Council for Sustainable Development (WBCSD) has often said that a quantifiable, long-term (50-year) global emissions pathway for the management of greenhouse gas emissions established by 2010 will help build confidence to support technological development, deployment and business action. I note that South Africa has embarked on this journey and taken not only decisive steps to increase its supply of available electricity and avert a future, prolonged energy crisis but has also completed a study on Long Term Mitigation Scenarios (LTMS) for the country in order to address the transition to a lower carbon emitting energy future. Many of the issues I raise above as key issues to drive are covered in the LTMS, such as increasing energy efficiency and the introduction of green technologies such as renewable energy. The plan does however cater also for the introduction of new, more efficient coal plants in the transition phase - a reality many countries have to face.

The South African Government has been working with Eskom to increase capacity by

boosting energy conservation programs and investing in clean energy. It is also working to mobilize close to US\$2 billion for scaling up grid-connected solar thermal power, utility-scale wind power development, solar water heaters, and increased energy efficiency. The South African Government appears determined to transition to a low-carbon economy over the long term and we, as members of the international business community, support that decision. The WBCSD has also through its work and that of its members studied the development benefits of business investment and concluded that most companies have an extensive reach. Beyond their direct impacts, Eskom has highlighted areas where through its activities the company is providing support to the South African economy. For example the current build program at Medupi power station has created thousands of jobs and resulted in considerable local economic growth.

These are all significant steps towards a carbon-friendly future, but they will not help South Africa avert an energy crisis now. While we plan for the longer term decarbonisation of the electricity mix globally, South African's as well as other developing countries still have to grapple with immediate decisions on technology choices to meet energy demand right now. Many developing countries are currently relying on coal as a low-cost source for power generation. What remains to be seen is what plans exist to reduce the impacts of a new coal plant while continually improving environmental conditions. We know it will take decades to change our energy mix, but what is important today is that we start on this journey while maximizing economic and social development.

<http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71654?oid=171250&sn=Detail>

Anti-black racism in SA is alarming! - JFAF
Percy Gumbi
14 April 2010

Percy Gumbi says only a minute proportion of whites are performing a constructive role

The racial discord in South Africa has reached unparalleled levels of intolerance and this is a source of grave concern for the Justice for All Forum (the JFA Forum). The JFA Forum has observed the latest events with disappointment at some of the political leaders across all parties. As an organization that is pro the economic, social and class emancipation of all South Africans in this country with a bias towards Black people and which is also the pioneers of judicial transformation, we could not keep quiet since these racial incidents speak to the fundamental principles of the founding principles of the JFA Forum.

One does not have to look too far though as the answers for such a discord is staring right at us or is in front of our faces. The political, religious and business leaders of this country have decided to wish these problems away without actually tackling them head-on. The remnants of the previous regime's apartheid policies left bitter scars and bruises in the hearts, souls and lives of the majority of people of this country.

We do not lose sight of the fact that there are some White South Africans whose intentions are genuine and they want to see this country moving forward and flourish. This minute group wants to live in

a country where there will be no racial discrimination.

They are keen at ensuring the financial emancipation of the previously excluded or disenfranchised economically, academically and otherwise. Unfortunately though, they are in the minority within the minority whilst the Black majority was terrorised and deprived of their forefathers' means of production without any proper compensation or some form of healing process. The recent study on economic disparities in South Africa revealed that the White South Africans' purses have improved ten-fold since 1994, whilst in the same period the Black folks who are a majority have become poorer by the same margin.

The racial slurs have become the order of the day and leaders are too afraid to speak up. As is always the case, the White owned media brushes these aside and will always try to find the Black face that is responsible without first looking at the merits and demerits first. In the past week or two, a lot has happened which includes songs that are deemed as hate speech, the death of the AWB leader Mr Eugene Terreblanche and the subsequent threat to revenge his death etc. The brutal killing of the advocate for racial and White supremacy, Mr Eugene Terreblanche (ET) cannot be condoned under any circumstances.

It however surprises that it has been given such unprecedented media coverage and in the process the blame was put on Mr Julius Malema's song (duped racial utterances). An AWB leader who served as the late Terreblanche's Secretary-General stated in the media that the killing was politically motivated and as such they were going to avenge the killing of ET without any basis of fact that it was indeed the case. It has

since emerged that there is no political motivation after all, it was an alleged 'crime of passion'. We have also learnt that Mr Terreblanche's domestic worker Ms Ntsako was found murdered near a police station, a week before the murder of her former boss.. The question that worries the JFA Forum is why was he never imprisoned or investigated?

Again why for instance did Mr Visagie, not get hauled in a court of law for inciting violence and threatening violence against Black people? A member of the AWB who apparently hails from Namibia went further and behaved like a hooligan in threatening to bomb 50 Black people for every one White person that is killed.

Again there was no sanction nor censor of this member, instead we are led to believe that the only people who incite violence and use hate speech are Black people. Of course the media won't find anything wrong, after all he's White; and one gets the impression that the Law in this country was made for Black people. To surmise that Malema is responsible for the racial hatred/discord is silly (actually a stupid thought to put it bluntly) because one man is not capable of holding the entire country into ransom.

Where, for instance, was Julius Malema when ET and his hooligans crashed into Kempton Park CODESA negotiations in 1993? Where was Julius Malema when Steve Biko was butchered by the racist police force in the 70's? Where was Malema when the apartheid government sponsored vigilantes which brutally hacked and killed innocent Black people in Boipatong? Where was Malema thousands of innocent young children were brutally killed by the police in 1976? When a young racist boy (i.e Master Nel) shot and killed

innocent Black people in Schweize Reineke in the North West, there certainly was no Julius Malema, was there?

When the lunatic Barend Strydom shot several people to death, there was yet again no Julius Malema on the scene or in the limelight. Where was Malema when ET assaulted his Black poor farm worker and dragged him to death? Where was Malema when he shot one of the workers who is now mentally impaired?

The list of racial discrimination and killings of Black people is long and it is impractical to cite all of them suffice to say that there has been more harm inflicted on Black people than there has been any reported case of Whites being on the receiving end. The media has done such a good job in vilifying Malema as an unruly, uncouth, uneducated racist Black person of this country. The Black people have been told by their leaders to reconcile with the Whites of this country since 1994 yet one never hears White leaders preaching reconciliation, not even a half hearted rebuke for their racial indiscretions.

Black people have bent over backwards to accommodate their White counterparts and supremacists of note without them pooling their weight in meeting the Black populace half way. What we hear instead is lame excuses upon excuses to the effect that they can't be blamed for their forefathers' racial indiscretions. These excuses couldn't be further from the truth though because many atrocities have taken place post 1994.

The very same White people have benefited immensely from the democratic government, even more so than under the apartheid government. That they have not voted year in year out to ensure that the

racial discrimination is eradicated, doesn't stop the flow of benefits in their way. Sadly, they instead use these benefits to maintain the status quo and further oppress Black people. The majority are no fools though, they have done their part and it is the other parties' turn to come to some kind of realisation of their immoral behaviour, irrespective of whether it was a forefather or not.

The South African media has done their level best to ensure that racism is communicated better when Malema opens his mouth yet they can't do the same when it is a White leader who uses hate speech. One needs to look at what the Secretary of the AWB, Mnr. Visagie did on e.tv as an example. Where was the vocal POWA considering that Visagie actually threatened a (poor) Black/African woman. There was no front page coverage on the SA newspapers of such a story, was there?

Instead, the very following day, Malema showed that White British racist journalist the door, and all the so called independent newspapers, which are foreign owned might one add, have Malema's face on the front pages. On or about a month ago, the British racist journalists (White being their common thread) were calling our South African President with all sorts of names. Not once did we hear our local media condemn this and even those who did, did so half heartedly. What did our so called independent media houses say or do? Nothing!

The politically and racially biased Editors Forum (SANEF) were conspicuously quiet and as good as dead only to opportunistically rediscover their voice now that Malema has shown the overseas 'racist' journalist the door.

The very same independent media forgot to cover the recent racist attack on the poor farm workers by their White Baas who flogged them with an iron rod. To our dismay, no front page coverage was seen! At times when farmers get killed, one can't help but think that they are getting their comeuppance for the all the abuses they inflict on their workers. But well done goes to the SA media for your independence has done more harm than good for this racial discord and this country as a whole is gravely affected by the biased reporting of news.

Oh! Let us not forget how Mrs. Helen Zille couldn't wait to embarrass herself and the democratically elected government of our country, in going all the way to meet the powers that be in order to try and scupper (stop) the World Bank deal. This she did under the pretext that funding for Eskom had to be stopped because the ANC front company has a stake. This, again, notwithstanding the fact that the construction of the much needed power stations was going to alleviate the pressure which leads to power outages.

The reason for this poorly calculated stunt is simple - RACISM because more jobs will be created for the majority of this country (i.e. Black people). It seems that Mr Zille can't stand the fact that skilled Black people will/might be offered opportunities to harness their knowledge and that poor Black people without electricity will eventually benefit through electrification of their homes in rural homestead.

For these racial attacks to come to an end, a properly constituted CODESA needs to be held/instituted. Black people should come out of their little corners and stop to call a shovel a digging tool but by its real name. The JFA Forum also welcomes the

formation of the Social Movement Against Racial Tendencies (SMART) and hopes for future collaboration in articulating and addressing these immoral tendencies.

The JFA Forum's role is to see to the 100% overhaul of the judicial system which is still manifestly controlled by the minorities and the apartheid judges in particular. We hope that when the JSC conducts the interviews which are currently taking place to fill various positions throughout the country, they will take this sad reality into account.

Issued by: Percy Gumbi on behalf of
Justice for All Forum (JFAF)

<http://www.thegreentimes.co.za/index.php?storytype=1&storyid=298&id=6&storyaction=viewstory>

Medupi the end of a dirty line?

The World Wide Fund for Nature (WWF) South Africa is less than enthusiastic about the World Bank's approval of a \$3,75-billion loan, primarily for the development of a coal-fired power station in South Africa.

The decision fails to adequately recognise the opportunities for renewable energy development in South Africa or to provide specifics of how the claimed public benefits, including contribution towards achieving universal access to energy services, will be achieved. The decision still does not allay fears that all the environmental concerns around the burning of fossil fuels for power generation have been adequately dealt with.

'There must be a clear impetus and political will to move away from coal as the primary source of energy,' says WWF South Africa's Living Planet Unit head Saliem Fakir.

'We will lend our weight behind a campaign and continue to lobby hard for Medupi to be the last coal-fired power station of its kind that South Africa builds. Work on Kusile – another plant like Medupi for which site preparation work is underway - should be put on hold until a proper integrated resource plan is done.'

WWF is perturbed

WWF is also perturbed with the manner in which the South African government has dealt with the concerns raised by the environmental sector and local

communities with regards to this loan and energy planning in the country.

'The statement made by the Minister of Finance that environmental NGOs are only concerned about the environment and not the economy demonstrates a lack of understanding of South Africa's international commitment to reduce its carbon emissions and to move to a low carbon economy' said Fakir

'Furthermore the fact that the Minister so easily dismisses the concerns of key stakeholders does not bode well for a transparent consensus-reaching approach to future energy planning in the country'.

Eskom made an international commitment at the 2002 World Summit for Sustainable Development to reduce its dependence on coal by at least 10% within ten years. The securing of the loan through the World Bank fails to contribute to this commitment and the global collective ambition to reduce carbon emissions drastically. It will mean South Africa will have to embark on more aggressive mitigation measures in the future. ..

Broken promises

'Furthermore, the recent announcement that the loan includes a small quota to be used for renewable energy development entrenches the myth that renewable energy cannot contribute to base-load supply, or is best suited to 'niche applications'.'

WWF advocates that at least 15% of South Africa's electricity supply should be generated from renewable resources by 2020. Independent research and mainstream institutions have established that the best way to manage potential cost

escalation and portfolio risk in electricity supply is to move from concentrated mineral energy sources to free and effectively infinite renewable resources.

'WWF encourages all stakeholders to engage in the IRP2 process to prevent any further lock-in to carbon-intensive infrastructure and to insist that this process be aligned with the review of renewable energy targets and policy, due to be gazetted in November this year,' concluded Fakir.

<http://donnette.wordpress.com/>

Coal-Power-Protest.jpgWorld Bank-Eskom loan – in the days before a crucial World Bank vote, more than 12,000 South African Avaaz members petitioned to stop a loan for a massive new coal power plant– helping fuel a nationwide and global campaign against the climate-destroying project.

Unfortunately, the loan went through — a painful defeat. But the outcry made headlines, and it had an impact. These votes are nearly always unanimous. This time, though, a quarter of the votes cast were abstentions — with key countries saying they would never again support such coal projects.

Moreover, the South African government pledged to invest R9 billion of another World Bank loan for emissions reductions projects. And the fight continues: we'll keep up the scrutiny and pressure as the Eskom plant is built — and work to make sure this is the last coal plant the World Bank ever funds.

<http://aaenvironment.blogspot.com/2010/04/south-africa-my-first-trip-my-first.html>

African American Environmentalist Association

Dedicated to protecting the environment, enhancing human, animal and plant ecologies, promoting the efficient use of natural resources and increasing African American participation in the environmental movement. Outreach arm of the Center for Environment, Commerce & Energy

Saturday, April 17, 2010
South Africa: My First Trip & My First Impressions

PRESIDENT'S CORNER

By Norris McDonald

First let me say that I fell in love with South Africa. I was deeply in love with China after my first visit there, and now South Africa has stolen my heart and mind. I think the source of this love, as in the case with China, comes from the loving nature of the people. I found South Africans to be dynamic and affectionate. My first hint that South Africa is a 'destination location' for African Americans was my getting to know our host, Michael Sudarkasa. He moved to South Africa 15 years ago and is completely happy with his life there. He's a Harvard lawyer and entrepreneur. And he worked us like pack mules going up the side of a mountain. Of course, this mountain was meetings with industry representatives, government agency representatives, small business representatives and more. Paula Jackson, Communications Director for the American Association of Blacks in Energy, was part of our trio.

Sandton

I was impressed with the development in South Africa. I could not tell that I was out of the United States. The highway ride from the airport was similar to that of the Dulles Toll Road and Route 66. Large corporations and other businesses dotted the entire length of the 20 minute ride into town. Sandton, left, is the 'Silver Spring' of Johannesburg. Just as American cities were left by the business sector, so too was this 'city built after the fall of Apartheid'. I had never heard of Sandton before my trip. Just as in China, I had never heard of Kowloon, which is a huge part of the urban sector of Hong Kong.

Johannesburg

South Africa has incredible energy needs. The \$3.8 billion World Bank loan for Eskom to build 4 coal plants was approved while I was there. This is the first time that South Africa has gone out to international lending institutions to finance an energy project. They will be back for more. South Africa is faced with providing electricity for 40% of its population that still does not have electricity while feeding a 4% growth rate. I was told that they need 40,000 megawatts by 2025. So the 4,000 megawatts from the World Bank loan represents only 10 percent of their needs. All of our meetings revolved around energy and environmental issues related to providing South Africa with the energy they need.

South Africa is ahead of the United States in many ways. They had a black president well before America. They already have black owners of coal mines, oil exploration and production companies, control over the national utility Eskom and ongoing requirements for significant black ownership of energy companies. I was pleasantly surprised to find out that South

Africa is highly developed. The malls are malls just like in America. The Mandela Square is a super mall.

However, I was and am disturbed by the walls with electric fences on top that surround almost every home. Soweto reminded me of Compton. It was not the tin roofed shanties that I expected. And they do not have walls with electric fences on them surrounding their homes. I was told because of a sense of community. There is an abandoned power plant right in the middle of Soweto with an unreclaimed strip mine (gold) nearby. The 25% unemployment rate has to be reduced. Crime is a big problem too. Economic development that increases employment will reduce crime. I also have the fantasy that one day, South African can tear down those walls around their house.

<http://www.themercury.co.za/index.php?ArticleId=5426736>

The Mercury

Eye on Civil Society

The bank loan that could break SA's back

The World Bank's poisoned 'gift' of \$3.75bn to Eskom spells disaster for the climate, the poor and our fragile democracy

April 13, 2010 Edition 1

Patrick Bond

HOW dangerous is the World Bank and its neo-conservative president, Robert Zoellick?

Notwithstanding South Africa's existing \$75 billion (about R560bn) foreign debt, last Thursday the bank added a \$3.75bn loan to Eskom for the primary purpose of building the world's fourth-largest coal-fired power plant, at Medupi, which will spew 25 million tons of the climate pollutant carbon dioxide each year.

As taxpayers, Eskom customers, municipal ratepayers and world citizens, how worried should we be?

Finance Minister Pravin Gordhan repeatedly said that this is the bank's 'first' post-apartheid loan, yet its 1999 and 2008 Country Assistance Strategy documents show conclusively that Medupi is the 15th credit since 1994.

Gordhan also claimed the loan will now help South Africa 'build a relationship' with the bank.

He forgets the bank co-authored the 1996 Growth, Employment and Redistribution (Gear) programme, which led us to overtake Brazil as the world's most unequal major country, as black incomes fell below 1994 levels and white incomes grew by 24 per cent, according to official statistics.

Gordhan neglects that the bank itself regularly brags about its 'knowledge bank' role here. In 1999, for example, after World Bank economist John Roome suggested to then water minister Kader Asmal that the government impose 'a credible threat of cutting service' to people who cannot afford water, the bank's Country Assistance Strategy reported that its 'market-related pricing' advice was 'instrumental in facilitating a radical revision in South Africa's approach'.

As a result, the cholera epidemic the following year - catalysed by water disconnections near Richards Bay - killed hundreds.

Misery

Similar misery will follow the Eskom loan. Medupi will be built in a water-scarce area where communities are already confronting extreme mining pollution. Forty new Limpopo and Mpumalanga coal mines will be opened to provide inputs to Medupi and its successor, Kusile.

More worryingly, power-plant construction plans include a pay-off of R1bn profit for the ANC, whose investment arm owns a quarter of Hitachi, which received a R38bn Eskom contract.

So blatant is the conflict of interest that the government's public protector last month judged Valli Moosa - then chair of Eskom

and an ANC finance committee member - to have acted 'improperly'.

Official embarrassment is acute, especially since the bank issued a major report, Quiet Corruption, just weeks ago. This is a prime case.

The announced sale of the ANC's share in Hitachi within the next six weeks doesn't really mitigate matters, given Medupi's huge cost escalations (from R40bn to R120bn) and the increased value of Hitachi's shares thanks to the improper, corrupt contract.

Five dozen civic, environmental, church, academic and labour organisations began a campaign against the World Bank loan in February.

They are concerned not only that catastrophic climate change will be hastened, along with privatisation of electricity generation, but worse, Medupi's main beneficiary will be the world's largest metals and mining corporations, which already receive the world's cheapest electricity thanks to multi-decade deals.

In early April, a small modification was made to one apartheid-era sweetheart special pricing agreement - but it was to BHP Billiton's 'advantage', the Melbourne-based company reported.

Medupi's vast costs will mainly be passed on to people who cannot afford to pay the loan, through a 127 percent electricity price increase over four years. Dissent against service delivery deficits make South Africa among the world's most protest-rich countries and Cosatu is threatening a national strike against Eskom that may well last into the World Cup.

South African civic groups and their 140 international allies now say they will start financial punishment of the institution, harking back to the World Bank bonds boycott launched by the late poet-activist Dennis Brutus exactly a decade ago.

In response to Brutus's call, the city of San Francisco and other municipalities pledged not to buy bank bonds. Scores of major financial institutions and endowment funds followed suit, including the world's largest pension fund, TIAA-CREF, whose annual meetings Brutus visited on three occasions.

With the focus now broadening to include climate, San Francisco supervisor Ross Mirkarimi reacted angrily to the Eskom financing: 'The loan provides sobering proof that the World Bank's recent talk about its commitment to climate finance was nothing but a bunch of hot air. We will renew our commitment to keep our clean money from being tarnished by investment in the bank's coal-dirtied bonds.'

Risk

To understand why the bank took this huge risk - with major shareholders like the US and European countries abstaining from voting - requires insights into its leader, Zoellick.

A major player in the 'war on terror', Zoellick served as number two at George W Bush's State Department and then in 2007 replaced World Bank president Paul Wolfowitz, who was fired by the bank board for arranging a plush State Department job for his girlfriend.

Like Wolfowitz, Zoellick was at the outset a proud member of the neo-conservative think tank, the Project for a New American Century, and as early as January 1998

went on record arguing that Iraq should be illegally overthrown. In the same period, Zoellick also worked for Fannie Mae, Enron and Alliance Capital, all of which effectively went bankrupt.

From 2001-05, Zoellick was the US trade minister, and his bumbling at the 2003 Cancun ministerial summit confirmed the World Trade Organisation's subsequent demise.

And just prior to becoming World Bank president, Zoellick was a top executive at Goldman Sachs, widely blamed for amplifying the 2008-09 global financial crisis.

Zoellick's efforts promoting the bank as lead climate financier at the December 2009 UN Copenhagen climate summit were equally unsuccessful, and the bank's backing of carbon markets has now widely been decried as a lost cause.

Zoellick has broken many things in his career, and having now granted Eskom the R29bn loan, he can add to his belt some new notches: the budgets of poor and working South Africans who will suffer unaffordable price increases, the Limpopo ecology, South African democracy and the climate.

Patrick Bond directs the Centre for Civil Society in Durban.

Business Report

Eskom World Bank loan 'fuels corruption'

Zille slams World Bank's wasted chance to make anti-graft codes stick

April 14, 2010

By CHRISTELLE TERREBLANCHE Political Bureau

DA leader Helen Zille has accused the World Bank of 'facilitating pure corruption' by granting Eskom a R30 billion loan while the ruling ANC had a potential stake in its profits.

Zille was reacting to the ANC's apparent somersault on its weekend pledge that its investment arm, Chancellor House, would sell its stake in Hitachi Power Africa.

The firm won a R16bn contract to provide boilers for Eskom's Medupi power station.

The ANC holds 25 percent of Hitachi's shares through Chancellor House, which yesterday unequivocally stated that it would not sell its stake, despite an earlier commitment it would.

ANC treasurer-general Mathews Phosa announced at the weekend - shortly after the World Bank granted the loan - that he had told Chancellor House to get rid of the shares.

This was directly contradicted by ANC secretary-general Gwede Mantashe yesterday who said any decision on the sale of the stake rested not with Luthuli House but with Chancellor House's board.

Zille said the World Bank had wasted an opportunity to make its anti-corruption codes stick in South Africa.

'The World Bank had a unique moment in which they could use their leverage to oppose corruption. But they didn't. They squandered an opportunity', she said.

The opposition leader last week lobbied the US and Britain as well as the World Bank to make the ban conditional on the ANC's divestment from Hitachi.

While the ANC's decision to sell the shares came after the decision to grant the loan, it was seen as an acknowledgement by the party that the conflict of interest posed by its Hitachi holding could affect its reputation.

Doubts about whether the shares would actually be disposed of set in on Monday when ANC leader and businessman, Popo Molefe, a Chancellor House trustee, insisted he had no mandate to speak for either the company or the ANC on the divestment.

Chancellor House managing director Mamatho Netshianda said yesterday: 'Chancellor House has nothing for sale and there is no intention of doing so.'

When quizzed on the tumabout, Mantashe yesterday contradicted Phosa, by insisting Chancellor House's board was best placed to decide for itself.

'Whether we are going to dispose of our stake... I don't think that decision should be taken in Luthuli House because you have got a company which is having a board,' he said. 'The ANC has no stake in Hitachi, we invest in Chancellor House. Full stop.'

This apparent challenge to Phosa's statement appears to support rumours of tensions between Mantashe and Phosa.

In an SMS, Phosa said questions should be put to Molefe, but neither Molefe nor Chancellor House board chairman Professor Taole Mbekoena responded to messages.

Business Report

UDM invites Eskom to brief parliament

April 14, 2010

United Democratic Movement leader Bantu Holomisa has invited Eskom acting chairman and CEO Mpho Makwana to brief party leaders in Parliament to dispel 'negative perceptions that Eskom is embedded in the ruling party'.

In a letter to Makwana on Wednesday, Holomisa said leaders of political parties in Parliament met President Jacob Zuma earlier this year.

Among other things, they asked Zuma to brief them on the involvement in the Eskom/Hitachi deal of the ANC's investment arm Chancellor House Holdings (CHH), he said.

Hitachi Power Africa was awarded a multi-billion rand contract for Eskom's new Medupi power station. CHH owns a 25 percent stake in Hitachi.

Holomisa said Zuma created the impression that he had no knowledge of the deal.

Again during the state of the nation debate various political parties raised the issue of this deal, and once again Zuma failed to take the country into his confidence.

'On the other hand, we have since seen reports that the president's recent trip to Britain was used to lobby support for a World Bank loan that will make the Hitachi deal possible,' Holomisa said.

'The UDM and others are concerned by the nexus between Eskom, Hitachi and Chancellor House -- it seems like

international companies and bidders in general are extorted to partner with ANC-aligned businesses.

'We witnessed similar conflicts of interest with ANC-aligned companies benefiting from the Telkom/Vodacom deal, as well as the arms deal.

'It is a symbiotic relationship between the ruling party and structures of the state.

'In this case, it leads to tacit government support for Eskom's raising of rates (the recent 25 percent increase) and incurring debts (which will also be serviced by rate-payers), while directly benefiting the ruling party.

'Due to Eskom and the government's failure to provide clarity regarding this deal, some political parties resorted to appealing against the World Bank loan directly with that institution,' he said.

In addition, the Congress of SA Trade Unions (Cosatu) had threatened mass action.

The Public Protector had also pronounced that Eskom's former chairman, Valli Moosa, should have recused himself from the meetings that took the decision in favour of Hitachi -- and by extension approving financial gains for the ANC -- because he had a conflict of interest.

'We are wondering whether the recent electricity crisis was purposefully staged to create a state of panic, to ensure the approval of this massive Eskom project for the benefit of the ruling party.

'We can't help but notice that once the former minister of finance committed R60 billion to Eskom, with assurances that

additional funding would be forthcoming, the threat of power outages suddenly disappeared.

'In light of the above, we urge you to come to Parliament to meet with leaders of political parties to dispel these negative perceptions that Eskom is embedded in the ruling party.

'Indeed, demonstrating accountability to the elected representatives of the citizens of South Africa would be in line with the principles of corporate governance,' Holomisa said. - Sapa

Business Day

ANC stake in Hitachi splits party

KARIMA BROWN

Published: 2010/04/14 06:47:30 AM

DAYS after African National Congress (ANC) treasurer-general Mathews Phosa promised the party would sell its stake in Hitachi Power Africa, it has become clear that the party leadership is divided on the issue and unable to confirm whether any such sale will, in fact, take place.

The party stands to make a profit of about R1bn on a R38bn contract Hitachi has to supply boilers to Eskom's new Medupi power station in Limpopo.

The party's investment trust, Chancellor House, has a 25% stake in Hitachi.

Although the arrangement patently constitutes a deep conflict of interest, a strong body of opinion within the leadership is holding out for the money.

Phosa is the only senior figure publicly opposed to continuing with the Chancellor House stake in Hitachi.

But Phosa may be isolated.

He promised almost two years ago that the ANC would deal with the conflict of interest — but it still has not.

Former North West premier and businessman Popo Molefe, who is also chairman of Chancellor House Trust, through which the ANC benefits from Chancellor House investments, was vague and noncommittal yesterday about Phosa's pledge to sell the Hitachi stake.

After conflicting reports about the disinvestment from Hitachi, Phosa referred queries to Molefe when asked for clarity yesterday.

Phosa was quoted in Engineering News as saying: 'The chairman of the trust (Popo Molefe) has been briefed (about the planned sale), and there is consensus between us and him.'

But Molefe disagreed with Phosa. 'In short, I can't speak for a company called Chancellor House,' he said.

'I don't know what authority they (ANC secretary-general Gwede Mantashe and Phosa) have, because I have no trust deed that says I manage the trust of the ANC,' he said.

Molefe said the trust, as a shareholder in Chancellor House Holdings, could not decide whether to disinvest from Hitachi. The board of Chancellor House had to make that decision.

The contradictory statements also hint at the murkiness of the ruling party's business dealings.

Molefe was annoyed at having to field questions about the vexed relationship between the ANC and Chancellor House and Phosa's statement.

'I was a politician once. I resigned from politics,' Molefe said. 'I was a premier, Phosa was a premier. He and Gwede (haven't) come to me to talk about these issues.... I don't want them to communicate to me through the Business Day.'

Molefe also appeared puzzled about why Phosa had referred matters to him, and said: 'If Mr Phosa has said things, I can't solve it for him. I don't know what authority they have.'

Mantashe said at a media briefing yesterday that the ANC did not discuss where Chancellor House invested, and that the party left those matters to its board .

'Where Chancellor House invests is the business of the governing board of that company,' he told reporters.

At the weekend, opposition parties welcomed news that the ruling party was to sell its 25% stake in Hitachi Power Africa within six weeks, but they demanded to know how much the ruling party would earn from the sale of its stake.

Both the Democratic Alliance and the Independent Democrats lobbied World Bank shareholders and the World Bank to refuse to make Eskom a 3,75bn loan if the ANC was to benefit.

It was argued that the ruling party should not benefit financially from a capital project funded by the taxpayer.

The bulk of the World Bank loan will be used to finance the construction of Medupi.

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Business Day

ALLISTER SPARKS:

The Law of Creeping Corruption

Published: 2010/04/14 09:19:14 AM

It all boils down to a question of leadership. Good leaders lead by example. Uphold your principles and the rest will follow. Condone and cover-up and things fall apart.

THE extent to which the African National Congress has lost its hold over its own core principles is astonishing.

The rot has been evident for some time, spreading ever deeper into the very soul of the organisation, but the speed of its acceleration over the past few days with the consummation of the biggest corruption deal yet, with new injections of malevolence from the toxic Youth League leader Julius Malema and the resurrection of white racist extremism through the murder of Eugene Terre'Blanche, has poisoned the national atmosphere to a degree not seen since pre-democracy days.

I don't believe Malema's insistence on singing that 'shoot the boer' song had any direct role in Terre'Blanche's murder. But the fact that the two coincided has inflamed racial passions. Thanks to Malema, the faded and farcical Terre'Blanche's racist cause has found a new lease of life in his death.

All of which means we have gone backwards on the two core principles that carried the ANC through all the long years of its liberation struggle, through the tough constitutional negotiating process and into the dawn of the new South Africa -- the

principle of nonracialism and the principle of clean, honest government that would deliver a better life for all.

We have become a corrupt country. The Eskom expansion deal, which the World Bank consummated last Friday with a US\$3,75-billion loan, stood to make the ANC a cool R1-billion thanks to its 25% shareholding in Hitachi Africa to whom Eskom's former chairman, Mohammed Valli Moosa -- a member of the ANC's National Executive Committee -- conveniently awarded the contract.

The ANC's Treasurer-General, Mathews Phosa, has now jumped in belatedly with an attempt at damage control by saying the party intends disinvesting from Hitachi Africa. At least that shows a degree of sensitivity to public outrage, but the fact remains that the ANC will still make a handsome profit from the sale of its shares in a company that has been gifted such a huge contract.

Moreover the Public Protector's highly questionable legitimising of the deal still stands. That gentleman found last February that Moosa's role did indeed constitute conflict of interest, then bizarrely declared that this didn't affect the contract.

So it's OK for the ANC in its capacity as controller of the State to hand out hugely profitable contracts to the ANC in its capacity as a political party.

I reckon that makes the ANC a 'tenderpreneur.' Which surely gives an official licence to all other tenderpreneurs.

Two other windfalls have come the ANC's way. First was the arms deal which brought in millions. The second was Oilgate, in which our state-owned fuel

corporation, PetroSA, effectively gave the ANC a buckshee R15-million to help it pay for its 2004 election campaign. In other words we, the taxpayers, effectively funded the ruling party's election.

Why is all this happening? Why has corruption become so endemic? Why has it taken so long for the leadership of the ANC to crack down on Malema, whose persistent verbal abuse amounts to a form of corruption.

As President Jacob Zuma has now pointed out, the Youth League is not an independent organisation but part of the ruling party. So why did the President not act long ago to stop Malema poisoning our racial atmosphere, insulting people, disparaging our courts and our constitution and the role of opposition parties and the media in a democracy, or call him to order for flying his own policy kites in conflict with those of the Government, for interfering in a delicate foreign policy issue and publicly embracing a neighbouring tyrant?

Why instead of doing any of that did Zuma actually praise Malema, describing him as a potential future leader of the ANC, thereby not only condoning his behaviour but emboldening him to become even more outrageous.

The answer lies in what might be called the Law of Creeping Corruption. If corruption, verbal or monetary, is not dealt with the moment it manifests itself, the corrosion will spread. And the more it spreads the harder it becomes to stop.

The arms deal was the ANC's original sin. One can see how it came about. The ANC leadership returned home from exile and prison after having been outlawed for 30

years. Most of the returnees had no homes to go to, no jobs to sustain themselves and their families, and the ANC itself had no premises to occupy or money to build up an organisational structure and prepare for its first election.

So the need for money was acute. And as anyone with any knowledge of the ways of the world knows, the place to get quick money is in the arms bazaar. The big arms manufacturers pay fat kickbacks to secure government contracts for the supply of weaponry. And their own governments turn a blind eye to the corruption involved, for the contracts boost their budgets.

So that's where the ANC went, with the thin cover-up of what were called 'offsets,' meaning an undertaking by the suppliers to invest in South Africa and help create jobs. A phoney justification because the fact is we didn't need most of those weapons, some of which have still not been delivered and many are unused.

But the real crime was the cover-up which began when the scandal became public and has continued ever since. The right thing would have been for the Government to institute a judicial inquiry immediately, bringing everything into the open and presenting its own urgent need for money to recover from the crime of its 30-year banning as a powerful mitigating factor. The whole thing could have been run on the lines of the Truth and Reconciliation Commission, with an exchange of amnesty for truth telling. There would have been a national uproar for a few days, then the scandal would have been over -- forever.

Instead the facts were covered up so that they festered, periodically breaking out with new revelations and ultimately

poisoning the whole body politic with its infectious suppuration.

To switch the analogy, the primary cancer should have been surgically removed early. The failure to do so has allowed the cancer to metastasize to the point where the whole body politic is now riddled with it.

Eradicating it now is difficult, for we have reached a kind of corruption gridlock. When so many people in high places have the dirt on each other, no-one dares blow a whistle. When the President of the country has managed to get off the hook on a major corruption case, how can he crack down on corruption anywhere else in his administration? When he rewards the acting prosecuting chief who got him off that hook with a judgeship, how can he expect to have a clean civil service all the way down to municipal level?

And when it comes to Julius Malema, how can Zuma who has turned his own machine-gun song into something of a presidential anthem make Malema stop singing his 'shoot the boer' song?

It all boils down to a question of leadership. Good leaders lead by example. Uphold your principles and the rest will follow. Condone and cover-up and things fall apart.

-Allister Sparks is a veteran journalist and political analyst. His latest book, 'First Drafts,' is published by Jonathan Ball.

Weekend Post

'Toothless' Nersa gets hammered by MPs

2010/04/14

Stuart Graham

MEMBERS of Parliament laid into the National Energy Regulator of SA (Nersa) yesterday, calling it a 'toothless wonder'.

MPs also said the public had become cynical after Nersa's hearings on Eskom's tariff increases.

'Part of the public perception about Nersa is it is a rubber stamp,' Congress of the People MP Philip Dexter said in the briefing to Parliament's energy committee.

'If you look at the public process you have gone through, it doesn't matter what people said. We all know the outcome anyway.

'It's kind of a cynical process we go through.

'We pretend to the poor that they can influence what can happen. We pretend to business. They come and participate in a process, but we all know the outcome.'

Dexter told the Nersa members, who included chairman Cecilia Khuzwayo, it could do a lot more to 'position itself differently'.

'We all want Nersa to succeed,' he said. 'We all understand the significance of Nersa, but at the moment you are a bit of a toothless wonder.'

Independent Democrats MP Lance Greyling said he had heard one person complain she

had come to Nersa time and again, but her presentation had been 'disregarded'.

IFP MP Eric Lucas said he did not know whether the money spent on hearings was necessary. 'I believe this decision was 'going through the motions',' he said.

Nersa announced in February that it was granting Eskom a 24.8% tariff increase for this year, 25.8% for next year, and 25.9% for 2012.

Nersa member Thembani Bukula defended holding the hearings, but admitted the agency was powerless in many areas.

'The hearings are necessary because we get to hear the things we need to hear. Most of the suggestions that people have made, like increase free basic electricity, even if we wanted to, we would not be able to.'

Meanwhile, the ANC has appeared to backtrack on a pledge just days ago to disinvest from Hitachi Africa, which stands to benefit from the World Bank loan to Eskom.

The shift came from party secretary-general Gwede Mantashe in contradiction of treasurer Mathews Phosa saying at the weekend that the ANC would sell its stake in the firm.

Mantashe said yesterday it was not up to the ANC to decide whether its investment arm, Chancellor House Holdings (CHH), should get rid of its 25% stake in Hitachi.

'Whether we are going to dispose of our stake, I don't think that decision should be taken in (ANC head office) Luthuli House, because you have got a company (CHH)

which is having a board,' he told media in Boksburg.

Mantashe was speaking after 'brutal' and 'candid' talks with ANC alliance partner Cosatu at Luthuli House in Johannesburg on Monday.

Cosatu had criticised the ANC's involvement in Hitachi, with the labour federation's secretary-general Zwelinzima Vavi saying that if it was true that the ruling party had such a stake, then 'God help us all'.

Hitachi Power Africa was awarded a multibillion-rand contract for Eskom's Medupi power station.

'If we begin to manage the investment company from Luthuli House, it is likely to be more inefficient,' said Mantashe.

He distanced the ruling party from decisions taken by CHH, after opposition parties raised objections to the ANC's involvement in Hitachi, citing it as a conflict of interest due to the loan.

'The ANC has no stake in Hitachi. We invest in Chancellor House. Full stop. Where Chancellor House invests doesn't translate into ANC having a stake. Chancellor House may have a stake. That is economics 101.' – Sapa

The Citizen

13/04/2010 19:30:30

ANC must sell up

More headless chicken antics as the CEO of the ANC's investment arm Chancellor House Holdings, Mamatho Netsianda, denies the sale of its 25% stake in Hitachi Power Africa. This has contracts of some R38 billion to build boilers for the new coal power stations and would bring in windfall profits for the ANC.

Yet over the weekend ANC treasurer-general Mathews Phosa said the ANC would dispose of its stake within the next six to eight weeks. But then he gave the same guarantee two years ago.

So who's the boss? Netsianda says regardless of who the shareholders are – God, Satan or the ANC – he's in charge. He told Sake24 by SMS no sale was in the offing. Phosa cut him down to size by saying Netsianda was just an ordinary employee, which is probably true as the man surely serves at the ANC's pleasure. Yet Gwede Mantashe also thinks Luthuli House can't decide.

What a circus. The World Bank loan to Eskom must come with strict conditions that this is not a fundraiser for the ANC to fight elections for years to come.

Mineweb

<http://mineweb.com/mineweb/view/mineweb/en/page65?oid=102644&sn=Detail&pid=65>

MINEWEB RADIO 2009

South Africa's energy sector picks and a look at the ANC's investment arm
Chancellor House

Interviewer: Chris Blaine (Moneyweb)

Posted: Tuesday , 13 Apr 2010

CHRIS BLAINE: In this Market Review podcast I'm chatting to Peter Major of Cadiz Corporate Solutions... We just heard overnight that the World Bank granted the loan to Eskom which is curious, because as you said even the ANC is long energy via Chancellor House. But I didn't seem to see any conditions attached to the loan related to Chancellor House. Did you see anything?

PETER MAJOR: Man, nobody has looked for conditions harder than me. I use a magnifying glass that I only use for real serious investigations. No I didn't see it anywhere and I was telling people I'm shocked that there are no conditions attached to that. But now that I think through, the World Bank has made a lot of dubious loans to a lot of dubious countries and people under a lot of dubious circumstances for decades and it's probably not so surprising as I thought it was. But still, the fact that they granted that with no conditions - and no mention - they even mentioned that they were concerned about the environmental impact of loaning money for a coal fired power plant, but there is no mention anywhere that here was a ruling party that was the biggest recipient. I think Helen Zille stated the case so clearly - she

speaks very well and writes very well and anybody can understand the contradiction here and she says it contradicts the World Bank's mandate - the World Bank's constitution. The World Bank has not had a great reputation for at least 20, 30 years - there are some very good books written on it. This is not going to do them any good. It's going to make more people less impressed with it.

CHRIS BLAINE: Are you a bit concerned then, yourself?

PETER MAJOR: I am because to me it's rubber stamping that what's happened is OK. The fact that you don't even mention it - and we've seen political parties - the ruling political party here - we've seen them incrementally grabbing more and more business - it's starting to look like the People's Republic of China where the military owned two-thirds to three-quarters of the companies there for decades, and it's slowly getting out, but the party still owns a lot and this is going to make us look more like Burma, I think. When you've got a party involved in companies, and they're making money off of companies that make money from government contracts, from the taxpayers - you can't get more corrupt than that...

<http://www.ewn.co.za/articleprog.aspx?id=37064>

Eyewitness News

Hope after ANC/Cosatu meeting
Stephen Grootes | Yesterday

The ANC and Cosatu said on Monday they had made progress in resolving tensions during their bilateral meeting.

The top-level gathering ended at about 8pm on Monday after about nine hours of discussions.

The ANC's Jackson Mthembu said the talks were fruitful.

'The meeting went very well and of course the discussions were intense but frank,' said Mthembu.

He was confident looking forward.

'I think we will see very little of the public spats we have seen between the ANC and Cosatu,' said Mthembu.

The two organisations are going to meet again soon; it seems not all the tensions between them are resolved yet.

ANC SLAMS COSATU'S CRITICISM

The ANC has reportedly slammed Cosatu as being similar to the opposition for taking the ruling party to task over its stake in the multibillion rand tender from Eskom.

Cosatu has publicly criticised the ANC's involvement in the Eskom deal saying government must come clean and make public the conditions of the R27 billion loan given to the power giant by the World Bank.

The Times newspaper reports it is in possession of ANC Secretary General Gwede Mantashe's speech during the party's closed-door bilateral meeting with Cosatu on Monday.

He reportedly said Cosatu's recent actions have the potential to collapse the alliance in the long term.

Officially, the two groups said they managed to clear the air and ease tensions.

Cosatu had said it was angry at government's economic policy and that there was a plot within the ANC to undermine Mantashe.

The ANC had angrily denied that claim.

Jubilee South Africa on the World Bank loan to Eskom

13 April 2010

Jubilee South Africa is adding its voice to the widespread protest against the World Bank loan to Eskom for the expansion of coal-fired power. We do so on grounds of both the economic and environmental implications of the loan.

The large size of the loan, as well as the signal that the granting of this loan sends to other lenders to make further loans, will have serious economic repercussions. These are already being felt in the form of the dramatic increase in electricity prices. They will be exacerbated in years to come in the negative impact on the South African economy of further outflows of money as the capital and the interest on the loans are repaid.

Decades of struggle against Apartheid, culminating in the highly effective sanctions campaign, resulted in the World Bank and International Monetary Fund (IMF) being forced to stop lending to the Apartheid Regime. This supposed punishment was a blessing in disguise for post-Apartheid South Africa, in that the country, unlike its counterparts in the rest of Africa and the South, had limited obligations to these agencies.

Yet, the new post-Apartheid Government immediately welcomed the World Bank to write its social and macroeconomic policies, which today are at the root of the service delivery and unemployment debacles. The World Bank had also in the latter years of Apartheid utilised the window of Lesotho to gain a foothold in South Africa in the form of the Lesotho Highlands Water Project, which South Africans have since been

paying for in the form of escalated charges for water services.

Now the Government and Eskom have come full circle, welcoming the World Bank back to the country, not just as designers of the country's social and economic policies, but as financiers as well. We are thus standing at the threshold of the problems that the World Bank and IMF have bestowed on other countries of the South for many decades already.

The nature of the loan as a promoter of accelerated environmental damage and global warming also has its roots in a longer-term relationship between the post-Apartheid Government and the World Bank. The Government, under Thabo Mbeki, foisted the New Partnership for Africa's Development (NEPAD) onto the continent as a thinly veiled African government endorsement of World Bank and IMF policies in order to beg for foreign investment in the continent.

This was followed by the cynical manipulation of the United Nations' environmental agenda at the Rio+10 meeting in Johannesburg in 2002. In the build-up to the event, Mbeki and his international backers counterposed environment and development, expressing a supposed concern as regards poverty in order to shift the focus away from the environment to private sector-led development, naming the event the World Summit on Sustainable Development to this end.

This approach also underpins the World Bank loan to Eskom, which is being promoted as supporting development. Nothing could be further from the truth. The loan is based on an intensification of coal-fired power. This requires the

expansion of coal mining, entailing the further dispossession of people from their land. Coal-fired power stations need highly purified water, but mining pollutes water, so people's water needs will also be sacrificed. These local effects will be exacerbated by the impact of the loan on carbon emissions and global warming, the impact of which is felt disproportionately in the South as altered weather patterns impact on agriculture. The privileging of capital-intensive power stations over more extensive small-scale renewable projects also impacts negatively on employment opportunities. Moreover, the negative impacts of local and global environmental destruction will be passed on to future generations.

It is becoming increasingly evident to all that sustaining the environment and engaging in appropriate development go hand in hand. The collaboration between the World Bank, the Government and Eskom towards the granting of this loan represents an attack on both the environment and the people.

It is on the basis of the above that Jubilee opposes the loan and, more broadly, any form of collaboration between South Africa and the World Bank. Indeed, this loan is another glaring example of why the World Bank should be shut down.

The Citizen

13/04/2010 11:25:54

World Bank to bring problems to SA through Eskom loan

JOHANNESBURG - The World Bank will bestow economic and environmental problems on South Africa through the granting of a US\$3.75 billion loan to electricity parastatal Eskom, social movement Jubilee South Africa said on Tuesday.

'The large size of the loan, as well as the signal that the granting of the loan sends to other lenders to make further loans, will have serious economic repercussions,' Jubilee said in a statement.

It said the World Bank was now not only a designer of the country's social and economic policies, but a financier as well.

South Africa was standing at the threshold of the problems that the World Bank and International Monetary Fund (IMF) had bestowed on other southern countries for many decades.

The social movement said the sanctions campaign during apartheid had actually shielded South Africa from the damage that the policies of the World Bank and IMF caused in other countries.

'This supposed punishment was a blessing in disguise for post-apartheid South Africa, in that the country, unlike its counterparts in the rest of Africa and the South, had limited obligations to these agencies.'

Jubilee said that while the World Bank loan to Eskom was being promoted as

supporting development, 'nothing could be further from the truth'.

The loan was based on an intensification of coal-fired power.

'This requires the expansion of coal mining, entailing the further dispossession of people from their land,' Jubilee said.

'Coal-fired power stations need highly purified water, but mining pollutes water, so people's water needs will also be sacrificed.'

The local effects would be exacerbated by the impact of the loan on carbon emissions and global warming, the impact of which was felt disproportionately in the south as altered weather patterns impacted on agriculture.

'The privileging of capital-intensive power stations over more extensive small-scale renewable projects also impacts negatively on employment opportunities,' Jubilee said.

Moreover, the negative impacts of local and global environmental destruction would be passed on to future generations.

'It is becoming increasingly evident to all that sustaining the environment and engaging in appropriate development go hand in hand. The collaboration between the World Bank, the government and Eskom towards the granting of this loan represents an attack on both the environment and the people.'

Jubilee said it was on this basis that it opposed the loan 'and, more broadly, any form of collaboration between South Africa and the World Bank'.

Indeed, this loan is another glaring example of why the World Bank should be shut down, Jubilee said.

-Sapa

<http://www.wdm.org.uk/blog/blog-post-uk-campaigners-force-uk-abstain-world-bank-coal-loan-still-goes-through>

Blog post: UK campaigners force UK to abstain but World Bank coal loan still goes through
13 April 2010

Alex Wood, Campaigns and Policy Assistant

On Thursday 8 April, the World Bank Board approved a \$3.75 billion loan to the South African energy giant Eskom. The loan was opposed by an international coalition of 200 civil society groups led by 65 South African social and environmental organisations. Despite a huge amount of green spin from the World Bank the core element of this loan is \$3.05 billion for the completion of the 4800 MW Medupi coal-fired power station which will be the fourth biggest coal power station in the world.

The loan comes at a time when it is imperative that the world cuts its addiction to carbon and especially coal. South African civil society is resisting the loan as it will increase South Africa's already high level of debt by 5 per cent. This debt is especially problematic as, being in dollars, it leaves South Africa further exposed to the perils of exchange rate fluctuations.

Civil society is also protesting that the loan will further entrench Eskom's monopoly which has allowed it to provide below cost energy to some of the biggest corporations in the world, while the poor pay around four times as much per unit of energy. There are also serious corruption allegations that the ANC will receive millions of dollars from Hitachi, who are contracted to make the boilers for the power station.

The World Bank has a long history of ignoring South African civil society. For example, during the apartheid era the World Bank provided loans to Eskom even though its electricity was reserved for white businesses and households and despite the liberation movement calling for the World Bank to divest from South Africa.

International pressure, including campaigning by the World Development Movement resulted in the UK abstaining along with the US, Netherlands, Italy and Norway (as a country although it is represented as a group). The US gave its reasoning for abstaining being due to 'concerns about the climate impact of the project'. Whilst the UK claimed that it was too controversial an issue for the UK to vote on during the election period.

The fact the UK abstained and used such a poor excuse (the election period is not stopping the UK taking part in a nuclear security conference today) shows that the Government was forced to recognise the implications of supporting a loan for coal. It should however be recognised that the UK along with the US, Italy and Netherlands took the easy option of least resistance, safe in the knowledge that the loan would be approved. If the UK was truly concerned by the impacts of the loan then they would have voted against it, being the largest donor to the World Bank and with other countries abstaining a UK vote against would have blocked the loan.

The Eskom episode is further evidence that the World Bank is not fit to be involved in climate finance. As the US treasury states the loan showed 'incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation'. Whilst the continued sidelining of civil society, allegations of corruption and

willingness to saddle South Africa with further unfair debt shows that the World Bank remains ill-equipped for dealing with development issues in the global south.

Despite the Board decision the campaign goes on with a demonstration outside the World Bank's office in Pretoria planned for tomorrow. WDM will continue campaigning for the UK to pay back its climate debt with grants not loans which are accountable to local people and managed through democratic institutions such as the UN, rather than through the untrustworthy World Bank.

<http://ghostofsesamestreet.wordpress.com/2010/04/13/please-mr-makwana-can-i-turn-a-light-on/>

Please, Mr Makwana, can I turn a light on?

Here's what's irksome to me at the moment: I have to run my geyser for an hour a day to save on my supposedly high domestic electricity use, for which I may soon be billed 65c per kWh, while some wealthy captain of industry gets to chomp 'state-subsidised' power with all the appetite of a black hole. By the way, I live in a one-bedroom apartment, cook about four times a week, have a single fridge running, and generally prefer to entertain myself by Xbox and candlelight. So I have no idea what constitutes 'high' domestic consumption. What of the Zumas of the world, with their many wives and great brood of offspring? They must be reaching into altitudes beyond the atmosphere by now.

In 2006, I spoke to a certain Eskom official who assured me that users of prepaid meters would be rewarded for lifting the billing burden from municipal shoulders. Apparently, Eskom and local governments were conferring around ways in which to eliminate unpaid electricity bills, the bulk of which were being subsidised by paying customers. Now, it seems, prepaid users are actually paying more per kilowatt-hour than customers running off the grid.

We have been made to feel the weight of our crime – that of high energy demand – by mediated reports of Eskom's forced bid to increase electricity prices by at least 75% by 2011, a flashing pie-like chart that shouts at us from our TV screens every night and threats of more bad shedding this winter. Fantastic. I'll switch off my fridge just in case...

But if the majority of South Africans are living in abject poverty, as the media have it, and only around 70% of people have access to electricity, I have to ask: why is electricity demand so high here, even paralleling some of the larger developed countries?

The answer is to be found in the dirty brown smog that characterises our urban skylines – it has to get there somehow.

According to NERSA member, Themrani Bukula, the gap between prices imposed on domestic users and heavy industry is 'way over 100%'. So how does a large manufacturer get away with paying next to nothing for incredible demand for kilowatt-hours, while the domestic user is required to pay over 100% more per unit and lower his/her demand at the same time?

Because business is business, right? We want large manufacturers to guzzle up our natural resources, cheapen our labour and leach our power supply, so we have value-added exports to offer our trade partners. It's called Foreign Direct Investment. We've become so comfortable with this model of industrialisation that we're unable to undertake our own manufacturing now. And that's how China's been able to dump itself all over the globe (well, that and a currency devaluation policy that has to be illegal somewhere in the universe).

I've been chastised so many times by now, by people ranging from the World Bank's ex-MD Ramphele to my own father, for my belief in the need for protective measures to be built into trade and industrialisation policy. Most of the calls to lower trade barriers come from those developed countries that have the most to gain from an unregulated trade regime. US

economists are realising, finally, the damage that unmitigated and unchecked imports have on GDP. Our trade deficit is widening continuously. Meanwhile, at home, slashed labour and energy tariff deals offered by individual government ministers at the feet of potential 'investors' make it impossible for local manufacturers to compete.

But the real issue is this: they don't need the low prices – we do. I'm not sure how other people feel about sponsoring the energy demands of private manufacturers sitting pretty somewhere in Canada, but it doesn't sit well with me.

The problem, Eskom still holds, remains in domestic consumer demand – although lifestyle audits on our friends in high places, both in the government and at Megawatt Park, might shine a light on why this could be true...

Raising tariffs weren't enough either. As part of its demand side management programme, Eskom's begged a R3.75-billion loan from the World Bank. Anyone who's ever dealt with that institution should know not to touch its money. As yet, we still don't know the conditions on which the loan was granted, despite calls for the government to disclose the details of the deal. What we do know though is that conditions slapped on the backs of contracts with the World Bank never translate into the supposed development and eradication of poverty the loans are intended to effect. In fact, the converse is true. Increased policy restrictions and debt servicing obligations will shrink foreign reserves even more. The fact that the conditions haven't been disclosed suggests that the deal-makers don't want us to know what they are. What have we been shackled to this time? My guess is lower

tariffs on projects backed by the World Bank, among others I don't even want to think about.

Then there's this: additional government funding demanded by Eskom has meant the neglect of other important national assets, like PBMR, the company that is responsible for developing the pebble-bed molecular reactor, which is sounding its swansong in the aftermath of Eskom's latest hijinks. This is sad for a number of reasons. The PBMR is a global first, and certainly a first for SA, having given us an edge in the development of nuclear technologies for non-aggressive purposes. Since government funding dried up plans have been drawn up to shed 600 jobs (about 75% of its staff component) and CEO Jaco Kriek stepped out on the company just a couple of weeks ago.

What are our options? Well, we could do as the fat cats demand – switch off our heaters, geysers, lights and even our fridges; in effect, we could live in the 1800s, surrounded by all of our expensive 21st century technologies, which we're paying for twice over by subsidising the production costs of the guys who sold them to us. Or we could get rid of the leeches and invest in ourselves first. That means a mix of protective thinking and alternative solutions. Perhaps the government should rethink its grubby hold on its monopoly on power supply. Stimulating competition among private and co-generating suppliers could possibly spur into action the parasite Eskom has become. It was a thought abandoned years ago by most, because private suppliers would have had to charge a whack more per unit than Eskom was charging, which, at that time, set it as the cheapest supplier in the world. Well, we no longer have that conundrum to deal with. At 65c per unit,

it's likely that the private sector could do a lot better.

April 13, 2010

Eskom loan a contradiction for World Bank

13 April 2010, Business Day

<http://allafrica.com/stories/201004120782.html>

Johannesburg: SA's application to the World Bank for a \$3,75bn loan, most of which is intended for coal-fired electricity, coincides with a worldwide debate on the appropriate role of international finance institutions, as well as divergent geopolitical interests.

The World Bank's decision on Thursday night to grant the loan appears to be in conflict with its own guidelines, according to the Environmental Defence Fund (EDF), a US-based environmental lobby group.

The World Bank defended its decision, saying that less than 3% of its energy funding went to coal investments in its last fiscal year. Without the loan, SA would face hardship for the poor and limited economic growth. The loan would bolster SA's generation capacity, kick-start substantial investment and improve energy efficiency, the bank said.

Major shareholders of the bank, such as the US, the UK and the Netherlands, abstained from voting after facing enormous domestic pressure to reject the loan.

EDF says the decision highlights the challenge the World Bank faces in adhering to its own investment guidelines, which compel it to support sustainable development and take cognisance of climate risks.

Several analysts would argue that the World Bank consistently ignores its own guidelines anyway, so why the fuss now?

According to Themba Linden, a political adviser to Greenpeace, the bank has attempted to position itself as an institution that would handle international climate finance - in apparent contradiction to its support for Eskom's dirty electricity. 'We're talking about a new paradigm of financing,' Linden says. 'When compared with normal overseas development aid commitments, it's huge.'

The Copenhagen Accord, which is now supported by more than 110 countries, provides for \$30bn a year in fast-start financing for developing countries to adapt to and mitigate climate change risks, which will scale up to \$100bn a year by 2020. Developing countries and nongovernmental organisations have argued that at least \$200bn is needed for climate financing, and that this should be in addition to existing aid commitments.

African countries would prefer that an institution other than the World Bank handled the money. About 100bn is disbursed annually in foreign aid.

Although the loan may not have met World Bank guidelines, a decision not to grant it may have played into China's hands. China is SA's largest trading partner and a valuable ally, and has been eager to increase its influence in Africa.

Saliem Fakir, head of the Living Planet unit at the World Wide Fund for Nature, describes the US's abstention as a canny political move, which registers the country's disapproval of the loan while avoiding a potential backlash had it used its veto power. The US has been reluctant

to ratify the Kyoto Protocol - signed by most countries in 1997 - and has set a weak target of emissions of 3% below 1990 levels by 2020.

Its position is an unashamedly self-interested one, Fakir says: 'If it costs the US, then why should it not cost others?'

He says the World Bank's loan to Eskom is likely to be the last ban for a large coal-fired power station in a developing country. The US has consistently sought to persuade developing countries to take on ambitious commitments on greenhouse gases in order to compel China to rein in its emissions.

China, on the other hand, is adamant that it should be considered as a developing nation like any other, despite its status as the world's largest emitter of greenhouse gases. The tension between the two led to the formation of Basic - Brazil, SA, India and China, which negotiate as a group of major developing economies.

SA itself is already the world's 12th-largest emitter despite half of the population living in poverty, and came under considerable pressure at climate talks last year.

Developing countries, including SA, have argued they should not take on commitments, or targets, which are legally binding, as these should be reserved for industrialised countries.

The Guardian and Washington Post reported on Friday that the US had denied climate aid to Bolivia and Ecuador, which opposed the Copenhagen Accord, in an apparent indication that the Obama administration was 'ready to play hardball' in bringing developing countries into line.

The African National Congress (ANC) must publicly state how much it has benefited from Hitachi Power Africa's share rise, said Democratic Alliance (DA) spokesman Sejamothopo Motau said yesterday.

'The DA welcomes ANC treasurer Matthews Mathews Phosa's admission that the shares held by ANC front company Chancellor House in Hitachi Power Africa, the company awarded a multibillion-rand contract in Eskom's new Medupi power station, clearly created a situation in which the ANC was seen to be taking advantage of the taxpayer to raise money,' he said.

'We also welcome Mr. Phosa's announcement that the ANC will disinvest its share in Hitachi.' However Motau said the announcement had come too late and wanted the ruling party to divulge how much they would earn from the sale of shares in Hitachi.

'The fact is that even by selling their shares in Hitachi Power Africa within the next six weeks, as Phosa has now stated that Chancellor House will do, the ANC will stand to make an enormous profit on the deal,' he said.

'Matthews Phosa must go further and say how much the ANC has benefited from Hitachi's taxpayer-funded share rise. The value of their shares in the company will no doubt have risen exponentially over this period of time, and particularly after the World Bank loan was granted.' Motau said the ANC, through Chancellor House, had now already made their killing.

Last week the DA called for the World Bank to make their US\$3.75 billion loan conditional on the ANC divesting its stake in Hitachi. The ANC hit back at the DA, claiming they were unpatriotic and 'bent on

destroying the growing South African economy to satisfy narrow interests'.

The DA will submit a private members legislative proposal to parliament this week in an attempt to ban political parties from 'tendering and contracting with general government'. 'Passing legislation of that sort will be the only way for Phosa to be able to genuinely claim to the South African people that his party is serious about avoiding conflicts of interest of this sort,' Motau said.

New turmoil over ANC's power deal

James Brent-Styan |

Tue, 13 Apr 2010 10:02

[miningmx.com] -- The ANC's controversial investment arm, Chancellor House Holdings (CHH), will not sell its stake in Hitachi Power Africa, despite the ANC saying this would happen.

On Monday CHH chief executive Mamatho Netsianda informed Sake24 by SMS that the stake would not be sold.

Netsianda declined to respond to questions telephonically or comment on the World Bank loan that was granted to Eskom last week.

Chancellor House has a 25% stake in Hitachi Africa, which has contracts to build boilers for the country's new power stations.

But over the weekend ANC treasurer-general Mathews Phosa said the ANC would dispose of the Hitachi stake within the next six to eight weeks.

On Monday, responding to Netsianda's comments, Phosa commented that Netsianda was just an ordinary employee. He referred questions to ANC heavyweight Popo Molefe. Molefe could not be reached.

Chancellor House was established by the ANC but is owned by a trust that makes donations to the party. Molefe is the chairperson of the Chancellor House Trust. It's uncertain who has the final say about the Hitachi stake. According to government officials this is Phosa.

Energy Minister Dipuo Peters recently told Sake24 that the future of the Hitachi stake was in the hands of the ANC's treasurer-general. He was the one to decide whether or not the stake would be sold.

Netsianda and the ANC have previously butted heads with Phosa, who has admitted to Sake24 that the ANC has little control over CHH and what goes on there.

According to Reuters, Phosa and Molefe have met and the two agree - according to Phosa - that the Hitachi stake must be sold.

But last week Netsianda told the Wall Street Journal he did not care who the shareholders in Chancellor House were. It did not matter, he said, whether they were God, Satan or the ANC - it was he who managed Chancellor House.

In 2008 Phosa had declared that the stake would be sold 'within weeks'. This has not happened.

Eskom and Hitachi referred questions to Chancellor House.

- Sake24.com

www.mg.co.za

'Chancellor House not selling Hitachi stake'

JOHANNESBURG, SOUTH AFRICA

Apr 13 2010 15:25

It was not up to the ANC to decide whether its investment arm, Chancellor House Holdings, should get rid of its stake in Hitachi, party secretary general Gwede Mantashe said on Tuesday.

Chancellor House owns 25% of Hitachi Power, which won a contract to supply boilers to power Eskom's two new coal-fired power stations.

'Whether we are going to dispose of our stake ... I don't think that decision should be taken in Luthuli House because you have got a company which is having a board,' he told media in Boksburg.

Mantashe was speaking after 'brutal' and 'candid' talks with alliance partner the Congress of South African Trade Unions (Cosatu) at Luthuli House, the ANC headquarters in Johannesburg, on Monday.

Cosatu had criticised the ANC's involvement in Hitachi, with its general secretary Zwelinzima Vavi saying if it was true that the ruling party had such a stake then 'God help us all.'

ANC treasurer Mathews Phosa said on the weekend that the party was planning 'to exit within the next six weeks -- but no one must hold us to six weeks because you don't know what will happen in a commercial transaction'.

The World Bank approved the controversial \$3,75-billion loan to develop a coal-fired

power plant in South Africa despite the lack of support from the United States, The Netherlands and Britain.

'That decision [on whether to sell its stake] must be taken at that level rather than our level. That's the right thing to do,' said Mantashe.

'Proper decisions'

'If we begin to manage the investment company from Luthuli House it is likely to be more inefficient. But if it is run by its management team under the guidance of the board it will take proper decisions depending on what is in the interests of the company.'

Mantashe distanced the ruling party from decisions taken by Chancellor House, after opposition parties raised objections to the ANC's involvement in the company, citing it as a conflict of interest due to the Eskom deal.

'The ANC has no stake in Hitachi, we invest in Chancellor House. Full stop. Where Chancellor House invests doesn't translate into ANC having a stake,' Mantashe said.

'Chancellor House may have a stake. That is economics 101.'

Reports on Tuesday quoted Chancellor House managing director Mamatho Netsianda as saying via SMS: 'Please do not call me. The official position is: Chancellor House Holdings is not selling its stake in Hitachi Power Africa.' - Sapa

Engineering News

World Bank sets 2021 deadline installation of FGD at Medupi

By: Terence Creamer

13th April 2010

The installation of flue gas desulphurisation (FGD) technology at the Medupi coal-fired power station, the construction of which will be part funded by a \$3,75-billion loan from the World Bank, has been confirmed as a loan-package condition.

The technology, which will reduce sulphur-dioxide emissions, would have to be retrofitted, owing to the fact that it had not been included in the plant's original design. This would add to the project's capital cost, and its water consumption.

The bank published its 'Project Appraisal' document for the controversial loan on Tuesday, which shows that Eskom will need to develop, adopt and thereafter implement a FGD programme across each of the plant's six power generation units by no later than June 30, 2013.

It is also stipulated that FGD equipment for the first generation unit must commence on the later of either the sixth anniversary of the commissioning date, or by March 31, 2018. The FGD equipment for all six generation units would need to be installed and be fully operational by no later than December 31, 2021.

The FGD installation between 2018 and 2021 will be aligned to the scheduled operational maintenance programme of the Medupi units, which would be taken off-line for routine maintenance after six years of operation.

The bank notes that the sulphur content of the coal to be used at Medupi, which is calculated at 1,4% by weight, together with the large scale of the plant, some 4 800 MW, meant that sulphur-dioxide emissions could have a 'significant adverse environmental impact'.

Therefore, sulphur-dioxide emissions would have to be removed using a 'wet FGD' solution, or a gypsum process, using limestone located at Kraalhoek and Dwaalboom, some 180 km from the Lephalale site.

The process would increase the plant's water consumption and the World Bank has, thus, flagged for possible concern the fact that sufficient water might not be available in time for the commissioning of the last three units or the FGD equipment.

'Progress on the project to supply the required amount of water is on schedule. Nevertheless, the Bank has requested evidence from the Department of Water Affairs to Eskom, committing to timely water supply,' the document states.

The water allocation is dependent on the availability of water from the Mokolo and Crocodile Water Augmentation project, which is not expected to become available until 2014 at the earliest.

The FGD system is expected to add at least \$150/kW to the final capital cost, while yearly water consumption, including FGD, will rise to 12-million m³.

The total cost of Medupi is estimated at about \$12,1-billion.

Moneyweb

12 April 2010 23:12

ANC to sell Hitachi Power stake: Harald Pakendorf – political analyst

Alec Hogg Alec Hogg is a writer and broadcaster. He founded Moneyweb and is its editor-in-chief.

ALEC HOGG: A warm welcome to Harald Pakendorf, former editor and independent political analyst. Harald, I'm sure you've been following the whole story with the ANC's Chancellor House involvement in the Medupi project - and its relationship to the World Bank as well - with a lot of interest. It now appears as if the ANC is definitely going to be selling out of this company it uses to raise money to go into elections. No doubt it's a good thing, but is there any guarantee that it won't be repeated?

HARALD PAKENDORF: Well, you sound as if you actually believe them! Remember, they made the same promise two years ago. There was the same statement by Matthews Phosa, the treasurer-general, who said: 'A clean book now. We open a new page, we're not going to do this kind of stuff any more.' And now again. I notice that the ANC waited until the World Bank had actually given the billions to Hitachi. Now that surely must increase the value of their 25% in Hitachi, and it should be asked what is the value of that money, and whom does it go to, and how do you get it? Just before we came on air you ran an ad which said something like how difficult it is to ... your first business. Clearly not for the ANC. You exchange 25% - and I am sure they didn't pay anything for it - and you expect to make a billion rand in profit. You know, I don't think they'd just give it

up. They first said two weeks, now they say six weeks - let's see.

ALEC HOGG: But it is interesting in the whole area of corruption, and what is corruption and what isn't corruption. Thabo Mbeki often quoted the saying that it's not just the people who get corrupted, but the corruptees - in other words, Hitachi. In something like this, to certain economies it would be regarded as outright corruption. But isn't it positive at least that the ANC is wanting to - or publicly saying it will - divest.

HARALD PAKENDORF: Well, two things. First of all, you are anybody right, and a nearby example is Lesotho where, if I may remind you, the people who took the bribes were charged and found guilty, and the people who paid the bribes were also taken to court. There are examples like that. Not everywhere in the world, but certainly in a country near us. But the fact that the ANC said this - there you are also right, because the ANC has in the last week shown a very clear indication that they are sensitive to public opinion. Public opinion on Hitachi, on Terre'Blanche, on Malema - not that they want to go into that sort of business. But at least they have suddenly realised, look, there are a lot of people out there who feel differently and we have to react to that. In that sense, certainly it's important. But let me repeat what I said earlier - let's see if it actually happens. And if it happens that they give up 25%, do they give up the billion rand and walk away and say: 'We are these nice, clean guys.' No, I suspect they'll take the money and run and then say: 'Well, look what we did. We actually and finally sold off.'

ALEC HOGG: Behind the scenes there was pressure on the World Bank to insert a

condition that the ANC had to sell Hitachi. When we spoke with the World Bank in Washington, they- publicly at least - said that there was no involvement. Now, you know what goes on behind the scenes - is it likely that they would have tried to force the ANC to do the sale?

HARALD PAKENDORF: I think it's entirely likely. You will have noticed that everybody who normally you would think would vote for us, like the Dutch and the English and the Americans, they didn't vote in this particular space. But it still went through. In other words, they knew it would go through. So for internal political reasons they kept their noses clean, and the reason why they gave us the money - not us, but Eskom, although we'll pay for it eventually - is that in a developing country if you don't give that kind of a loan, other people will be out of work, there won't be electricity and so on, which is a fair argument. I don't have much of a problem with that. But I am sure they must have said in between: 'OK, we'll give the loan, but you have to sell off your 25% of this deal.'

<http://www.mineweb.com//mineweb/view/mineweb/en/page96990?oid=102580&sn=2010+Detail&pid=96990>

Mineweb

Eskom loans and the platinum price

This week's edition explores the World Bank loan given to SA utility Eskom and the implications for the country's mining sector. It also looks at the platinum sector and the reasons behind current price surge

Interviewer: Geoff Candy Posted: Monday , 12 Apr 2010 Download this interview

GEOFF CANDY: Welcome to this week's Beyond the Headlines podcast and joining me, as always, is Barry Sergeant in Johannesburg. One of the big stories that's making headlines this week - not just in South Africa, but also around the world - is whether or not the World Bank is going to be lending South Africa's state utility Eskom, a substantial amount of money to build a new coal fired power station. There's been a lot of controversy for all sorts of reasons but let's start with why does Eskom need the money in the first place.

BARRY SERGEANT: Well Eskom as it's well known, has been in a very distressed state for some time now. The national grid in South Africa fell over in January 2008 and from then, the nation has been on high alert as to the generating power of Eskom, which has been neglected in terms of new capacity, for years and at the same time, because of other mismanagement, the company is in a distressed financial state. Its balance sheet simply cannot bear the kind of financing that it is facing, even in the short term, never mind long term - hundreds of billions of rands. So the World

Bank \$3.75bn - which has been approved overnight - which is dedicated to the Medupi Power Station - that is going to be a big coal fired power station - is absolutely good news for South Africa, whether from a political financial or social point of view. Of course it has many controversies around it like the emission issues, and also the fact that the governing party, the ANC, has a 25% stake in Hitachi Power Africa (HPA) which is of course, a subsidiary of the big Hitachi global group. Essentially what's happened there, is that HPA has been awarded the boiler contract at Medupi and the ANC, through a company called Chancellor House, holds 25% of the local HPA and will benefit to the tune of an estimated R1bn. The huge question there is, how can a loan from anybody anywhere in the world, go towards funding a political party? On the face of it, it's simply illegal.

GEOFF CANDY: Now I know that the World Bank did acknowledge those issues, and it said that it's not going to be lending money to those parts of the project that will benefit Hitachi South Africa, but even so, it does seem a little strange.

BARRY SERGEANT: Yes - which is an extraordinary thing. You've got this power station to be built - which is an integrated unit - you've got the coal coming in, the coal being burnt, the boilers, the steam coming out, and then the turbines, which are powering the generators. The World Bank financing which is going to be used to finance, let's say, all of it except for the boiler - so you're going to have this integrated power plant, which has this extraordinary two-tier finance, and it just doesn't make sense. One understands that the power plant will go up, but to finance something on that basis because a political

party is getting a huge handout, it boggles the mind.

GEOFF CANDY: Clearly Medupi is expected to play an important role in this future sustainability of the South African electricity grid, and that's something that the mining sector is paying close attention to.

BARRY SERGEANT: Yes very much so. Well South Africa, as we stand today before any new power stations go up, has one of the highest per capita emissions ratios in the world, and one of the main reasons for that is that the mining sector is a very high consumer of power. The single biggest consumers are the BHP Billiton aluminium units, which are sitting in South Africa at Richards Bay and at Mozal in Mozambique. And behind that, you've got the very big ferrochrome smelters - South Africa is the world's biggest producer of ferrochrome and it goes right across the board. If you look at the gold mines, the deep level gold mines are also big consumers of power - so the mining sector is definitely the top user. And in many instances, the mining sector will find it difficult to scale back substantially on power usage, although under emergency conditions, the average scale back has been 10%.

GEOFF CANDY: And I suppose one of the problems is that a lot of these companies and smelters were attracted to South Africa many years ago because of the stable and key power that we used to have here. It's going to be interesting to see what happens now.

BARRY SERGEANT: Yes very much so - the record shows very clearly that after democracy in 1994, South Africa's planning, certainly in Eskom, fell by the wayside. In the early 1990s there was

indeed stranded power - there was too much capacity - and that is where BHP Billiton almost did the Eskom structure a favour by building some of the world's biggest aluminium smelters in order to be able to use that stranded power - stranded power being power that has been generated because of the size of the power stations, but which is not being consumed. So BHP Billiton in those days did Eskom a big favour and today, it's being looked at as something of a bugbear. So the climate is difficult for the mining sector at this stage, and of course, there's a lot of talk so far - and it is only talk - that the mining companies are going to be putting up some of their own power stations. But that in its own way is bedraggled by Eskom and government's inability to formulate and put into firm legislative structures the type of entities that can be used alongside Eskom, to generate power. Eskom of course being a sole supplier - it's a protected monopoly at this stage.

GEOFF CANDY: And talking about BHP Billiton, they've started renegotiating their power supply agreements with Eskom almost because of that...

BARRY SERGEANT: Yes indeed. The actual contract between BHP Billiton and Eskom is confidential - most of the contracts are with large users - but I don't think it's any secret that from day one in the early 1990s - the tariff that BHP Billiton pays in general terms is linked to the rand price of aluminium as quoted in London. So there are two variables there - the dollar aluminium price and the rand-dollar exchange rate. And the idea is that when the aluminium price is high, that is when Eskom will share in a greater percentage - in other words it will be charging a proportionately higher tariff - and if the aluminium price falls out of bed, then

Eskom will to a certain extent, protect the kind of margins that BHP Billiton has. The wild factor - the rand - complicates that equation, and in the past couple of years in particular, we've seen Eskom booking billions of rands of losses on its so-called embedded derivatives, which were taken out to protect itself against volatility in aluminium and the exchange rate. Quite clearly if you look at the losses they've been posting, they read that market incorrectly, or they did not hedge their positions properly. It looks like for the year to 31 March 2010, Eskom is going to be posting losses on that front, of at least R10bn. So that has been a major factor in BHP Billiton agreeing to sit down with Eskom and renegotiate the terms of its contracts.

Sunday Independent

Apartheid-era type of arrogance must stop, now

April 11, 2010 Edition 1

The decision by the World Bank to grant Eskom its much-needed loan to finance its building project evokes conflicting emotions.

It is prima facie a good development for it means we are edging closer to a more reliable supply of electricity, which bodes well for those seeking to invest here and to those who dread load-shedding for how it unleashes chaos in our lives.

Having said this, it is disconcerting that part of this loan will help the ANC, apparently very spineless of late, to make close to a R1 billion through means that are less than honest.

It is now common knowledge that the ANC is an empowerment partner of Hitachi, which is a partner in the consortium constructing the multi-billion-rand Medupi power station.

It is also common cause that when then-Eskom chairman Valli Moosa and his team took a decision to award the contract to Hitachi and others (read ANC), Moosa was a member of the ANC national executive committee.

So, put differently, the ANC in the person of Moosa took a decision to enrich itself through a dubious scheme involving Hitachi and other players.

While we are relieved Eskom will not be seeking to add to its steep tariff increases to finance Medupi from the already-battered South African consumer, we are extremely unhappy that it has managed to get the World Bank to finance a corrupt deal.

The ANC has acted shamelessly in pursuing this deal.

By conducting itself in this manner, the ANC has shown all of us the proverbial middle finger, exuding the sort of arrogance you would expect from the National Party of yesteryear - not from the party of Oliver Tambo, Walter Sisulu and Nelson Mandela.

But, alas, times have changed.

One of the hallmarks of the Nats' repressive machinery was their over-zealousness in their

attacks on media. We see very clear signs of these today, what with ANC Youth League president Julius Malema spewing bile and acting like Eugene TerreBlanche in his heyday and the dirty tricks campaign against the media by the league's Floyd Shivambu.

The manner in which Shivambu carries out his campaign, Malema wags his finger and President Jacob Zuma and ANC secretary-general Gwede Mantashe remain reticent on a patently corrupt deal tells a story of unfettered arrogance.

For the ANC's own sake, this should stop.

The Mercury

ANC will probably make money from selling shares

April 13, 2010 Edition 1

So, the ANC is considering selling its shares in Hitachi (The Mercury, April 12). No doubt these shares have increased in value, especially since they awarded themselves such a nice chunk of the Medupi Project.

The right things to do would be:

Recover their original purchase price, which should be declared - plus profit of say 10 percent per annum of ownership, but the remainder should be ploughed into something worthy, such as education or health;

To prove that this was not a deliberate moneymaking scheme for the ANC; and

The shares should be sold on the open market and not sold to any related-party vested interest, such as ANC bigwigs, otherwise it defeats the object entirely.

Devlyn Fraser

Umkomaas

The Daily News

Parties sceptical about Hitachi sale
12 April 2010, 14:37

Opposition political parties have reacted with scepticism to the ANC's announcement that its investment arm, Chancellor House, plans to sell its controversial 25 percent stake in Hitachi Power Africa.

ANC treasurer, Mathews Phosa, said Chancellor House had been instructed to sell its stake two weeks ago.

Phosa yesterday told the Daily News that the governing party was, for the first time, developing a comprehensive system to regulate political party funding.

He said the ANC held a meeting of 45 regional treasurers in Johannesburg on Friday to debate party funding. A final paper would be tabled at the party's national general council in Durban in September.

Phosa denied the decision to sell Chancellor House's stake in Hitachi Power Africa had anything to do with the World Bank's \$3.7 billion (R27bn) loan to Eskom.

The Daily News

Chancellor House stood to profit after the power utility awarded a multibillion contract to Hitachi to supply boilers for its new Medupi power station.

Phosa said the ANC had expressed 'discomfort' over the Chancellor House stake in Hitachi since the party's Polokwane conference.

'Before the Polokwane conference Chancellor House was boiling. That is why I said then that we should exit Hitachi. It has been a long process to disinvest, but we hope to conclude the exiting process within six months,' Phosa said.

ID chief whip, Lance Greyling, said the decision to divest from Hitachi 'will have to be seen to be believed'.

'This is not the first time we have heard such a promise from Phosa, but this time around the ANC is under far more pressure to do the right thing,' Greyling said.

DA energy spokesman, Sejamothopo Motau, said the decision showed the ANC was acknowledging 'it is improper... to benefit from government business when it controls the decision-making process'.

* This article was originally published on page 2 of The Daily News on April 12, 2010

Sunday Times

11 April 2010

Chancellor House cloud over \$3.75bn Eskom loan

Storm Brewing: World Bank raises concerns over political links but sale could spark fresh row

Rob Rose

Front company unaware of imminent sale by ANC, writes Rob Rose. ANC treasurer Mathews Phosa says Chancellor House, a front company for the ruling party, is expected to announce the sale of its 25% stake in Hitachi Power Africa in the next six weeks

quote 'We're definitely not interested in getting involved in shady deals and taking advantage of the taxpayer to raise money' quote

This surprise news came hours after the World Bank granted a \$3.75-billion loan to Eskom, despite the fact that the parastatal awarded a R38.5-billion contract in 2008 to Hitachi to build boilers at its new coal-fired 4800MW Medupi power station.

Political parties - led vocally by the Independent Democrats (ID) and Democratic Alliance (DA) - had lobbied the World Bank unsuccessfully this week to refuse the loan unless Chancellor House sold its Hitachi investment.

But Phosa told the Sunday Times on Friday: 'We have advised Chancellor House of our desire to exit from Hitachi as quickly as possible, and they are in the process of doing so. My expectation is that this will be done in the next six weeks.'

Phosa's commitment seems to contradict ANC secretary-general Gwede Mantashe, who said this week that the party would exit its Hitachi investment only if the rules on political funding were changed for all parties.

There will also be scepticism, as Phosa first said in 2008 that Chancellor House would sell its share in Hitachi - and this has yet to happen.

But, putting a deadline to it for the first time, Phosa emphasised that 'this is not a loose deadline, we want this done quickly'.

'(The ANC) took a decision to disinvest. Initially, there were different views, but we now have

agreed to disinvest, and Chancellor House has accepted that. But as a shareholder, we can only give advice to Chancellor House,' he said.

He admitted the Hitachi investment was 'always a borderline case' of a conflict of interest, given that government awarded the R38.5-billion tender to Hitachi, in which the ruling party has an interest.

'We're definitely not interested in getting involved in shady deals and taking advantage of the taxpayer to raise money. We want to set a proper example and be accountable,' Phosa said.

As part of the shareholders' agreement, Chancellor House must first offer its 25% shareholding in Hitachi Power Africa back to Hitachi.

But Robin Duff, chief financial officer at Hitachi Power Africa, said on Friday that 'we haven't had an approach' from Chancellor House about repurchasing the shares.

However, he did say the company would make an announcement in the next few weeks 'to set the record straight'.

Whether any sale will happen as Phosa intends remains to be seen.

Professor Taole Mokoena, who chairs Chancellor House, said: 'We are an independent company and nobody tells the directors what to do'.

He added that Phosa 'certainly hasn't told me' of the desire to sell the shares.

What complicates matters is that Chancellor House is owned a Trust, with no beneficiaries specified. This allows the board of trustees - chaired by Popo Molefe - to 'donate' cash where they want.

This new assurance of an imminent sale are likely to spur talk that some form of back-room pressure was applied to the ANC, before the World Bank agreed to provide the \$3.75-billion loan.

The loan - \$3-billion of which is for Medupi, \$260-million for wind and solar projects, and \$485-million for low-carbon energy projects - was granted despite the US, the UK and the Netherlands abstaining for 'environmental reasons'.

The problem is that Medupi will burn coal, creating 'significant greenhouse gas emissions', as the US Treasury noted.

But Eskom chief financial officer Paul O'Flaherty said on Friday that a number of World Bank member countries had also expressed concerns about the ruling party's involvement in Hitachi.

O'Flaherty said the World Bank had raised concerns about the Hitachi investment 'and were quite adamant that this was something they would not fund'.

If Chancellor House sold its shares in Hitachi, 'that would take a lot of pressure off us', he said.

However, Eskom argued successfully that none of the World Bank cash would be used to pay for the Hitachi contract, as this was a separate 'package' for which it had already obtained finance.

World Bank spokesman Sarwat Hussain said: 'All along, we've said that the Hitachi component (of Medupi) is not part of what we're financing.'

Hussain added that 'we have done our own due diligence, which included looking at our fiduciary responsibilities'.

But critics have ridiculed the view that the Hitachi contract was somehow separate from the rest of the Medupi project.

ID MP Lance Greyling said it was an 'artificial divide, to say the cash will not be used for the Hitachi part of the project'.

Greyling added that the World Bank loan would 'inadvertently be funding a massive conflict of interest where the ruling party is able to benefit handsomely from a government tender'.

He said he hoped 'unofficial pressure' would be brought to bear on the ANC to ensure that Chancellor House got rid of its Hitachi investment.

But while the outcome of the World Bank vote was never really in doubt, Eskom will breathe easier now that it has raised enough cash to pay the entire R125-billion it needs to build Medupi.

However, it still needs R45-billion for another power station, Kusile.

O'Flaherty said the World Bank loan was also granted at a relatively low interest rate, which should help (marginally) to keep a lid on the electricity hikes for consumers.

The interest rate floats according to the London Interbank Offered Rate, meaning that right now, hypothetically, Eskom would pay an interest rate of 9.6% on the World Bank loan - less than the 9.8% it pays bondholders and more than 10% which it pays banks for loans.

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Eskom power 'too costly by far'

KEVIN DAVIE AND LYNLEY DONNELLY |

JOHANNESBURG, SOUTH AFRICA –

Apr 12 2010 14:14

Eskom will not solve the country's electricity crisis by itself, Xstrata's Mick Davis told an audience at the Wits Business School this week.

Davis said that Eskom's power stations cost \$3 500 (R25 600) a kilowatt to build versus between \$1 500 and \$2 000 for 'modular' units, now the preferred method of construction for the power-generation industry.

'Companies are taking modular units off the shelf, whereas Eskom is creating bespoke power stations,' he said, noting that this era was over. 'It is no longer a valid model,' Davis, a former finance chief at Eskom, said.

Eskom is building two such 'bespoke' power stations, Medupi and Kusile, at a combined capacity of 9,6-million kilowatts. Costing \$1 500 a kilowatt more than the modular option, this rounds off at just over R100-billion in additional costs.

Eskom's head of generation, Brian Dames, says Medupi and Kusile's kilowatt costs are not \$3 500. He says this is based on dividing the nominal value by the capacity.

Dames says a comparison that takes into account time-based factors, such as interest, shows that these plants are cost-comparable with similar plants in the United States and Europe. Chinese and Indian plants are cheaper when built in the host countries, but not when built in the Southern African Development Community region.

'We are comparable with benchmark studies,' he said, noting that factors such as interest payable and the location of the plant had to be taken into account.

Dames said capital cost was an important consideration, as was the cost of electricity and the life of the plant.

Eskom and its shareholder, the government, are short of a lot of money to complete Medupi and Kusile.

South Africa went cap in hand at the World Bank, looking to loan R22-billion to help plug a massive funding gap that Eskom faces even after it was granted tariff increases of 25% per year over the next three years by regulator Nersa.

Eskom finance chief Paul O'Flaherty said that after the 25-25-25 increases agreed to by Nersa, Eskom faced a R45-billion funding shortfall in year three, including the World Bank loan.

A report released by Cadiz Securities showed that the tariff increase announced by Nersa is insufficient.

Cadiz's Kim Silberman said with the 25% increase, Eskom's shortfall is R100-billion over the next three years, rising to R183-billion in the next five years.

Silberman argued that without Kusile, power shortages will take place in 2013, and that to ensure Kusile is built a minimum 31% tariff increase is needed.

Observers have suggested that Kusile be scrapped or postponed to ease the funding crisis. Nersa said it had also examined this possibility to reduce Eskom's capital requirements.

'The investigation showed that a delay in Kusile will attract non-value costs such as penalties, site establishment and IDC [interest during construction] costs, which are not desirable. Thus, Eskom's cash flow position would not necessarily be improved by delaying Kusile to 2015,' Nersa said.

One analyst told the Mail & Guardian that the penalties for not proceeding with Kusile amount to R50-billion, in part because the boilers and turbines for the project have already been procured. This part of the project is controversial as the ANC's investment arm, Chancellor House, is a beneficiary from the awarding of these contracts.

O'Flaherty indicated that the funding for the boilers and turbines was already mostly secured. From Eskom's point of view, decoupling of Medupi and Kusile does not appear to be an option, and neither does not proceeding with Kusile.

'It is important to proceed with Kusile. If we don't have it, we don't have lights,' said Dames.

O'Flaherty said that following board sessions, various avenues had been listed to raise additional finance. Forty-six options in all have been identified, including Eskom issuing its own bonds and finding strategic partners at project level.

It appears that Eskom has done a poor job in calculating the costs for Medupi and Kusile.

The Nersa document detailing its reasons for awarding the increases said that Eskom's estimate for building these two power stations had doubled from R33-billion each in 2006 to R66-billion each in 2007-2008, and then almost doubled again to R120-billion in 2008-2009. And there are suggestions that the final cost for the two stations could be R140-billion each.

Nersa said that over the course of the development of the stations 'from concept stage to contract stage, actual costs replaced estimates and overhead costs were added, including interest during construction', which resulted in the escalations.

In addition, it said some of this had happened before the world recession was triggered and escalation of the dollar price of a new coal-fired power station added to the increases, with local inflation.

Dames echoed this, saying the R33-billion figure for Medupi in the Nersa report was only for the first few units at Medupi, before Eskom had gone to the market with tenders.

He said that R76-billion was the initial cost estimate for Medupi. Interest payments during construction and a contingency to take into account commodity fluctuations were responsible for more than 50% of the cost escalations to the current R125-billion.

Last week a 2009 public protector's report was tabled in Parliament, which found that former Eskom chair Valli Moosa was guilty of a conflict of interest when Eskom awarded the contracts for Medupi and Kusile to Hitachi Power Africa, in which Chancellor House has a 25% stake. Moosa was chair of Eskom as well as a member of the ANC's national executive committee at the time of awarding the contract.

The DA's Helen Zille, who has been opposing the World Bank loan, said the contracts are worth R1-billion in profit to the ANC.

Stiff opposition to the loan, on both corporate governance grounds and on environmental concerns, prompted the departments of public enterprises, national treasury and environmental affairs to release a statement on Wednesday.

On the Chancellor House matter, it said the government 'is mindful of concerns in this regard' and that it 'will continue to engage with all concerned stakeholders on this important question, with a view to having a constructive dialogue'.

'We will ensure that we have a transparent framework to deal with matters such as these,' the statement said.

It also pointed to a much larger 'funding window' of \$6-billion available to SA, which included the \$3,75-billion for Eskom. Alongside the Eskom loan, \$1,25-billion would be available for emissions reduction measures. A further \$1-billion was available, said the statement, but the government was 'yet to make a determination' on how it would use it.

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The little town that could

SHARON VAN WYK - Apr 09 2010 15:34

Eskom wants to run power lines through a tiny town that even apartheid couldn't reach

It's a mouse preparing to roar. A little town that can. A David intending to fell Goliath ... and hardly anyone in South Africa has heard of it.

Tesselaarsdal, a quiet community of almost 2000 people, high in the mountains of the Western Cape's Overberg region, is only barely on the map. It's so insignificant that 230 years of South African history have completely passed it by.

'They tried to classify us during apartheid, but we chased them off with broomsticks,' says John van Hendricks, whose family has lived here for nine generations.

It will take more than broomsticks to run off the latest threat to Tesselaarsdal. A new foe has presented itself; one which has made the familiar mistake of overbooking this patchwork of verdant meadows dotted with ancient homesteads -- Eskom.

As part of its plans to build a new nuclear power station on the coast at Bantamsklip, some 33km away as the crow flies, Eskom has run proposed new power lines directly over the heads of the people of Tesselaarsdal.

'They didn't see us on the map,' says Hendricks. The map in question is part of a scoping report being undertaken by environmental assessment practitioner Arcus Gibb, appointed by Eskom to assess the viability of the proposed power station. It shows the proposed routes of new power lines, two of which, known as the Bantamsklip-Bacchus Alt 1 and Alt 2 routes, almost completely obliterate Tesselaarsdal.

'We're fed up with being ignored,' says Hendricks. 'We found out about these power lines only in March last year, after other concerned citizens in the area let us know what was going on. We'd been gearing ourselves up, trying to develop the place as a tourist destination, getting projects going to attract visitors.

'We had plans for hiking and eco-trails in the hills and to get some guesthouses going with tea gardens and restaurants and the like. We also have some very overgrown graveyards with graves going back 250 years or more, which we wanted to fix up and which are important from a heritage point of view,' says Hendricks.

'We might as well kiss those hopes and dreams goodbye because no one is going to want to take a holiday under high-voltage power lines.'

Tesselaarsdal's potential tourism credentials are boosted by its colourful history. Originally the farm Hartebeestrivier, Tesselaarsdal is named after Johannes Jacobus Tesselaar, a former East India settler-turned-farmer of the late 1700s who bequeathed the farm to coloured slaves upon his death in 1810.

In a South African context this simple act makes Tesselaarsdal one of the most politically correct settlements in the country. It was way ahead of its time, with people of mixed race owning and working their land in the early 1800s, co-existing happily with white settlers in the area.

Although full legal title to the land was not to come until the early 1990s, the way of life in Tesselaarsdal remained largely unchanged, with the descendants of Tesselaar's freed slaves and inheritors quietly getting on with life as history passed them by.

'It's a very interesting and pretty place to visit,' says Hendricks.

'We've always had people from Cape Town coming here for the weekend and the like. Some have bought houses here and renovated them. But we were wanting to attract other visitors too,' he says.

It's easy to see the attraction of Tesselaarsdal. The gently sloping hills are dotted with ancient farmhouses and outbuildings. Most have been around since Tesselaar's time, making the village a veritable living museum. Plans are afoot to restore the original Cape Dutch architecture, but these, too, have been put on hold until the future of Bantamsklip is decided.

Eskom's selection of the Bantamsklip site has everyone scratching their heads. 'Ground zero' is a beautiful stretch of fynbos that runs up to an equally pristine beach a short distance from the town of Pearly Beach on the farm Groot Hagekraal,

which also used to belong to Tesselaar. This is a biodiversity hotspot, with 27 endemic species found on the farm. Offshore southern right whales frequent the protected waters each year to calf.

So the question that begs to be asked is: why is Eskom spending untold millions of rands assessing a site that appears to the layperson to be patently unsuitable?

'There seem to be fatal flaws in the EIA [environmental impact assessment] process,' says Katrin Pobantz, vice-chairperson of the Tesselaarsdal Action Group, originally set up to fight the proposed power lines and nuclear power station at Bantamsklip but now a broad-based community body in the process of registering as a non-profit organisation.

'Fatal flaws' are construed as being factors in an initial ecological study, which is part of a pre-EIA screening process, that confirm that a site proposed for development is one of the few remaining habitats of an endangered species.

'The Overstrand and Overberg regions are home to rare, endemic and endangered species of fynbos and one of the last remaining populations of South Africa's national bird -- the blue crane -- which is listed as vulnerable in the Red Data Book of South Africa.

'Ironically, the Red Data Book is sponsored by Eskom,' says Pobantz. Also ironic is the fact that untold numbers of blue crane die each year through fatal collisions with high-voltage power lines.

Eskom's nuclear spokesperson, Tony Stott, says that the decision about whether or not to pursue the Bantamsklip site and its associated transmission lines is still a long way from being made, even though the EIA for the proposed nuclear power station is nearing completion.

'Once a draft EIA report is finished, it has to be put forward for public comment. After this, the EIA has to be approved and signed off by the Department of Environmental Affairs,' says Stott.

'With regard to the EIA for the transmission lines associated with the Bantamsklip site, I am aware that the scoping phase has raised concerns for the people of Tesselaarsdal,' he says. 'The process used by our environmental assessment practitioner was to find possible routes for the transmission lines and then walk those routes, talking to farmers and

communities along the proposed routes to assess the impact of the lines. Sadly, this process has created the perception that decisions have already been taken, which they haven't, of course.'

Hendricks and Tesselaarsdal have little faith in Stott's reassurances. 'Many of us believe that the EIA is a smokescreen and that the decision to go ahead with the power station has already been taken,' says Hendricks. 'You only have to look at Eskom and wonder. They don't exactly have a great track record at the moment and we feel we can't trust them,' he says.

'All we can do is fight as hard as we can against this,' he says. 'We've been ignored and screwed by successive governments since this country began. We are not going to be ignored this time. Eskom must catch a wake-up.'

<http://www.archive.org/details/4910PatrickBondAndWilliamMoomawDebateOnClimateJusticeSouthAfrica>

4/9/10 Patrick Bond and William Moomaw Debate on Climate Justice, South Africa and the World Bank

Audio recording of an informal debate on Climate Justice, South Africa and the World Bank between Prof. Patrick Bond of the University of KwaZulu Natal and the Center for Civil Society in Durban, South Africa and Prof. William Moomaw of Tufts University and the Intergovernmental Panel on Climate Change. The event took place on April 9th, 2010 at the encuentro 5 movement space in Boston, Massachusetts in the United States, and was recorded under the Creative Commons Attribution Non-Commercial Share-Alike License 2010 by Jason Pramas for Open Media Boston, www.openmediaboston.org.

http://www.huffingtonpost.com/bruce-nilles/world-bank-vote-gives-bil_b_530432.html

Bruce Nilles

Director of Sierra Club's Beyond Coal Campaign
Posted: April 8, 2010 01:24 PM

World Bank Vote Gives Billions to Coal

There is bad news for clean energy and our planet today, as the United States fails to follow its own global warming guidelines. The World Bank today approved a \$3.75 billion loan to South African power utility Eskom to help build a 4,800 megawatt coal-fired power plant in Medupi. The funding would also facilitate plans for a second large coal plant in Kusile. The coal plants will be among the largest and most polluting worldwide.

Though the U.S. is the single largest shareholder in the Bank, the U.S. abstained from the vote to approve the loan, giving tacit approval to the coal plant funding. The decision goes against a coal guidance policy issued by the U.S. Treasury during talks in Copenhagen which encourages the development and funding of no or low carbon energy sources.

I blogged on this topic in March, as well, but unfortunately the endless protests and opposition to this move from the World Bank did not convince them otherwise. Check out this article and video of a protest in front of the World Bank yesterday, featuring Desmond D'Sa, chairperson of both the Wentworth Development Forum and the Coordinator of South Durban Community Environmental Alliance.

Granting financial assistance to projects like the Eskom coal plants -- that will dramatically increase global warming pollution -- is at cross purposes with everything else the Obama administration and the federal government is doing to reduce emissions, phase out fossil fuel subsidies, and make the switch to clean energy sources.

Like D'Sa's groups, nearly 200 organizations from South Africa and around the world have voiced opposition for the loan. Residents of the affected South African communities filed a complaint with the World Bank's inspection panel earlier this week.

Chairmen of three U.S. Congressional committees with control over World Bank funding also expressed concerns, writing World Bank President

Zoellick last week to raise 'serious questions' about the wisdom of granting the request in light of the leadership role the Bank should be playing in post Copenhagen climate finance.

The World Bank should be using its financial assistance to help developing economies leapfrog high carbon development and promote investment in clean and ultimately cheaper alternatives such as wind and solar.

The coal plants proposed by Eskom would produce 25- 40 million tons of global warming pollution each year, and would operate without the latest pollution controls for sulfur dioxide putting the health of African communities at risk. Eskom plans to sell the bulk of the power from the coal plants to industrial clients at deep discounts, while charging residential customers three to five times more for the remaining power.

Our South African coalition partners put it best when describing this decision.

'Twenty years from now, people will look back and see this loan as a missed opportunity to change the world for the better,' said Tristen Taylor, Project Coordinator of Earthlife Africa Jhb. 'Eskom and the World Bank have made a monumental failure to appreciate not only the dire circumstances that humanity finds itself in but also the possibility of alternative, cleaner and more efficient development. Today's children will judge them harshly.'

The Guardian

<http://www.guardian.co.uk/business/2010/apr/09/world-bank-criticised-over-power-station>

World Bank's \$3.75bn coal plant loan defies environment criticism US, Britain, the Netherlands, Italy and Norway abstain from vote in protest

Suzanne Goldenberg, US environment correspondent The Guardian, Friday 9 April 2010

The World Bank approved a controversial \$3.75bn loan to build one of the world's largest coal plants in South Africa yesterday, defying international protests and sharp criticism from the Obama administration that the project would fuel climate change.

The proposed Medupi station, operated by South Africa's state-owned Eskom company, was fiercely opposed by an international coalition of grassroots, church and environmental activists who said it would hurt the environment and do little to help end poverty. As planned, it would put out 25m tonnes of carbon dioxide a year and would prevent South Africa making good on a promise to try to curb future emissions.

The bank said it had acted to help South Africa escape a crippling power shortage. 'Without an increased energy supply, South Africans will face hardship for the poor and limited economic growth,' said Obiageli Ezekwesili, the World Bank's vice president for Africa.

But the bank's approval for the Medupi station, though expected, was overshadowed by dissatisfaction from American and European donors, as well as a groundswell of protests.

America, Britain, the Netherlands, Italy and Norway registered their opposition to the loan by abstaining from the vote, the traditional method of dissent on the board which operates by consensus.

In a statement, the US treasury department said the loan was incompatible with the bank's stated commitment to promoting low carbon economic development.

'We expect that the World Bank will not bring forward similar coal projects from middle-income countries in the future without a plan to ensure there is no net increase in carbon emissions,' it

said. Britain, registering its abstention, noted the controversy surrounding the plant. '

'The project raises several sensitive and potentially controversial issues which it has not been possible to resolve before this period began,' a statement from Dfid said.

However, a World Bank official said the strong wording of such statements did not carry over to the Board's discussions of the loan. 'It was not an easy decision,' he said. 'Everybody recognised the concerns about climate change, but this was a balancing act.'

The vote by the World Bank had been widely seen as a test of the Obama administration's commitment to new guidelines put forward barely three months to shift aid to the developing world away from coal and fossil fuels to less polluting energy sources.

The administration had come under strong pressure from Democratic leaders in Congress as well as environmental organisations to try to block the loan.

Environmental organisations said its decision to abstain fell short.

'I am not going to give them points for abstaining. This was totally the easy way out,' said Karen Ornstein of Friends of the Earth. 'If the US were to follow its own clean coal guidance for multilateral development banks it would have had to vote no on this loan.'

Michael Stulman of Africa Action said the entire project was misguided, and would do little to help poor South Africans. 'This is one of those stereotypical development disaster stories,' he said.

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<http://www.econjustice.net/wbbb/>

San Francisco Supervisor Ross Mirkarimi: 'The loan provides sobering proof that the World Bank's recent talk about its commitment to climate finance was nothing but a bunch of hot air. We will renew our commitment to keep our clean money from being tarnished by investment in the World Bank's coal-dirtied bonds.'

Nancy J. Nadel, Oakland City Council District 3: 'It is a great shame that just weeks after the Copenhagen climate conference, the World Bank is moving backwards with respect to reducing greenhouse gas emissions by deciding to finance a huge new coal-fired power plant that will mainly benefit large mining and metallurgical industries. This current decision to build a coal-fired plant is another bad decision for the health of the community and the environment. The broad opposition by South African civil society and justice organizations around the world to this new power plant--and its associated 127% electricity price increases for poor people over the next four years--indicates that the World Bank still favors multinational fossil-fuel capital over poor people. This is the tradition which our municipalities in the Bay Area reacted to in 2000 by endorsing the boycott of World Bank bonds. Responsible investors should not be part of the World Bank's bad decision to finance projects that work against the best interest of the world community and progressive energy policy.'

Press Release: World Bank's Climate and Governance Disaster

groundWork, Friends of the Earth, South Africa & Earthlife Africa Johannesburg

8th of April 2010

Both Earthlife Africa Jhb and groundWork, Friends of the Earth, South Africa are disappointed with the World Bank's decision to go ahead with its loan to Eskom. By making this decision, the World Bank has shown, quite clearly, that it has no regard for the state of the world's climate and environment, the future of South Africa, and economic principles of transparency and corruption. The World Bank is not a responsible lender.

The Medupi power station will put out about 30 million tons of CO2 per annum and, at a time when the world desperately needs to reduce global greenhouse gas emissions, the World Bank is actively funding coal. This is an assault on the livelihoods and way of life of global citizenry. Instead of using its financial resources to help developing economies leapfrog from carbon intensive development and promoting investment in clean and ultimately cheaper alternatives, such as wind and solar, the World Bank is propagating 'business as usual'. This is akin to fighting a fire with petrol.

Tristen Taylor, Project Coordinator of Earthlife Africa Jhb, states, 'Twenty years from now, people will look back and see this loan as a missed opportunity to change the world for the better. Eskom and the World Bank have made a monumental failure to appreciate not only the dire circumstances that humanity finds itself in but also the possibility of alternative, cleaner, and more efficient development. Today's children will judge them harshly in the years to come.'

According to both local and international research, Southern Africa will be one of the hardest hit areas of the world as the climate warms. We will see droughts, species extinction, food shortages and spreading of diseases such as malaria. We will pay for this loan, not only in dollars, but also in the overall health and welfare of South Africa. The World Bank and its supporters do not have South Africa's long-term interests at heart.

As the loan is dollar based, this means that South Africa not only has a significant repayment risk in terms of currency exchange rates (if the Rand

weakens to the dollar, the size of this loan will increase) but is also now forced to earn foreign currency to pay back this loan. The result will be a further entrenching of an export-orientated economy in raw materials; an economic model that has consistently failed, for the last hundred years, to eradicate poverty in the country. Paradoxically, an export-economy based on raw minerals extraction requires cheap electricity, thus deepening Eskom's revenue woes. Essentially, the easy path of World Bank money will come at a high cost in the decades to come.

Further, the World Bank seems to be completely unconcerned about the future water supply and air quality around Medupi. Bobby Peek, Director of groundWork, Friends of the Earth South Africa warns that, 'the environmental and social cost of this development will impact on all South Africans as three major water catchments, the Limpopo, Vaal and Senque (Orange) River are all going to have their water diverted for Medupi and future power stations. Already our government has agreed that the Waterberg will exceed its air pollution carrying capacity in future. Not only is this area going to be a sacrifice zone, the entire country will, and the World Bank knows this but chooses to ignore it. They will be held accountable.'

Apart from these critical issues, the World Bank has made a complete mockery of own efforts to tackle corruption and promote good governance. The ruling party will benefit financially from the completion of Medupi (through its Chancellor House investment in Hitachi Power Africa) and hence the loan. What is the World Bank saying about open democracy and financial accountability? Nothing. Apparently not only is it okay for the World Bank to make this loan, in full knowledge of the ANC's windfall, the World Bank thinks that it is right and proper for the people of South Africa to pay back that loan, not the ANC.

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April 8, 2010

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SABC News Online

Treasury assures proper usage of Eskom loan

April 10 2010, 8:10:00

Sherwin Bryce-Pease; Washington

The Treasury has given the assurance that there are adequate checks and balances in place to ensure that the loan that the World Bank has granted Eskom is properly used. The bank granted Eskom the loan yesterday, issuing a statement distancing itself from contracts that might benefit the African National Congress (ANC) through the R29 billion loan.

The bank has emphasised its strong responsibilities regarding the deal, saying it intends to closely monitor the implementation of the deal. In a statement e-mailed to the SABC, a World Bank spokesperson says the Hitachi contract was awarded in 2007, long before they became involved in the deal. The statement also indicates that the World Bank is not party to the awarding of the contract and is also not a party to its payment.

The ANC's investment arm, Chancellor House, has a 25% stake in Hitachi Africa which has been linked to the contracts with Eskom's Medupi power station, causing concern that the ruling party would benefit unfairly.

Democratic Alliance leader Helen Zille opposed the loan earlier this week, saying it would benefit the ANC to the tune of R1 billion. At the same time, an environmental lobby group, Groundwork, has added its voice to the criticisms levelled at the World Bank for granting Eskom the loan. The loan will be used mainly to complete a coal fired power station, Medupi, at Lephalale in Limpopo.

Groundwork's head Bobby Teek says the decision is a set-back to climate change and global warming. Teek says in granting the loan, it is clear the World Bank has no regard for climate change, no regard for the Lephalale environment as well as no concern about transparency and corruption which are issues that have been raised during the loan process.

http://www.democracynow.org/2010/4/9/world_bank_approves_multibillion_dollar_loan

World Bank Approves Multi-Billion-Dollar Loan for Coal-Fired Power Plant in South Africa

Even as the worst coal mine disaster in the United States in a quarter of a century unfolds in West Virginia, the World Bank has approved a controversial \$3.75 billion loan for South Africa to build one of the world's largest coal-fired power plants. Environmentalists in South Africa and abroad have criticized the decision and are urging the bank to stop supporting the development of coal plants and other large emitters of greenhouse gas emissions. We speak with one of the chief critics of the project, South African environmentalist Desmond D'Sa. [includes rush transcript]

Desmond D'Sa, South African environmentalist and coordinator of the South Durban Community Environmental Alliance.

AMY GOODMAN: The World Bank has approved a controversial \$3.75 billion loan for South Africa to build one of the world's largest coal-fired power plants. The World Bank said the loan to the South African utility company, Eskom, would help, quote, 'South Africa achieve a reliable electricity supply.' But environmentalists in South Africa and abroad have criticized the decision and are urging the bank to stop supporting the development of coal plants and other large emitters of greenhouse gas emissions.

The United States, the Netherlands, Britain abstained from Thursday's vote. The US Treasury said it abstained because of, quote, 'concerns about the climate impact of the project and its incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation.' The \$3.75 billion [loan] includes \$750 million for financing for renewables and energy efficiency projects in South Africa.

The project is also controversial in South Africa because the investment arm of the ruling African National Congress has a financial stake in the construction of the coal plant.

We're joined now by one of the chief critics of the projects in South Africa. Desmond D'Sa is a South African environmentalist. He's coordinator of the South Durban Community Environmental Alliance, currently in the United States, joining us from Yale University in New Haven, Connecticut.

Desmond D'Sa, Welcome to Democracy Now! Talk about your concern about this coal-powered plant and the World Bank's financing of it.

DESMOND D'SA: Well, thank you. Thank you for having me, and thank you to the listeners in the US.

I've arrived here on the 5th, and basically, this campaign around the 'Keep the Coal in the Hole' started off in October last year, and suddenly it was swift. It started after we got wind in South Africa that the energy corporation, the parastatal Eskom, was applying for a loan to the World Bank. In addition, it applied to the national energy regulator in South Africa to increase its tariffs to residents in South Africa, already feeling the high impact of high levels of tariffs that we were paying.

Having visited the local communities in and around the Medupi Power Station, as well as all the mines that are proposed to be open and those currently open already in that area, and hearing firsthand testimonials of the impact of the coal mining industry in South Africa, communities across the divide, right across race, creed and color and religion, have come out and are in total opposition to this loan being granted.

It is shocking that we see that governments in the US, which have opposed—who a vision for an alternative energy regime, as well as cleaner air, are the ones abstaining and not voting against this sort of loan.

We are well aware that this loan will not help the poor, the poorest of the poor, in South Africa. In fact, the opposite is going to happen. Already, we have over 20,000 cutoffs in the major city in South Africa, Soweto, the biggest black township in South Africa. Twenty thousand people are having their electricity cut off on a monthly basis, because they just cannot afford to work. We know, with the current economic crisis in South Africa, over a million people lost their jobs in 2009. And I would just want to say that we've already got millions of poor black South Africans who do not have access to the grid, who do not have access to cheap alternative electricity. And they do not use the highest energy from the Eskom company.

Well, what is happening is that 40 percent of electricity is directly linked to the major energy users, the major corporates in South Africa, such as your aluminium smelters, BHP Billiton, as well as your Hulett Aluminium and your major paper and

petrochemical industries in South Africa. We know for a fact that we've asked for information around the contracts, these special deals, what we call the sweetheart deal, and this has not been forthcoming, both from government and from Eskom itself. And this information has been provided to the World Bank.

AMY GOODMAN: Desmond, I wanted to ask you about the politics of countries like the United States not voting for it, but voting—well, abstaining from the vote. Clearly, you had some impact on them. Also, a number of leading senators and congressmen, like Barney Frank, like Senator Patrick Leahy, like Senator John Kerry, urged the World Bank not to support this. At the same time, you have the World Bank defending the loan, which it called the first major 'lending engagement' to South Africa since the fall of apartheid, as a way to benefit the poor by creating jobs and expanding access to electricity. But talk about the movement that has gotten these countries at least to abstain.

DESMOND D'SA: Well, I must thank the NGOs across the world, throughout the US, the biggest groups in the US, the environmental NGOs, as well as Africa Action and other NGOs, the Bank Information Center, Groundwork USA, and all the NGOs in the US, including across Europe, who lobbied very hard to talk to the political—in their country and to ask them to really vote for a no.

We were hoping that the US would be bold, as they've been bold in their vision, bold in their statements, and bold in their policies, of looking at alternatives to the coal regime. We were hopeful that we could persuade the vote from the US to vote no, and the people in South Africa are looking to the US for bold leadership in this matter, especially the poor people, who feel—who face the impact of climate change in South Africa, who live alongside these coal-fired facilities, who suffer the high levels of asthma and cancer and the heavy metals that get emitted from these facilities. So it's those people who are looking for bold leadership in the US and were hoping that the US will be bold in their decision and vote no for it.

However, having said that, I've heard that the dissenting voices were huge, and that in itself should send a signal to the World Bank that, you know, coal is not something that should be—we should keep the coal in the hole. You know, we should not be supporting and financing coal-fired power stations and coal-fired mining industries, as these cause severe destruction and damage

throughout the world, and particularly in South Africa, where we've experienced huge amounts of climate change. Both we've had severe droughts, as well as we've had some severe rainfalls in certain areas. And as I stated already—

AMY GOODMAN: Desmond D'Sa, what is it like—what is it like for you to come here to the United States at the time of the worst mining disaster in more than a quarter of a century in West Virginia—twenty-five miners dead, four missing? That's, of course, a mine. You're in South Africa. Yours is the next step; it's the coal plant. But the whole issue of coal politics and what it means in this campaign you have, 'Keep the Coal in the Hole'?

DESMOND D'SA: Well, my sympathies go out to the West Virginia miners that have lost their lives and their families. And I must say, I cried when I heard about it, because it reminded me back home of the many miners and the many people that have died through coal mining in South Africa. And when I saw this here, my first impression was to cry tears. And, you know, I sympathize with the family.

I certainly believe that there needs to be other—we need to look at other alternatives. We need to engage with the workers and to find other sustainable energy that can be safe, that can provide a sustainable future for the present, and to protect the present generation. I think that's been lacking.

And I think that the campaign to keep the hole in the coal—the coal in the hole is a very good one. Having lots of experiences in South Africa, where we've had huge mining—hundreds of mining miners have been killed throughout the years of the mining industry in South Africa, and continues. We know with the present project of this forty—this million-dollar loan that will be give to Eskom, it's going to build the fourth-biggest coal-fired power station in the world, Medupi, and that will require forty new mines. And we are concerned about that, because, once again, people's lives will be at stake here, the safety factor will be at stake. But more importantly, hundreds of people that live in those communities will be forced out of them and lose their cultural, their agricultural land. Their water is already contaminated. The area that we're talking about in South Africa, most of the water is contaminated with acid rain. And so, we are seriously concerned.

AMY GOODMAN: Desmond D'Sa, we only have five seconds. We only have five seconds. I just want to

know if you think you can turn the World Bank's decision around.

DESMOND D'SA: Well, this campaign has started, and we certainly believe we are not going to leave it just as that. This campaign is going to be ongoing, and we will continue to lobby the political in Washington, as well as throughout the US, and including across the—

AMY GOODMAN: We're going to leave it there, Desmond D'Sa. Thank you very much for joining us from Yale University in New Haven, South African environmentalist, coordinator of the South Durban Community Environmental Alliance.

World Bank Vote Gives Billions to Coal

United States Fails to Follow Own Global Warming Guidelines

The World Bank today approved a \$3.75 billion loan to South African power utility Eskom to help build a 4,800 MW coal-fired power plant in Lephalale in the Waterberg. The funding would also facilitate plans for a second large coal plant in Witbank. The coal plants will be among the largest and most polluting worldwide.

'Twenty years from now, people will look back and see this loan as a missed opportunity to change the world for the better. Eskom and the World Bank have made a monumental failure to appreciate not only the dire circumstances that humanity finds itself in but also the possibility of alternative, cleaner and more efficient development. Today's children will judge them harshly,' said Tristen Taylor, Project Coordinator of Earthlife Africa Jhb.

Though the US is the largest shareholder of the Bank, the Obama administration abstained from the vote to approve the loan, giving tacit approval to the coal plant funding. The decision goes against a coal guidance policy issued by the US Treasury during UN climate talks in Copenhagen which encourages the development and funding of no or low carbon energy sources.

'This doesn't fit. Giving financial assistance to projects that dramatically increase global warming pollution is counter to everything else the Obama administration is doing to transition to a clean energy future,' said Mark Kresowik, finance representative for the Sierra Club's Beyond Coal campaign.

Nearly 200 organizations from South Africa and around the world have voiced opposition to the loan, saying that it will contribute to energy poverty and environmental destruction. Residents of the affected South African communities filed a complaint with the World Bank's inspection panel earlier this week. Chairmen of three U.S. Congressional committees with control over World Bank funding also expressed concerns, writing World Bank President Zoellick last week to raise 'serious questions' about the wisdom of granting the request as the world works to head off the worst impacts of climate change.

The World Bank has pushed aggressively to capture control of international funding for developing

countries to address climate change, even as it rushed to approve this coal loan.

'The loan is just one example of how the World Bank funds polluting projects that destabilize the climate and perpetuate poverty. This should end misconceptions that the World Bank can be trusted with overseeing international funds aimed at solving the climate crisis,' said Karen Orenstein of Friends of the Earth.

'The World Bank should be using its financial assistance to help developing economies leapfrog high carbon development and promote investment in clean and ultimately cheaper alternatives such as wind and solar,' said Sunita Dubey of groundWork.

The coal plants proposed by Eskom are two of three proposed for the Waterberg area and would produce 25- 40 million tons of global warming pollution each year, tripling Eskom's CO2 emissions by 2018. The plants would operate without the latest pollution controls for sulfur dioxide, putting the health of African communities at risk. Eskom plans to sell the bulk of the power from the coal plants to industrial clients at deep discounts, while charging residential customers three to five times more for the remaining power.

ANC welcomes World Bank decision on Eskom

9 April 2010

The African National Congress (ANC) warmly welcomes the decision by the World Bank to grant the much-needed \$3.75 billion loan to the South African power utility, Eskom. The loan will now see the realisation of major expansion projects proceeding well and unhindered by financial constraints.

The recapitalisation of our energy industry signals a boost in economic development and guarantees a security of supply, not only in the country but in neighbouring South African Development Community (SADC) countries dependent on South Africa for power supply.

We hail the decision by the World Bank in putting not only the interests of the people of South Africa first but the entire continent, confounding such narrow critics like the Democratic Alliance (DA) leader Helen Zille who have been campaigning against the granting of the loan.

The failed bid by Zille has exposed her and the DA clique not only as unpatriotic but bent on destroying the growing South African economy to satisfy narrow interests.

Issued by:
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African National Congress

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Eskom Media Release

ESKOM WELCOMES THE DECISION OF THE WORLD BANK

The World Bank has approved South Africa's request for a US\$3.75 billion loan to co-finance the Medupi power plant in Lephalale, Limpopo Province, and Eskom's proposed concentrated solar project and wind energy projects.

'This loan is a vote of confidence in South Africa and Eskom. On behalf of the Board of Directors, I welcome this commitment to South Africa and to the regions' future development. Eskom is thankful to all the role-players for making this loan possible. We look forward to the mutually beneficial relationship that will result from this support,' says Eskom's Acting Chairman, Mpho Makwana.

'The World Bank loan significantly contributes to the provision of baseload power. Improved energy security will advance South Africa's development agenda for economic growth and human upliftment in South Africa and the region,' adds Makwana.

Paul O'Flaherty, Eskom's Finance Director, explained that the World Bank loan is part of a multi-year investment programme that provides the foundation for the necessary electricity expansion in South Africa. In line with our existing multilateral funding, these funds combine favourable financing rates with a structured repayment profile, thereby making it an economically attractive option to contribute to South Africa's future economic growth.

'This approval clears the way for the full construction of Medupi Power Station and is catalytic for South Africa's commitment to renewable energy and lower carbon technologies such as large-scale solar thermal and wind power. The funding is well aligned to jump-start progress on South Africa's commitment to a lower carbon footprint,' says O'Flaherty.

The completion of Medupi is a matter of urgent national interest, as the energy demands have grown considerably in the past 15 years and are projected to grow further as the economy expands. In particular, as the electricity system remains critically tight between 2011 and 2012. Construction is progressing well and the first unit of Medupi is expected to come on line in 2012. Medupi will be the largest dry-cooled power plant in the world, and Africa's first plant using 'supercritical' technology; and will provide 4 800 MW of power – an addition

of more than 10% to South Africa's existing baseload.

'Our challenges are great and we have solid plans to address the needs. In addition to the capacity that this loan will help fund, we need to rise to the challenge of using energy more efficiently whilst planning responsibly for future energy infrastructure development. We are very pleased that the World Bank has agreed with our planning and granted this substantial loan,' says Makwana.

ENDS

Johannesburg Star

Bank helps SA keeps lights on with loan

April 09, 2010 Edition 3

The World Bank has approved the granting of a \$3.75 billion (about R27bn) loan to electricity parastatal Eskom.

The World Bank, late last night, said its board of executive directors had approved the loan 'to help South Africa achieve a reliable electricity supply while also financing some of the biggest solar and wind power plants in the developing world'.

It added that the loan was the bank's first major lending engagement with South Africa since the fall of apartheid 16 years ago.

'The loan is provided to South Africa's power utility, Eskom, and was brought about by unique circumstances, including South Africa's energy crisis of 2007 and early 2008, and the global financial crisis that exposed the country's vulnerability to an energy shock and severe economic consequences,' it said.

The loan will assist Eskom with its development of a coal-fired power station at Medupi in northern Limpopo.

While \$3bn of the loan would fund the bulk of the construction of Medupi, the remainder of the funds would go towards renewable energy.

Over the past weeks, the loan proposal raised objections from political parties and environmental groups.

However, the government and the power utility stressed that there was no alternative but to develop Medupi to 'keep the lights on' in the country.

Creamer's Engineering News

Second Take: Climate politics and the World Bank's loan

By: Terence Creamer
9th April 2010

If there was but one lesson to draw from the way processes unfolded around the recent granting by the World Bank of a \$3,75-billion loan for Eskom, it is that climate politics have become a real factor in both the energy and the energy-financing equation.

The fact that the US, the UK and the Netherlands – all key allies of this country (indeed two even have previous colonial ties) – could not bring themselves to openly support a package, is both somewhat maddening and instructive.

The hypocrisy aside, what it really tells us is that the climate change issue is no longer simply the domain of environmental activists and concerned scientists. It is now a real political factor that is shaping the minds of voters and potentially the outcome of elections.

To be sure, all three countries were fully aware that the loan was well within the World Bank's mandate. Indeed, the development finance institution is set up precisely to support these types of projects, albeit with the necessary environmental safeguards.

They would also all be conscious of just how important the loan was to helping Eskom and South Africa deal with the burgeoning cost of what has become an urgent power build programme.

Thirdly, they would surely have been aware that the 4 800-MW Medupi project is key to dealing with a looming security-of-supply problem, which is arguably South Africa's most worrying immediate real economic challenge and one that could have a serious impact on US, Dutch and UK business interests in South Africa.

And, they were also certainly not naive enough to think that the project would be halted simply because the loan was not forthcoming.

Still, they felt constrained to openly support the loan package. The lesson, I believe, is that, in the politics of climate, new alliances could well be forged, while old ones might well not be worth much at all.

Video Clip: Creamer Media's Mariaan Webb speaks to Engineering News editor Terence Creamer about the World Bank's \$3,75-billion loan to State-owned power utility Eskom.

Eskom loan granted at 0.5% interest

BUSINESS DAY ONLINE

Published: 2010/04/09 05:27:01 PM

The Eskom loan from the World Bank has been granted at a 0.5% fixed margin of interest in what's been described as the 'cheapest money' around

The Eskom loan from the World Bank has been granted at an interest rate of 0.5% in what's been described as a loan agreement that offers the 'cheapest money' around.

The loan which was granted yesterday in Washington after lengthy speculation over the bank's willingness to grant the loan, will be paid over a period of 28.5 years, with a grace period of seven years.

Speaking to Business Day Online Sarwat Hussain, World Bank spokesperson in South Africa said the loan was a signal of the World Bank's commitment to South Africa's growth and drive to provide electricity to all South Africans.

'The World Bank's finance is the cheapest available in the market just now...given the liquidity crunch and the global financial crisis, this is the cheapest money available', Hussain says.

The \$3.75bn loan to co-finance the Medupi power plant in Lephalale, Limpopo Province, and Eskom's proposed concentrated solar project and wind energy projects.

Eskom in a statement today has welcomed the World Bank's decision to grant the power utility a \$3.5bn loan.

'This loan is a vote of confidence in South Africa and Eskom. On behalf of the Board of Directors, I welcome this commitment to South Africa and to the regions' future development,' Eskom's Acting Chairman, Mpho Makwana said.

According to Eskom's statement, the loan has three important components namely:

— \$3.0bn for Medupi Power Station and related infrastructure, Africa's first power station using 'supercritical' technology which increases the efficiency of the plant.

— \$260 million for investments in renewable energy (Wind and Concentrated Solar Power projects).

— \$490 million for investment in low-carbon energy efficiency components comprising road to rail coal transportation and technical assistance for improvements in energy efficiencies of existing plants.

Eskom to 'scour market' for R45bn

Apr 09 2010 15:16 Sikonathi Mantshantsha

Eskom says it will almost immediately hit the road in search of the remaining R45bn it needs to build its second new power station Kusile.

Johannesburg - Having secured a controversial R27.3bn (\$3.75bn) loan from the World Bank, Eskom is setting about raising a further R45bn, said Eskom finance director Paul O'Flaherty.

In an interview with Fin24.com, O'Flaherty said Eskom had appointed JP Morgan and Credit Suisse which would 'scour the markets' over the next two months in search of a funding plan.

'We have appointed funding advisers to find the most optimal ways of funding the gap. Over the next six weeks they will be giving us a firmer plan.'

The balance of the funding would be for Kusile, a second 4 800 MW power station in the country's Mpumalanga province. The World Bank loan was for Medupi in Limpopo province.

'The funding in place will carry us through the next 36 months,' said O'Flaherty. Eskom has about 18 months to fill the gap. 'By mid-May we will have a firmer plan for Kusile,' said O'Flaherty.

The R45bn comes in addition to the proposed sale of a maximum 49% stake in the proposed Kusile station. The projected proceeds from the partial privatisation are about R20bn.

O'Flaherty was, however, quick to point out that the project will not be delayed because of the R45bn deficit.

Between 5% and 10% of the construction work has already been done at Kusile, and the first of six generating units will be commissioned by 2014, said O'Flaherty. 'We have placed 70% of all contracts for Kusile.'

Commenting on the World Bank loan, O'Flaherty said it had effectively plugged capital shortfalls for the construction of the Medupi power station.

'There's no funding shortfall for Medupi and construction work is going right ahead,' O'Flaherty told Fin24.com.

He added there would be no construction delays at the 4 800MW Medupi coal-fired station as all the required funding is now in place.

The first of six generating units at Medupi is still expected to be commissioned by mid-2012; it will be the first new power station in nearly 30 years.

In January, Eskom said over 10% of the construction work had been done at the station, a figure O'Flaherty now says is 'way above 10%'.

'Medupi will be built within budget and on time,' Eskom generation business chief officer Brian Dames said at the time. The project's total cost stands at R125bn.

An agreement on the \$3.75bn with the World Bank will be signed after a week. After that, the funds will be available immediately to be 'drawn down as the costs arise'. That means that whenever Eskom needs to pay for inputs and equipment, it will draw on the facility.

- Fin24.com

NYTimes reporter

Andy Revkin
Dot Earth blogger, Reporter
April 9th, 2010
11:22 am

US vote against World Bank funding for S. African coal-burning power plant (project was approved) <http://j.mp/SAfrPower> directly relates to the issues here. Can the world attack energy poverty and pursue climate security and acknowledge where one need is dominant (and where fossil fuels can and should play a role)?

Kerry On World Bank's Approval Of The Eskom Project

WASHINGTON, D.C. – Today, Senate Foreign Relations Committee Chairman John Kerry (D-Mass.) issued a statement following the World Bank vote on the Eskom power project:

'The Eskom project and America's decision to abstain must mark the end of the era of abundant international subsidies for dirty coal-fired power plants. There are better ways to promote urgent energy access in the developing world without exacerbating the looming threat of catastrophic climate change which will ultimately hit Africa and the developing world the hardest. Moving forward, the World Bank should be leading the way by leveraging its funding and broad expertise to promote new, low carbon footprint energy sources that mitigate climate change.

'The good news is that this project triggered a debate that already resulted in improvements since South Africa's submission. South Africa, working with the World Bank and Treasury, has included additional renewable and energy efficiency components. Perhaps most importantly, South Africa has now publicly declared its intent to devote \$1.25 billion of the remaining funding opportunity to emission reduction efforts.'

8/04/2010 16:01:38

Mantashe wrong on Hitachi: ID

CAPE TOWN - ANC secretary general Gwede Mantashe's protestations that the ruling party would not turn a profit from Eskom's new power plants marked a new moral low for the ruling party, the Independent Democrats said on Thursday.

'Mantashe's argument is completely disingenuous and neatly avoids a number of facts,' ID energy spokesman Lance Greyling said in a statement.

'His suggestion that it is a misnomer to say that the ANC is benefiting from the deal with Eskom, as it is only investing in Hitachi, which is an international company, is ridiculous,' Greyling said.

He said the same went for Mantashe's claim that since there was a set contract between Eskom and Hitachi, its value would not be influenced by steep electricity tariff increases over the next three years.

'Once again Mantashe is trying to defend the indefensible,' he said.

Opposition parties argue that the increases create a conflict of interest for the ANC, which is expected to earn billions of rands from Hitachi Power Africa's contract to supply boilers for Eskom's new Medupi power plant as a result of the 25 percent stake the ruling party's investment company, Chancellor House, holds in the contractor.

Recently, labour federation and ANC ally the Congress of SA Trade Unions has added its voice to the concerns raised about the link.

The ID and the Democratic Alliance have lobbied the World Bank not to grant an unconditional loan to Eskom to make up its funding shortfall to complete its infrastructure expansion.

The bank's decision was due Thursday.

'The bulk of this money will go towards funding the building of Medupi power station, which in effect means that a large portion of it will be paid over to Hitachi Power Africa and indeed, Mantashe's very own ANC,' said Greyling.

'The World Bank ban will therefore inadvertently be funding a massive conflict of interest where the ruling party is able to benefit handsomely from a government tender.'

The secretary general's remarks 'show the depths to which the ANC's morality has sunk,' he added.

- Sapa

US, Dutch abstain from World Bank loan to Eskom

By: Reuters
8th April 2010

WASHINGTON - The United States and the Netherlands on Thursday abstained from supporting a controversial World Bank loan for a coal-fired power plant in South Africa, citing concerns about its impact on the environment.

The World Bank's board, however, is set to approve the controversial \$3.75-billion loan regardless of whether it has US, Dutch or possibly British support.

South African state utility Eskom has defended the development of the 4,800 megawatt Medupi plant in the northern Limpopo region, saying it is critical to ease the country's chronic power shortages as well as ensuring electricity flows to neighboring states.

The U.S. Treasury said in a statement it opposed the loan due to 'concerns about the climate impact of the project and its incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation.'

A Dutch Foreign Ministry spokesman said it had advised its representative at the World Bank to abstain and withhold its support for the project.

'The Netherlands believes Eskom is doing relatively too little to develop alternatives to coal, so we don't think this is a good proposal,' the spokesman told Reuters.

'We also understand that South Africa is in need of extra energy capacity to support its economic growth. Therefore, the Netherlands has advised our (executive director) for our constituency to abstain,' he added.

World Bank board decisions are arrived at through consensus among member countries rather than through voting, and countries can indicate their lack of support by abstaining from discussion of the issue.

While \$3 billion of the loan will fund the bulk of the coal-fired plant, the remainder of the financing will go toward renewables and energy-efficiency projects.

'We believe this project is important for South Africa and South Africans and we expect it will be well

received by the board,' World Bank spokesman Peter Stephens told Reuters.

CLEAN ENERGY CHOICES

The U.S. Treasury said the project was inconsistent with U.S. guidelines issued in December by the Obama administration on coal-related lending by development banks.

It said the project was also incompatible with the World Bank's strategy to help countries pursue economic growth and poverty reduction in ways that are environmentally friendly.

The Treasury said while it recognized South Africa's pressing needs, it was concerned the project would produce 'significant' greenhouse gas emissions.

It also said it did not expect the World Bank to bring forward similar coal projects for middle-income countries 'without a plan to ensure there is no net increase in carbon emissions.'

It was unclear whether Britain, which had threatened not to support the project, will back it in the end after a recent visit to London by South African President Jacob Zuma during which he lobbied British officials to support the loan.

Since that visit, however, British Prime Minister Gordon Brown has called an election for May 6 and backing the project could be politically damaging.

The opposition to the Eskom loan has raised eyebrows among those who note that Britain and the United States are allowing development of coal-powered plants in their own countries even as they raise concerns about those in poorer countries.

The South African plant is using the same so-called clean coal technology used in the United States and other developing countries to lower carbon emissions.

ENVIRONMENTAL OPPOSITION

Environmental and development groups have stepped up pressure on the World Bank ahead of Thursday's meeting. A letter endorsed by 125 groups argued that the project would not provide electricity to the poor, but would benefit large mining houses and smelters.

A complaint submitted this week to the World Bank's independent complaint body, the Inspection

Panel, on behalf of residents living near the Medupi plant, claimed that the project violated World Bank policies.

In an April 5 letter to U.S. lawmakers, World Bank President Robert Zoellick said the World Bank had worked with the South African government to significantly improve the Eskom project and add renewable sources.

'We have conducted due diligence on all aspects of the project and have concluded that the projects development and poverty reduction merits, along with the need to support South Africa in meeting its energy crisis, should lead us to submit the project to our board for their consideration,' he said.

Edited by: Reuters

SAfrica says World Bank loan to secure power supply

By James Macharia

JOHANNESBURG, April 9 (Reuters) - South Africa on Friday welcomed a decision by the World Bank to grant Africa's biggest economy a controversial \$3.75 billion loan to develop a coal-fired power plant to boost flagging power supply.

The loan -- the first World Bank loan for South Africa since the end of apartheid in 1994 -- was approved despite the lack of support from the United States, Netherlands and Britain, which abstained mainly due to environmental concerns. South Africa, which is battling a chronic power shortage said it would address the concerns raised over emissions. The country is reliant on coal for 95 percent of its electricity supply, and is the worst emitter on the continent.

South Africa's national grid suffered a near collapse in early 2008, costing the country billions of dollars in lost output across all sectors as Eskom enforced rolling blackouts.

The loan will finance the Medupi power station -- Eskom's first such plant in more than two decades -- and the country's first large wind and concentrated solar power projects.

Medupi is part of several new power stations planned to boost generation capacity to satisfy fast-rising power demand.

'This (loan) will ensure the country's economic development objectives remain on track and that security of electricity supply is restored,' the Treasury said in a statement.

The loan rate is at 6 month LIBOR + 0.5 percent fixed margin and a variable spread of 0.24 percent, to be reset semi-annually. The maturity is 28.5 years with a grace period of 7 years, the Treasury said.

TARIFFS

Energy Minister Dipuo Peters said last month South Africa -- which increased power tariffs in February -- may have to raise electricity prices further if it did not secure the loan.

Analysts said without the loan, South Africa would have faced a far steeper climb towards energy security.

'Since the country has not constructed any new base load power stations since the mid-1980's and hence is faced with ageing infrastructure, it is critical for energy security that Medupi is completed as soon as possible,' Frost & Sullivan's energy

analyst Cornelis van der Waal said van der Waal said.

State owned power utility Eskom has said it plans to invest 461 billion rand (\$63.70 billion) to boost generating capacity and diversify away from coal-fired power station.

Eskom has defended the 4,800 megawatt Medupi plant in the northern Limpopo region, saying there is no immediate alternative to easing the country's chronic power shortages and ensuring power supplies to neighboring states.

The utility said the approval of the loan cleared the way for the full construction of the Medupi power station, which is expected to produce its first power by April 2012 when the first of six 800 megawatt units will be commissioned.

'We are very pleased that the World Bank has agreed with our planning and granted this substantial loan,' Eskom's Acting Chairman, Mpho Makwana, said.

He reiterated the electricity system would be 'critically tight' between 2011 and 2012, until new generation capacity kicks in.

For a Factbox on South Africa power generation plans see .

(Editing by James Jukwey)

World Bank

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World Bank Supports South Africa's Energy Security Plans

Board approves US\$3.75 billion to Eskom Holdings Ltd for bolstering generation capacity, implementing renewable energy programs, and improving energy efficiency

WASHINGTON, April 8, 2010 – The World Bank's Board of Executive Directors today approved a US\$3.75 billion loan to help South Africa achieve a reliable electricity supply while also financing some of the biggest solar and wind power plants in the developing world. The loan – the Bank's first major lending engagement with South Africa since the fall of apartheid 16 years ago – aims to benefit the poor directly, through jobs created as the economy bounces back from the global financial crisis and through additional power capacity to expand access to electricity.

The loan is provided to South Africa's power utility, Eskom, and was brought about by unique circumstances including South Africa's energy crisis of 2007 and early 2008, and the global financial crisis that exposed the country's vulnerability to an energy shock and severe economic consequences.

'Without an increased energy supply, South Africans will face hardship for the poor and limited economic growth,' said Obiageli K. Ezekwesili, World Bank Vice President for the Africa Region. 'Access to energy is essential for fighting poverty and catalyzing growth, both in South Africa and the wider sub-region. Our support to Eskom combines much-needed investments to boost generation capacity for growing small and large businesses, creating jobs, and helping lay the foundations for a clean energy future through investments in solar and wind power.'

The Eskom Investment Support Project (EISP) will co-finance the following blend of energy technologies:

US\$3.05 billion for completing the 4800 MW Medupi coal-fired power station, using for the first time on the African continent the same proven, efficient supercritical technology used in OECD countries; US\$260 million for piloting a utility-scale 100 MW wind power project in Sere and a 100 MW concentrated solar power project with storage in Upington; and US\$485 million for low-carbon energy efficiency components, including a railway to transport coal with fewer greenhouse gas emissions.

In approving the project, the World Bank Board of Executive Directors noted South Africa's achievement in increasing energy access from around 30% of citizens to more than 80% since the fall of apartheid in 1994 and noted its Free Basic Electricity policy that provides 50 kilowatt hours (KWh) of free electricity per month to poor families.

The Board noted South Africa's pivotal role as generator of 60% of all electricity consumed on the African continent and the importance of a functioning electricity sector for job creation, economic progress, human welfare, and poverty reduction.

Also discussed were South Africa's efforts to diversify its energy sources and address climate change through its Long-Term Mitigation Scenarios and the United Nations Framework Convention on Climate Change, through which they have confirmed ambitious emission reduction targets.

As part of its due diligence, the World Bank project team consulted an External Panel of Experts to review the EISP according to the criteria established in Development and Climate Change: A Strategic Framework for the World Bank Group approved by the Board of Executive Directors in 2008. In accordance with the criteria, the EISP involves demonstrable developmental impact, inclusion of low-carbon projects, energy efficiency, conservation, use of best available technology at least cost, and full consideration of environmental externalities in project design.

'The Eskom project offers a unique opportunity for the World Bank Group to strengthen its partnership with the Government of South Africa, Eskom, and other financiers and help South Africa chart a path toward meeting its commitment on climate change

while meeting people's urgent energy needs,' said Ruth Kagia, World Bank Country Director for South Africa.

A key vision guiding the project is to assist South Africa in taking the first important step toward a low-carbon future by investing in large-scale renewable energy projects, and catalyzing the nascent renewable energy industry across Africa. By using a mix of technologies and setting a goal to save more than 3,000 megawatts of electricity through demand-side management by 2013 (a plan which is on target having already saved 1,000 megawatts by 2009), the Government of South Africa is taking steps to renew its electricity sector for greater private sector investment and mobilizing expensive renewable energy technologies for wide-scale adoption.

'As part of the project, Eskom will pilot 100 megawatts of solar power with storage and wind power, the biggest grid-connected renewable energy venture in any developing country,' said Vijay Iyer, World Bank Energy Sector Manager for Africa. 'We are optimistic that the lessons learned from these projects will facilitate the scale-up of the renewable energy industry across Africa.'

The World Bank Group energy portfolio is increasingly oriented toward renewable energies and energy efficiency. In our last fiscal year, the Bank Group financed more than \$8.2 billion in energy projects or programs, of which 76% was for non-fossil fuels and less than 3% was for coal. For every dollar in energy financing:

- 40 cents went to renewable energy and energy efficiency
- 35 cents went to transmission and distribution facilities and/or to helping governments build capacity in the energy sector
- 18 cents went to help countries develop a natural gas industry or to build new gas power plants
- 4 cents went to help countries develop their oil industry
- Less than 3 cents went to coal-related investments

The project has received strong support, both from South Africa and other parts of the world. In a letter to World Bank Group President, Robert B. Zoellick, South African President Jacob Zuma stated that the energy sector in South Africa is of 'strategic national importance' and 'achieving energy security will be a critical factor for restoring economic growth, both in South Africa, and the wider southern Africa sub-region.' President Zuma has also stated that his

Government is 'committed to reducing the country's carbon footprint and broadening its energy sources in line with our cabinet-endorsed Long-Term Mitigation Scenarios' and expressed appreciation that the EISP includes 'investments in cutting-edge, supercritical technology being installed for the first time on the African continent as well as substantial investments in renewable energy.'

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For more information, please visit:
www.worldbank.org/afr,
www.worldbank.org/afr/eskom or
www.eskom.co.za

April 8, 2010
TG-635

Treasury Department Statement on the U.S.
Position on the World Bank's
Eskom Investment Support Project

Today, the United States abstained on the vote by the World Bank's Board of Directors on the Eskom Investment Support Project. This reflects concerns about the climate impact of the project and its incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation. At the same time, the United States recognizes South Africa's pressing energy needs and the lack of near-term feasible low-carbon alternatives.

South Africa and the region face urgent energy needs to promote economic growth and address critical challenges, such as poverty, education and health. This project would provide significant energy capacity to meet these essential needs. We recognize that South Africa faces limited options that could provide the required energy base for South Africa and the region in lieu of the project, and that there is a lack of alternative private financing options in the wake of the financial crisis. We also recognize that, if South Africa's base load power needs are not met, the country's economic recovery will suffer, adversely impacting electrification, job creation, and social indicators.

Despite these benefits, the United States is concerned about the project since it would produce significant greenhouse gas emissions, and uncertainty remains about future mitigation efforts. Without actions to offset the carbon emissions of the Medupi plant, the project is incompatible with the World Bank's strategy to help countries pursue economic growth and poverty reduction in ways that are environmentally sustainable. We also remain concerned about other facets of the project, including the inconsistency of Eskom's procurement process with the World Bank's Procurement Guidelines, deficiencies in the environmental impact assessment, and potentially inadequate efforts to mitigate local pollution. The project is also inconsistent with new guidelines on coal lending adopted by the United States in December 2009.

Over the course of several months, the United States has engaged with the World Bank and the Government of South Africa to encourage resolution of these issues. We welcome the renewable energy and efficiency components of the project and

recognize both the Bank's and the South African Government's commitment to pursue a lower carbon path in the future.

We are encouraged by the South African Government's commitment to use \$1.25 billion of World Bank funds to support future emission reduction measures. We are also encouraged by the government's ambitious carbon mitigation targets, and by its vision of low-carbon development.

Considering all of these issues, the United States chose to abstain on today's vote. Looking ahead, we will continue to seek World Bank engagement with countries to develop low-carbon energy projects and make climate change mitigation and resilience a core part of the Bank's mission. We expect that the World Bank will not bring forward similar coal projects from middle-income countries in the future without a plan to ensure there is no net increase in carbon emissions. We also look forward to seeing a growing pipeline of clean energy projects throughout sub-Saharan Africa.

Creamer's Engineering News

Eskom appoints JP Morgan on funding plan, Credit Suisse on Kusile sale

By: Terence Creamer
9th April 2010

State-owned power utility Eskom has appointed JP Morgan to assist it with the creation of a 'sustainable' funding plan and has appointed Credit Suisse as transaction adviser (TA) for the sale of a stake in the R142-billion Kusile power station to a strategic equity partner, acting executive chairperson Mpho Makwana revealed on Friday.

The Eskom board confirmed the appointments during a breakaway session last week.

Makwana told Engineering News Online on Friday that JP Morgan would assist it in crafting a funding model, which would include strategies for closing what is believed to be a R40-billion to R45-billion funding gap over the next three years.

This gap would arise after the R60-billion loan injection from the National Treasury, as well as the R176-billion granted by way of government guarantees. It would also persist despite tariff increases of 25% a year between 2010 and 2013 and despite plans for extensive domestic and international borrowings, including the recently secured \$3,75-billion World Bank loan.

As TA, Credit Suisse has been mandated to seek a solution for the raising of capital to partly close this funding shortfall through the sale of between 30% and 49% of the Kusile power station, which Eskom is building, but at a decelerated pace, in Mpumalanga.

However, Makwana told Engineering News Online that, while its shareholder and board had only approved the sale of a minority position in Kusile, Credit Suisse had been given a broader brief for attracting private equity.

He said that, if its proposed solution fell outside the bounds of the approved shareholder and board mandate, new approvals might be garnered.

Credit Suisse had been selected following a tender process and owing to the fact that the institution had extensive experience in advising other utilities on similar transactions.

It was anticipated that both JP Morgan and Credit Suisse would make their proposals to Eskom by May.

<http://www.mg.co.za/article/2010-04-08-sa-envoy-us-must-engage-assist-in-zimbabwe>

SA envoy: US must 'engage, assist' in Zimbabwe
JACKIE BISCHOF | NEW YORK, UNITED STATES -
Apr 08 2010 13:20

Speaking to a New York audience about South Africa on March 25, Johnny Muboto, the deputy chief of mission to the US in Washington DC, described South Africa as a 16-year-old teenager, experiencing substantial growing pains. Charged with 'telling the South African story', Muboto spoke to the Mail & Guardian in Manhattan the following day about South Africa's diplomatic relationship with the United States.

...

M&G: An issue that the South African government is trying to persuade people to get on board with is permanent African representation on the UN Security Council. South Africa has just been endorsed by the AU to appear once again for a non-permanent Security Council seat, possibly in 2011. How seriously is permanent representation being considered by the US, and what is the government trying to do to get this proposal to be constituted?
JM: I think in the main they are [serious]. This is going to be a serious political shift in the way the UN does its work. This is one of the things we don't bring into the public domain. It's primarily the Security Council we want to see change, but the UN generally [as well]. In other structures we've managed. The Human Rights Commission has been transformed, the Human Rights Council. There are changes in the system that we're seeing, within the broader UN system, but the concern is mainly with the Security Council. It stood for maintaining international peace and security. The world has changed from what it was in 1945.

If you read Kofi Annan's In Larger Freedom -- it enlarged the type of security we are talking about. People should be free from hunger, free from threats to physical harm. [In 1945] we were looking broadly at state-to-state security, not at an individual or human level. Looking at one state being harmed by another; geographical attacks basically. It's changed quite a bit from what it was then. And this is the mental shift that you want, essentially, from the UN.

M&G: The US abstained from voting on Eskom's application to the World Bank for a loan to complete construction on a new coal plant, largely due to pressure from environmental groups. Last night you

said that a lot of the environmental groups don't appreciate the argument that the loan has developmental implications and has been done from a developmental perspective. Has the US, in their conversations with the embassy, expressed an appreciation for this argument?

JM: This is not about the bilateral relationship between South Africa and the US. It could've been any other country. The key issue is that they have a concern with an institution, or institutions, where they are shareholders or invest; how American tax dollars are being used to facilitate or fund the transition from fossil fuels to renewables. In 1989, the current speaker [Nancy Pelosi], who was then just a Congress person, initiated what was then called the 'Pelosi Amendment' which spoke to the very issue -- that multilateral development banks should desist from funding fossil-fuel projects. The World Bank is one of those; the US is a [majority] investor in the World Bank.

We appreciate that. But the US, as a developed country, has an obligation to ensure that developing countries such as South Africa, that have made serious commitments to clean technology, to renewable sources of energy, should be supported. [President Zuma is] very clear that we want to move towards green and clean technologies, to create more jobs within the clean technology sector, we want to make that transition from non-renewable sources. There's an ideal situation we want to reach, and then there's our reality as a developing country, and there's that gap. This gap is actually the real debate around climate change.

The way the argument has been presented ... it's as if it's argued in absolutes. It's either you do this, or that. This is the be-all and end-all. But in reality things don't happen like that. Development is much more nuanced than just absolutes. It's as if we were to wake up tomorrow and suddenly use solar technology, or use wind technology, all of our developmental problems would be addressed. There are a number of constellations to be dealt with.

Creamer's Engineering News

Loan backed for poverty-easing, growth-stimulating effects - World Bank

By: Terence Creamer
9th April 2010

The World Bank said that it could not comment on how each of its 24 executive directors, who deliberated on the \$3,75-billion Eskom loan on Thursday, came to their decision. However, spokesperson Sarwat Hussain did not contradict a National Treasury assertion that the overwhelming majority of the executive directors supported the granting of what was the bank's biggest-ever loan approval, with three abstentions.

'The World Bank is an intergovernmental agency and we don't comment on individual countries' positions on a loan,' Hussain told Engineering News Online, stressing that all 185 of the World Bank members had been represented through the executive directors present at the board meeting.

He refused to comment on reports that representatives from the US, the UK and the Netherlands had abstained, owing to climate-change concerns, saying only that the board reached its decision on the basis of consensus building and on an interrogation of whether the loan would help reduce poverty, boost growth and improve livelihoods, while still meeting the bank's environmental hurdles.

No specific conditions had been placed on Eskom with regard to ensuring that the proceeds did not flow to the African National Congress' Chancellor House, through its 25% shareholding in Hitachi Africa. But Hussain pointed out that the award of the R38-billion boiler contracts to Hitachi in 2007 predated the loan and was, thus, not among the specific projects that would benefit from the proceeds.

'The World Bank is not financing the Hitachi component,' Hussain reaffirmed.

World Bank vice-president for the Africa region Obiageli Ezekwesili argued that the support to Eskom combined much-needed investments to boost generation capacity with a bid to help lay the foundations for a clean energy future through investments in solar and wind power.

The 'Eskom Investment Support Project' would, the bank said, cofinance the following blend of energy technologies:

- * \$3,05-billion for completing the 4800-MW Medupi coal-fired power station, using, for the first time on the African continent, supercritical technology;
- * \$260-million for piloting a utility-scale 100-MW wind power project in Sere and a 100-MW concentrated solar power project with storage in Upington; and
- * \$485-million for low-carbon energy efficiency components, including a railway to transport coal from Emelo to Majuba.

Eskom described the World Bank's decision to cofinance the Medupi power plant in Lephalale, as well as the wind and solar investments, as a 'vote of confidence in South Africa and Eskom'.

The National Treasury, meanwhile, reported that the loan had been granted on favourable terms, at a rate determined by the six month London Interbank Offered Rate, or LIBOR, plus 0,5% fixed margin and a variable spread of 0,24%, reset semiannually. A maturity of 28,5 years, with a grace period of seven years, had been extended.

Business Unity South Africa (Busa) said that the decision would help to build confidence in the country's security of electricity supply over time and provide a greater degree of predictability to business in its planning.

'This does not mean that South Africa can remain complacent about the electricity situation,' deputy CEO Raymond Parsons said, noting that South Africa's reserve margin remained well below the 15% to 19% target level.

Standard & Poor's Eskom analyst Mark Davidson said that, while the World Bank loan would have no immediate effect on Eskom's ratings, 'we welcome it from a short-term liquidity perspective'.

Frost & Sullivan energy programme manager Cornelis van der Waal said that the immediate benefit of the approval was certainty for Eskom with regard to its planning and construction.

'Although the loan will not ease the anticipated electricity shortages between 2011 and 2013, it will at least ensure that supply be restored after this period,' Van der Waal concluded.

South Africa Dirty Loan Approved
Published by Phil Aroneanu, April 8th, 2010

poor lending practices and South Africa's corrupt
and mismanaged energy sector.

350.org:

After a string of bad news about fossil fuel companies shirking responsibility and our politicians following suit, it's hard to believe that it's happened again. Today, over the objections of tens of thousands of community members and over 190+ civil society groups, the World Bank board of directors voted to approve a \$3.75 billion loan to South African national utility Eskom for a massive 4800 MW coal-fired power plant. It's the largest loan of the kind made in history, and it didn't come without a fight.

Yesterday, dozens of activists in Washington DC joined with tens of thousands of concerned people around the world calling on the World Bank to reject the dirty loan, and to prevent catastrophic climate change while dealing ensuring decent lives for the poor of South Africa. Here's a video from the event:

350.org campaigners, along with allies in the US and South Africa, have been working tirelessly to put pressure on the World Bank and the United States — the Bank's largest shareholder — to reject the loan and instead invest in clean, profitable renewable power and energy efficiency. In addition, the loan represents a conflict of interest, with the ANC (South Africa's ruling party) invested in Hitachi South Africa, the manufacturer of the plant's turbines. The ANC stands to gain \$1 billion on the deal, while the poorest are facing electricity price increases of up to 200% over the next three years. While we may have lost this fight, a few pieces of news show that the US Treasury and the World Bank didn't take the decision lightly, and will consider future coal projects more carefully:

* The US Treasury sent a letter indicating that it abstained from voting on the loan, condemning the plan, and raising '...concerns about the climate impact of the project and its incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation.'

<http://treasury.gov/press/releases/tg635.htm>

* Netherlands, UK, Italy and Norway also abstained from the vote, which is unprecedented.

* Powerful US legislators Patrick Leahy, John Kerry and Barney Frank raised concerns about the loan and other fossil fuel loans moving forward.

* Civil society groups from around the world effectively shined the spotlight on the World Bank's

World Bank plugs into SA's power plans

2010/04/10

SWITCHED ON: The World Bank agreed to boost long-term power supply by providing a R27-billion loan to Eskom.

RELIEF and delight were expressed across a broad front yesterday after the World Bank plugged in to South Africa's plans to boost long-term power supply by agreeing to provide a \$3.75-billion (about R27-billion) loan to Eskom. The parastatal power supply company itself called the loan – agreement on which was reached late on Thursday – as a 'vote of confidence' in both the country and in Eskom.

The loan will co-finance the coal-fired Medupi power station and the country's first large wind and concentrated solar power projects.

It is the first World Bank loan approved for South Africa since the end of apartheid in 1994.

Government said the loan would help 'create space for participation by the private sector and civil society ... as we move towards creating green jobs and a cleaner environment for future generations'.

The country's leading umbrella business organisation said the loan 'provides clear evidence that the World Bank has confidence in the ability of South Africa to meet its Copenhagen commitments'. That referred to international environmental targets and undertakings.

In addition, the SA Chamber of Commerce and Industry said, it was an 'acknowledgement that power is needed to increase energy access to citizens, is necessary for job creation, economic progress, human welfare, and poverty reduction.'

There had been doubt as to whether environmental concerns and fears that a company in which the ANC has considerable shares would benefit from the power projects would lead to the loan being turned down.

In the end, the loan was approved – despite a lack of support from the US, Netherlands and Britain.

But that was not for political reasons as the three countries, all major donors to the World Bank, said they had abstained from supporting the loan due to environmental and other concerns.

Eskom has defended the 4800 megawatt Medupi plant in northern Limpopo, saying there is no immediate alternative to easing the country's chronic power shortages and ensuring power supplies to neighbouring states.

'Without an increased energy supply, South Africans will face hardship for the poor and limited economic growth,' said Obiageli Ezekwesili, World Bank vice-president for Africa.

The US Treasury said it abstained due to 'concerns about the climate impact of the project and its incompatibility with the World Bank's commitment to be a leader in climate change mitigation and adaptation.'

The UK Department for International Development said the project raised 'several sensitive and potentially controversial issues' that it was unable to resolve due to an election campaign in Britain ahead of the general election in Britain on May 6.

Asked what message the abstentions sent to the Bank, Ezekwesili noted while countries abstained they did not oppose the project through a 'no' vote.

Environmental and development groups slammed the World Bank decision, calling it a setback for development.

Peter Goldmark, director of the Environmental Defence Fund's climate and air programme, said the loan approval was 'a missed opportunity' for the World Bank to 'move away from a traditional focus on fossil-fuelled growth'.

But there was no signs of immediate criticism of the decision in South Africa.

Eskom said its board of directors welcomed the commitment to South Africa and to the regions' future development. Eskom finance director Paul O'Flaherty said the approval clears the way for the full construction of Medupi Power Station and is catalytic for South Africa's commitment to renewable energy and lower carbon technologies, such as large-scale solar thermal and wind power'.

He added: 'The funding is well aligned to jump-start progress on South Africa's commitment to a lower carbon footprint.'

The completion of Medupi 'is a matter of urgent national interest, as the energy demands have grown considerably in the past 15 years and are

projected to grow further as the economy expands,' said O'Flaherty. He said the first unit of Medupi was expected to come on line in 2012.

In its reaction, the National Treasury said 'the overwhelming majority of the executive directors voted in favour of the loan with only three abstentions'. The treasury added: 'South Africa was applauded on its commitment to the climate change agenda and the pace set on renewable energy.'

Reporting by Reuters, I-Net Bridge

Medupi loan war rages on
Eyewitness News | 5 Hours Ago

The National Treasury said on Friday there are adequate checks and balances in place to ensure a multi-billion rand World Bank loan to Eskom does not go to waste.

The bank granted the electricity giant a more than 27 billion rand loan, which will go towards the construction of the Medupi power station in Limpopo.

The Global Financial Body said it wants South Africa, like other developing nations, to achieve a reliable and stable power supply.

The ruling ANC has a stake in Hitachi Africa, a company which will be involved in the Medupi project.

Democratic Alliance leader Helen Zille said she fears the loan will fuel corruption.

'We don't want that kind of corruption built in state tenders and we need the World Bank to take a stand against that kind of corruption in line with its own protocol. We also support the green arguments and feel that can be also balanced with energy security,' she told Eyewitness News.

But the ruling party's, Jackson Mthembu, maintained Zille's fears are unfounded.

'It is very opportunistic for this opposition leader to only look at the ANC not look at where their funding comes from, [nor] where the funding for other parties comes from.

Director-General of the Treasury, Letseja Kganyago, said Eskom has measures in place to ward against corruption.

'Eskom is in its own processes for projects of this magnitude. They always bring auditors at different stages. So the World Bank is happy with the systems Eskom [has],' Kganyago said.

(Edited by Deshnee Subramany)

Cosatu wants Eskom transparency
2010-04-10 08:00

Johannesburg - The government must make public all the conditions attached to the World Bank's loan of R27.3bn (\$3.75bn) to Eskom the Congress of SA Trade Unions said on Friday.

Cosatu did not oppose loans in principle, as they were a legitimate source of revenue and an alternative to the tariff hikes poor households found crippling.

'We agree, however, with the National Union of Mineworkers' (NUM) call on both the government and Eskom to make public all the conditions attached to this World Bank loan.'

This kind of loan often came with stringent conditions, Cosatu said.

'Indeed, the World Bank has a notorious record of using conditional loans, particularly to developing countries, to impose their neoliberal agenda and demand privatisation and opening up of markets to big, multi-national companies.'

Cosatu shared the NUM's concern that the conditions attached to the loan should not open up South Africa's energy sector to global competitors and stifle the country's desire to electrify all households in South Africa.

'The federation needs to be certain that there are no conditions which could lead to any form of privatisation, including the introduction of independent power producers into the industry and ending Eskom's monopoly in electricity generation.'

Should there prove to be any such strings, Cosatu would oppose the loan.

'Opposed to privatisation'

'We remain opposed to privatisation of the country's basic infrastructure.

'In Eskom's case it will inevitably lead to even higher tariffs, retrenchments and worse service, as the new owners is driven only by the need to maximise their profits.'

Ordinary South Africans would be burdened for generations to come if the conditions were too onerous, added the Congress of the People.

That the ANC stood to gain financially from the loan through its links to a company granted a tender on the Medupi project was 'indefensible', said spokesperson Phillip Dexter.

'It amounts to looting the public purse. It is imperative for the ANC to sever all financial ties to the project,' he said.

Cope noted that, among others, the United States and the United Kingdom had abstained from decision-making on the loan.

This, because the South African government had done 'almost nothing' to promote the development of alternatives to coal-fired power generation, or to find viable schemes to mitigate for the environmental impact of fossil fuels, said Dexter.

In a statement issued late on Thursday, the World Bank said its board of executive directors had approved the loan 'to help South Africa achieve a reliable electricity supply while also financing some of the biggest solar and wind power plants in the developing world'.

The loan was the bank's first major lending engagement with South Africa since the fall of apartheid 16 years ago.

- SAPA

<http://www.thoughtleader.co.za/simonehaysom/2010/04/09/medupi-means-no-more-excuses-for-sa-energy-policy/>

Simone Haysom
Charismatic Metaforum

Medupi means no more excuses for SA energy policy

The queen's been in her parlour, eating bread and honey; the king's been in his counting house, counting out his money: word is, Eskom's been given the thumbs up on its Medupi loan by the high royalty of IFIs, the World Bank herself.

Barbara Hogan is a laudable politician, brave and coolheaded, and I take what the lady says seriously. So when Hogan proclaims that the loan decision is something of a macroeconomics sudden-death scenario, it gives me pause for thought: 'If we do not have that power in our system, then we can say goodbye to our economy and to our country. This is how serious this thing is. The construction of Medupi ... is necessary so that we do not derail the country's economic growth and development.'

Medupi is the government and its parastatal's answer to the black-outs the country has been experiencing for the last few years. Our existing installed electricity generation capacity is inadequate to the demands being placed on it. And those demands are growing. It is, as some have pointed out, something of a crisis: not only does that vague entity the economy depend on electricity, but so do a lot of not-so-vague entities like schools and hospitals and the railways.

So viva huge loans from the World Bank, viva! Right?

Well, we can, start very briefly, with the celebrated 'conflict of interest'. Or whatever it is you call it when it slips Valli Moosa's mind that he's allocating a tender to a company, Hitachi Africa, that his own political party has a 25% stake in. The ANC stands to make a tidy R1 billion in clear profit. You can read all about the DA's objections, investigations by the public prosecutor etc in the M&G. Then there are the local environmental concerns, the debt, the electricity price hikes, the reliance on capital-intensive, labour-diffuse projects and the global environmental concerns.

Given all these objections Eskom has had a hard time selling the project and some notable heavy hitters like the US, Britain and the Netherlands refused to support the loan. Eskom has pleaded desperation, social benefits, economic benefits and green benefits to boot. The plant will employ dry cooling technology which reduces water consumption by 90%, its supercritical boilers will reduce emissions by 5%. It will employ people in construction and operation. Some of its budget is reserved for investment in renewables. The electricity it generates will go towards electrifying millions of rural households and help the poor with jobs and energy ...

But as a supercritical, dry cooling, big(ger) budget, school-building coal smoker, Eskom's Medupi is a bit like Crocs trying to bring out a three-inch heel — they get points for trying but everyone still thinks it's a damn ugly shoe. Medupi will be the seventh biggest power station in world, and let loose some 30 kilotonnes of CO₂ per annum, without taking the SO₂ into account. We are not talking about a slight increase in our contribution to climate change — this is a more than 7% increase in the total emissions of one country, already a huge polluter, from a single project. Medupi alone will emit 'more than 115 other countries including Kenya, Luxembourg, Burma and Croatia'. Our national emissions are already staggering, whether you look at it on a per capita or on a national basis, and damning when one considers that almost all of this comes from a small middle-class and industry. The 'ordinary' South Africans that it is supposed to benefit are also expected to pay for it with astronomical electricity price hikes whose benefits will mostly accrue to industry.

This is one of the trade-offs my degree is supposed to be all about: weighing up what we consider as the necessities for economic development against their social and environmental externalities, and weighing up what 'necessity' really means. But the Medupi issue leaves me queasy and uncertain. Certainly Eskom could be doing a huge amount more to invest in renewables, but even with huge injections of cash and political will the renewables sector is not going to be able to provide energy on this time-frame. This is a power plant that should have been built a decade ago. It is also one which will be supplying to the grid within four years. It has the capacity to generate 4800MW. Eskom is also planning a concentrated solar power plant which will be one of the biggest of its kind in the world: its capacity will be 100MW.

The US and Britain, though, were right to refuse support for this loan. There needs to be a concerted trend away from these technologies, and cutting off finance for them is a good place to start. What will help South Africa in the short term by providing the energy infrastructure for a growing economy will possibly harm the country in the medium term with sanctions on our emissions. And it could devastate the region in the long term due to its contributions to climate change. (Though these countries are also hypocrites — both the US and Britain are planning to build new coal-fired plants).

This kind of project is also toxic in the context of coming to a legally-binding agreement to tackle climate change. 'Common but differentiated responsibility', as UN speak has it, is what creates the complex dual allowances for countries under agreements like Kyoto. It effectively grants 'pollution rights' to countries with less historical responsibility for causing the carbon problem and have less funds to pay adapting to it. But when middle-income countries use this leniency to radically upscale their carbon contributions, they effectively set up shop as high-carbon economic zones to encourage foreign investment and trash the just intentions of this system. A concept developed to promote equity has turned into an excuse to allow ever increasing carbon dioxide concentrations in the atmosphere. In the midst of a negotiation process to fix emission targets this is the Scramble for the Atmosphere, and claiming a right to pollute is an act of annexation — South Africa, fat cat of the continent, has lifted up its meaty thigh and stamped its foot down on a large swathe of the blue sky.

'The Medupi Power Station, which means 'rain that soaks parched lands' symbolises economic relief to the area where it will be constructed,' says Eskom's website. It is a concept that brings immediately to mind visions of the droughts that climate change is due to bring to Southern Africa in the next decades — periods of drought longer than any we have had before. Let us hope that it will indeed be possible to build this plant and still water the dry lands of Limpopo Province, now and in the far future.

Historical responsibility, definitions of economic necessity and national pride flavour these issues differently for all of us. But at the end of the day the climate is a less discriminating mistress and to her dull palate a tonne of CO₂ from South Africa tastes just the same as a tonne from anywhere else. The Medupi decision should be greeted with gravity by both its supporters and its detractors.

From now on there can absolutely no excuse for the government not to put all its money, mouth and muscle behind renewables and green jobs.

Details of Eskom World Bank loan must be scrutinised: ID

April 9, 2010

Details of the World Bank's loan to electricity parastatal Eskom must be brought to Parliament for thorough scrutiny, the Independent Democrats said on Friday.

In a statement, ID public enterprises spokesman Lance Greyling said it was important 'that Parliament is thoroughly briefed on all the issues pertaining to this loan, as it will have major implications for our country going forward'.

It was imperative Parliament was allowed to play its proper oversight role, and that all issues -- such as any conditionalities, interest repayments and specific timelines relating to this loan -- were brought to the public enterprises committee.

'I will therefore be writing a letter to the chairperson of the public enterprises committee requesting that both the minister of finance and the minister of public enterprises brief us on all these issues and supply us with all the necessary documentation relating to this loan.'

Greyling said the ID was specifically interested in whether any conditionalities relating to the divestment of the ANC's front company Chancellor House from Hitachi Power Africa had been stipulated by the World Bank, 'as this conflict of interest clearly violates their code of good practice relating to good governance principles'.

Greyling said it was stipulated in the World Bank's code that a loan could be rescinded if any of these principles were breached by the recipient country.

'It is for this reason that I wrote to the World Bank a month ago asking them to include this divestment as a conditionality.

'Their response to my letter was extremely vague, but now that the loan has been approved, the ID firmly believes that the World Bank has a duty to clearly explain whether they will be taking a strong stance against this blatant conflict of interest.'

Greyling said the party was disappointed that the bulk of the money for the loan would be going towards the building of the Medupi coal-fired power station, with only a marginal amount going towards the funding of renewable energy technologies.

'The ID does, however hope that the money for the wind farm and the concentrated solar power plant will be fast-tracked by the World Bank and that pressure will be brought to bear on Eskom to start construction on these immediately.'

He said Eskom had delayed the building of these projects for over ten years.

'The ID maintains that we can no longer allow them to hold back our country from pursuing a clean energy path,' he said.

Late on Thursday night, the World Bank said in a statement its board of executive directors had approved the loan 'to help South Africa achieve a reliable electricity supply while also financing some of the biggest solar and wind power plants in the developing world'.

The loan was the bank's first major lending engagement with South Africa since the fall of apartheid 16 years ago. - Sapa

Business Day

World Bank Approves Eskom Loan

Siseko Njobeni and I-Net Bridge

9 April 2010

Johannesburg — The World Bank has thrown Eskom the lifeline it was so desperately seeking by approving a \$3.75 billion loan to help South Africa secure its electricity supply.

The Bank said in a statement late yesterday that the loan - the Bank's first major lending engagement with South Africa since the fall of apartheid 16 years ago - aimed to benefit the poor directly, through jobs created as the economy bounces back from the global financial crisis and through additional power capacity to expand access to electricity.

'The loan is provided to South Africa's power utility, Eskom, and was brought about by unique circumstances including South Africa's energy crisis of 2007 and early 2008, and the global financial crisis that exposed the country's vulnerability to an energy shock and severe economic consequences,' the World Bank said in a statement.

The loan has been granted despite strong opposition from environmental lobby groups and the decision by the US, the UK and the Netherlands to abstain from voting in favour of the loan.

The three countries abstained from voting because of 'environmental concerns'.

The US said the Medupi power station - on which the bulk of the loan will be used - did not comply with the bank's requirements.

Eskom

The abstentions are a slap in the face for SA's government, which has lobbied extensively for the loan and made the decision a close call despite earlier reports the bank's board was expected approve the loan.

In a letter to World Bank president Robert Zoellick last month, US senators questioned the loan.

Zoellick said the bank had taken steps to improve the project plan and included a portion for renewable energy.

'We have conducted due diligence on all aspects of the project and have concluded that the project's developments and poverty reduction merits, along with the need to support SA in meeting its energy crisis, should lead us to submit the project to our board for their consideration,' Zoellick said at the time.

The US Treasury said last night it was concerned about the effects on climate of the proposed 4800MW Medupi coal-fired power station. Just more than \$3bn of the loan will fund the power station in Limpopo.

'We recognise that SA faces limited options that could provide the required energy base for SA and the region in lieu of the project, and that there is a lack of alternative private financing options in the wake of the financial crisis,' it said.

The US is the biggest shareholder of the Bank.

The Treasury acknowledged that failure to commission additional base-load capacity would hamper SA's economic recovery.

'Despite these benefits, the US is concerned about the project since it would produce significant greenhouse gas emissions, and uncertainty remains about future mitigation efforts,' it said.

The Treasury also questioned Medupi's compatibility with the bank's requirements. It said, without actions to offset carbon emissions from the Medupi plant, the project contradicted the bank's strategy to help countries achieve economic growth and reduce poverty 'in ways that are environmentally sustainable'.

It said it had held discussions over several months with the bank and the South African government to address its concerns.

A Dutch foreign ministry spokesman said yesterday the Netherlands would abstain because of lack of progress in developing renewable energy. \$260m of the loan is earmarked for 100MW wind and 100MW concentrated solar power plants, while \$485m will be used for low-carbon energy efficiency and power plant efficiency improvements. The loan has been opposed by environmental and nongovernmental groups who prefer investment in renewable energy, climate change mitigation and adaptation.

'Without an increased energy supply, South Africans will face hardship for the poor and limited economic growth,' said World Bank vice president for the Africa region Obiageli Ezekwesili.

'Access to energy is essential for fighting poverty and catalyzing growth, both in South Africa and the wider sub-region. Our support to Eskom combines much-needed investments to boost generation capacity for growing small and large businesses, creating jobs, and helping lay the foundations for a clean energy future through investments in solar and wind power,' Ezekwesili said.

This is the second major loan for the construction of the plant. Last year, the African Development Bank agreed to give Eskom \$2.7bn to build Medupi.

The South African government this week admitted to having no Plan B if the World Bank loan was not approved. Instead it acknowledged that Eskom would be forced to turn to commercial markets to finance the plant - something that the government admitted would be 'punitively expensive'.

'The Eskom project offers a unique opportunity for the World Bank Group to strengthen its partnership with the Government of South Africa, Eskom, and other financiers and help South Africa chart a path toward meeting its commitment on climate change while meeting people's urgent energy needs,' said World Bank country director for South Africa Ruth Kagia.

The World Bank said in approving the loan, its board of executive directors had noted South Africa's achievement in increasing energy access from around 30% of citizens to more than 80% since the fall of apartheid in 1994.

World Bank Vote for Coal Power Plant a Setback for Low-Carbon Development, says Environmental Defense Fund

Published on Apr 9, 2010 - 7:53:32 AM

By: Environmental Defense Fund

WASHINGTON, April 8, 2010 - The World Bank voted today to approve a \$3.75 billion loan to South Africa's public utility Eskom, the bulk of which would finance construction of what will be the world's seventh-largest coal plant. The U.S. abstained from the vote.

'Giving the go-ahead to the Medupi coal plant, which will release massive amounts of greenhouse gases for decades, without a clear South African plan to level off and then decrease emissions amounts to a step backward when the world is moving forward to a clean energy future,' said Peter Goldmark, director of Environmental Defense Fund's climate and air program. 'This was a missed opportunity for the U.S. and the World Bank to move away from a traditional focus on fossil-fueled growth and toward a new model of low-carbon economic development.'

The vote comes less than four months after the U.S. Treasury proposed guidelines for multilateral development bank lending for coal-fired power generation. Those guidelines reflect a strong preference for low-carbon energy sources and a transition away from coal, and call for full consideration of alternatives before approval is given for a coal-fired plant. The Eskom loan does not appear to meet those tests.

'An abstention is a weak position for the U.S. to take in defense of its own proposal. Next time, the U.S. and others must vote no if we're really going to reverse the headlong stampede to build coal plants in the developing world,' Goldmark said. 'The coal lending guidelines are a good start — but now the Bank should adopt them and Treasury must show, at a minimum, that it is willing to act on them.'

'The problem here is not giving South African citizens access to cheap energy — we all want that,' Goldmark said. 'The challenge is to do that within a framework that clearly puts South Africa, and the world, on a course where greenhouse gas emissions will peak and then decline.'

South Africa has made a conditional commitment to reduce its emissions growth 34% from its 'business

as usual' (BAU) course by 2020, and by 42% by 2025, with emissions declining a decade after that.

'But BAU is a fuzzy concept and a plastic, moving target, and South Africa has not explained how the Medupi plant, or the successor coal plant right behind it, fits into a realistic program to level off and then decline the level of greenhouse gas emissions,' Goldmark said.

In a larger sense, this decision highlights the challenge the World Bank is facing in adhering to its own Development and Climate Change Strategic Framework, which looks to 'support sustainable development and poverty reduction at the national, regional, and local levels, as additional climate risks and climate-related economic opportunities arise.' The vote also apparently conflicts with the leaders' statement from the September 2009 Pittsburgh meeting of the G-20, of which South Africa is a member. That statement commits all members to 'phase out and rationalize over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.'

Eskom is controlled by the South African government, and by its own representation, private financing for this project would be much more expensive than public financing, like that they're seeking from the World Bank. This loan would serve as a direct subsidy by the G-20 countries towards the continued use of carbon-intensive fossil fuels.

EDF's 2009 report 'Foreclosing the Future: Coal, Climate and International Public Finance' urged multilateral development banks, including the World Bank, to hasten the shift to renewable energy by adopting recommendations like deploying public international finance in support of renewable energy, energy efficiency and other alternatives to coal.

As the World Bank, International Monetary Fund, and other multilateral financial institutions seek a capital increase from the U.S. Congress, they will be faced with a decision as to when cheap, dirty development will finally take a backseat to clean, sustainable alternatives. EDF strongly encourages the U.S. Congress and Treasury to help shift World Bank resources and strategy towards a fundamental rethinking of development priorities — both by providing sufficient funding for the Bank's dedicated Clean Investment Funds and by reorienting the Bank's overall lending portfolio toward low-carbon development.

Report: Foreclosing the Future: Coal, Climate and
International Public Finance:
[http://www.edf.org/article.cfm?contentID=9539&re
direct=coalfinance](http://www.edf.org/article.cfm?contentID=9539&redirect=coalfinance)

<http://www.engineeringnews.co.za/article/eskom-to-ring-fence-hitachi-contracts-from-world-bank-proceeds-2010-04-09>

Eskom to 'ring-fence' Hitachi contracts from World Bank proceeds

By: Terence Creamer
9th April 2010

Eskom will 'ring-fence' the work being carried out by Hitachi Africa at the Medupi project site to ensure that none of the proceeds of the recently approved \$3,75-billion World Bank loan are directed towards the company in which South Africa's governing party has a stake, acting executive chairperson Mpho Makwana has confirmed with Engineering News Online.

Speaking in an interview on Friday, following news that Eskom had been granted the loan package, \$3,05-billion of which would be directed to the Medupi coal-fired project, Makwana said that the State-owned utility would interrogate ways of ensuring that it 'complied' with the World Bank's 'procurement policies'.

Bank spokesperson Sarwat Hussain confirmed with Engineering News Online earlier that the bank's largest-ever loan would not be used to finance 'the Hitachi component' - Hitachi Africa was awarded a R38-billion boiler contract in 2007.

Hussain indicated that, because the boiler contracts predated the loan, Eskom would use other funding, while the bank's proceeds would flow to other projects at the 4 800-MW Medupi, which is being built in Limpopo province.

The boiler contract is particularly sensitive, because the African National Congress' Chancellor House owns a 25% shareholding in Hitachi Africa, which was awarded what is the largest-ever Eskom contract after Alstom walked away from the deal, following scope changes.

Makwana described the World Bank's decision to cofinance the Medupi power plant, as well as Eskom's proposed concentrated solar and wind energy projects as 'a vote of confidence in South Africa and Eskom'.

He indicated that it meant that 'about 90%' of the funding for the Medupi project had been secured, despite the fact that the group's three-year funding gap remained about R45-billion.

The approval cleared the way for the full construction of the power station, the completion of which was 'a matter of urgent national interest'.

'Construction is progressing well and the first unit of Medupi is expected to come on line in 2012,' Makwana concluded.

SABC

Mixed reaction to multi-billion rand loan granted to Eskom

April 09 2010, 8:59:00

Environmental groups say the construction of the Medupi power station will violate World Bank policies and pose threats of air pollution to communities living nearby.

The activists were reacting to news that the World Bank has granted Eskom a R29 billion loan for its expansion programme. The loan will be used to complete the coal-fired Medupi power plant currently under construction in Limpopo. Some of the money will be invested in renewable energy projects.

Some economists say the World Bank's decision to approve Eskom's multi-billion-rand loan has many advantages including ensuring a reliable energy supply. Economists say the benefits are lower interest rates and that the repayments can be made over longer periods than would have been the case if the money had been borrowed elsewhere. Recently, Public Enterprises Minister Barbara Hogan explained that most of the money would go towards the completion of the coal-fired Medupi power station in Limpopo while the rest would be spent on renewable energy projects.

Investment Solutions chief economist, Chris Hart, says authorities have raised the risk profile of the country by accepting a World Bank loan. The United States, Netherlands and Britain abstained from the vote for the loan. Efficient Group's chief economist, Dawie Roodt, says that the World Bank's decision to grant South Africa the loan to fund Eskom's expansion drive could buoy investor sentiment. Roodt says the Rand's gains in overnight trade following the decision have underlined this.

The Democratic Alliance (DA) insists that the Medupi deal will enrich the ANC by about R1 billion. This was due to the ruling party's involvement in the building of Medupi via its 25% stake in Hitachi Africa, the company awarded a boiler contract for the power station.

The World Bank's Vice President for Africa, Obiageli Ezekwesili, says the loan will not only benefit South Africa but the entire region. However, the DA had urged the World Bank to attach conditions to the

loan that would prevent the ruling ANC from receiving any material benefit.

<http://www.thedailymaverick.co.za/article/2010-04-09-eskoms-got-its-loan-to-a-collective-sigh-of-relief-but-what-now>

Eskom's got its loan, to a collective sigh of relief...
But what now?

It's official: on Thursday night in Washington, the World Bank granted Eskom's \$3.75 billion loan request. It will help in securing South Africa's future electricity needs, but isn't a cure-all. With Medupi on track, we need to concentrate on what more needs to be done to develop our power sector. And given that the loan decision came down to the wire, can we hope the ANC's learnt any lesson about the separation of party and national interest?

So we've got the loan, and from the limited information available at this time it appears that it is unconditional, despite the lack of support from significant shareholders of the World Bank. It has been reported that the US, UK, Italy, Norway and Netherlands abstained from voting on the loan application.

The award will come as a great relief to the government, the ANC, Eskom and those concerned about security of electricity supply in South Africa through the construction of the 4,800MW Medupi coal-fired power station, scheduled to start coming on stream in 2012. The loan will ensure that there should be no delays to Medupi as a result of funding issues.

But the award will also come as a big disappointment to the DA, various NGOs and environmental groups that have either been lobbying against the World Bank loan to Eskom, or for conditions to be attached to its award.

The decision had the backing of World Bank president Robert Zoellick all along. 'Coal is still the least-cost, most viable, and technically feasible option for meeting the base-load power needs required by Africa's largest economy', he said. 'South Africa represents one-third of sub-Saharan Africa's economy, so slowdown precipitated by lack of energy will ripple throughout the continent'.

However, the US Treasury Department indicated in a statement yesterday that, 'Despite the benefits, the United States is concerned about the project since it would produce significant greenhouse gas emissions, and uncertainty remains about future mitigation efforts. Without actions to offset the carbon emissions of the Medupi plant, the project is

incompatible with the World Bank's strategy to help countries pursue economic growth and poverty reduction in ways that are environmentally sustainable. We also remain concerned about other facets of the project, including the inconsistency of Eskom's procurement process with the World Bank's Procurement Guidelines, deficiencies in the environmental impact assessment, and potentially inadequate efforts to mitigate local pollution. The project is also inconsistent with new guidelines on coal lending adopted by the United States in December 2009.'

The importance of the loan to Eskom is twofold. First there is the money itself – a developmental loan of \$3.75 billion (about R27 billion at the current exchange rate), coming just in time, and repayable over 20 years with a favourable interest rate and terms. Secondly, the unconditional granting of the loan by the World Bank provides an important positive signal to other international commercial lenders, financial institutions and banks to which Eskom will be looking for the balance of the funding shortfall.

The award will signal the beginning of aggressive new efforts by Eskom to plug this further funding gap for its new-build programme, estimated at R67 billion to R87 billion over and above the R27 billion World Bank loan. These efforts will include securing further World Bank and other commercial loans, as well as the proposed sale of a 30% to 49% stake in Eskom's second 4,800MW coal-fired power station, Kusile, to a still-to-be-identified private equity partner. The construction of Kusile has been delayed for over a year now while Eskom and its shareholder work to finalise the long-awaited funding plan.

The apparent lack of conditions attached to the loan must be particularly galling to DA leader Helen Zille, who fought tooth and nail to expose the 25% shareholding by ANC front company, Chancellor House, in the successful boiler contractor, Hitachi Power Africa, and the alleged or potential 'corruption' involved in the award of the Medupi boiler contracts. She has been quoted as saying, 'It is completely corrupt for a political party to make billions of rands out of state tenders, when that political party is in control of the state. If the loan is granted under these circumstances, the ANC's power will be corruptly entrenched and South Africa will become a criminal state'. Harsh words indeed.

The background is that Valli Moosa, the chairman of the Eskom Board at the time of the boiler contract

award, was at the same time a member of the ANC's national executive and fundraising committee. In controversial circumstances, Eskom reversed an initial letter of intent for the boiler contract that had been placed with Alstom, and then awarded the boiler contract instead to Hitachi. This was enough to warrant an investigation by the Public Protector, following a formal complaint by the DA when the story first broke in February 2008. The Public Protector found that there was a clear conflict of interest, and that Valli Moosa had acted improperly in failing to declare his interest and recusing himself appropriately. However, the Public Protector also concluded that the awarding of the contract was not affected by Moosa's conduct, and that there was an absence of legislation regulating business between political parties and government institutions.

The other opponents of the loan who will not be so happy with the outcome include the environmentalists and residents in the area around Medupi power station in Limpopo. Organised by Earthlife Africa, these residents complain that 'the hidden costs of the loan include the effect on health of air pollution, elevated sulphur dioxide levels, and mercury residue in their water, air and land', and that 'there would also be constrained access to water and the degradation of land and water in what was a largely agrarian area'.

But with the immediate funding crisis for Medupi now resolved, South Africa can perhaps move forward to other just as critical tasks, such as facilitating private sector participation in the electricity industry, including independent power producers, industrial co-generation and the wheeling of private power through the Eskom grid. It is also hoped that the World Bank loan may kick-start the renewable energy sector in South Africa, because part of the loan is earmarked to fund a 100MW wind farm and a 100MW concentrating solar plant.

One of the important lessons of the whole saga is that the financial involvement and shareholding (through front companies) by the ruling political party in companies securing major contracts from state-owned enterprises is divisive and unhelpful, and leads to politicisation of what should remain essentially financial and technical issues.

There is no doubt that the ANC's financial interest in Hitachi, and the circumstances surrounding the boiler contract award, has done significant damage to the public perception, reputation and standing of

both Eskom and South Africa. It also heightened the risk to security of electricity supply in South Africa by increasing the risk of not obtaining the World Bank loan. This would have caused delays to the construction of Medupi power station, resulting in generation-capacity shortages and significant negative economic impacts.

The ANC should have done what Mathews Phosa undertook to do when he became treasurer-general of the ANC after Polkwane, namely divest its irregular and conflicted interest in Hitachi. Phosa has since reneged on this undertaking, and the current spin doctoring and excuses by the ANC are disingenuous.

The ANC should act in the national interest in this matter and not in the party interest. Sometimes the ANC, perhaps deliberately, fails to understand the distinction between the two. Let's hope we've learnt our lessons well this time round. Sometimes history has a habit of repeating itself.

By Chris Yelland

(Yelland is the Managing Director of EE Publishers)

Cheers for Eskom loan

Article By: Sapa and staff reporter

Fri, 09 Apr 2010 12:29

Business Unity South Africa (Busa) and Eskom on Friday said they welcomed the decision by the World Bank to grant a \$3.75-billion loan for the parastatal's Medupi project and related renewable energy commitments.

Busa in a statement said: 'This will help to build confidence in the security of supply electricity over time and provide a greater degree of predictability to business in its planning for suppliers and customers.'

'To the extent that the World Bank loan enhances Eskom's credit rating, the decision will facilitate Eskom's access to other borrowing which may still prove necessary.'

The business group said that this does not mean that South Africa can remain complacent about electricity supply and consumption.

'The World Bank loan is only a small part of a longer-term solution and short term energy-saving remains an urgent priority. With the economy in recovery mode, the Eskom reserve margin is still below the comfortable band of 15 to 19 per cent.'

'The challenge for us as a country remains to sustain economic growth and job creation without having to worry about whether the increased electricity supply constraint might 'put the lights out', it said.

Eskom reaction

Eskom's acting chairman Mpho Makwana told Sapa that the loan is a vote of confidence in South Africa and Eskom.

Makwana said: 'On behalf of the board of directors, I welcome this commitment to South Africa and to the region's future development.'

'Eskom is thankful to all the role-players for making this loan possible. We look forward to the mutually beneficial relationship that will result from this support.'

Eskom finance director Paul O'Flaherty told Sapa the loan was part of a multi-year investment

programme that provided the foundation for the necessary electricity expansion in South Africa.

'In line with our existing multilateral funding, these funds combine favourable financing rates with a structured repayment profile, thereby making it an economically attractive option to contribute to South Africa's future economic growth.'

'This approval clears the way for the full construction of Medupi Power Station and is catalytic for South Africa's commitment to renewable energy and lower carbon technologies such as large-scale solar thermal and wind power.'

'The funding is well aligned to jump-start progress on South Africa's commitment to a lower carbon footprint,' O'Flaherty said.

Num reaction

The National Union of Mineworkers (NUM) also welcomed the loan.

'We welcome the decision by the World Bank to give Eskom the loan which we believe will go a long way in alleviating the current energy problems in the long term,' the NUM general secretary Frans Baleni said.

'We, however, call on both the state and Eskom to divulge the conditions attached to this loan as we know quite often these kinds of loans come with stringent conditions,' he said.

'We can only hope that the conditions attached to this loan do not open up our energy sector to global competitors who will roll back our desire to electrify all households in South Africa and that they will not impact negatively on empowerment policies.'

<http://www.cleanskies.com/videos/fmr-world-bank-economist-medupi-power-plant-ban>

The World Bank has now approved a controversial \$3.75 billion loan to South Africa to help build a new coal-fired power plant in that country. The proposed Medupi Power Plant would be a 4,800 MW, super-critical facility located a few hours' drive north of Johannesburg, very close to the coal mines that will provide supply. But the World Bank awarded the loan to state utility Eskom without the support of major shareholder countries, including the U.S. which abstained from the vote. For some perspective, Clean Skies News talks to Maureen Cropper, former Chief Economist for the World Bank, and a Professor of Economics at the University of Maryland.

<http://www.grist.org/article/world-bank-needs-to-do-better-on-energy-sector-investments-post-south-africa/>

Don't do that again

World Bank bombs with decision to fund South African coal plant

by Jake Schmidt

8 Apr 2010 4:11 PM

Today the World Bank approved a loan to build the fourth largest power plant in the world. The project is to be financed with a \$3 billion loan to Eskom -- the South African electricity company -- and is the largest coal-plant loan in the Bank history. The 4,800-megawatt Medupi power plant would emit 25 million tons of carbon dioxide into the atmosphere -- an amount equivalent to about half the annual emissions of Norway.

This was a challenging and complicated project and was less about South Africa than about the World Bank's role in helping (or hindering) the world's efforts to address global warming.

We support the efforts of developing countries to alleviate their energy poverty, but dirty coal power is not the pathway to a sustainable economy. The World Bank must do much more to help countries meet their energy needs in a manner that protects them from disastrous climate change. Today's decision is a failure by the World Bank to meet those needs. They must do better!

I'm now hearing that 4 voting members of the World Bank Board of Directors abstained from this project (U.S., U.K., the Netherlands, Italy, with Norway saying it would have voted no but it is a part of a Nordic voting block in the World Bank). Abstaining from a World Bank vote essentially means that they are opposed to the project, but they are not voting to block the project. The U.S. statement outlining its rationale for abstaining discussed these concerns:

... the United States is concerned about the project since it would produce significant greenhouse gas emissions, and uncertainty remains about future mitigation efforts. Without actions to offset the carbon emissions of the Medupi plant, the project is incompatible with the World Bank's strategy to help countries pursue economic growth and poverty reduction in ways that are environmentally

sustainable. We also remain concerned about other facets of the project, including the inconsistency of Eskom's procurement process with the World Bank's Procurement Guidelines, deficiencies in the environmental impact assessment, and potentially inadequate efforts to mitigate local pollution. The project is also inconsistent with new guidelines on coal lending adopted by the United States in December 2009.

South Africa responded to the criticisms of this project with some commitments, including a proposal to come back to the World Bank with a \$1.25 billion loan for emissions reduction actions and changing their energy sector policies to better enable renewable energy to compete (the later a major limitation restricting the viability of wind in South Africa as the wind energy folks have told me). So hopefully some good will come out of this whole effort so that this will be the transition moment to help South Africa transform its energy sector so that renewables and energy efficiency will out compete uncontrolled coal (with some help from the World Bank to get there).

This project received significant criticism and generated strong opposition from groups in South Africa and serious questions from key Members of Congress -- Sen. Leahy, Sen. Kerry, and Rep. Frank (as this ClimateWire article pointed out). So how do you think the World Bank would respond to these concerns/questions? This quote from a World Bank spokesperson before the vote was either way too optimistic or completely downplayed the grave concern that have been obvious for a while from key members of the Bank Board:

'We believe this project is important for South Africa and South Africans and we expect it will be well received by the board,' World Bank spokesman Peter Stephens told Reuters.

I don't know if I would consider five abstentions from key countries as 'well received.' And one of those statements (from the U.S.) basically said 'don't do that again:'

We expect that the World Bank will not bring forward similar coal projects from middle-income countries in the future without a plan to ensure there is no net increase in carbon emissions.

I sure hope before the World Bank comes to the U.S. and other donors with hat in hand asking for more money for a General Capital Increase that they come with a real energy strategy and a clear

plan to stop funding projects which are causing global warming. Otherwise, I'm afraid they are going to have a major challenge convincing countries around the world that this is a worthy investment. After all, how can we use scarce resources to cause a problem -- global warming -- that we are simultaneously trying to eliminate?

Please World Bank help to fund the transition to a clean energy future -- you must do better after this project.

Yen Falls Versus Euro on Recovery Signs, Easing Greece Concern

Friday, April 9, 2010

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By Lukanyo Mnyanda and Candice Zachariahs

April 9 (Bloomberg) -- The yen fell for a second day against the euro as signs the global economy is improving and speculation Greece will get an international bailout to avoid a default damped demand for Japan's currency as a refuge.

The yen weakened most against higher-yielding currencies including the New Zealand dollar and South African rand as the MSCI World Index of stocks snapped two days of declines and a report showed German exports rose the most in eight months. The pound advanced against the dollar after data showed U.K. producer prices jumped more than economists predicted in March. The rand climbed after the country's state-owned electricity supplier received approval for a \$3.75 billion World Bank loan.

The rand gained 0.5 percent to 7.2362 versus the dollar and was 0.2 percent stronger at 9.7033 per euro. It rose against 14 of its 16 most-actively traded peers.

The World Bank agreed to help Eskom Holdings Ltd. build one of the world's largest coal-fired power plants, the institution's first major loan to South Africa since apartheid ended in 1994, the bank said in an e-mailed statement yesterday.

Protesters participate in a rally held by Africa Action and Friends of The Earth against the World Bank's \$3.75 billion loan to South African utility company Eskom for the construction of the world's largest coal-fired power plant, in Washington on April 7, 2010. UPI/Kevin Dietsch Photo via Newscom

<http://view.picapp.com/pictures.photo/news/africa-action-and-friends/image/8450610?term=NEWS>

<http://www.afriqueavenir.org/en/2010/04/08/world-bank-asked-to-put-conditions-on-loan-that-may-benefit-the-ruling-party/>

World Bank asked to put conditions on loan that may benefit the ruling party

April 8th, 2010 in Development, News 23 views

APA-Pretoria (South Africa) South Africa's main opposition Democratic Alliance (DA) party's leader, Helen Zille, has met US ambassador Donald Gips in Pretoria to lobby against the World Bank granting an unconditional loan to Eskom to finance an infrastructure expansion programme.

Zille's objection on Wednesday centred on the grounds that providing the loan would aid and abet corruption by the ruling African National Congress (ANC) party because of the unacceptable involvement of the ANC in a major supply contract for boilers for Eskom's Medupi power station.

The World Bank is scheduled to decide on Thursday whether or not to grant the loan to Eskom, the country's sole power utility.

Her intense lobbying stemmed from the belief that an unconditional World Bank loan would have 'serious implications for the health of our democracy' and strengthen the development of a corrupt and criminal state.

But ANC secretary-general Gwede Mantashe has dismissed the opposition's concern that the ANC, through its links to Hitachi Power Africa, would benefit as a result of proposed tariff increases.

'It's a misnomer. An increase in tariffs doesn't mean that a supplier gets the same increase, there is nothing like that,' he said.

Mantashe said Zille's opposition to the World Bank loan proved that she was not acting in the 'national interest', given that energy security was paramount in South Africa.

'An opposition party that works against the national interest is not a real opposition party,' Mantashe said.

MoneyWeb

POWER FOR WHO?
Barry Sergeant|

07 April 2010 18:04

Eskom's blaze of controversy explodes

Treasury sidesteps heinous issue of ANC effectively handing itself R1bn, and growing.

JOHANNESBURG - A 4 000-word document released on Wednesday by the National Treasury, capturing issues in and around Eskom's application for a \$3.75bn (about R27bn) loan from the World Bank has neatly sidestepped the explosive issue of the ANC's stake, of up to 25%, in Hitachi Power Africa, recipient of multi-billion rand contracts for various sub-contracts at Eskom's new and proposed power stations.

Criticism has mounted over how Eskom, the state-owned power monopoly, which answers to the ruling party, the ANC, could award contracts to entities in which the ANC holds an economic stake. In a good number of countries, such arrangements, no matter how indirect, have long been outlawed.

Helen Zille, leader of the Democratic Alliance, the official opposition, has kicked up a huge storm over the affair, and most lately visited senior staff at the UK and also US offices in Pretoria on Wednesday, a day ahead of the World Bank announcing its decision on the loan.

According to Zille: 'Hitachi Africa is 25% owned by the ANC's investment arm, Chancellor House. This means that the ANC has a R5.8bn stake in the [Medupi power station] deal, from which it will make an estimated R1bn clear profit - enough to fund its election campaigns and the lifestyles of its leaders for years to come.

'It is no exaggeration to say that, if the loan is granted and the deal goes through, no opposition party may ever be in a position to compete fairly with the ANC again. The ANC will entrench its single party dominance and, in doing so, gravely weaken our democracy'.

ANC Secretary-General Gwede Mantashe was quoted on Wednesday as saying that the party will drop its stake in Hitachi Power Africa only if funding rules are changed for all political parties in the country'.

The new Treasury document says that government is 'mindful of some of the concerns raised' in regard to the Chancellor House-Hitachi issue. 'Government is, and will continue to engage with all concerned stakeholders on this important question with a view to having a constructive dialogue. We will ensure that we have a transparent framework to deal with matters such as these'.

Following an investigation, the Public Protector in February announced findings including that there was a conflict between the personal interest of the former chairperson of the Eskom board, Valli Moosa, a member of the executive committee of the ANC, 'and his duty towards Eskom at the time when the board resolved to award the Medupi boiler contract to the Hitachi Consortium'.

Moosa has also been known to play a high profile in the ANC's fund raising efforts. The Public Protector found that Moosa 'failed to manage his said conflict of interests in compliance with the conflict of interest policy of Eskom and therefore acted improperly', but also that 'no indication could be found that the decision to award the contract to the Hitachi Consortium was in any way influenced by Mr. Moosa'.

After years of mismanagement, Eskom's financial state is increasingly beleaguered, leaving it distressed in funding hundreds of billions of rands worth of commitments at new and proposed power plants. Eskom's capacity expansion budget is R385bn (about \$53bn) up to 2013, and is expected to grow to more than a trillion rand by 2026.

This is in response to the 'power crisis' that Eskom has been facing since the national grid fell on its head in early 2008. In February 2010 Eskom was awarded tariff increases of 24.8% to 25.9% over each of the next three years, in the face of heavy opposition to original applications for increases of a far greater magnitude.

Eskom in the year to March 31 2009 posted an overall loss of R9.7bn. On that date, Eskom had a balance sheet of R199bn, including cash of R18bn, and debt of R70bn. According to figures released in Parliament, Eskom had benefited from state bail outs to the tune of R189bn over the three financial years to March 31 2009.

Write to Barry Sergeant: barry@moneyweb.co.za

<http://constitutionallyspeaking.co.za/the-end-of-democracy/>

The end of democracy?
Apr 8th, 2010
by Pierre De Vos

'Hard-core pornography.' wrote Justice Potter Stewart in a celebrated US Supreme Court case of *Jacobellis v. Ohio*, was hard to define, 'but I know it when I see it'. Corruption is much the same. Regardless of our race, political affiliations or cultural background, we can identify corruption when we see it.

When we hear about a friend who paid a traffic cop R200 to avoid getting a speeding ticket, we know he was party to a corrupt activity. When a colleague uses funds from the company to buy household appliances for her sister, we know that she is corrupt. When we see evidence that successful arms deal bidders have paid millions of Rands in 'commissions' to well connected and powerful people, we know that corruption was involved. Decent people know what corruption is. They avoid getting involved in it and they expose it when they are made aware of it.

Sadly, many South Africans – of all races and political persuasions – are not as decent as one would have hoped. They either engage in corruption or condone it when it happens. This permissive attitude towards corruption eats away at the fabric of our society and subverts our system of government and our democracy.

We therefore do not need the Public Protector to tell us that the ANC has become infested with corruption. Through its investment company, Chancellor House, it will profit handsomely from the building of power stations by Eskom. News reports suggest that the ANC stands to make between R1 billion and R5 billion from the deal because the ANC owns a 25% share in Hitachi through its investment arm, Chancellor House, and Hitachi had been awarded the tender to build boilers for the Medupi power station.

The Public Protector found that former Eskom chairperson Valli Moosa acted improperly when the utility awarded a contract for the Medupi power station to the Hitachi consortium. Former Public Protector Lawrence Mushwana found that Moosa failed to manage a conflict of interest arising from the 25% stake of African National Congress (ANC) investment company Chancellor House in Hitachi

Power Africa. And now the World Bank is poised to grant Eskom a loan that will help it to build the power station from which the ANC will profit.

The ANC, deploying the kind of twisted logic used by crooks all over the world, said it would drop its stake in Hitachi Power Africa only if funding rules were changed for all political parties in the country. This statement suggests that someone else is responsible for the funding rules applicable to political parties. But this is utter nonsense. The ANC dominated Legislature can change the funding rules for political parties at any time. All the ANC has to do is to pass legislation imposing strict rules about the funding of political parties and about transparency of political party funding. This it promised to do a few years ago when it was taken to court by Idasa to reveal its sources of funding. Sadly that promise turned out to have been false and nothing has been done.

There are good reasons for the reluctance of the ANC to change the funding rules. As big business and the ANC has learnt to dance the dance of corruption, and as it has become apparent that this legalised corruption will entrench the power of the ANC, the party has realised that it would be mad to act in a manner that would be in the best interest of the voters. Who cares about saving democracy or serving the interest of the poor if one can entrench one's power and make money?

What no one with two brain cells can ever dispute is that the ANC – like any other political party – has absolutely NO business in doing business in South Africa. Although it is presently not illegal for political parties to engage in business – at least not when that business was not based on the awarding of contracts by the state in a seemingly corrupt manner – it should be illegal.

Unless the involvement of political parties in business is made illegal the political process will be completely corrupted by big business and money. In the long term the fat cat capitalists and tenderpreneurs will benefit while the ordinary working poor and the jobless will suffer. As the interests of big business and the big business interests of the governing party takes precedence, those who vote for the ANC will suffer while the average DA voter (who will benefit from the cosy relationship between big business and the ANC) will not really be affected.

There are at least four reasons why political parties should never be in business. First, if a political party

– especially a governing party – is involved in business it WILL use its power and influence at some point to try and profit from government contracts. The end result is corruption, the inevitable increase in the cost of delivery of services and a decline in the quality of those services. The Hitachi deal demonstrates this very clearly.

Second, a governing party will be tempted to make policy decisions based not on what is good for the people whom they have to serve, but rather on the basis of what is good for their business. For example, they might actively or tacitly support huge hikes in electricity prices to help pay for the building of power stations from which they will make billions of Rands. Ordinary South Africans will then suffer from sky-high electricity prices in order to subsidise the party in power. Ordinary people will be helping to pay for the elections campaign of the governing party and will help to keep the very corrupt party in power who has failed to arrest the price hikes that made us poorer.

Thirdly, the power of incumbency will provide a political party involved in business with ample opportunities to become corrupted by private business who will try to cosy up to it and might offer the party's investment company lucrative business opportunities in order to prevent the governing party from adopting any policies that would not be in the interest of big business. Thus, our democracy will become corrupted as the needs of ordinary voters are superseded by the needs of big business. Pharmaceutical companies or other companies involved in health care may entice the governing party with business opportunities, say, to ensure that the governing party never introduces a National Health Insurance scheme which might hit at the profits of those companies. The result is that more poor and destitute people will needlessly die because of a lack of proper health care. This corruption that will follow from political party involvement in business could therefore literally be deadly.

Lastly, a governing party who makes billions from business will be able to buy elections. Once one party has billions of Rands at their disposal to buy votes, we might as well scrap elections altogether. As we know from the US example, money plays a decisive part in who wins and who loses elections. If the system is rigged to benefit the incumbent we would have reached the end of any semblance of competitive elections.

In his State of the Nation address President Obama directly condemned the U.S. Supreme Court over a decision allowing corporations to contribute to political advertisements. Where the political party in power has itself become a big corporation that rakes in millions from government contracts and other deals with big business whose interests it will be bound to protect, democracy dies. No other political party will be able to compete at election time and the election would become no more than a vote buying exercise.

Troubling in all this is that Cosatu and the SACP has not made more noise about it. In the end, the involvement of the ANC in business will bring it closer to big business. This WILL lead to the marginalisation of Cosatu and the SACP and will ensure that the tenderpreneurs and nationalists take full control of the ANC. Can the end of the Alliance and of any influence for the left on our politics then be far off?

Will it be too late before we notice that the inevitable corruption that accompanies political party involvement in business has killed our democracy?

Sowetan

DA opposition to Eskom loan deplored

08 April 2010

Zukile Majova

The ANC has slammed the decision by the DA to oppose Eskom's proposed R27billion loan from the World Bank, accusing the opposition party of being 'unpatriotic'.

Yesterday ANC secretary-general Gwede Mantashe said it was in the country's interest to build the new power stations and it was in the interest of the economy.

'Anybody who works against that project is not patriotic and does not appreciate the difference between the ruling party and national projects.' He described the DA as an 'oppositionist' party.

'An opposition party that works against the national interest is not an opposition party, it's an oppositionist party. Whether you are in the opposition party or the ruling party, when it comes to the national interests, we must all work together,' said Mantashe.

DA leader Helen Zille was yesterday scheduled to meet with the UK high commissioner and the US ambassador in Pretoria, 'to further stress the DA's concerns regarding the proposed World Bank loan to Eskom, which may be of significant financial benefit to the ruling party'.

The board of governors of the World Bank is expected to vote on the Eskom application today.

The US government has already indicated it would abstain from voting while the UK government was under pressure to vote against the application. Mantashe said it was incorrect to suggest the ANC would benefit as much as R1billion if the Eskom loan was approved.

'The misnomer in this argument is the assumption that if there is an increase in tariffs, service providers will get the same increase, meaning that there is no contractual agreement between the supplier and the company.

'Therefore that agreement between the supplier and Eskom as a company is contingent to any increase you get in your tariffs. You will pass it over to your suppliers. There is not such a thing in actual business.'

GLOBAL: All fired up over coal
08 Apr 2010 10:41:26 GMT

Source: IRIN

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JOHANNESBURG, 8 April 2010 (IRIN) - The first of the Millennium Development Goals set by the United Nations and endorsed by its global membership is to eradicate poverty and hunger, but the energy to drive the economy that creates the jobs that earns the money to buy the food and all that flows from there needs to be as cheap as possible. The answer in South Africa is coal; cheap but dirty.

South Africa's case illustrates the dilemma but also, possibly, offers a solution. The country is facing an electricity crisis and the parastatal electricity provider, Eskom, plans to boost prices by more than 76 percent and borrow \$3.75 billion from the World Bank to build Medupi, a new coal-fired plant, leading civil society organizations and labour unions to react with anger and dismay.

Unions claim the loan will have economic consequences to the detriment of the poor; civil society worries that the world's fourth biggest power station will expand the country's already considerable carbon footprint - South Africa is one of the world's biggest greenhouse gas emitters.

Finance minister Pravin Gordhan argued in a comment piece in The Washington Post defending the loan that 'to sustain the growth rates we need to create jobs, we have no choice but to build new generating capacity - relying on what, for now, remains our most abundant and affordable energy source: coal'.

The proposed loan has far wider ramifications. The New York Times newspaper billed it as the US's first test case of 'its new guidelines discouraging coal-fired power projects in developing nations'. The US is the World Bank's biggest shareholder and all eyes are on how it will vote when the proposal comes before the Bank board on 8 April.

The 4,800 Megawatt Medupi plant will be 'a significant source of carbon emissions', noted US Congressmen John Kerry, Patrick Leahy and Barney Frank in a letter expressing their concern over the loan to Eskom, addressed to World Bank president Robert Zoellick. The bank has stated that the

Medupi plant will use clean coal technology, leaving a smaller carbon footprint.

At the centre of the debate is whether governments should pursue a development agenda of accelerating growth rates to reduce poverty, at the environmental cost of using energy that is less green, undermining the climate change agenda.

Balancing the agenda

It is about balance. 'Billions of people in developing countries are experiencing unprecedented economic opportunities for the first time, thanks in part to new access to electricity,' said the US Congressmen's letter.

'But we cannot ignore the reality that our planet is hurtling towards potentially catastrophic climate change ... We cannot sustainably reduce energy poverty without also addressing climate change.'

Gordhan said, 'If there were any other way to meet our power needs as quickly or as affordably as our present circumstances demand, or on the required scale, we would obviously prefer technologies - wind, solar, hydropower, nuclear - that leave little or no carbon footprint, but we do not have that luxury if we are to meet our obligations both to our own people and to our broader region, whose economic prospects are closely tied to our own.'

South Africa generates more than 60 percent of all the electricity produced in sub-Saharan Africa. 'Tight supplies are not just a problem for us. Our neighbours - Botswana, Lesotho, Namibia, Swaziland and Zimbabwe - all rely on Eskom for their electricity,' Gordhan pointed out.

'They face the same growth constraints that we do. Their factories and businesses, hospitals and schools, and their ability to provide basic services, all depend on Eskom-generated power.'

Mike Kantey, a sustainable development expert who heads the Coalition Against Nuclear Energy, a local lobby group, acknowledged that the coal-fired plant was the 'cheapest pragmatic short-term solution to the problem'.

South Africa's power infrastructure is aging, as an electrification programme and economic growth has pushed up demand. In 2008, the country was hit by widespread planned and unplanned power cuts, or 'load shedding', which cost the economy millions of dollars and people were retrenched.

But will it help the poor?

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Yet the National Union of Mineworkers (NUM) - like many South Africans - wonders whether the new plant really will make electricity cheaper. NUM spokesman Lesiba Seshoka does not think so. 'The cost of electricity has gone up - we are worried about its impact on food and other essential services,' he said.

The debate also highlights the deeper dilemma in which NUM finds itself, and the links between energy that is less green and livelihoods. More than 20,000 of its members are employed in the coal mining sector.

'We don't want coal mines to shut down tomorrow - our people will lose jobs. We support renewable energy, but we want our members to be part of it - we want them to be trained for the transition when that happens.' NUM will discuss its organization's role in the transition at a policy conference in May.

In addition to the loan, the National Energy Regulator of South Africa (NERSA) recently gave Eskom the go-ahead to hike prices over a three-year period to fund its current operating costs and an ambitious expansion programme. According to the World Bank's website, 'Eskom provides free basic electricity to 27 percent of its customer households.'

NUM's umbrella organization, the Congress of South African Trade Unions (COSATU), intends to oppose the hike. Unemployment in South Africa is about 24 percent, according to Statistics South Africa (Stats SA), but independent estimates put it as high as 40 percent. COSATU has estimated that the global recession took at least 900,000 jobs out of the economy in 2009.

The World Bank maintains that the new power plant will benefit poor households because the government plans to electrify the remaining 19 percent of unconnected rural households by 2014.

The loan with its green credentials in a way also offers a solution to the larger dilemma that confronts developing countries. Medupi will use cleaner coal technology and part of the loan will be used to build two renewable energy plants - a wind-powered project, and the biggest grid-connected solar thermal project in any developing country.

jk/he/oa

Business Week

Bloomberg
Rand Drops Most in 2 Weeks on Doubt Eskom to
Get Expansion Loan
April 08, 2010, 6:11 AM EDT

By Garth Theunissen

April 8 (Bloomberg) -- The rand declined the most in two weeks on concern South Africa's state power utility won't receive a World Bank loan for expansion, damping capital inflows and economic growth.

The rand dropped for a third straight day, losing as much as 1.1 percent to 7.3591 per dollar, the weakest level since March 31.

Eskom Holdings Ltd., which supplies about 95 percent of South Africa's electricity, is seeking a \$3.75 billion loan to help build the coal-fired Medupi plant. Three U.S. lawmakers are seeking more environmental commitments for the loan, while the London-based Times said this week pressure from environmental activists may prompt the U.K. to block the bid. A decision is expected late today, Johannesburg time.

'There will be negative implications for the economy if there's not enough financing to ensure South Africa's future power needs, so the rand will come under pressure if the loan is refused,' said Elisabeth Gruie, an emerging-markets currency strategist in London at BNP Paribas SA, France's biggest bank. 'The loan would also be supportive of foreign-currency inflows.'

Three U.S. lawmakers whose committees oversee World Bank policy and funding have asked for more environmental and social commitments from Eskom related to the 4,800-megawatt coal plant, which is likely to be the world's fourth-largest. Finance Minister Pravin Gordhan last week said South Africa won't agree to any conditions to obtain the loan.

Supply Crucial

'From a longer-term perspective, the issue of secure electricity supply is crucial for the rand,' said John Cairns, head of foreign-exchange research at Rand Merchant Bank in Johannesburg. The rand may lose as much as 10 South African cents if the loan is refused later today, Cairns added.

The World Bank will announce its decision at 8 p.m. South African time, RMB said in a client note today. The World Bank declined to comment on the decision.

The plant is 'critical' in addressing South Africa's power shortage, Public Enterprises Minister Barbara Hogan said last month.

South Africa's currency traded at 7.33315 at 11:53 a.m. in Johannesburg, from a close of 7.2762 yesterday.

The rand weakened versus all but two of its 16 most-actively traded currencies monitored by Bloomberg as lower prices for gold and platinum, South Africa's biggest exports, dimmed earnings prospects for the country's mines. Gold snapped a three-day rally, losing as much as 0.7 percent to \$1,144.05 an ounce while platinum slid 1.3 percent to \$1,697.18 an ounce.

'The rand is tracking other commodity currencies lower,' said BNP's Gruie. The rand lost 0.6 percent against the euro, to 9.7806, from a close of 9.7181 yesterday.

Government bonds fell, pushing up the yield on the benchmark 13.5 percent security due September 2015 by six basis points to 7.98 percent. The bond's price fell 29 cents to 123.89 rand.

--Editors: Stephen Kirkland, Gavin Serkin

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World Bank set to approve Eskom loan

South Africa's state utility's controversial \$3.75bn loan needed to build a new coal-fired power station is set to go ahead

Author: Lesley Wroughton

Posted: Thursday , 08 Apr 2010

WASHINGTON (Reuters) - -

The World Bank is set to approve a controversial \$3.75 billion loan on Thursday to help South African state utility Eskom develop a coal-fired power plant despite objections from the United States and environmental groups.

Eskom has argued it has no immediate alternative but to develop the 4,800-megawatt Medupi coal-fired plant in the northern Limpopo region to ease chronic power shortages in South Africa and ensure power supplies to neighboring states.

While \$3 billion of the loan will fund the bulk of the coal-fired plant, the remainder of the financing will go toward renewables and energy efficiency projects.

'We believe this project is important for South Africa and South Africans and we expect it will be well received by the board,' World Bank spokesman Peter Stephens told Reuters.

Arguing that the World Bank should be promoting clean energy sources, the United States is expected to withhold support for the loan at Thursday's meeting of the World Bank board, made up of member countries.

It is unclear whether Britain, which has threatened not to back the loan, will support the project in the end after a recent visit to London by South African President Jacob Zuma in which he lobbied British officials to support the loan.

Regardless of U.S. opposition and possible British opposition, the loan is expected to be approved. The question is whether they attach conditions to the loan that compels Eskom to meet certain criteria on energy efficiency and extending electricity to the poor.

The opposition to the Eskom loan has raised eyebrows among those who note that the two advanced economies are allowing development of

coal powered plants in their own countries even as they raise concerns about those in poorer countries.

The South African plant is using the same 'cleaner coal' technology used in the United States and other developing countries to lower carbon emissions.

Meanwhile, environment and development groups stepped up pressure on the World Bank ahead of Thursday's meeting not to finance the project.

In a letter endorsed by 125 organizations, the groups argued that the project will not bring electricity to the poor but will benefit large mining houses and smelters.

In a complaint submitted this week to the World Bank's independent complaint body, the Inspection Panel, on behalf of residents living near the Medupi plant claimed that the project violated World Bank policies.

'This coal loan is not about alleviating poverty or supporting sustainable development and the World Bank has no business making it,' environmental group Friends of the Earth said in a statement on Wednesday.

LAWMAKERS' CONCERNS

In a letter to World Bank President Robert Zoellick on March 26, three senior Democrats, including John Kerry, Barney Frank and Patrick Leahy, who chair congressional panels, raised concerns about the loan and the Bank's rationale for supporting a project that will be a major polluter.

They said while developing countries should not be constrained by a lack of access to energy 'we cannot ignore the reality that our planet is hurtling toward potentially catastrophic climate change.'

The lawmakers said the World Bank loan contract should include a commitment by Eskom to update the Medupi plant with additional environmental protection as new technology becomes available, and should insist that Eskom upgrade the environmental standards of its other power facilities.

In his April 5 response, Zoellick told the lawmakers the World Bank had worked with the South African government to significantly improve the Eskom project over the past year, guided in part through discussions with the U.S. Treasury.

In the letter obtained by Reuters, he said without the new power plant South Africa would face rolling blackouts similar to the ones that crippled its economy in 2008. He said South Africa had taken an 'early and strong position' on cutting carbon emissions and scaling up renewable investments.

'We have conducted due diligence on all aspects of the project and have concluded that the projects development and poverty reduction merits, along with the need to support South Africa in meeting its energy crisis, should lead us to submit the project to our board for their consideration,' he added.

(Editing by Tomasz Janowski)

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Business Day

Eskom Loan Would Abet ANC, Says Zille

Linda Ensor

8 April 2010

Johannesburg — Democratic Alliance (DA) leader Helen Zille met with US ambassador Donald Gips in Pretoria yesterday to lobby against the World Bank granting an unconditional loan to Eskom to finance its infrastructure expansion programme.

Her objection centred on the grounds that providing the loan would aid and abet corruption because of the unacceptable involvement of the ruling African National Congress (ANC) in a major supply contract for boilers for Eskom's Medupi power station.

The World Bank is scheduled to decide today whether to grant the 3,75bn loan.

Zille also met UK High Commissioner Nicola Brewer and held a teleconference with the World Bank's country director in SA, Ruth Kagia, and two other bank officials on Tuesday night.

The DA has written to the World Bank urging that it refuse to grant the loan unless the ANC's investment arm, Chancellor House, withdraws not only from the Hitachi consortium, which won a R38,5bn contract to supply boilers to Medupi, but from all other supply contracts and subcontracts as well.

Hitachi Africa is 25% owned by Chancellor House, which would therefore have a R5,8bn stake in the deal and make an estimated profit of as much as R1bn.

Zille was worried by the logic of World Bank officials' argument that the loan would not be funding the contract in which Chancellor House was involved.

This was 'irrelevant' because funding the infrastructure programme in its entirety would allow parts of it to proceed. While she supported the need for investment in electricity infrastructure, Zille emphasised in her meetings that the World Bank should have no part in a deal that would benefit a political party.

Were it to do so it would be contravening its own protocols, she said.

Her intense lobbying stemmed from the belief that an unconditional World Bank loan would have 'serious implications for the health of our democracy' and strengthen the development of a corrupt and criminal state.

The benefit derived by the ANC would be enough to fund 'its election campaigns and the lifestyles of its leaders for years to come', she said.

It would be impossible for opposition parties to compete fairly and would entrench the ANC's single-party dominance.

ANC secretary-general Gwede Mantashe yesterday dismissed the opposition's concern that the ANC, through its links to Hitachi Power Africa, would benefit as a result of proposed tariff increases.

'It's a misnomer. An increase in tariffs doesn't mean that a supplier gets the same increase, there is nothing like that,' he said.

Mantashe said Zille's opposition to the World Bank loan proved that she was not acting in the 'national interest', given that energy security was paramount in SA. 'An opposition party that works against the national interest is not a real opposition party,' Mantashe said.

The Treasury said yesterday that the government was 'mindful of some of the concerns raised' regarding Hitachi's contract for boilers for Eskom's Medupi power station. It said the government would engage with 'concerned stakeholders'.

With Karima Brown

Zille asks US, UK to block Eskom loan

April 08, 2010 Edition 3

DA leader Helen Zille has lobbied the US and Britain not to support South Africa's request for a \$3.75 billion (R27.2bn) loan from the World Bank to build a new power station. The decision was expected today.

Zille told the diplomatic representatives of both countries that granting the loan would fuel corruption, as the ANC has a stake in the company that won the tender for the project.

'We are asking them to use their leverage and say they will not grant the loan unless the ANC completely withdraws its 25 percent stake in Hitachi Africa,' she said yesterday after meeting the ambassadors.

Eskom wants to use the money to build a coal-fired power station to help increase its power generation capacity.

'It is completely corrupt for a political party to make billions of rands out of state tenders, when that political party is in control of the state,' Zille said.

'If the loan is granted under these circumstances, the ANC's power will be corruptly entrenched and South Africa will become a criminal state.'

The ANC lambasted Zille's efforts, saying she was acting against the interest of the country. 'Zille is opposed to the development of the country, the loan will help Eskom's power supply. We happen to be in partnership with Hitachi,' secretary-general Gwede Mantashe said.

In a statement issued through the National Treasury yesterday, the government said it was 'mindful of concerns raised about the Chancellor House-Hitachi contract.

The government said it would 'engage' with all concerned parties 'on this important question' with a view to having a 'constructive dialogue'.

Some parties had called for the World Bank to make the loan conditional on the ANC divesting its stake in Hitachi so that the ruling party would not benefit from it. - Sapa-AFP

Promise on Eskom power station contracts

2010/04/08

THE government yesterday promised to ensure all contracts awarded for Eskom's Medupi power station would be transparent.

The World Bank board is expected this week to consider a \$3.75-billion (R27-billion) loan to the power utility to finance its capital expenditure programme.

But concerns over the awarding of the contracts and the ruling party's potential to rake in as much as R1-billion from the loan, have raised the ire of opposition parties and lobby groups.

'The premise upon which the World Bank loan application for Eskom was made, was based on the belief developing countries must be allowed to develop energy security in the most cost-effective, sustainable manner,' government said in response to questions on the Eskom loan application to the World Bank. The government said Eskom's commercial activities were governed by the Constitution and by the Public Finance Management Act (PFMA) – both of which required an organisation like Eskom should have in place a procurement system which was fair, equitable, transparent, competitive and cost-effective'.

'Within this framework Eskom has an approved set of Commercial Policies and Procedures complying with the PFMA,' the government said. – I-Net Bridge

<http://www.waterconservation.co.za/?p=741>

Opposition of SA coal mines grows

Once again the government has contradicting policies on how to a) solve our energy crisis and b) championing itself as progressive in terms of green energy.

Eskom has introduced the rebate system for solar water heating, but it really doesn't go far enough. The rebate should be greater and there should be tighter control on the businesses that are on their accredited listings.

There have been numerous stories of companies installing geysers that don't work or by plumbers that are not sure how the system works.

At Eco Origin, we have the world's leading technology in solar water heating and other solar products, and will sort out the Eskom rebate for you from start to finish. To find out more about our products, please contact us.

In an indication that the global climate justice movement is becoming broader, there is now intense opposition to a climate-destroying energy load for South Africa.

The campaign's leaders are community activists in black townships allied with environmentalists, trade unionists and international climate activists.

The World Bank is trying to lend nearly US\$4 billion to the Johannesburg-based parastatal (quasi-government-run) Eskom. The power company is the world's fourth largest and Africa's largest carbon emitter (responsible for 40% of South Africa's total emissions).

The loan is mainly for building the world's fourth most CO₂-intensive coal-fired power plant, Medupi, in the ecologically sensitive Waterberg area north of the capital of Pretoria.

The Bank also aims to finance privatised power generation, notwithstanding the abject failure of public-private partnerships in South African infrastructure, including for electricity and water.

More than 200 organisations have signed up in protest.

The loan would fly in the face of the Bank's attempt to portray itself as a climate-friendly financier, and will generate a vast, unnecessary debt.

This will be a financial debt to South Africa's poor and an expanded climate debt owed by South Africa to the rest of Africa for overusing its fair proportion of the continent's CO₂ carrying capacity.

Forty new mines are requested by Eskom to supply its new generators. For communities near the coal fields and coal-fired stations, the externalised costs imposed by Eskom are extremely high, including the complete degradation of water sources, air pollution, a frightening rise in mercury levels associated with coal use, and other health burdens.

The loan is being pursued at a time of intense controversy surrounding Eskom mismanagement. In its last annual reporting period, the company lost R9.7 billion (\$1.3 billion) mainly due to miscalculations associated with hedging aluminium prices and the SA currency.

Both the chairperson and chief executive officer lost their jobs late last year amid unprecedented acrimony.

Eskom continues its giveaway prices — the world's cheapest electricity, heavily subsidised by all other users — to several large export-oriented multinational corporations, headquartered abroad. The two main beneficiaries are Melbourne-based BHP Billiton, which runs aluminum smelters, and the notorious London-based Anglo American Corporation.

Thus profits flow abroad, exacerbating SA's dangerously high international payments deficit.

Activists argue that the scandalous late-apartheid-era, multi-decade 'Special Pricing Agreement' deals with BHP and Anglo should be rejected.

In early 2008, repeated national blackouts finally led to cuts in supply to some of these firms, showing that the deals could legitimately be violated. The crash of metals and minerals prices has also dramatically lowered demand.

Demand-side management — a tried and tested alternative that the World Bank claims to endorse (but hasn't considered in this case) — would lessen the need for new power plants.

Also, SA's massive renewable energy potential has not even begun to be tapped. Eskom was given responsibility for rolling out more than a million solar-powered hot water heaters over three years, and after two years, can claim only a thousand.

Having lost the vast majority of South Africans' trust, Eskom raised prices by more than triple the inflation rate in 2008. From 2007 to 2012, the price of a month's normal electricity use in an 'average township household' is anticipated by Eskom to rise 127% in real terms.

These price increases will have an extreme adverse impact, leading to a major increase in power disconnections (and illegal reconnections, hence electrocutions) of poor households.

Ironically, World Bank staff insist the proposed Eskom loan will have a 'developmental' impact.

The Bank is in an untenable position. It will soon release a new energy policy and also campaigns to take on additional responsibilities for channeling finance related to climate change.

The proposed Eskom loan should disqualify the Bank from any further role in climate-related activities.

Critics insist that if the Bank intends to raise \$180 billion in new capital from member groups prior to the World Bank/International Monetary Fund meetings in late April, it will have to shelve this loan, because the world's citizens will object that this represents business as usual financing at a time when energy transformation is increasingly urgent.

Critics are gaining momentum. Communities and environmentalists have begun to protest the Eskom loan, including at the firm's Durban headquarters on February 16.

The National Union of Metalworkers of South Africa announced its opposition to the loan on February 18. Other unions threatened strikes against the price hikes and Eskom's labour practices.

The Pan African Climate Justice Alliance, which had the highest African profile at the December 2009 Copenhagen Climate Summit, has also endorsed the no-loan demand on grounds of environmental damage.

Opposition to the loan has also been expressed by the South African Council of Churches, which played

a key role in criticising the World Bank in the past due to its apartheid financing.

Eskom is also suffering an upsurge of illegal electricity connections in communities, as its prices become prohibitive.

In sum, this company can be fairly described as a poor credit risk.

Dozens of groups across the world have committed to oppose the World Bank's proposed Eskom loan. They are contacting the executive directors of the World Bank from each country — including Australia's representative, James Hagan, who was visited by South Africans earlier this week — to demand a 'no coal loan' vote at the April 6 meeting at which the loan will be tabled.

In advance of the Bank's recapitalisation efforts, critics are ready to take even more vigorous action against the Bank itself.

This includes a revival of the 'World Bank boycott' that cost the Bank support from many major bondholders over the past decade (including the world's largest pension fund, the city of San Francisco, the Calvert Group, and university and church endowment funds).

For the sake of environmental justice, the surrounding communities, the citizenry, the workers, Eskom customers and the continent of Africa (and all other sites affected by climate change), the Bank will have no choice but to withdraw this loan.

Eskom will then have no other choice but to negotiate an appropriate energy mix and financing strategy with constituencies they have so far ignored.

axisoflogic.com

<http://www.mydigitallife.co.za/index.php/my-life-in-digital-mainmenu-29/show?id=1053659>

How to make a huge amount of money , in a few easy steps

Posted by: Dissol on Apr 08, 2010

1. Win elections to run a country (OK, maybe that is not such an easy step...)
2. Ensure that the electrical power supplier is state run / owned.
3. Refuse, consistently to invest in new power stations or infrastructure. Even though the power company asks consistently to do so.
4. Allow the country to experience a few black outs, so the population understands what it feels like to not have enough electricity for needs.
5. Buy a large (25%) share in a company who could benefit from specific building programmes aimed at power generation.
6. Leave the investment so late, and only come up with one plan to fix the problem.
7. Make sure that the company mentioned in (5) is ideally positioned to be one of the major beneficiaries of the only plan.
8. Apply to the World Bank for a huge loan to pay for the only plan being tabled.
9. Explain to everyone (the taxpayers who will have to pay off this loan, and the World Bank making the loan) that without investment in this plan the country will not be able to supply needs (see point 4).
10. Ignore any issues over pollution.
11. Pocket money , and laugh all the way to (your own) bank.

By the way , this would also ensure that you have so much more money than any other political party , as soon as you complete it, you can go back to point 1 and repeat, with future electrical production, or turn your eyes to other essential resources, like water... The possibilities are endless...

Now, who wants to join me to work out which country we should contest the elections of??

Business Report

State won't accelerate decommissioning of Eskom plants

April 8, 2010

South Africa will at this stage not accelerate the decommissioning of older coal-fired plants, the government said on Wednesday.

'We will explore the acceleration of the decommissioning dates of older inefficient plants, if warranted as part of the overall energy strategy and as informed by the success of energy efficiency and demand-side measures,' government said in its response to questions on the Eskom loan application to the World Bank.

This, it said, would further contribute toward reaching the country's emission reduction targets.

South Africa is pursuing an energy strategy compatible with both our commitments in the Copenhagen Accord to reduce emissions by 34 percent below the 'business as usual' level by 2020, and 42 percent by 2025.

This strategy includes meeting urgent generation expansion while committing to an aggressive programme to enhance energy efficiency measures and introducing renewable energy as well as demand-side management.

'However, a view to de-commissioning is something that we can only do in the medium term given our current energy requirement and the fact that the new and more efficient technology will only come on stream in approximately five years,' the government said.

In addition, any decommissioning of plants would be determined as a result of the Integrated Resource Plan (IRP) process, which would include the life-cycle of the plant.

De-commissioning older plants is an objective under the IRP that government plans to table before parliament in the latter part of the year, it added. - I-Net Bridge

City Press

Joburg tariff rates rise, mayor slams Eskom

2010-04-07 14:59

The initially approved municipal tariff rate of 24.8% finalised by the City of Johannesburg is going to be revised to 28.9%, executive Mayor, Amos Masondo said today.

Masondo said in a statement that the revision came after 'the city learnt with shock' that municipal tariff rates would be increased by 28.9%.

This increase comes after the recent approval of an Eskom tariff of 24.8% for three years by the National Energy Regulator of South Africa (Nersa).

Masondo said: 'The City of Johannesburg has learnt with shock that the municipal tariff rates will be increased by 28.9% from July 1, 2010, to June 30, 2011.

'This is worsened by the fact that in Johannesburg we had already approved our tariffs based on the 24.8%. We are now forced to go back to the drawing board to review our tariffs based on the 28.9%.'

He said if the city did not review the rate, it would lose more than R200 million.

'In the City of Johannesburg we are extremely disappointed in these electricity hike prices for three successive years approved by the energy regulator, Nersa,' said Masondo.

'It would do this country a lot of good if Eskom could be forced to reduce or improve its inefficiencies which are unacceptably high.

'If Eskom could reduce its losses then tariffs would not be so high. Their tariff structure seems to have not taken socio-political challenges that this country faces,' he said.

Masondo said the city had been placed in 'an unenviable situation' because it received the bulk of its electricity from Eskom.

- SAPA

World Bank Protest, 7 April

<http://www.upi.com/enl/win/8e3ab76f6b973f2af134a95adbffdb07/>

<http://www.bicusa.org/en/Article.11836.aspx>

US and African voices shout a resounding 'NO' to Eskom in front of the World Bank
'World Bank on whose side: people in need or apartheid?'

7 April 2010

Civil society activists converged at the World Bank on Wednesday afternoon in protest of the proposed \$3.75 billion loan to South African power utility Eskom.

The World Bank is scheduled to vote April 8th on whether to approve the highly controversial \$3.75 billion loan that would help South African utility company Eskom build one of the largest and dirtiest coal-fired power plants in the world. The Eskom loan flies in the face of the World Bank's claims of alleviating poverty and supporting sustainable development.

A global campaign against the World Bank and Eskom has been endorsed by hundreds of organizations that represent millions of concerned citizens, community, environmental, labor and academic constituencies, in South Africa, the rest of the African continent and the world at large.

A highlight of the event was the potent words offered by Desmond D'Sa, chairperson of both the Wentworth Development Forum and the Coordinator of South Durban Community Environmental Alliance, who is visiting the U.S. this week from South Africa. Desmond stressed that 'This loan will not benefit the poorest of the poor neither will it provide access to electricity at an affordable rate to the masses of poor people in South Africa!' He added that 'We are saying to the World Bank today: You better take note of what we are saying because if you do not take note of what we are saying today in Washington then our children's children's children will keep reminding you!'

Participants of the action in front of the World Bank this afternoon emphasized that that this loan will largely benefit major industries that consume electricity below cost, and whose apartheid-era secret agreements ('special pricing agreements')

prevent them from sharing the costs associated with construction of the project and repayment of the loan.

The poor will bear disproportionate responsibility for the costs of the project, at the same time that their electricity tariffs double. As an institution whose mandate is poverty alleviation, the fact that the poor may very well lose access to electricity as a result of this loan is absolutely unacceptable, and this is to say little of the livelihood, health and environmental concerns associated with this loan.

'World Bankers' wearing black suits congregated around large smokestacks to distribute 'coal dollars' to the public and World Bank employees, which contained information about the loan and why the Bank should vote 'no.' Civil society 'cancelled' and refused to accept an oversized check for \$3.75 billion for dirty coal, delivered by a Zoellick impersonator.

Passing World Bank staff stopped to listen to chants of 'World Bank on whose side, people in need or apartheid?' and demands for climate justice now. The vote tomorrow will indeed confirm whether or not they heard our voice

<http://www.kpfa.org/archive/id/60009>

The Morning Show - April 6, 2010 at 7:00am

Download this clip (mp3, 20.56 megabytes)
Play this clip in your Computer's media player

Patrick Bond, director of the KwaZulu-Natal Center for Civil Society in Durban, South Africa, on World Bank-Eskom loan.

S.African opposition lobbies against World Bank loan

07/04/10 20:33 GMT

The South African opposition leader lobbied the United States and Britain not to support the country's request for a World Bank loan to build a new power station, she said Wednesday.

Helen Zille, leader of the opposition Democratic Alliance, told the ambassadors of both countries that granting the 3.7-billion-dollar (2.8-billion-euro) loan would fuel corruption, as the ruling African National Congress (ANC) has a stake in the company that won the tender for the project.

'We are asking them to use their leverage and say they will not grant the loan unless the ANC completely withdraws its 25 percent stake in Hitachi Africa,' said Zille after meeting with the ambassadors.

Eskom, the state-owned power company, wants to use the money to build a mega coal-fired power station to help increase its power generation capacity.

'It is completely corrupt for a political party to make billions of rands out of state tenders, when that political party is in control of the state,' Zille said.

'If the loan is granted under these circumstances, the ANC's power will be corruptly entrenched and South Africa will become a criminal state,' she added.

In 2008, South Africa was hit by rolling blackouts as the power utility battled to meet demand.

Earlier Wednesday, the ANC lambasted Zille's efforts, saying she was acting against the interest of the country.

'Zille is opposed to the development of the country, the loan will help Eskom's power supply. We happen to be in partnership with Hitachi,' said ANC secretary general Gwede Mantashe.

Eskom has already received loans from several European financial institutions.

The World Bank's decision is expected on Thursday.

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Washington Post

Schism remains as World Bank nears vote on \$3B S. Africa loan

By Steven Mufson
Wednesday, April 7, 2010; 3:18 PM

The World Bank will vote Thursday on whether to lend \$3 billion to South Africa's state-owned utility to build a giant new coal plant over the objections of environmentalists and South African trade unions who say the money should be spent on renewable energy projects.

Approval appears likely after World Bank President Robert Zoellick wrote a letter to members of Congress defending the project. He asserted that even after making provisions for the social costs, coal was still 'the least-cost, most viable, and technically feasible option' for meeting South Africa's needs.

But one executive director, speaking on condition of anonymity, said some board members were torn between the bank's commitment to slow climate change and the desire to help people in sub-Saharan Africa gain the access to electricity that is needed to lift them out of poverty. The vote of the U.S. executive director could be decisive.

The issue has roiled South Africa, too, where the ruling African National Congress has backed the 4,800 megawatt Merupi coal project while its close allies in the Congress of South African Trade Unions (COSATU) oppose the plan. Critics of the project note that the ANC's investment arm owns a stake in Hitachi, the company that is expected to sell boilers for the new coal plant.

'I see it from two points of view,' said Matthew Kuperus Heun, a Calvin College professor who spent the past year teaching engineering in South Africa. 'One is the justice point of view. They say, 'Why can't we build coal plants? You guys have been doing it for a century.' And then you look at it from the point of view of what needs to be done for the Earth and for the environment and nobody should be building coal plants anywhere.'

ad_icon

The decision is part of a wider debate about World Bank lending. Non-government organizations have been pressing the bank to shrink or eliminate its support for new fossil fuel plants. They say that

new coal facilities will lock in carbon dioxide emissions for the 40-year lifespan of the plants.

But the bank believes that in some places -- especially sub-Saharan Africa, where in some countries 90 percent of the people have no electricity -- the priority of reducing poverty might justify some new coal plants. Renewable energy projects tend to be considerably more expensive, bank officials say.

Critics of the bank's energy policies are hoping to gain leverage from the bank's current appeal for additional capital to expand its overall lending. Environmental groups are trying to get support from Congress, which must approve any increase in the U.S. share of the bank's capital. Zoellick's letter was a response to inquiries from Senate Foreign Relations Committee Chairman John F. Kerry (D-Mass.), House Financial Services Committee Chairman Barney Frank (D-Mass.) and Sen. Patrick J. Leahy (D-Vt.), chairman of the Senate Appropriations Subcommittee on Foreign Operations and Related Programs.

The World Bank has already shifted its focus in recent years. Its lending for energy efficiency has increased more than sixfold and on renewables more than threefold since 2007. By 2009, renewable energy and energy efficiency projects accounted for 40 percent of the World Bank's \$8.2 billion in energy lending while fossil fuel projects accounted for 24 percent.

The South Africa project could alter that ratio. But the bank also notes that the new giant coal plant will be among the most efficient in the world. Moreover, along with the \$3 billion the bank wants to lend to the utility, Eskom, for the coal plant, the World Bank plans to lend \$750 million on a variety of related projects including wind and concentrated solar energy, converting coal transportation to rail from road, and rehabilitating and improving the efficiency of old coal plants in South Africa.

But some want the bank to abandon coal lending altogether.

Since the end of apartheid, access to electricity in South Africa has soared from 34 percent to 81 percent, Zoellick said. In 2008, the country suffered from severe power shortages, a result of problems getting coal supplies to power plants but also seen as a result of generation shortages. Eskom, a state-owned utility with 13 other coal plants and a history of financial mismanagement, had done little

investment in generation in 20 years. Zoellick said there hasn't been a new power plant built in a decade.

'The thing came to a standstill,' said Inger Andersen, the World Bank's director for sustainable development in Africa. 'Hospitals were in blackout, schools couldn't function. This had a severe impact on confidence in the country, on the investment climate and on human development.'

Rising rates have also brought the issue home for South Africans, even though a quarter of households receive subsidies to protect the poor. COSATU has threatened to call strikes over the rate hikes, complaining that big industries pay lower rates than individuals. (Zoellick said in his letter that the same was true in the United States and Britain.)

Mark Swilling, a professor at Stellenbosch University, says that the South African government is torn between conflicting goals of keeping electricity prices low enough to spur exports needed for growth -- and to get the foreign exchange needed to repay the World Bank loans -- and the desire to keep electricity prices high enough that new innovative companies will emerge to finance future power projects. Eskom, one of the world's 10 largest utilities, dominates the sector. But the government wants to promote new black-owned enterprises.

Swilling says that, without a new coal plant, South Africa could develop its own renewable energy industry, echoing the call for 'green jobs' in the United States. 'The World Bank loan will suppress the need for innovation thus destroying what really drives growth and job creation,' Swilling said in an article this week in the Cape Times. He is urging the bank to give greater support to concentrated solar power plants, which could draw on South Africa's sunny weather in dry parts of the country.

Zoellick said in his letter that concentrated solar plants would cost three times as much as coal-fired plants.

But Patrick Craven, national spokesman of the COSATU labor federation, said, 'Empirical evidence shows that while it is cheaper to produce electricity from coal now, it is going to be costly in the medium to long term. The inverse is true in relation to the renewable sources of energy; they will become relatively expensive initially but cheaper in the long term.'

'The World Bank now faces a choice,' said a report last month by the Center for American Progress. 'As the governors and shareholders of the bank begin to defend their financing choices for power projects and solicit more resources to do their work they must decide whether this remarkable institution will be put at the service of the larger project of reducing carbon pollution or whether it will become an obstacle to it.'

<http://theenergycollective.com/TheEnergyCollective/62773>

Will they do it? The World Bank is divided on providing loans for dirty fuel

The Energy Collective

Today the World Bank (WB) will make a decision on whether or not to provide \$3.7 billion worth of loans to South African – based power utility Eskom, the world's fourth largest power company and Africa's largest carbon emitter (with 40% of South Africa's total emissions). Spotty electricity supply which have caused billions of pounds of damage to South Africa's economy in the past two years is the main reason for the loans, which would finance the world's fourth most CO₂-intensive power plant, pumping out an estimated 25 million tonnes of carbon dioxide a year into the atmosphere. As is expected, various environmental protection groups including Greenpeace, Friends of the Earth and Christian Aid argue that the risk to the world's climate from the plant's emissions outweighs the benefits of the secure electricity it would supply. African civil rights groups also have protested the proposed loan which, but the biggest surprise may come from the United States, one of the largest shareholders in the WB. The U.S. has enacted guidelines to push for 'no or low carbon' ways of meeting the energy needs of developing nations that rely on international financial institutions. If the United States abstains from voting on the proposed loan, or all out opposes it we may see a decision being rendered against coal-powered generation, ironically by a nation that derives half its electric power from coal. And so some very fundamental questions come out of the woodwork, lets dive in shall we?

Eskom issues

Eskom is a South African electricity public utility, established in 1923 as the Electricity Supply Commission (ESCOM) by the government of South Africa in terms of the Electricity Act (1922). It was also known by its Afrikaans name Elektrieseitevoorsieningskommissie (EVKOM). The two acronyms were combined in 1986 and the company is now known as Eskom. The utility is the largest producer of electricity in Africa, is among the top seven utilities in the world in terms of generation capacity and among the top nine in terms of sales. Eskom is not adverse to controversy in regards to its pricing structures, environmental degradation and power supply. As africanaction.org

points out, the loan is being pursued at a time of intense controversy surrounding Eskom mismanagement. In its last annual reporting period, the company lost \$1.3 billion mainly due to miscalculations associated with hedging aluminium prices and the SA currency. Both the chairman and chief executive office lost their jobs late last year amidst unprecedented acrimony. Meanwhile, Eskom continues its giveaway prices – the world's cheapest electricity, heavily subsidised by all other users – to several large export-oriented metals/mining multinational corporations (headquartered in London, Melbourne, Luxembourg and Zurich, where profits flow, thus exacerbating SA's dangerously high international payments deficit), dating to scandalous late-apartheid-era, multi-decade 'Special Pricing Agreements' deals. These deals should be rejected as odious, and as recently as August 2009, Eskom leaders publicly admitted that they would have to be re-considered – but they haven't been. An example of these 'Special pricing Agreements' can be found in a deal that Eskom signed with BHP Billiton, an aluminum manufacturing and export company, in the 1990's. Essentially, they link the price that BHP Billiton's smelters – in Richards Bay and Mozambique – pay for their electricity to the dollar price of aluminium. The crash of metals and minerals prices dramatically lowered demand. In early 2008, repeated national blackouts finally led to cuts in supply to some of these firms, showing that the deals could legitimately be violated. Demand-side management – a tried and tested alternative which the World Bank claims to endorse (but hasn't considered in this case) – would mitigate the need for new power plants. Moreover, South Africa's massive renewable energy potential has not even begun to be tapped. Eskom was given responsibility for rolling out more than a million solar-powered hot water heaters over three years, and after two years, can claim only a thousand. Having lost the vast majority of South Africans' trust, Eskom began raising prices by more than triple the inflation rate in 2008. From 2009 to 2012, the price of a month's normal electricity use in an 'average township household' is anticipated to rise from \$47 to \$132, according to Eskom. These price increases will have an extreme adverse impact, leading to a major increase in disconnections (and illegal re-connections, hence electrocutions) of poor households, that can best be described as 'underdevelopment'. The WB in considering this loan is rejecting the advice from its own independent advisory panel's recommendations – the 2004 World Bank Extractive Industries Review – which called on the Bank to phase out fossil fuel projects.

For the WB to provide upwards of \$4 billion to a company so horribly mismanaged that its own government would not provide funding to it is absurd. Also the lack of any sustainable solution to South Africa's energy crisis is disconcerting. If the WB wants to shape the development of infrastructure in nations like South Africa it has to abide by a policy that falls in line with its major contributors and shareholders, basically that coal plants shouldn't be built. The fact that the situation is ripe with hypocrisy is not lost on anyone, the United States is heavily dependent on coal, but the Obama administration also raises that the transition away from coal-powered generation or more sustainable coal-powered generation i.e. carbon capture and sequestration, is long overdue. Thus a massive push to invest in nuclear has been made by Obama. The argument that the developed world has no business denying poor people access to life and liberty, on account of the environment, has been used and will continue to be touted as basis for 'Socialist control tactic' hysteria theories. I don't think it holds water here. South Africa has a power problem, they want money to fix it. But the option they are proposing is rife with potential corruption, and environmental hazards. The World Bank should deny this loan, listen to reason and ask Eskom to come back to the table with another option. Maybe the WB should consider providing loans for nuclear power, which in the long run is a much better option for the South Africans.

http://www.foreignpolicy.com/articles/2010/04/07/power_banking?page=0,1

Power Banking

If the World Bank refuses to fund a controversial coal-fired power plant in South Africa, the most likely outcome isn't more clean energy -- but rather a financial arrangement that neglects it.

BY MICHAEL LEVI , KATHERINE MICHONSKI |
APRIL 7, 2010

This is superficially appealing, but it is the wrong way to go. There are simply no alternatives that could provide power at anywhere close to the same cost as Medupi, particularly given that the plant is already partially built. Moreover, the relatively small scale of the renewable energy business (particularly in Africa) would make it impossible to deliver the same capacity as Medupi in the same amount of time.

Perhaps surprisingly, the World Bank loan would also deliver real if admittedly limited benefits for renewable energy. Eskom's original project was focused purely on coal. The new loan, in contrast, would include 100 megawatts of wind and 100 megawatts of solar energy (each equivalent to about a tenth of a nuclear plant).

Although a fraction of the generating capacity of the overall project, these numbers are big in the renewable-energy world. The proposed solar project, in particular, would be the biggest solar-power project connected to the grid in a developing country. Projects of this size would help build technical and regulatory capacity in South Africa, bringing down the cost and risk for future renewable-energy projects, thereby encouraging South Africa's clean-energy transition.

If the World Bank refuses to fund the Medupi plant, the most likely outcome isn't more clean energy, but rather a financial arrangement that neglects it. European export credit agencies might step in, but public opposition would probably be strong. China might come to the table, but most likely without any clean-energy benefits. Alternatively, South Africa could try to fund the project itself, but at the expense of other development efforts (and without the renewable-energy components). The bank, meanwhile, would damage its relationship with South Africa and much of the broader developing world, making it more difficult for it to engage

developing countries in promoting climate-friendly growth.

The bank's shareholders should thus say yes. Yet in a world where climate is becoming increasingly important, it cannot let the Medupi situation be the template for future business. Shareholders should emphasize that this is an exceptional circumstance: To the extent that they are necessary, major coal-fired power projects in wealthier developing countries normally can, and should, be financed through private banks.

The World Bank should gradually transition to a model that supports expanded generation only in states that do not promote inefficient consumption - something South Africa has failed to do by subsidizing a bloated industrial sector. Indeed the bank should consider further linking its support for energy projects to pro-clean-energy policy reforms in recipient countries, in order to boost its long-term impact.

Such steps are important not only in their own right, but because other international institutions will undoubtedly look to the bank for cues. Last December's U.N. climate negotiations in Copenhagen made clear that there will be no single answer to the climate challenge. A proliferation of initiatives and institutions is much more likely. And because new institutions are so difficult to establish, policymakers will likely turn to existing ones, such as the World Bank, for solutions.

We recently published a study that surveys existing institutional capacity to deal with climate change. Two findings stand out: There is an extraordinary amount of capacity out there waiting to be tapped - but doing so will increasingly create tensions of the sort that the World Bank is addressing this week.

The World Trade Organization (WTO), for example, will need to balance an open trading system with carbon tariffs that might be part of national climate-change policies. The G-20 will decide how much time to devote to climate as it still struggles to get a grip on the global financial system. Development efforts by organizations like the U.N. Development Programme will need to incorporate climate risks into their activities, as will disaster relief agencies like the World Food Programme. The International Atomic Energy Agency will face pressure both to facilitate the spread of near-zero-emissions nuclear power and to clamp down on nuclear proliferation.

These institutions will need, in each case, not only to balance competing priorities, but also to maintain strong relations with the states they seek to influence. Just as the World Bank would have little leverage over South Africa if it alienated it through its decision on Medupi, the WTO will have little influence on states that decide that the WTO is out of touch with current reality. The G-20, meanwhile, would have little power if its developing-country participants decided that it was focusing too much on climate change and not enough on their own immediate economic priorities.

All of which reinforces the importance of this Thursday's vote on Medupi. The world will not succeed at tackling climate change if it attempts to make it its sole priority -- but it will also fail if its international institutions continue with business as usual. This Thursday's vote, and the World Bank's strategy going forward, will be an early indicator of how the world will handle this tension. But it will certainly not be the last time it will need to be addressed.

Business Report

Eskom loan lobbying heats up

Bank verdict due tomorrow
April 7, 2010

By INGI SALGADO

Opposition to Eskom's \$3.75 billion (R27bn) loan application to the World Bank mounted yesterday after three US legislators wrote a letter to the bank seeking greater environmental and social commitments from the power utility.

At the same time, the London-based Times newspaper reported that the British government might block the loan because of pre-election voting concerns. It did not disclose its sources.

The World Bank's 24-member board is due to vote on the loan tomorrow. Its decision will follow extensive lobbying by anti-loan campaigners in the environmental movement, who are concerned that multilateral financial flows are continuing to fund high-carbon projects in developing countries.

Energy Minister Dipuo Peters said yesterday there was no plan B if the World Bank loan application failed.

However, two key working groups of the cabinet's interministerial committee on energy, with input from the Treasury, were in the process of looking at Eskom's funding model, as well as power-generation funding options, she said.

The South African government previously said the US had indicated it would abstain from voting while countries such as France had offered support. Peters said yesterday that there had been no further information on how countries would vote.

Opposition to the loan - the bulk of which will fund the Medupi coal-fired plant - has been particularly vociferous in the US.

The three US senators that wrote to World Bank president Robert Zoellick, among them former presidential candidate John Kerry, wanted the lender to seek assurances from Eskom about extending electricity to the poor, increasing the use of renewable energy and retrofitting its facilities with more environmental protections.

Bloomberg reports that in a separate letter to US Finance Minister Timothy Geithner, eight members of the House of Representatives urged the US to back the loan as it was 'critical to heading off an impending energy crisis in South Africa and the entire southern Africa sub-region'.

'We understand and share concerns about the bank's active support for coal-fired power projects, but this project represents a truly unique situation, with mitigating circumstances that warrant broader consideration given its significance to the region's development,' the members wrote.

Last month the DA wrote to the World Bank to ask about protocol in granting a loan to an entity with financial links to a political party. It was referring to the ANC's 25 percent interest in Hitachi Africa, which has a R38.5bn contract to supply boilers for Medupi.

The DA asked the bank if it could attach conditionalities to the loan, specifically by asking the ANC to divest from any financial involvement in Eskom.

Finance Minister Pravin Gordhan has indicated South Africa would not accept conditions attached to the loan - probably an attempt to allay fears relating to the bank's infamous structural-adjustment programmes.

Business Unity SA (Busa) yesterday reiterated its support for Eskom's World Bank loan, following a meeting with Peters.

Sapa reported that Busa deputy chief executive Raymond Parsons, joining Peters at yesterday's news briefing, said Busa was already on record as supporting the loan.

'It's part of Eskom's broader borrowing programme. Eskom has already obtained a loan from the African Development Bank,' Parsons said. 'The World Bank loan... is essential.'

The World Bank is due to give its verdict on the Eskom loan tomorrow.

The Citizen

4/7/2010 13:37:50

Fedusa supports Eskom's loan from the World Bank

JOHANNESBURG - The Federation of Unions of SA (Fedusa) fully supports the US\$3.75 billion loan that government has requested for Eskom from the World Bank.

The loan -- to be used to fund mainly the Medupi coal-fired power station in Limpopo -- would be important for the growth of the economy and the effective running of Eskom, Fedusa general secretary Dennis George said in a statement on Wednesday.

Environmental organisations had called on the World Bank to reject the loan because it would fund the use of coal.

'It is of critical importance that the World Bank approves our loan application in order to ensure that we have sufficient supply of electricity, to support our economic growth, the creation of decent work and to eradicate poverty,' George said.

He confirmed that Fedusa had approached the International Trade Union Confederation (ITUC) -- present in 155 countries and territories -- to request support for the loan application.

'We have requested that ITUC write a letter of support to the World Bank to show support for the successful application of Eskom.

'We believe that failure to receive the loan will result in a serious set-back as the loan will help improve financial stability of Eskom at large.'

George said Fedusa remained optimistic that the loan would be approved as it could also be viewed as appropriate for a developing country like South Africa, 'which is both under-borrowed internationally and anxious to build necessary infrastructural capacity'.

Fedusa said that social partners in the National Economic Development and Labour Council (Nedlac) had committed themselves to work together to cap carbon emissions and to invest in renewable energy over the next 10 to 15 years.

'We will reduce our reliance on coal over the longer term without having to sacrifice jobs in the mining sector,' George said.

On Tuesday, Energy Minister Dipuo Peters told a media conference that all South Africans should support the granting of the World Bank loan to the electricity parastatal.

'All South Africans must support the loan because 25 percent of people are still waiting to have access to basic minimum electricity,' she said.

She also confirmed that should Eskom fail to get the loan 'there is no plan B'.

She could not shed any light on how the World Bank members would vote.

The British government was reportedly under pressure from environmental groups to block South Africa's efforts to secure the loan.

However, the Washington Post reported earlier on Wednesday that World Bank president Robert B Zoellick had defended plans to make the loan to build a coal-fired power plant, 'rebuffing arguments that the bank should only fund clean-energy projects and avoid technologies that contribute to climate change'.

The newspaper said Zoellick thought it would be 'hard to deny help' to a developing country as it emerged from a crisis 'sparked by conditions in the United States and the developed world'.

The World Bank would release its decision on Thursday.

- Sapa

<http://www.dispatch.co.za/article.aspx?id=392523>

ANC's link to Hitachi immoral

by Stephen Mulholland
2010/04/07

THIS correspondent may well be accused of banging on about the corrupt arrangement in which the African National Congress has been given a 25 percent stake in Hitachi Power Africa (HPA), the local subsidiary of the giant Japanese multinational, Hitachi Limited.

As is well known but which does not seem to ring alarm bells at Hitachi or the US Department of Justice (DOJ) or the Securities Exchange Commission (SEC) or the New York Stock Exchange (NYSE), the ANC will make billions of rands out of its free stake in Hitachi, held by its investment arm, Chancellor House Holdings.

But there is a lot more to this than money in the back pocket of our ruling party, money which will render it politically invulnerable, enabling it to bury any opposition with its vast and ill-gotten gains from Hitachi which will flow forever from State and private sector business here and in other parts of Africa.

Hitachi is, of course, the beneficiary of a R40-billion Eskom contract awarded to it when Vali Moosa was Eskom chairman and simultaneously chairman of ANC finances and its principal fund raiser.

Moosa may have left behind a ruinous shambles at Eskom but he bequeathed his party a huge cash flow in Eskom business, particularly as he should, in the interests of corporate governance principles, have insisted that the ANC divest from any bidder for Eskom business.

As Hitachi pursues its business interests in South Africa surely it cannot be denied that its competitors will be at a serious disadvantage? What chance, they may well ask themselves, do we have in a State or quasi-State contract bidding against Hitachi given the ANC's interests in the outcome?

Prospective competitors of Hitachi may well steer clear of State business, thus robbing the nation of the benefits of competition, and costing taxpayers more billions. Others might invite the ANC to become shareholders, thus deepening a corrupt form of political bribery.

Further, in the private sector Hitachi will have an unfair, never mind illegal, advantage in that those seeking the sort of services and products it provides – in mining, manufacturing and service industries – might well decide to go with Hitachi in order to curry favour with the ANC.

Last week the great German car maker Daimler was fined 185-million (R1.4-billion) by the SEC for bribery committed by its Turkish arm doing business in North Korea, Latvia, Bulgaria, Romania, China, Thailand, Greece, Iraq and Russia. Note that these crimes did not take place in the US. But Daimler, like Hitachi, is listed on the NYSE and does business in the US, thus exposing it to the Foreign Corrupt Practices Act.

According to Der Spiegel, an authoritative German publication, Daimler will end up paying out some 500-million (R3.7-billion) as it has been ordered to cover all the DOJ/SEC legal and other fees involved in the matter. Siemens committed similar offences and paid up 2-billion (R15-billion) while MAN was another German briber.

Interestingly, HPA falls under the German subsidiary of Hitachi.

The complaint filed by the US against Daimler accused it of having 'an inadequate compliance structure' as well as a 'corporate culture that tolerated and/or encouraged bribery'.

This seems to me to describe precisely the behaviour of Hitachi in South Africa. Clearly there is no chance at all that HPA, or its German bosses, would have gifted the ANC in this manner without approval from Japan.

Two years ago Matthews Phosa, treasurer-general of the ANC, admitted that there were serious corporate governance issues involved in the ANC's stake in HPA and promised that the party would divest itself of the shares.

He has now changed his tune. But what are the DOJ and the SEC in Washington waiting for?

Stephen Mulholland also writes for Finweek

<http://www.thedaily-maverick.co.za/article/2010-04-07-high-noon-for-eskom-s-world-bank-loan-bid>

The Daily Maverick

High noon for Eskom's World Bank loan bid

The perfect storm, high noon and D-Day are among the metaphors widely used for Thursday's decision on Eskom's bid for a \$3.75 billion World Bank loan. The next 24 hours are bound to be tense and nerve-wracking.

If you live in South Africa, you are fully aware that Eskom didn't build new generating facilities when it should have, a decade ago. Growing demand for electricity eventually painted it into a tight corner in 2008 with national rolling brown- and blackouts. The result is the need, bordering on desperation, for the national power generator to build more capacity. But its proposed loan from the World Bank has run right into some multiple buzz-saws, just as the bank is being asked for its thumbs-up.

There is now a roster of interlocking problems for Eskom and South Africa with this proposed loan – despite the fact that virtually everyone, except for the rare, full-time Luddite, agrees South Africa really needs more power capacity to meet its growing industrial demand (the energy which is central to any job growth strategy to address the country's horrific unemployment crisis).

First problem is that a key part of the construction team is Hitachi Africa. At face value that shouldn't be a problem - Hitachi is an experienced power plant constructor – except for that teensy problem that the ANC's investment arm, Chancellor House, has a significant investment stake in Hitachi Africa and stands to make a lot of money from this project, for the party. The actual construction contract with Hitachi Africa was approved by Eskom's chairman Mohammed Valli Moosa, a senior figure in the ANC, and so, not surprisingly, critics charge that the whole project was a clever way for the state to reward the governing party with a major injection of funds in the guise of a properly vetted public works project. Late-breaking rumours now say any World Bank loan funds would not be okayed to pay for work by Hitachi Africa. But stay tuned to be sure on that one.

The second issue is the way the Medupi power plant is being proposed as part of the solution for meeting the national goal of delivering power for the country's lower-income citizens, even as critics

argue that most of Medupi's power will be directed to long-term contracts for industrial development, rather than to people who are supposed to benefit, and with people who figure prominently in the government and Eskom's submissions for the loan. Charges in this case will be at cost or less, in contrast to the way individual consumers will have to pay for electricity in future.

A third element of the controversy – the environmental impact - has several different parts to it. The first is a growing clamour of complaints by residents in the Medupi area that building the plant as a coal-fired generator will inflict enormous ecological and health harm. Residents say that, in effect, they are being sacrificed on behalf of other people's demands for electricity. Or, as the World Bank's vice president for Africa, Obiageli Ezekwesili, said: 'The question is how Africa can get the understanding and support of its partners to strike the right balance between two objectives? economic growth and climate change? so they can light up Africa rather than keeping it literally as the dark continent.'

Phob: World Bank Group President Robert Zoellick pauses during a speech about the political and economic impact of the global economic crisis, and its implications for development and globalization, in Washington September 28, 2009.

Moreover, the proposed loan from the World Bank runs counter to the bank's expressed preference for funding power plants that do not dramatically increase a country's carbon footprint. A huge coal-fired power plant is clearly at odds with that policy. Most recently, three influential members of the US Congress – Senators John Kerry and Patrick Leahy and Rep. Barney Frank, all Democrats and all heads of congressional committees and subcommittees with crucial oversight over US relations with the World Bank – have written to World Bank president Robert Zoellick to ask for a commitment that any World Bank loan to South Africa would directly support extending electricity to the poor, that renewable energy funding would increase and that Eskom would have to retrofit its facilities for greater environmental protection.

In fact, the proposed loan gives the Obama administration a significant dilemma between its own positions for dealing aggressively with climate change and supporting Africa's need for more energy to encourage economic growth. This loan, therefore, becomes the first test of the Obama administration's own guidelines to discourage coal-

fired power projects and support 'no or low carbon' alternatives for developing nations.

But, even the bank's experts agree Medupi would 'produce large quantities of carbon dioxide that will contribute to global climate change'. And, because construction of the plant is already under way, it is probably too late for the Obama administration's guidelines to have an impact on what would be the world's seventh largest power plant. As a result, US treasury department officials will not say how the US will vote when the proposal comes before the bank's board tomorrow, although sources have said the decision will be 'challenging'. Hmm. As a major shareholder in the bank, the US holds a 25% share of the vote.

Pressure has also been growing on the UK government – also a key shareholder and perhaps the deciding vote for the loan – not to support the project. A spokesperson for the UK department for international development has gone on record saying the UK has not made a decision yet, but green pressure on the government is there. As Groundwork Friends of the Earth's director Bobby Peek argued, 'This loan will put South Africa deep into debt, damage the environment and drive the climate impacts already affecting poor South Africans. It is not electricity for the millions of people who live in deep rural areas who still have no electricity. It's for big industry which uses more than 80% of South African electricity.' Other protesters have been even stronger in their opposition.

The South African government has staked everything on getting approval, with public enterprises minister Barbara Hogan saying 'there is no Plan B'. Hogan warned that the country's economy depends on having a secure supply of electricity. 'If we do not have that power in our system, then we can say goodbye to our economy and to our country. This is how serious this thing is. The construction of Medupi ... is necessary so that we do not derail the country's economic growth and development,' she said.

Maybe they should have a Plan B – or even C. If the World Bank ultimately turns Eskom and the government down, the commercial markets may be their only recourse – unless they can convince the National Energy Regulator, the various government departments, an increasingly unhappy civil society not to mention the ordinary consumer that additional tariff increases are merited.

And we don't think that's a particularly likely option, that one.

By J Brooks Spector

The Post

Zille on a mission
7 April 2010, 13:09

By Christelle Terreblanche
Political Bureau

Political parties will put pressure on the World Bank to make its decision tomorrow on South Africa's R30-billion loan application conditional on the ANC divesting its multi-billion rand stake in a company that stands to benefit.

Today DA leader Helen Zille will try to ensure the ANC does not rake in what her party believes would be a profit of R1bn through the loan.

Zille intends pressing her point in a teleconference with the World Bank's country director, Ruth Kagia - already in Washington for tomorrow's decision - and in meetings with the US and British ambassadors in Pretoria.

Yesterday, reports in the British press indicated that Britain might reconsider its support for the loan and join the US in abstaining from voting, given global pressure against carbon-intensive projects.

Nearly 100 international NGOs and more than 60 activist groups from South Africa have criticised a loan they say would be a 'a climate disaster' and would entrench inequality.

The loan is intended to help solve the country's energy crunch, but it also makes provision for renewable energy projects.

The ANC's 25 percent share in subcontractor Hitachi Power Africa is held by its investment arm, Chancellor House. Hitachi was awarded the tender to build boilers for Eskom's new Medupi coal power station, for which the lion's share of the loan is destined.

'Suggestions are emerging that the World Bank will only agree to fund a portion of the deal from which the ANC will not benefit,' Zille said.

'But we will not be reassured unless and until the ANC is removed as a shareholder in Hitachi.

'As the arms deal scandal has shown us, these complex deals have many layers, involving primary contracts that can be used to disguise major corruption.'

Without the ANC's withdrawal, the World Bank would be effectively bankrolling the ruling party and this would perpetuate its 'parasitic' hold on the country.

Both the ID and DA have written to the World Bank to highlight the fact that the ANC's investment company Chancellor House's shares in Hitachi is in conflict with the bank's 'good governance' and anti-corruption protocols.

When contacted by The Mercury, Chancellor House managing director Mamatho Netsianda slammed down the phone, saying: 'Lock, man, I've got nothing to do with that. Don't call me again!'

The stakes are high, with the government warning of 'dire consequences' for the economy should the loan be refused.

The ID and DA are not against the loan's being granted, but do not want the ANC to benefit.

Even ANC ally Cosatu has slammed the potential windfall for the ANC.

<http://www.thegreentimes.co.za/index.php?storytype=1&storyid=285&id=6&storyaction=viewstory>

Green Times

Issue 7

Inter-faith community against proposed coal-fired power station

No country should be building new polluting coal-fired power stations, and the World Bank should certainly not make it possible by financing any fossil fuel projects,' stated Bishop Geoff Davies, Executive Director of the Southern African Faith Communities' Environment Institute (SAFCEI). 'The World Bank should only fund clean renewable energy generation and that does not include nuclear.'

We humans have got to learn to live in harmony with the planet. We have already caused enough destruction to the planet and its biodiversity. The time has come to make amends with a new start so that we begin to heal the planet. This will not happen while we continue on the fossil fuel and nuclear path.

Equally disturbing is the reality that coal and nuclear electricity generation takes the power out of the hands of the people, further enriching the powerful and already rich, while disempowering and further impoverishing the poor, reducing jobs and pricing energy beyond their reach.

Renewable energy enables local communities and the poor to control and gain access to energy while also creating far more jobs than large centralized coal and nuclear power stations. Renewable Energy technology will create at least 25% more jobs than coal and 90% more jobs than nuclear per unit generated.

We in the Southern African Faith Communities' Environment Institute (SAFCEI) and many civil society organizations in South Africa are alarmed – even horrified - that South Africa's Minister of Finance Pravin Gordhan could write: 'If there were any other way to meet our power needs as quickly or as affordably as our present circumstances demand, or on the required scale, we would obviously prefer technologies -- wind, solar, hydropower, nuclear -- that leave little or no carbon footprint. But we do not have that luxury if we are to meet our obligations both to our own people and to our broader region whose economic prospects are closely tied to our own.'

We are appalled on two grounds: South Africa has some of the best renewable energy resources, notably sun and wind, in the world. Renewable energy technology has developed to such an extent that we know that - using thermal batteries for example – we can generate base-load electricity. It is already happening in countries like Spain. Our solar resources are even better than Spain's. Furthermore, we could have wind and solar generation up and running within three years, unlike the time lag for coal or nuclear (eight or ten years) and by 2013 it will be cheaper than coal. And besides, the government already approved a renewable energy white paper seven years ago.

Equally important, it will put power into the hands of the people, who will be able to control their own local or regional energy generation. We in SAFCEI call on the rich, 'developed' countries to recognize their responsibility for bringing about the climate change crisis and therefore provide the financing for clean energy in developing countries. This lack of support is having disastrous consequences for Africa as its forests and woodlands are felled for charcoal, adding to the climate change crisis. Local renewable energy support will enable the rural poor to gain access to clean energy. Centralized coal and nuclear generated electricity is disastrous as it is beyond the reach of the rural poor, geographically and financially.

We therefore welcome the World Bank's intervention for wind and solar, but believe the World Bank has no ethical position to continue financing the destruction of the planet's climate by funding coal generation. Furthermore, Independent Power Producers are queuing up in South Africa to develop wind and power generation. Private capital will finance this. The South African public will therefore not have to take on immense World Bank loans or face tariff increases to finance Eskom's misdirected building schemes. We call on the South African government to end Eskom's monopoly of electricity generation and ensure that renewable energy initiatives can flourish. We believe a sustainable energy future is possible if we put power in the hands of the people. We also know that given the right conditions of governance and both local and international encouragement, renewable energy companies will invest heavily in South Africa. The State-owned Eskom should do so too.

Building a coal-fired power station is an investment for the next forty or fifty years. In every respect this would be a most unwise investment.

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'Faith Communities Committed to Cherishing Living
Earth'

From: Palle Bendsen.dk [<mailto:pnb@stofanet.dk>]
Sent: Wednesday, April 07, 2010 3:18 PM

To:
Ms. Anna Brandt
World Bank Nordic-Baltic Executive Director

cc.
Members of The Parliamentary Network on the
World Bank, Nordic-Baltic
Chapter:
Mr. Helgi Hjörvar, President of the Nordic Council,
Ms. Marion Pedersen, Chair of the Danish Foreign
Affairs Committee,
Ms. Ulla Tornaes, Member of the Danish Parliament
Mr. Jeppe Kofod, Member of the Danish Parliament.

Date: 07.04.2010

Dear Anna Brandt

Re. Nordic-Baltic position towards World Bank
finance of Medupi coal power plant

As Nordic-Baltic NGOs we would like to raise your attention to the upcoming vote of the World Bank Board of Directors on the Medupi coal-fired power plant in South Africa. This plant, if realized, will contribute to emitting 26 million tonnes of CO₂ annually. Instead of financing fossil fuel and high pollution energy, the World Bank should rather use its funds to support alternative energy projects.

We therefore urge you to vote against using World Bank finances to realize the proposed Medupi coal power plant.

In addition to our concerns, we would like you to know that civil society in South Africa¹ across Africa and across the World has criticized and opposed the Medupi project for several reasons: Environmental effects, uneven distribution and pricing of energy, and the increased debt burden. For the World Bank to fund such a project, would go directly against the recommendations of the its own independent advisory panel's recommendations - the 2004 World Bank Extractive Industries Review - which called on the Bank to phase out fossil fuel projects.

Sugarcoating the project by promising to set aside a fraction of the project finance towards mitigation of emissions and an even smaller share towards alternative energy projects is not convincing and cannot legitimize World Bank funding for the Medupi project.

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Signatures:
Ellie Cijvat
Miljöförbundet Jordens Vänner - Friends of the Earth Sweden

Palle Bendsen
NOAH Friends of the Earth Denmark

1 See <http://www.bicusa.org/en/Article.11773.aspx>

http://www.treasury.gov.za/comm_media/press/2010/2010040701.pdf

South African Government's Response to Questions on the Eskom loan application to the World Bank

The World Bank Board will consider a \$3.75 billion project loan to South Africa's power utility, Eskom on 8 April 2010 to finance its capital expenditure programme. The premise upon which the World Bank loan application for Eskom was made, was based on the fundamental belief that developing countries must be allowed to develop their energy security for their populations, in the most cost effective and sustainable manner.

South Africa is pursuing an energy strategy compatible with both our commitments in the Copenhagen Accord to reduce emissions by 34% below the 'business as usual' level by 2020, and 42% by 2025. This strategy includes meeting urgent generation expansion while committing to an aggressive programme to enhance energy efficiency measures and introducing renewable energy as well as demand-side management.

The generation technologies that Eskom has chosen to use are fully embedded in and informed by the Long Term Mitigation Scenarios (LTMS) adopted by the Government in 2008. The intention is to ensure that carbon emissions peak during 2020-2025, reaching a plateau for a decade, and then begin declining thereafter. Therefore the issue of carbon mitigation from increased generation needs to be viewed in a broader context, as the mitigations derive from several sources and sectors, and also over an extended time frame. Since the LTMS and its outcomes, there has been sound assurance among various stakeholders, within government, civil society and the private sector, of implementation actions that are required to meet its objectives. The Medupi power plant for example, is the first in Africa to use the cleaner coal 'supercritical' technology, the same technology used in developed countries for new coal power generation.

The Government of South Africa and Eskom have sought to consult and engage with stakeholders, domestically and internationally, on Eskom's loan application to the World Bank. In the interest of transparency and good governance, we have listed the following questions and concerns raised by stakeholders and our responses.

1. What measures will South Africa take to offset the CO₂ emissions from Medupi? South Africa's plan for reduction in CO₂ emissions is not based on an offset structure, but rather focuses on achieving country emission reductions which are consistent with the Long Term Mitigation Scenarios (LTMS). The initiatives by Government should not be read with offsets in mind but rather be seen as country-planning that has the potential to alter the pace and path of emissions and in moving towards sustainable development, whilst ensuring stability of the region in general. The funding that South Africa will seek approval for in the near future from the Clean Technology Fund (CTF) is viewed as a significant facilitating mechanism for the LTMS. The renewable energy and energy efficiency projects that the CTF could fund are seen as catalytic in this regard, especially due to the potential for leveraging other funding to scale up the implementation of projects. South Africa through the CTF is looking at Concentrated Solar Power (CSP); wind energy; solar water heaters (SWH); and energy efficiency. Based on the projected annual Green House Gas (GHG) emission reductions and assuming a 20-year plant life, the direct cumulative emission savings from the proposed CSP plant would be 7.6 – 11.4 million tons of CO₂ – depending on the load factor. Catalytic potential: assuming that the proposed CTF-supported investment has leveraged four new 100 MW CSP plants over a period of four years, the direct cumulative emission savings from these leveraged CSP plants would be 38 – 56 million tons of CO₂ – depending on the load factor. Based on the projected annual GHG emission reductions, emission savings from the proposed wind plants over a projected 20-year plant life would be about 4.8 million tons of CO₂. These estimates assume that the power supplied by the wind power installations would otherwise come from coal-fired plants with an average thermal efficiency of 35 percent and emission factor of 1.09 tons of CO₂ per MWh of generated power. Catalytic potential - assuming that the proposed CTF-supported investment has leveraged additional 500 MW of Wind energy by 2013, the direct cumulative emission savings from these leveraged Wind plants would be 28.5 million tons of CO₂. The SWH conversion programme will lead to a reduction of approximately 32 million tons of CO₂, assuming a 20-year life-span.

Emission reductions that relate to energy efficiency are a bit more difficult to estimate. However an initial assessment suggests that annual emissions reduction could be in the range of 9 million tons of

CO2 per annum. This represents a cumulative estimate of 70 to 80 million tons of CO2 by 2020 and is probably a conservative estimate as the increase in electricity prices has created a burgeoning industry for electricity efficiency enterprises in South Africa and many industries are taking up the challenge to reduce their consumption in a very positive manner. In addition structured and audited Energy Efficiency (EE) / demand side management (DSM) programmes such as Eskom's have progressed well since introduction in 2004/5. As a result the EE/DSM programme has achieved a cumulative audited savings of 1999 MW of generation to date. Eskom included funding for EE/DSM in its Multi-Year Price Determination (MYPD2), that will run from 1 April 2010 to 31 March 2013. Eskom will be implementing EE/DSM strategies that will produce an additional 1037 MW saving over three years. Eskom has also distributed approximately 40 million CFL's directly to households for free. These bulbs were physically installed by the distribution teams and the old candescent bulbs were removed and destroyed. This has resulted in a saving of 1000MW. A further 5 million are currently being distributed. South Africa will intensify its focus on energy efficiency in order to maintain a healthy reserve margin which will provide time to make decisions on new capacity in a consultative and informed manner. The success of the initiatives contained in the loan (both projects and technical assistance) could defer the need to build by 2017 and allow for the introduction of other cleaner technologies.

2. Has the South African Government considered how it would like the remainder of the funds set aside in the Country Partnership Strategy envelope (\$2.25 billion) to be used? Could it be used entirely for emission reduction measures as recommended by the Expert Panel? The World Bank, under the Country Partnership Strategy (CPS), is providing South Africa with a \$6bn funding window, of which \$3.75bn is being used for the current Eskom application (see the Country Partnership Strategy Progress Report, submitted to the Board together with the loan application). The Bank has however indicated that it would make an additional \$1.25bn available to Eskom after the approval of the package currently being considered. The \$1.25 billion of these additional aforementioned funds would be used to support emission reduction measures. South Africa is, however, yet to make a determination on whether and/or how it would use the remaining \$1bn. The country has a large infrastructure development programme in place and part of this programme requires supplementary

resources. In consolidating the funding required, South Africa will consider all types of financing, including that of the World Bank.

3. Will South Africa work with the World Bank to address any market or policy barriers that are delaying energy efficiency and renewable energy programmes, and to implement future actions needed to achieve South Africa's mitigation objectives? The South African Government will be identifying barriers and enablers to its energy strategies and objectives as part of the Integrated Resource Plan (IRP). Government will take the necessary steps to address the enhancement of enablers and the removal of barriers to scale up the current set of energy efficiency and renewable energy programmes and implement future actions. Work with the World Bank in this regard has already commenced. The World Bank has been instrumental in providing finance for a study to ascertain which barriers exist to introduce independent power producers (IPPs), with an emphasis on renewable technologies and renewable energy feed-in tariffs (REFIT). Aside from the current IBRD application, South Africa also intends resubmitting a \$250m application to the Clean Technology Fund (CTF) for renewable energy under the co-financing structure with Multilateral Development Banks. This, in conjunction with a further \$100m from the CTF resources co-financed by the African Development Bank will form an integral part of the public sector initiatives to kick-start commercial scale renewable energy in South Africa. The Bank is in a unique position where it has a bird's eye view of developments in renewable energy in the world. The World Bank can assist and advise with respect to best practice in so far as regulation and implementation is concerned. Hence, South Africa does see a clear and ongoing role for the World Bank, along with other regional players such as the African Development Bank in assisting with meeting our committed targets for reducing emissions. In addition to financing for renewables, the Eskom Project also includes Technical Assistance for scaling up of Energy Efficiency and DSM.

4. Would South Africa accelerate the decommissioning of older plants if warranted by the success of demand side measures? We will explore the acceleration of the de-commissioning dates of older inefficient plants, if warranted as part of the overall energy strategy and as informed by the success of energy efficiency and demand-side measures. This will further contribute toward reaching our emission reduction targets. However, a view to de-commissioning is something that we can

only do in the medium term given our current energy requirement and the fact that the new and more efficient technology will only come on stream in approximately 5 years. In addition, any decommissioning of plants would be determined as a result of the Integrated Resource Plan (IRP) process, which would include the life-cycle of the plant. De-commissioning older plants is an objective under the IRP that Government plans to table before parliament in the latter part of the year.

5. Would South Africa work with the World Bank to incorporate carbon capture and storage readiness provisions in the Medupi and Kusile plants? What are the specific challenges of CCS readiness in South Africa? The use of CCS technology internationally is in its early stages of development. It is expensive and the full environmental impact of its use is not fully understood, hence South Africa cannot commit to Medupi's readiness in this regard, especially given the critical commissioning schedule of Medupi. In terms of South African environmental legislation, Medupi is classified as an existing plant, and CCS was not a requirement (CCS was not being considered for large coal projects even in developed countries at that time) as evidenced in the Record of Decision by the South African Department of Environmental Affairs. This technology was not considered during the design phase of Medupi which commenced in 2005/2006 and thus predates the 2008 announcement. However, South Africa has a progressive framework within which new technologies could be applied as and when the geological studies and methods of transportation are being explored. CCS retrofitting as it pertains to Medupi cannot be discounted despite the fact that the plant is not being laid out specifically to facilitate a retrofit. All future plants, however, would have to make provision for CCS and the development and design of the Kusile plant is being and will be undertaken with this in mind as and when affordable technology becomes available. In addition South Africa is taking several steps to improve its knowledge of CCS. Eskom is part of a group of companies supporting a geological study into sequestration sites in South Africa and undertaking research into CO₂ mineralisation and bio-extraction technologies. The South African National Energy Research Institution's (SANERI) stated vision is to have a CCS

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demonstration plant operational in South Africa by 2020. South Africa is also undertaking work at an international level to gain an understanding of CCS and CCS 'readiness'. Furthermore, the CCS Trust Fund of the World Bank may also be utilised to

supplement work that is being undertaken by South Africa in respect of CCS readiness.

6. Does Eskom plan to upgrade the environmental technology at its other power plants, if need be with World Bank financial assistance? Yes, the upgrade of technology is fundamental to Eskom's sustainability. In the Multi-Year Price Determination (MYPD2), 1 April 2010 to 31 March 2013, R1.5bn has been set aside to address the management of coal utilisation and for the retrofit of technologies which will bring the emission limits in line with new legal requirements. It is envisaged that this amount will increase substantially over the years and World Bank funding to support these initiatives will be considered as part of the on-going work in reducing our emissions.

7. How extensive were your government's consultations with civil society regarding the Medupi project? Were changes made to address any specific concerns? Have any civil society groups come out publicly in favour of the project? There has been consultation with civil society at various stages. Initially as part of the development of the environmental impact assessment (EIA) for Medupi, extensive public consultation took place. Issues raised were captured in the record of decision (ROD) and amended ROD following appeals. There was also a process of engagement in the drafting of the Project Appraisal Document as required by World Bank procedures. Subsequent engagements have mostly been with civil society organisations on an individual basis. The South African government has furthermore engaged with the National Economic Development and Labour Council (NEDLAC), which includes representatives from labour, business and the community. Government has not sought to engage with certain groups, who are in principle opposed to a loan from the World Bank. Dialogue with civil society is seen as a process that will continue, as government seeks to address and allay all concerns. Some supportive statements to date include the following:

'The way forward is clear. Achieving energy security across Africa will require us to tap into all available sources, renewable and non-renewable, including fossil fuel-based options, such as coal. We need access to financing, technology - such as carbon capture and storage, which are already available or coming on stream - and the best available expertise to exploit all the energy options in the least harmful manner, even as we rapidly expand the uptake of more renewable sources of energy.' - Archbishop

Njongokulu Ndungane, African Monitor, Mail And Guardian, December 11, 2009

'Criticism of the World Bank by some groups in the United States cavalierly ignores the economic and energy realities of South Africa. Over 12 million people have no electricity whatsoever and millions more only have access to power on a sporadic basis. Blanket opposition to coal plants smacks of an unseemly indifference to the plight of developing countries. Indeed, South Africa is seeking to electrify schools and medical facilities (which in developed countries, is taken for granted). The world spent decades trying to eliminate institutionalized injustice in South Africa. We cannot ignore the adverse socioeconomic repercussions that defunct system continues to have on millions of South Africans who lack the basic necessities of life'. - Energy Facts Weekly, March 9, 2010, available online at www.energyfacts.org

'The gradual decline in South Africa's energy security remains the greatest threat to South Africa's economic development and sustainability. We noted with concerns Eskom's presentation to Parliament on the 2 March 2010. Eskom has indicated that 'the power supply is going to be extremely tight from 2013 and 2014 until we have base load power stations coming in'. This reality must inject some urgency in our approach with energy security. We believe that the approach must be to address short term risks, whilst simultaneously creating long term solutions. Thus BUSA reiterates its support for the World Bank Loan to Eskom. BUSA is convinced that it is a necessary additional source of funding which South Africa cannot afford to forego. Failure to borrow sensibly for Eskom's needs will either mean yet higher electricity tariffs or the risk of load shedding if Medupi is not completed in time.' Media Statement by Business Unity South Africa, March 16, 2010, full media statement available online at www.busa.org

'As I've written before, until clean and cheap energy sources are available for deployment on a massive scale, developing nations like South African will remain stuck in the Development Trap: forced to either sacrifice climate and ecological security in the name of development and poverty alleviation or to condemn countless millions of citizens to energy poverty in the name of climate protection. Breaking out of this untenable position is the urgent challenge of the century. The only way out of the Development Trap, and the only route to sustainable development and an end to pervasive energy poverty is to make clean energy cheap. On

that front, the world can't afford to delay. Anything else is ultimately counter-productive, ineffective, or even cruelly unjust.' - Jesse Jenkins, Director of Energy and Climate Policy, Breakthrough Institute, in 'Without Affordable, Clean Alternatives South Africa Turns to Coal,' The Huffington Post, March 23, 2010

'The World Bank loan to shore up Eskom's power generation capacity should be used wisely. South Africa has thus far managed to meet its huge post-apartheid development challenges using its own resources. Successive post-apartheid governments have been wary of repeating the mistakes of other developing countries that landed themselves in debt traps through over-reliance on borrowing from the World Bank. However we also need to harvest the benefits other developing countries, have derived from using the resources of finance and knowledge the World Bank has to offer. South Africa now stands at a critical point in charting its socioeconomic development. Our current shortfalls could hinder the economic development of the region. We dare not fail to rise to our responsibilities. We dare not allow ourselves to be trapped into knee jerk reactions that may undermine our ability to use our natural resources to advance our socio-economic development.' - Dr. Mamphela Ramphele, Chair, Technology Innovation Agency and Letsema Circle, South Africa, Op-ed published in Sunday Independent, March 7, 2010.

8. What is the status of South Africa's Integrated Resource Plan? Will there be an emphasis on power diversification, to nuclear and renewable energy, for example? The Integrated Resource Plan was considered by Cabinet at the beginning of 2010. Cabinet recommended that further consultations take place. The long term IRP (IRP2) planning process has already commenced. An interdepartmental task team has been set up to further the consultation process on the IRP as well as other restructuring initiatives in the energy industry. This committee reports to a special Inter Ministerial Committee on Electricity on a regular basis, and this is a sub committee made up of cabinet members to assess progress made on the IRP as well as other electricity-related matters. The key criteria for the decision making process on IRP (2) will include: Industry Structure, Climate Change, Funding, Energy Mix, Resource Planning, Energy Policy and Security of Supply as well as the protection of the poor.

9. What is the timetable for extending conventional electricity service to all citizens? The target is to

achieve 100% connections by 2014. In this regard the South African Government's mass electrification programme has been an overwhelming success and has gone a long way in meeting the basic electricity needs of the South African population. The programme started in 1994 when electrification levels were in the region of 34 percent, and reached an 81 percent level of electrification by 2009. This large scale electrification took place without any significant additions of new generation capacity. Addition of new capacity will facilitate continuity of supply for the newly connected and those that will be connected as part of the 100% connectivity target.

10. Will the Medupi project result in higher electricity rates for low- and/or middle income households while subsidizing rates for industrial customers? For poor indigent households, the national fiscus provides a multi-billion rand subsidy in order to provide 50kwh hours per month of free basic electricity in line with government's commitment. For residential customers supplied directly by Eskom the National Energy Regulator of South Africa (NERSA) has introduced an Inclining Block Tariff in areas with low income households (Home-light Tariff). This tariff and its structure will benefit low income households and generally result in a reduction in tariffs to these customers. For example, a customer with a 1000kWh consumption a month would see a total price reduction of 27.28c/kWh for 350kWh and an increase of 19.63c/kWh for the remaining 650kWh. A customer using approximately 800 kWh per month would not be affected by the tariff increase. As the majority of the Home-light monthly per customer consumption is lower than 350kWh, the under-recovery of revenue that results from this tariff structure means that a cross-subsidy in the form of higher tariffs for other classes of consumers occurs. Sales directly by Eskom to residential customers accounts for 5% of Eskom sales. There is a common misconception that industrial customers are subsidised by residential customers, justified by comparing the average prices paid between the two customer categories. However, one cannot directly compare the two values as the cost to supply all customers is not the same i.e. the cost to supply an average industrial customer is significantly less than the cost to supply a residential customer. When using the average price of electricity for different customer categories, it is important to understand the electricity supply cost chain and where exactly in this chain the different customers take their supply. Smaller users of electricity have much higher costs per kWh than larger users for the following reasons:

- Typically a residential customer is supplied on the network at a low voltage whereas a large industrial customer would be supplied on the network at a high voltage. This means that many more electrical networks have to be built, maintained and operated to supply smaller customers than that which is required for larger customers on higher voltage networks.
- More electrical losses occur at the lower voltages as the electricity has to travel further distances.
- As a ratio of overall consumption, smaller customers also tend to use much more electricity in the more expensive peak periods.
- Smaller customers have a poorer load factor (use electricity inconsistently during the day) than larger customers. This means that their average cost of electricity per kWh is higher than that of a larger customer who uses electricity more evenly throughout the day.

11. What procedures were followed to ensure the Medupi contracts were awarded transparently? Does the Government plan a response to the opposition on the issue of the Chancellor House-Hitachi contract? Eskom's commercial activities are governed in the first place by the Constitution of the Republic of South Africa, 1996 and by the Public Finance Management Act, 1999 (PFMA). Both require that an organisation such as Eskom should have in place a procurement system which is 'fair, equitable, transparent, competitive and cost-effective'. Within this framework Eskom has an approved set of Commercial Policies and Procedures complying with the PFMA, the use of which is mandatory. In addition to the PFMA and the Constitution, Eskom's procurement process must adhere to the requirements of administrative justice and comply with a number of common law and statutory provisions regulating procurement, corruption, fraud, competition and related matters. Together with the robust commercial procedures, Eskom's procurement processes include an audit oversight framework. For the audit framework, a panel of external Auditors, including amongst others Deloitte, Price Waterhouse Coopers and Ernest & Young, are in place. For all transactions larger than R750 million, the auditors carry out a non-financial due diligence and probity checks on all members of the Evaluation Teams and Tender Committees. Regarding the the Chancellor House-Hitachi contract, Government is mindful of some of the concerns raised in this regard. Government is, and will continue to engage with all concerned stakeholders on this important question with a view to having a constructive dialogue. We will ensure

that we have a transparent framework to deal with matters such as these.

Business Day

A Loan Too Far - Why the World Bank Cannot Lend Eskom Money

7 April 2010

Johannesburg — THE World Bank board will be in breach of its own regulations if it decides tomorrow to grant a loan of more than \$3bn to Eskom to help it build its 4800MW coal-fired power plant at Medupi in Limpopo.

Not because of the plant's capacity to pollute, but because hundreds of millions of those dollars will end up in the bank accounts of the ruling African National Congress (ANC).

The World Bank surely cannot allow this to happen. If it does it will threaten its carefully constructed reputation as a corruption-buster in big projects around the world.

Corruption in the Eskom build programme -- which most South Africans appreciate is critical to the future success of our economy -- arises because the ANC, through a company it directly owns called Chancellor House, in turn owns 25% of one of the major contractors to Eskom. Hitachi SA has won contracts worth almost R38bn (about 5,5bn) to supply boilers to Medupi and a second coal-fired power plant, Kusile, planned for Mpumalanga.

The ANC's direct take out of these contracts will be big enough to make it one of the richest political parties in the world and to utterly skew SA's hard-won democracy in its favour for decades to come.

It isn't right and the World Bank should have none of it.

So far, however, debate about Medupi has centred merely on the desirability or otherwise of lending money to create more pollution. SA has a compelling case to meet these objections as we are still a poor and developing country with pressing needs at home and in our region.

But Finance Minister Pravin Gordhan has said that should the loan not be forthcoming from the World Bank, SA could finance Medupi on its own.

That would be fine, but the World Bank board would be doing SA a great favour if it agreed to the loan and attached just one condition to it and any other loan it may direct our way: that it cannot

finance any project in which any political party in the country has a material interest.

The ANC has for years promised to shut down Chancellor House, but its cash requirements are so demanding that it just cannot bring itself to do the right thing.

Recently the party's secretary-general stoutly defended ownership of Chancellor House and the stake in Hitachi.

The World Bank board has a golden opportunity tomorrow to make it clear it will not even indirectly fund political parties. The ANC may, as it asserts, have the 'right' to be in business but not on both sides of a deal like this. The party likes to assert these days that the government 'belongs' to it.

That is all very well but that same government cannot, with a straight face, borrow from institutions vital to the health of the global economy while knowing parts of the loan will finance the party.

It is corrupt.

Fin24.com

Eskom seeks to ease loan fears
Apr 07 2010 16:34 Sikonathi Mantshantsha

On the eve of the World Bank vote, power utility Eskom has made an impassioned plea for the \$3.75bn funding it has requested.

Johannesburg - On the eve of the World Bank's decision on its \$3.75bn loan, electricity supplier Eskom said it uses the same 'clean coal' technology used by developed countries in its new coal-powered stations for which it has applied for World Bank funding.

'The Medupi power plant, for example, is the first in Africa to use the cleaner coal supercritical technology, the same technology used in developed countries for new coal power generation,' said Eskom in a statement released on Wednesday.

In a document 'clarifying' some issues that have been raised by stakeholders with regards to Eskom's loan application and released through the treasury, Eskom made an impassioned plea for World Bank funding.

'The premise upon which the World Bank loan application for Eskom was made, was based on the fundamental belief that developing countries must be allowed to develop their energy security for their populations in the most cost effective and sustainable manner,' said the treasury.

The World Bank will be voting on Thursday on whether to advance South Africa the loan from its Clean Technology Fund, which normally only funds greener energy investments.

However, Eskom has said its Medupi and Kusile power stations are compatible with South Africa's commitment to reduce carbon emissions by 42% below the 'business as usual' level by 2025.

- Fin24.com

For Immediate Release

April 7, 2010

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World Bank urged to vote 'no' on Eskom coal loan

Friends of the Earth echoes South Africans' call for the World Bank to reject a massive dirty coal loan that would lead to more poverty and pollution

Washington, DC – The World Bank is expected to vote tomorrow, April 8, on whether to approve a \$3.75 billion loan that would help South African utility Eskom build the 4800 MW Medupi coal-fired power plant, which would be one of the world's largest and most polluting.

Friends of the Earth-US joined South Africa's leading community, labor, faith-based, and environmental groups, as well as more than 125 groups worldwide, in calling on the World Bank to reject this loan.

Friends of the Earth President Erich Pica echoed their concerns with the following statement:

'This coal loan is not about alleviating poverty or supporting sustainable development and the World Bank has no business making it. The World Bank should listen to the voices of communities in South Africa and cut the coal.

'Multinational corporations will be the big winners if this loan moves forward. Big corporate polluters cut secret deals with Eskom under apartheid. They receive cut-rate electricity and won't have to pay their fair share of the cost of building the coal plant. Poor households will be stuck with much of the bill. This is unjust and unacceptable.

'Friends of the Earth calls on U.S. World Bank Executive Director Ian Sobmon to vote against this loan on April 8.

'The World Bank has handed out billions to the fossil fuel industry through its energy portfolio, and this coal loan would add to that shameful legacy. If the Obama administration is serious about its pledge to end subsidies to fossil fuels, it would use its power as the biggest World Bank funder to stop this loan.'

More information

April 7 is a global day of protest against the World Bank coal loan. In Washington, DC, activists from the U.S. and Africa will demonstrate across from the World Bank's headquarters from 12:00 – 2:00 pm to call on the Bank to vote 'no.'

This action comes one day after residents located in the Waterberg area of South Africa's Limpopo Province filed a complaint with the World Bank's independent complaint body, the Inspection Panel, raising serious concerns about the coal plant's impacts on their health, livelihoods, and the environment.

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Friends of the Earth and our network of grassroots groups in 77 countries fight to create a more healthy, just world. We're progressive environmental advocates who pull no punches and speak sometimes uncomfortable truths to power. Our current campaigns focus on clean energy and solutions to global warming, protecting people from toxic and new, potentially harmful technologies, and promoting smarter, low-pollution transportation alternatives.

Wall Street Journal

APRIL 7, 2010

Aid to Coal Plant Stirs ANC Critics

By BOB DAVIS in Washington and PETER WONACOTT in Johannesburg

The World Bank is poised to approve \$3.75 billion in financing for a power plant in South Africa, a project that critics say will enrich the country's ruling party, the African National Congress.

An investment arm of the ANC, Chancellor House Holdings, could profit from the coal-fired plant through its 25% stake in Hitachi Power Africa, a unit of Hitachi Power Europe GmbH of Germany. In late 2007, Hitachi Power won a 20 billion rand (\$2.7 billion) contract to build six steam generators for the power plant, to be owned by the state-owned utility Eskom Holdings Ltd. In 2009, South Africa turned to the World Bank to finance the project.

The contract has set off a political firestorm in South Africa and Washington, over whether the contract unfairly aids the ANC and whether the World Bank should be investing so heavily in coal power. The World Bank board is likely to approve the project on Thursday, overriding concerns expressed by the U.S. government. Individuals familiar with World Bank discussions say South Africa's energy needs were viewed as outweighing concerns that the contract awards may be politically questionable.

Vijay Iyer, the World Bank's energy-sector manager for Africa, said that the World Bank wasn't involved in the awarding of the contract, which predated the bank's involvement. 'We make decisions on which parts of a project to finance based on due diligence that includes several criteria including economic, financial, fiduciary and environmental,' he said.

A World Bank official said the loan won't finance the Hitachi work, though the Bank's participation is critical to the project.

The U.S. government, concerned that the Hitachi contract may have reflected political favoritism, and that the Eskom project may fall short on some environmental requirements, plans to oppose the loan or abstain, several officials involved in the decision-making said.

Although the U.S. has the largest vote at the World Bank, 16.4%, it can't block the project, which is supported by China, India, Brazil, African nations and fossil-fuel producers.

In South Africa, Helen Zille, leader of the opposition Democratic Alliance, is protesting the project on the grounds that it will enrich the ANC. 'It's no exaggeration to say that, if the loan is granted and the deal goes through, no opposition party may ever be in a position to compete fairly with the ANC again,' she said in a statement last week.

In her statement, Ms. Zille estimated that the ANC stands to make a one-billion rand profit from the venture. A spokeswoman for the Democratic Alliance didn't respond to a request to elaborate on Ms. Zille's statement.

Some South African business analysts also express concern about the message sent by global backing for a project in which the ANC has an interest. 'What is the line here between the state and the market?' said Ann Bernstein, executive director of the Centre for Development and Enterprise in Johannesburg.

The ANC earlier this year referred queries about the project to Chancellor House Holdings, its investment arm. A Chancellor spokesman declined to discuss links to the ANC.

'I don't care who our shareholders are—whether it's God, Satan or the ANC—I'm running the company in accordance to South African law,' said Mamatho Netsianda, managing director of Chancellor.

Mr. Netsianda declined to discuss the World Bank loan, saying that the Hitachi consortium wasn't part of the loan package.

Hitachi Power Africa—25% owned by Chancellor and 70% owned by Hitachi Power Europe GmbH of Germany—referred questions to Eskom. The utility has said there is no indication that the ANC exerted political pressure on Eskom to award the contract to Hitachi.

South Africa has suffered from energy shortages, including an electricity crisis that has darkened homes and crimped industrial production for a period beginning in 2007. Eskom had planned to finance the coal project privately, but says the global economic crisis forced it to turn to the World Bank.

Bank officials said they have tried to make the project more environmentally friendly by persuading the utility to add a large solar and wind power component. 'This opens a tremendous opportunity for jumpstarting alternative energy in Southern Africa,' said the World Bank's Mr. Iyer.

The controversy over the plant has been playing out for months on the World Bank's governing board, pitting the U.S. against big developing countries. In general, the U.S. wants the World Bank to shift its emphasis more toward renewable energy. In December, the U.S. said coal-fired plants financed by the World Bank should be required to offset the increase in carbon emissions from burning coal.

That brought a swift response from some other countries.

'The Bank should be concerned about climate change only to the extent it impinges upon the efforts of the developing countries towards achieving poverty alleviation and economic growth,' Bank board members from India, China, Thailand, Colombia, Mauritius, Liberia, Kuwait, Algeria and Saudi Arabia, which also represent dozens of other countries, wrote in a letter to World Bank President Robert Zoellick last year.

Environmental groups plan to demonstrate outside World Bank headquarters Wednesday to protest the loan to the coal-fired plant.

—Robb M. Stewart in Johannesburg contributed to this article.

Write to Bob Davis at bob.davis@wsj.com and Peter Wonacott at peter.wonacott@wsj.com

<http://www.fletcher-news.dreamhosters.com/cierp/?p=566>

The Fletcher School News

C IERP News + Events

The Center for International Environment and Resource Policy's News and Events Blog

April 7, 2010

Activist-Intellectual Patrick Bond and Prof. William Moomaw lead debate on South Africa, the World Bank, and Climate Justice

On April 8th, the World Bank decides on the issuance of a loan to modernize South Africa's electrical system by aiding the construction of newer energy infrastructure and distribution methods. Most of the \$3.75 billion loan would go to the construction of what will be the world's 7th largest coal power plant and number one single producer of carbon-dioxide gas.

Many believe that this opportunity represents a chance for South Africa to take a new course in closing its inequality gap and begin a new green strategy in its development. However, intellectual activist Patrick Bond is skeptical about the impact of the Bank's loan on these idealistic goals, saying that the plant will actually have an opposite effect and raise consumer rates while benefiting the private sector and increasing the poor-rich divide.

Joining the discussion with Mr. Bond on the World Bank loan to South Africa is Fletcher Professor William Moomaw, a consultant to the World Bank throughout the planning of the loan. Moomaw was brought in by the Bank as part of an expert panel and published a report on the issue, accessible below in pdf.

United for Justice with Peace, a coalition of peace and justice organizations in the Boston, is billing this event as 'bank critic meets bank supporter'. In any case, bringing together the two experts with different perspectives on this issue is sure to lead to an exciting and well-informed discussion on a crucial decision by the World Bank.

The event, taking place on April 9, 2010 from 12:00 pm to 2:00 pm is at Encuentro 5, 33 Harrison Ave, 5th Floor, Chinatown T stop in Boston.

World Bank Expert Panel Final Report

Dispatch

Apr 7 2010 5:59AM

Support Eskom loan, urges minister

2010/04/07

MINISTER of Energy Dipuo Peters says all South Africans should support the granting of the World Bank loan to electricity parastatal Eskom 'because 25 percent of people are still waiting to have access to basic minimum electricity'.

Her comment followed reports that the UK government was under pressure to block SA's efforts to secure the 3.7 billion (R26.7bn) loan from the World Bank to construct the Medupi power station.

The minister also told a Business Unity SA (Busa) media conference that questions about the ANC's involvement in the building of the power station through its 25 percent stake in Hitachi Africa via Chancellor House should be addressed to the Treasurer-General of the ANC.

Busa chairman Raymond Parsons said: 'The World Bank loan at this stage is essential.' — Sapa

Business Report

South Africans must support World Bank's Eskom loan

April 6, 2010

All South Africans must support the granting of the World Bank loan to electricity parastatal Eskom, Minister of Energy Dipuo Peters said on Tuesday.

She was addressing a media conference following a round table discussion with Business Unity SA (Busa).

'All South Africans must support the loan because 25 percent of people are still waiting to have access to basic minimum electricity,' the minister added.

Her comments followed earlier reports that the UK government, due to call a general election soon, was under pressure to block SA's efforts to secure the \$3.7 billion (R27 billion) loan from the World Bank to construct the Medupi power station.

Chairman of Busa Raymond Parsons told the media conference that Busa was already on record as supporting the World Bank loan.

'It's part of Eskom's broader borrowing programme - Eskom has already obtained a loan from the African Development Bank,' Parsons said.

'The World Bank loan at this stage is essential,' he added.

Turning to questions about the ANC's involvement in the building of the Medupi power station through its 25 percent stake in Hitachi Africa via Chancellor House, Peters said that the issue should be addressed by the Treasurer-General of the ANC. - Sapa

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7 April 2010

Dear Mr. Hagan,

We call on the Australian government to oppose the World Bank \$3.75 billion loan to Eskom for the proposed Medupi coal fired power plant in South Africa when this issue comes before the World Bank Executive Board. This particular project is fatally flawed as it will both contribute to rather than relieve energy poverty, poses significant financial burden for South Africans and substantially increase the carbon intensive development path of South Africa.

The cost of energy generation is to be mainly paid for by unaffordable tariff increases imposed on ordinary South Africans. The largest industrial consumers are exempt from price rises because of multi- decade Special Purchase Agreements offered to them during apartheid and the 1990's. This imposes 'cost recovery' on people who cannot afford it, with Eskom already admitting a 'typical township household' will face a 2009-2012 monthly price rise from R360 (\$US48) to R100 (\$US130).

The financial danger of a World Bank loan is the extreme volatility of South African currency which has crashed five times since 1996. Loans are repaid in dollars and repayment much more expensive than the original value of the project in South African rand, adding to the extreme cost burden poor South Africans will face.

The proposed Medupi plant would emit an estimated 25 million tonnes of CO₂ per annum for decades to come, almost doubling the South African power sector's carbon emissions and locking the nation into a fossil fuel dependent economy.

We call on the Bank's member governments and directors to endorse the recommendations of the 2004 World Bank Extractive Industries Review. The Review found that, aside from climate damage, the Bank's fossil fuel projects had neither the intention nor the effect of alleviating poverty and called for them to be phased out.

Renewable energy, not coal-fired power stations, is the optimal development path for Southern economies, creating more jobs, building local manufacturing capacity, and avoiding the environmental mistakes of Northern countries.

We oppose World Bank funding for Eskom and call on the Australian government to oppose the proposed loan when the Board meets.

Yours Sincerely,
Dr James Goodman (for AidWatch)

The Times

April 6, 2010

Britain may block World Bank loan for coal plant in South Africa

Ben Webster, Environment Editor

The Government is considering blocking an aid project to provide reliable coal-fired electricity for millions of South Africans after coming under intense pressure from green groups in the run-up to the election.

On Thursday, Britain will cast the deciding vote on whether the World Bank should grant a \$3.7 billion (£2.4 billion) loan to allow South Africa to build the Medupi coal plant.

It would be bigger than Drax, Britain's largest coal plant, and pump out an estimated 25 million tonnes of carbon dioxide a year into the atmosphere.

But it would reduce the risk of power cuts, which have caused billions of pounds of damage to South Africa's economy in the past two years. The national grid came close to collapsing in 2008 and the South African Government was forced to impose rolling blackouts.

Greenpeace, Friends of the Earth and Christian Aid argue that the risk to the world's climate from the plant's emissions outweighs the benefits of the secure electricity it would supply.

They have been lobbying behind the scenes to try to persuade Britain to vote against the loan. They have held meetings in recent days with Gareth Thomas, the Minister for International Development, Michael Jacobs, the Prime Minister's special adviser on climate change, and Susanna Moorhead, head of the World Bank in Britain.

The Government had been inclined to support the loan but is now wavering and may vote against it in Washington on Thursday, partly because it does not want to offend green supporters before the election.

The green groups argue that South Africa should focus instead on building wind turbines, solar panels and other sources of renewable electricity. These sources cost more than twice as much per unit of electricity compared with coal, which South Africa has in abundance.

Pravin Gordhan, the South African Finance Minister, accused green groups of trying to impose their environmental priorities on a country lacking the secure electricity that is taken for granted in the developed world.

'It is regrettable that . . . developed countries and very small group of NGOs in South Africa are putting their environmental concerns, which can't be immediately addressed, above the economic needs of South Africa and our need to grow the economy so that all the people benefit.

'For now, not only South Africa but developing countries more generally will have to rely on coal.'

The World Bank said that it had studied the less-polluting alternatives to the Medupi plant and none could provide enough capacity in time to avoid widespread power cuts.

It is urging Britain and other contributors to vote in favour of the loan and said in a report: 'The project will help avoid an energy crisis across southern Africa.

'Without energy, countries face very limited or no economic growth: factories and businesses cannot function efficiently; hospitals and schools cannot operate fully or safely; basic services that people in rich countries take for granted cannot be offered.'

The proposed World Bank loan includes \$260 million for wind and solar power and \$490 million for measures to reduce the coal plant's overall emissions, including a new rail line to transport coal rather than using lorries.

The green groups wrote last month to Douglas Alexander, the International Development Secretary, urging him to vote against the loan on the grounds that it would 'undermine the global fight against climate change' and would not reduce fuel poverty.

It said: 'While there is significant energy poverty in South Africa this project is not focused on meeting the needs of poor communities but instead on supplying energy to major energy-intensive industrial users that already have access to some of the cheapest electricity in the world.'

Britain, the bank's biggest donor and one of its five major shareholders, is expected to determine the outcome of the vote because the US is likely to

abstain. Despite generating half its own electricity from coal, the US has adopted new guidelines that include a strong assumption against approving World Bank loans for coal plants in developing countries.

The Department for International Development said that it had not yet decided how to vote. 'The UK is in ongoing dialogue with the World Bank and the Government of South Africa regarding the loan. We will take a final position on the project when it comes to the World Bank board on April 8.'

UK may block Medupi funding call
David McKay | Tue, 06 Apr 2010 11:11

[miningmx.com] -- THE UK government, due to call a general election at any moment, is under pressure to block South African efforts to secure a \$3.7bn loan from the World Bank to build the Medupi power station.

TimesOnline reported on Tuesday that green groups were pressurising British prime minister Gordon Brown's government to use its deciding vote at the World Bank on Thursday to halt the coal-fired power station notwithstanding its importance to South Africa.

'Greenpeace, Friends of the Earth and Christian Aid argue that the risk to the world's climate from the plant's emissions outweighs the benefits of the secure-electricity it would supply,' TimesOnline reported.

Public Enterprises minister Barbara Hogan warned on March 12 of 'dire consequences for the South African economy' if Eskom failed to secure the loan from the World Bank.

'If we do not have that power in our system, then we can say goodbye to our economy and to our country. This is how serious this thing is,' Hogan said.

Energy Minister Dipuo Peters on Tuesday also stressed the importance of the loan. 'All South Africans must support the loan because 25% of people are still waiting to have access to basic minimum electricity,' the minister said.

Medupi, which will produce 4800 megaWatts, is expected to cost \$15bn (R125bn), almost double the amount for which it was first approved.

Brian Dames, a director at Eskom, the South African electricity utility wanting to build Medupi, said about R25bn of the extra costs were allocated for improved efficiencies, while contingency issues added another R10bn.

The boilers at Medupi will result in higher efficiency and better utilisation of natural resources, such as water and coal, and will have improved environmental performance.

'Medupi will be one of a few dry-cooled coal power stations [in the world], which will save water,' said

Dames. The cost of that technology came in at about R25bn.

The rest of the extra cost came as a result of movements in the commodities used for the construction, mainly steel. Dames said, however, Eskom had committed itself to saving R22bn a year from its existing operations.

The first of six generating units would be commissioned by 2012.

According to TimesOnline, Medupi is larger than Drax, Britain's largest coal plant, and would pump an estimated 25 million tonnes of carbon dioxide a year into the atmosphere.

'The Government had been inclined to support the loan but is now wavering and may vote against it in Washington on Thursday, partly because it does not want to offend green supporters before the election,' TimesOnline said.

South Africa's Hogan said the World Bank loan was needed to finish off the final 25% of the Medupi power station, the biggest 'build' of its kind in the southern hemisphere.

<http://www.energydigital.com/sectors/oil-and-gas/world-bank-set-approve-african-power-plant-loan>

World Bank set to approve African power plant loan

The World Bank is on the verge of approving a \$3.75 billion loan for a controversial power plant project in South Africa
By Chris Farnell | Wed Apr 7, 2010

Critics of the project say that it will enrich the African National Congress, South Africa's ruling party. Chancellor House Holdings, an investment arm of the ANC, has a 25 percent stake in Hitachi Power Africa, and may profit from the coal-fired power plant.

Hitachi won a R20 billion contract to build six steam generators for the plant in 2007. The completed plant will be owned by state-owned energy company Eskom Holdings Ltd. South Africa requested help from the World Bank to finance the project in 2009, sparking a row between South Africa and the U.S., who believe the contract provides unfair aid to the ANC and that the World Bank should not be investing so heavily in coal power.

Despite U.S. concerns, the World Bank is likely to approve the project on Thursday. The U.S. plans to oppose the loan or abstain from the vote, officials involved in the decision have said.

'It's no exaggeration to say that, if the loan is granted and the deal goes through, no opposition party may ever be in a position to compete fairly with the ANC again,' Helen Zille, leader of the Democratic Alliance opposition party, said in a statement last week.

Chancellor House Holdings has refused to discuss its links with the ANC.

'I don't care who our shareholders are—whether it's God, Satan or the ANC—I'm running the company in accordance to South African law,' said Mamatho Netsianda, Managing Director of the firm.

Edited by Jennifer Denby

Links: <http://www.worldbank.org/>
<http://www.hitachi-power.co.za/en/>

Africa Action (Washington, DC)

South Africans say 'no' to Eskom coal - Project-affected communities take their case to the World Bank Inspection Panel

6 April 2010

Residents located near Lephalale in South Africa's Limpopo Province today filed a complaint with the World Bank's independent complaint body, the Inspection Panel, stating that a proposed \$3.75 billion World Bank loan to help finance the Medupi coal-fired power plant will significantly damage their health, livelihoods and the environment.

The complaint, submitted by Earthlife Africa and groundWork on behalf of affected community members, alleges that the project violates numerous World Bank policies and poses considerable threats to local communities and to the South African society at large. The clock is ticking, as the proposed Eskom loan is expected to go before the World Bank's board of directors for approval on April 8th.

Impacts on communities

Communities living near the Medupi plant contend that if the proposed loan is approved, they would be the ones to bear the burden of hidden costs in terms of health impacts from air pollution, elevated SO₂ levels, and mercury residues in their water, air and land; constrained access to water; and the livelihood impacts from degradation of land and water in this largely agrarian area. Already illegal sand mining operations are taking place in the area for the building of Medupi.

The community members who filed the complaint argue that the problems will be compounded by plans for a number of new coal mines and plants in the area; cumulative impacts that the World Bank failed to consider in its assessment of the project.

Caroline Ntapoane, who hails from South Africa's polluted industrial heartland near Sasolburg, insisted that her concern with the loan is personal. 'I know first-hand what the communities have to look forward to, because we experience it every day. We live it in the polluted air we breathe, when our water taps run dry, and when our children get sick. We shouldn't have to choose between electricity and our health.'

Access for the poor

While the project's proponents claim it will provide energy access for the poor, in reality, the project would largely benefit major industries that consume electricity below cost, and whose apartheid-era secret agreements prevent them from sharing the costs associated with construction of the project and repayment of the loan.

Tristen Taylor of Earthlife Africa emphasized that, 'With massive disconnections looming due to a doubling of electricity tariffs, a million jobs lost last year, and an effective 40% unemployment rate, one would think that poverty eradication would be foremost in the World Bank and the South African Government's mind. None of Medupi's output will be for the poor, but will be used to service multinational firms.'

Conflict of interest

Not only will industries benefit, but the ruling party, the African National Congress, is set to reap major profits from the loan through its investment in Hitachi Power Africa, which was awarded a dubious contract – an obvious conflict of interest. World Bank approval of the loan will help further entrench the ANC off the backs of the poor.

The project is expected to go before the World Bank's board of directors for approval on April 8th amidst serious questions about the viability of the project. 'We are shocked at the speed with which the World Bank is attempting to push the loan through while these and other outstanding issues remain unresolved,' adds Gerald LeMelle, Executive Director of Africa Action.

The fundamentals of the project are being questioned. 'This project is to secure uninterrupted electricity for large corporations, such as smelters and mining houses under secretive special pricing agreements. It is not for the millions of poor people who cannot afford or do not have access to electricity. South Africa does not need this loan,' says Bobby Peek, Director of groundWork, Friends of the Earth, South Africa.

Cape Times

We will live to regret loan to build coal-fired power station

Intelligent power: SA is throwing it all away

April 07, 2010 Edition 1

Mark Swilling

IN the life of any nation there are rare moments of historic opportunity when great decisions can be taken that will shape the future for generations to come. We are going through one of those moments now, but it all ends this week at a crucial meeting of the board of the World Bank. Will South Africans let the future be decided in that boardroom?

The South African government wants the World Bank to approve a loan to finance what will be the fourth-largest coal-fired power station in the world. Key strategic thinkers in the World Bank want this to happen because this finally gives them what they have never had before - a firm grip on the SA economy and, above all, their drug of choice - policy influence. Environmental groups, trade unions and key Western governments don't think the World Bank should be financing coal-fired power stations in a country which is the 12th highest CO₂ emitter in the world and where we already emit more CO₂ per unit of GDP than any other country in the world.

But this reading of the debate is far too simple. The key question is this: why have the South African government and the World Bank decided (with no public debate) that it makes economic sense to invest in an energy source that will steadily get more expensive over the next 30 years rather than in renewable energy sources that will get cheaper over the next 30 years?

Why invest in coal-fired power stations when the CoalTech study into our coal reserves is not complete and in any case is more than likely going to show (if they don't torture the data too badly) that we have much less of the stuff than we think? By contrast we have some of the best solar radiation resources in the world, sufficient to drive large Concentrated Solar Power (CSP) plants that can generate sufficient base-load at a lower cost than coal over a 30-year life-cycle.

Key ministers are making hasty decisions based on analysis generated largely by Eskom without

adequate public debate. They need to be challenged to a public televised debate to justify why this historic moment should not be used to catapult South Africa into the forefront of a techno-industrial revolution that will be as profound as the information technology revolution.

Hopefully PM Gordon Brown repeated to President Zuma during the latter's recent State Visit what he wrote in Newsweek on September 28, 2009:

'There can be little doubt that the economy of the 21st century will be low-carbon. What has become clear is that the push toward decarbonisation will be one of the major drivers of global and national economic growth over the next decade. And the economies that embrace the green revolution earliest will reap the greatest economic rewards ... Just as the revolution in information and communication technologies provided a major motor of growth over the past 30 years, the transformation to low-carbon technologies will do so over the next.

'It is unsurprising, therefore, that over the past year governments across the world have made green investment a major part of their economic stimulus packages. They have recognised the vital role that spending on energy efficiency and infrastructure can have on demand and employment in the short term, while also laying the foundations for future growth.'

This is a truly remarkable statement because unlike our minister of finance, this statement identifies the demand for decarbonisation not as a constraint but as an opportunity for growth. Minister of Economic Development Ebrahim Patel echoed this perspective in his budget vote speech in Parliament on March 23. Similarly, Section 12.2 of the Industrial Policy Action Plan unveiled by the minister of trade and industry only a few weeks ago acknowledged that our energy-intensive growth path is unviable.

However, our minister of energy uses the lame argument that the political agreement reached at the Copenhagen Summit in December allows developing countries space to build coal-fired power stations. This is a bit like standing up in the early 1980s and saying yes, we know the information technology revolution is under way, but we have decided to wait another decade before we install our computers'. By the time the minister of energy wakes up, China, South Korea, Japan, Europe (and possibly the US) will have completed their green revolutions and in the process created the patented

technologies and know-how that we will need to buy in order to catch up.

In short, read Minister Barbara Hogan's justification for a World Bank loan for financing coal-fired power stations as a call to fall behind the rest of the world thus forcing us to take another loan in a decade or so to buy someone else's technologies so that we can catch up. If she understood endogenous growth economics, she would realise that the World Bank loan will suppress the need for innovation thus destroying what really drives growth and job creation. South Africans have never understood this way of thinking, but why the World Bank ignores it while punting it elsewhere is most puzzling indeed.

So how have we arrived at this incredibly stupid conclusion that our best interests lie in going in the opposite direction to the rest of the world? Why are the ministers in charge of energy and public enterprises working so hard on projects that contradict what Ministers Patel and Davies are saying? To answer this, we need to consider three trends.

The first is the strange (and largely untold) story of our contested electricity prices. Since 1996, Eskom has been squeezed between two titanic economic dynamics that run in diametrically opposed directions. The first has been the commitment to export-led growth. For this to work, South African raw materials and manufactured goods needed to be cheap enough to break into international markets. Given the strength of the trade unions, forcing down wages was not an option, and so resource prices needed to be kept low, in particular energy prices.

The second dynamic, however, was the determination to use parastatals to leverage black empowerment deals, and in this case to create opportunities for building power stations privately owned by BEE companies. But for this to work, energy prices needed to be high enough to make this profitable - much, much higher, that is, than the national Treasury thought was good for exports. We now have the worst of both worlds: energy prices that threaten competitiveness and jobs, but which are still not high enough to make major BEE investments in private power stations profitable. Solution? For some, a World Bank loan (which, by the way, must be repaid in dollars earned from exports that will only work if resource prices and/or wages are kept low enough to make exports viable).

The second is that the cabinet has bought the minister of energy's mistaken view that South Africa has 'carbon space' to invest in coal-fired power stations (this, despite the fact that South Africans emit 9.8 tons of CO₂ per capita per annum, the same as the UK). From a carbon perspective, the numbers do not support the conclusion that we are a developing country. In reality, this decision should not be about carbon or the environment at all, but should be a purely economic decision, ie what will best incentivise innovation, job creation, investments and global competitiveness?

Investing in mature capital-intensive technologies creates fewer jobs than investments in new decentralised technologies that are not captured by monopolistic value chains. South Africa needs to harness its entrepreneurial energies to drive returns on innovation and not just rely on the same old SA story - cheap resources and labour exploitation.

Countries with the most diversified economies in the world are also the countries with the most expensive energy. Why? Because as energy prices go up, innovation for diversification follows. Eskom has never understood this simple fact, hence the crazy idea of providing its biggest customers with the cheapest electricity.

Finally, the World Bank has since before 1994 wanted to be seen as a major player in the biggest African economy. This is its chance, exploiting this precious historic moment to pursue a narrow strategic interest (in so doing) contradicting its own policy commitments to finance solutions to global warming.

To be sure it has concocted for itself an eminently believable story: that by agreeing to the loan for Eskom on condition some of the funds are used for renewable energy, it is forcing Eskom into doing what no one else has been able to get Eskom to do - yes, of course, build solar and wind power plants! Okay, fine, but why can't the World Bank loan be used to catapult South Africa into global leadership of CSP technology by providing funds exclusively for CSP plants (which, by the way, will also generate carbon finance)?

If you mix together these three stories - contested electricity prices, the minister of energy's misguided 'carbon space' argument to justify our delayed participation in the global green revolution, and the World Bank's belief that it can drag Eskom kicking and screaming into the 21st century - it becomes

possible to figure out why our fate is about to be sealed in a World Bank boardroom.

But in a decade from now (as we transfer another chunk of carbon taxes into the global financial system) we will look back on this precious historic moment and say 'Why on Earth were we so stupid? Why did we miss that key moment of transition from a resource-intensive to an innovation-driven economy? Why did we not debate that choice more thoroughly?'

Swilling is the academic director of the Sustainability Institute at the University of Stellenbosch and is a member of the International Panel for Sustainable Resource Management.

www.mg.co.za

Residents complain to World Bank about Eskom loan

JOHANNESBURG, SOUTH AFRICA

Apr 07 2010 06:52

Limpopo residents on Tuesday filed a complaint with the World Bank inspection panel about the \$3,75-billion loan sought by Eskom to help finance the Medupi coal-fired power plant.

The granting of the loan would significantly damage their health, livelihoods and the environment, they submitted in the complaint filed on their behalf by Earthlife Africa and groundWork.

Earlier on Tuesday, Energy Minister Dipuo Peters told Business Unity South Africa (Busa) that all South Africans should support the loan because 25% of the population was still waiting for access to basic minimum electricity.

In reality, however, the project would largely benefit major industries which consumed electricity below cost, and whose apartheid-era secret agreements prevented them from sharing the costs associated with construction of the project and repayment of the loan, said Earthlife Africa and groundWork.

Earthlife Africa spokesperson Tristen Taylor said none of Medupi's output would be for the poor, but would instead service multinational firms.

Taylor also questioned how the African National Congress (ANC) would profit from the loan through its investments.

The Democratic Alliance wrote to the World Bank in March asking whether the loan application would be affected by a finding that former Eskom chairperson Valli Moosa acted improperly in awarding a R38,5-billion Medupi power station contract to the Hitachi consortium, in which the ANC has an interest.

The ANC reportedly stands to benefit by up to R5,8-billion through the 25% stake its investment arm Chancellor House has in Hitachi.

Earlier in March, Public Enterprises Minister Barbara Hogan warned of dire consequences for the country's economy if Eskom did not secure the \$3,75-billion loan.

The loan is expected to go before the World Bank's board of directors for approval on Thursday.

Earthlife Africa and groundWork contend that the power project violates numerous World Bank policies and poses considerable threats to local communities and to the South African society at large.

They argue that the hidden costs of the loan include the affect on health of air pollution, elevated sulphur dioxide levels, and mercury residue in their water, air and land. There would also be constrained access to water and the degradation of land and water in what was a largely agrarian area.

'Already illegal sand mining operations are taking place in the area for the building of Medupi,' they claimed.

These problems would be compounded by plans for a number of new coal mines and plants in the area.

Sasolburg resident Caroline Ntapoane said her concern with the loan was personal.

'I know first-hand what the communities have to look forward to, because we experience it every day.

'We live it in the polluted air we breathe, when our water taps run dry, and when our children get sick. We shouldn't have to choose between electricity and our health,' she said. -- Sapa

www.mg.co.za

Support World Bank loan to Eskom, says minister

JANICE ROBERTS | JOHANNESBURG, SOUTH AFRICA - Apr 06 2010 15:11

All South Africans should support the granting of the World Bank loan to electricity parastatal Eskom, Energy Minister Dipuo Peters said on Tuesday.

'All South Africans must support the loan because 25% of people are still waiting to have access to basic minimum electricity,' she told reporters in Johannesburg.

Peters was speaking after a roundtable discussion with Business Unity South Africa (Busa).

She also confirmed that should Eskom fail to get the loan, 'there is no plan B'.

She could also not shed any light on how the World Bank members would vote.

The British government is reportedly under pressure to block South Africa's efforts to secure a \$3,7-billion loan from the World Bank to construct the coal-fired Medupi power station.

Joining Peters at Tuesday's news briefing, Busa chairperson Raymond Parsons said Busa was already on record as supporting the World Bank loan.

'It's part of Eskom's broader borrowing programme. Eskom has already obtained a loan from the African Development Bank,' Parsons said.

'The World Bank loan at this stage is essential and we must remember that the security and expansion of electrical power is a pro-poor mechanism ... we must see it that way,' Parsons added.

The World Bank was due to give its verdict on the loan on Thursday.

Turning to questions about the ANC's involvement in the building of the Medupi power station through its 25% stake in Hitachi Africa via Chancellor House, Peters said the issue should be addressed by the treasury general of the ANC.

Climate change

The minister said she had discussed several issues with Busa.

In what she termed a 'very good meeting', issues such as the Integrated Resource Plan (IRP) were discussed.

'After promulgating IRP 1 in December 2009, which addressed a specific objective in relation to the Eskom multi-year price determination, we have set ourselves a target of June 2010 for the next IRP.'

The minister said she had asked Busa to participate in the stakeholder consultation process, which would commence shortly and would be open to all stakeholders.

The IRP would drive the issues of climate change and renewable energy, Peters said.

'We were very vocal in Copenhagen, calling on developing countries to up their commitments and the IRP will make provision on a voluntary basis to set South Africa on a path to reducing our greenhouse gas emissions.'

Parsons said a very strong platform for collaboration between business and the government to meet the energy challenge and 'to keep the lights on' had been created by the meeting.

'We must work together and find new ways to deal with the energy crisis,' he said.

Asked if Eskom had yet found a new CEO, Peters said that the parastatal's board was dealing with the matter. -- Sapa

<http://www.globalpost.com/webblog/united-kingdom/taking-the-greenies>

Global Blog

April 6, 2010 19:02 ET
Taking on the greenies

Despite the excitement (not) over the general election, the work of government goes on, demonstrating if nothing else the irrelevance of most MPs in the process. And confronting ministers is the knotty problem of what to do with South Africa.

We are not referring to the murder of TerraBlanche, but something altogether more serious – whether to support a World Bank loan for a new coal-fired power station in South Africa.

This issue has been grumbling on for some time, but emerged last month when it was first publicly revealed that the United States and Britain were threatening to withhold support for a \$3.75 billion loan, vitally needed to get the project off the ground.

Now, with the decision due this week, it has come to a head, with the UK government wilting under sustained attack from green groups, who are demanding that the loan is blocked.

South Africa desperately needs more electricity capacity. Its existing system is already under pressure and in 2008 came close to collapsing. Rolling blackouts had to be imposed, causing massive damage to the productive economy. As a major coal producer, it made sense to go for coal and Eskom, the power utility, is planning a 4,800-megawatt coal-fired plant at Medupi in the northern Limpopo region.

But the risk of economic damage and hardship if the project is blocked is of little concern to the likes of Greenpeace, Friends of the Earth and Christian Aid. They argue that the 25 million tons of carbon dioxide the plant would produce pose a risk to the world's climate that outweighs the benefits of the secure electricity it would supply.

They have been lobbying behind the scenes to try to persuade Britain to vote against the loan and have held meetings in recent days with Gareth Thomas, the minister for international development, Michael Jacobs, the prime minister's special adviser

on climate change, and Susanna Moorhead, head of the World Bank in Britain.

This puts the government rather on the spot. It has already supported the development of the \$4.14 billion 4GW Mundra power project in India's Gujarat State – another coal-fired plant – and in fact paid for the development work which would allow the owners, Tata Power, to claim carbon credits under the UN's CDM.

What is particularly problematical here is the timing of the general election, with green groups poised to make a huge fuss which could damage the government's green credentials. Having originally supported the proposal, it is now wavering, and may yet cave in when the vote is taken tomorrow.

And just for once, the UK's vote actually matters for, under the Obama administration, the US has issued new guidelines on the funding of coal plants in developing countries. These direct US representatives to encourage 'no or low carbon energy' options prior to a coal-based choice, and to assist borrowers in finding additional resources to make up the costs if an alternative to coal is more expensive.

On this basis, the US is likely to abstain from the vote, leaving the UK in the hot seat, in a classic lose-lose situation. The World Bank has pointed out that there is no alternative source of power which could provide enough capacity fast enough to avoid widespread power cuts.

It is urging Britain and other contributors to vote for the loan and warns starkly of an energy crisis across southern Africa. 'Without energy,' it says, 'countries face very limited or no economic growth; factories and businesses cannot function efficiently; hospitals and schools cannot operate fully or safely; basic services that people in rich countries take for granted cannot be offered.'

Thus, if Britain blocks the loan, it will be seen to be hampering third world development, with profound humanitarian consequences. If it approves it, it will attract the wrath of the greenies. And it does not stop there. Since any alternatives would cost at least twice as much, if not considerably more, Britain would be more or less obliged to cough up a substantial amount of cash to help meet the extra costs, if it block the loan.

Meanwhile, France, with ambitions of selling its next generations nuclear power plants to South Africa, is

supporting the application, putting two major EU members at odds, all in the context of official EU policy being to support low carbon development.

Norway, though, is in an even worse position. Its ministry of the environment is urging its government to reject the loan, while the ministry of foreign affairs and the agency for development cooperation want to support it.

But, while the various World Bank members are tying themselves in knots, none seem to be asking questions of groups such as Christian Aid, which seems to have elevated climate change above that of the humanitarian issues on which they were founded.

However, this has not stopped Pravin Gordhan, the South African finance minister, from speaking out. He is accusing green groups of trying to impose their environmental priorities on a country lacking the secure electricity that is taken for granted in the developed world.

'It is regrettable,' he says, 'that . . . developed countries and [a] very small group of NGOs in South Africa are putting their environmental concerns, which can't be immediately addressed, above the economic needs of South Africa and our need to grow the economy so that all the people benefit.'

Offering no concessions to the greenie climate agenda, he states flatly, 'For now, not only South Africa but developing countries more generally will have to rely on coal.'

For decades now, the greenies have been trying to convince the world that they and developing nations have a common agenda. But now, the cracks are beginning to show, big time. When the decision comes to be made on Thursday, therefore, there will be a lot more at stake than a single coal-fired power plant. Lines have been drawn and the World Bank – not for the first time – has become the battlefield.

How interesting it is though that the South Africans are prepared to take on the greenies, when our own more 'sophisticated' politicians roll over and give them everything they demand – unless we see different on Thursday.

South Africa Energy Needs Collide With U.S. Policy
By CELIA W. DUGGER
Published: April 6, 2010

JOHANNESBURG — The Obama administration, caught in an awkward bind between its own ambitions on climate change and Africa's pressing energy needs, is facing the first test of its new guidelines discouraging coal-fired power projects in developing nations.

This week, the World Bank will vote on a \$3.75 billion loan to South Africa, most of it to help build the world's seventh-largest coal plant. The bank's own experts concede that the giant plant will 'produce large quantities of carbon dioxide that will contribute to global climate change.'

But the bank's largest shareholder — the United States — has enacted guidelines to push for 'no or low carbon' ways of meeting the energy needs of developing nations that rely on international financial institutions.

Construction of the plant is well under way, so it is too late for the steps advocated in the Obama administration's guidelines to ensure that coal is a last resort. Treasury Department officials have declined to say how the United States will vote when the loan is before the bank's board on Thursday, with one describing the decision as 'challenging.'

South African officials contend that the plant is desperately needed to help the country's economy, the largest on the continent, and those of six neighboring nations generate growth and combat poverty. The loan is the first South Africa has sought from the World Bank since apartheid ended in 1994.

Officials here also note that the project includes \$745 million for wind and solar power and efficiency measures, in addition to \$3 billion for the coal plant. Without the loan, South Africa would have to turn to commercial markets to finance the rest of the coal plant's cost, a step that Public Enterprises Minister Barbara Hogan said would be 'punitively expensive' and would probably delay the plant's completion.

'We run the most sophisticated economy in Africa,' she said. 'We supply 60 percent of southern Africa's energy. If we're not able to come to the table, the consequences are huge. This is big. And renewable energy cannot provide us with that scale.'

The fate of the loan matters to a group of developing countries that will continue to rely on coal in the coming years, even as researchers rush to devise cleaner, more commercially feasible alternatives, said Jairam Ramesh, India's environment minister. He said officials from India, China, Brazil and South Africa would meet this month in Cape Town to coordinate their positions on just such climate change issues.

'For the next five to seven years, we must not stop the use of present coal technologies, even as we work on developing new clean technologies,' Mr. Ramesh said. In 2008, during President George W. Bush's administration, the International Finance Corporation and the Asian Development Bank provided \$850 million to help finance an Indian coal-fired plant in Gujarat State.

International public financial institutions, supported by the world's richest nations, have invested \$37 billion to help finance 88 coal plants over the past 15 years, many in Asia, according to a 2009 report by the Environmental Defense Fund. The plants' annual carbon dioxide emissions equal three-quarters of those from coal-fired power in the European Union, the report said.

The South Africa loan has set off the latest skirmish in a long-running conflict between multilateral lending institutions and environmental groups. The Environmental Defense Fund, the Sierra Club and Friends of the Earth, as well as a variety of South African civic groups, oppose the loan to Eskom, South Africa's government-controlled utility.

Environmentalists say that people in Africa, and especially its millions of poor farmers, have more to lose from warming temperatures — and the droughts and extreme weather they will bring — than people in any other part of the world. And coal plants also pollute scarce water, they say.

Shadowing the debate here are memories of the weeks in 2008 when South Africa went dark for long stretches as Eskom ran out of juice. Businesses shut their doors. The mining industry virtually closed for days. Traffic clogged the roads as traffic lights blinked off.

A combination of bad management and faulty planning led to the crisis, experts say.

Eskom is now embarked on a \$50 billion program to expand its capacity, paid for in part by a painful 25

percent to 26 percent annual electricity rate increase for each of the next three years.

Still, the new power plant, known as Medupi, has drawn sharp opposition here on political as well as environmental grounds. Through its investment arm, the African National Congress, the governing party, has a 25 percent stake in the consortium that won a lucrative contract for boilers at the plant. A report by the public prosecutor, released two weeks ago in Parliament, found a conflict of interest in the awarding of the contract because a member of the tender committee was also on the party's national executive panel, but the report turned up no evidence that this questionable situation had influenced the outcome.

Helen Zille, who leads the opposition Democratic Alliance, wrote last week that if the loan were approved, profits would flow to into the governing party's political operations. 'The A.N.C. will entrench its single-party dominance and, in doing so, gravely weaken our democracy,' Ms. Zille said.

World Bank officials reply that the bank's loan will not pay for the component of the deal in question. And they defend the project's environmental contributions, including the 100-megawatt solar project. They noted that South Africa had committed to reduce its greenhouse gas emissions 34 percent by 2020.

Bank officials also say their commitment to environmentally sound energy policy has gotten short shrift. Of the \$8.2 billion in energy projects it financed last year, the bank said 76 percent went for nonfossil fuels; 40 percent of it went toward renewable energy and efficiency improvements.

'The question is how Africa can get the understanding and support of its partners to strike the right balance between two objectives — economic growth and climate change — so they can light up Africa rather than keeping it literally as the dark continent,' said Obiageli Ezekwesili, the bank's vice president for Africa.

WORLD BANK INSPECTION PANEL COMPLAINT,
FILED 6 APRIL 2010

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South Africans say 'no' to Eskom coal

Project-affected communities take their case to the
World Bank Inspection Panel

Tuesday, April 06, 2010 (Washington, DC) – Residents located near Lephalale in South Africa's Limpopo Province today filed a complaint with the World Bank's independent complaint body, the Inspection Panel, stating that a proposed \$3.75 billion World Bank loan to help finance the Medupi coal-fired power plant will significantly damage their health, livelihoods and the environment. The complaint, submitted by Earthlife Africa and groundWork on behalf of affected community members, alleges that the project violates numerous World Bank policies and poses considerable threats to local communities and to the South African society at large. The clock is ticking, as the proposed Eskom loan is expected to go before the World Bank's board of directors for approval on April 8th.

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The community members who filed the complaint argue that the problems will be compounded by plans for a number of new coal mines and plants in the area; cumulative impacts that the World Bank failed to consider in its assessment of the project.

Caroline Ntupoane, who hails from South Africa's polluted industrial heartland near Sasolburg, insisted that her concern with the loan is personal. 'I know first-hand what the communities have to look forward to, because we experience it every day. We live it in the polluted air we breathe, when our water taps run dry, and when our children get sick. We shouldn't have to choose between electricity and our health.'

Access for the poor

While the project's proponents claim it will provide energy access for the poor, in reality, the project would largely benefit major industries that consume electricity below cost, and whose apartheid-era secret agreements prevent them from sharing the costs associated with construction of the project and repayment of the loan.

Tristen Taylor of Earthlife Africa emphasized that, 'With massive disconnections looming due to a doubling of electricity tariffs, a million jobs lost last year, and an effective 40% unemployment rate, one would think that poverty eradication would be foremost in the World Bank and the South African Government's mind. None of Medupi's output will be for the poor, but will be used to service multinational firms.'

Conflict of interest

Not only will industries benefit, but the ruling party, the African National Congress, is set to reap major profits from the loan through its investment in Hitachi Power Africa, which was awarded a dubious contract – an obvious conflict of interest. World Bank approval of the loan will help further entrench the ANC off the backs of the poor.

The project is expected to go before the World Bank's board of directors for approval on April 8th amidst serious questions about the viability of the project. 'We are shocked at the speed with which the World Bank is attempting to push the loan through while these and other outstanding issues remain unresolved,' adds Gerald LeMelle, Executive Director of Africa Action.

The fundamentals of the project are being questioned. 'This project is to secure uninterrupted electricity for large corporations, such as smelters and mining houses under secretive special pricing agreements. It is not for the millions of poor people who cannot afford or do not have access to electricity. South Africa does not need this loan,' says Bobby Peek, Director of groundWork, Friends of the Earth, South Africa.

For additional information, please visit www.africaaction.org

To receive a copy of the Inspection Panel complaint, send a request to: michael.stulman@africaaction.org and jklemm@bicusa.org.

<http://www.miningmx.com/news/energy/UK-may-block-Medupi-funding-call.htm>

UK may block Medupi funding call
David McKay | Tue, 06 Apr 2010 11:11

[miningmx.com] -- THE UK government, due to call a general election at any moment, is under pressure to block South African efforts to secure a \$3.7bn loan from the World Bank to build the Medupi power station.

TimesOnline reported on Tuesday that green groups were pressurising British prime minister Gordon Brown's government to use its deciding vote at the World Bank on Thursday to halt the coal-fired power station notwithstanding its importance to South Africa.

'Greenpeace, Friends of the Earth and Christian Aid argue that the risk to the world's climate from the plant's emissions outweighs the benefits of the secure electricity it would supply,' TimesOnline reported.

Public Enterprises minister Barbara Hogan warned on March 12 of 'dire consequences for the South African economy' if Eskom failed to secure the loan from the World Bank.

'If we do not have that power in our system, then we can say goodbye to our economy and to our country. This is how serious this thing is,' Hogan said.

Energy Minister Dipuo Peters on Tuesday also stressed the importance of the loan. 'All South Africans must support the loan because 25% of people are still waiting to have access to basic minimum electricity,' the minister said.

Medupi, which will produce 4800 megawatts, is expected to cost \$15bn (R125bn), almost double the amount for which it was first approved.

Brian Dames, a director at Eskom, the South African electricity utility wanting to build Medupi, said about R25bn of the extra costs were allocated for improved efficiencies, while contingency issues added another R10bn.

The boilers at Medupi will result in higher efficiency and better utilisation of natural resources, such as water and coal, and will have improved environmental performance.

'Medupi will be one of a few dry-cooled coal power stations [in the world], which will save water,' said Dames. The cost of that technology came in at about R25bn.

The rest of the extra cost came as a result of movements in the commodities used for the construction, mainly steel. Dames said, however, Eskom had committed itself to saving R22bn a year from its existing operations.

The first of six generating units would be commissioned by 2012.

According to TimesOnline, Medupi is larger than Drax, Britain's largest coal plant, and would pump an estimated 25 million tonnes of carbon dioxide a year into the atmosphere.

'The Government had been inclined to support the loan but is now wavering and may vote against it in Washington on Thursday, partly because it does not want to offend green supporters before the election,' TimesOnline said.

South Africa's Hogan said the World Bank loan was needed to finish off the final 25% of the Medupi power station, the biggest 'build' of its kind in the southern hemisphere.

Engineering News

No 'Plan B' should World Bank fail to approve Eskom loan

By: Terence Creamer
6th April 2010

The South African government has confirmed that there is 'no Plan B' for the funding of Eskom, should it fail to receive a \$3,75-billion World Bank loan.

The World Bank is due to vote on the loan approval on April 8.

Speaking at a media briefing following a consultation session with Business Unity South Africa (Busa), Energy Minister Dipuo Peters and Department of Energy DG Nelisiwe Magubane also said that had no further visibility on how the bank's members would vote.

Environmental NGOs are opposing the loan, owing to the fact that the bulk of the proceeds will be used to part finance Eskom's R120-billion Medupi coal-fired power station, which is being built in Limpopo province.

Both Busa and government, however, suggest that the loan is necessary to keep the lights on' in what is currently a power-stressed environment.

Busa deputy CEO Dr Raymond Parsons reiterated the organisation's support for the loan, stressing that the security of electricity supply should also be seen as part a 'pro-poor' developmental policy, owing to the fact that economic growth and development as well as job creation hinged on a stable supply of power.

However, Peters said that the InterMinisterial Committee on electricity, which is chaired by Public Enterprises Minister Barbara Hogan, was still considering the bigger Eskom funding plan and would review its planning in this regard should the loan not be forthcoming.

She indicated that the National Treasury was playing a central role in the finalisation of the funding plan.

Business Report

<http://www.busrep.co.za/index.php?fArticleId=5418305&fSectionId=552&fSetId=662>

South Africans must support World Bank's Eskom loan

April 6, 2010

All South Africans must support the granting of the World Bank loan to electricity parastatal Eskom, Minister of Energy Dipuo Peters said on Tuesday.

She was addressing a media conference following a round table discussion with Business Unity SA (Busa).

'All South Africans must support the loan because 25 percent of people are still waiting to have access to basic minimum electricity,' the minister added.

Her comments followed earlier reports that the UK government, due to call a general election soon, was under pressure to block SA's efforts to secure the \$3.7 billion (R27 billion) loan from the World Bank to construct the Medupi power station.

Chairman of Busa Raymond Parsons told the media conference that Busa was already on record as supporting the World Bank loan.

'It's part of Eskom's broader borrowing programme - Eskom has already obtained a loan from the African Development Bank,' Parsons said.

'The World Bank loan at this stage is essential,' he added.

Turning to questions about the ANC's involvement in the building of the Medupi power station through its 25 percent stake in Hitachi Africa via Chancellor House, Peters said that the issue should be addressed by the Treasurer-General of the ANC. - Sapa

Business Day

DA is On to a Good Thing - But the Wrong Way

Tim Cohen

6 April 2010

'It is no exaggeration to say that, if the loan is granted and the deal goes through, no opposition party may ever be in a position to compete fairly with the ANC again. The ANC will entrench its single-party dominance and, in doing so, gravely weaken our democracy,' Zille says.

This is correct, but I don't think the ANC will respond to campaigns premised on the notion the public will be outraged by what it is doing and vote for another party. SA doesn't work that way. Voters are too caught up in history and race to be swayed by 'minor' issues such as party funding.

The better approach would be for the DA to establish a funding arm. If it's legal for the ANC to route state tenders through its funding arm, then other parties should be allowed to do the same. It is only when the ANC recognises there is no financial advantage in such legalised corruption that it might change its ways.

Business Day (Johannesburg)

South Africa: Tariff Hike 'Cannot Meet Eskom's Needs'

Siseko Njobeni

6 April 2010

Johannesburg — A 25% rise in electricity tariffs puts Eskom's major projects, especially the Kusile coal-fired power station, at risk, says a local economist.

A derailment of the utility's build programme significantly raises prospects of power shortages in the next few years. In a report on the effect of the 25% tariff increase that Eskom recently got approval for from the National Energy Regulator of SA (Nersa), Cadiz economist Kim Silberman said if Kusile was not completed, SA could experience power shortages as early as 2013.

Eskom is yet to publicly comment on the effect of Nersa's decision to grant it a 24,8% rise in this financial year, 25,8% next year to 2012, and 25,9% in 2012 to 2013. The utility had applied for an average 35% tariff increase in the next three years. Silberman said that, to complete the R142bn Kusile plant, Eskom needed a 31% tariff increase.

'At 33c/kWh, Eskom is not covering its operating costs.

'Historically, the price of electricity has been below the cost of supply. It has not covered depreciation or return on assets,' Silberman said. The low electricity prices had prevented Eskom from building cash reserves for refurbishment and capital expansion.

Silberman also questioned the rising costs of Eskom's capital expenditure programme. Its forecast of the programme has risen from R84bn in 2005 to R385bn. 'These discrepancies raise questions. Either there has been inadequate planning by Eskom, or Eskom grossly underestimated costs, or Eskom has overpaid for contracts. There are references in past Eskom reports in 2004 to building Medupi for around R40bn. Doubling to R80bn in 2008 seems a rapid increase,' she said.

Medupi is now estimated to cost R120bn.

Silberman said that possible solutions to ease Eskom's financial problems included a loan levy, a review of Nersa's tariff decision, extra equity investment by the government and increasing government guarantees for Eskom debt.

Tuesday, April 6, 2010

U.S. Lawmakers Raise Concern About World Bank Loan to Eskom

Three U.S. lawmakers whose committees oversee World Bank policy and funding asked the institution for more environmental and social commitments from Eskom Holdings Ltd. before lending the South African utility \$3.75 billion to build one of the world's largest coal-fired power plants.

In a letter to World Bank President Robert Zoellick, Representative Barney Frank and Senators John Kerry and Patrick Leahy sought assurances that electricity to the poor will be extended, that the use of renewable energy will increase and that state-owned Eskom will retrofit its facilities with more environmental protections.

The bank's board is scheduled to vote on the Eskom deal April 8. The Washington-based poverty lender is seeking the backing of its shareholders for the loan, which environmental and civil rights groups oppose for pollution and distribution concerns.

'When the World Bank becomes engaged so prominently in a project of this nature, we believe issues of public policy that are within the bank's development mandate should be specifically addressed,' the Democrats wrote in the March 26 letter obtained by Bloomberg News.

While recognizing the 'urgent energy needs' in the region, we cannot ignore the reality that our planet is hurtling toward potentially catastrophic climate change,' the lawmakers said in the letter, which states the 4,800-megawatt coal plant will be the world's fourth-largest.

Committee Chairs

Frank chairs the House Financial Services Committee, Kerry chairs the Senate Foreign Relations Committee and Leahy chairs the Senate Appropriations Subcommittee on Foreign Operations. They said Zoellick should weigh their concerns about Eskom as he seeks money from the U.S. and other shareholders for the bank's first capital increase in 22 years.

'As the Congress is asked to increase the U.S. contributions to the multilateral development banks, we must be sure that these investments are supporting 21st-century priorities,' Frank, Kerry and Leahy wrote.

World Bank spokesman Peter Stephens said the project will include 'advanced super-critical technology and solar and wind power investments,' and the lawmakers have been kept apprised of what's expected of Eskom.

'We've written a detailed response that highlights the development imperatives of the project as well as South Africa's intention to spearhead the biggest grid-connected concentrated solar plant with storage capacity in the world and the biggest wind plant in Africa,' he said.

Powering Growth

South Africa needs to expand energy capacity to fuel its economic growth and supply neighboring African nations that buy its electricity. Eskom is seeking cash to fund a five-year, 460 billion-rand (\$63.6 billion) expansion plan aimed at preventing a repeat of shortages that temporarily shut mines and aluminum plants in 2008.

South African Finance Minister Pravin Gordhan last week warned that his country won't agree to any conditions to obtain the loan.

'South Africa, in 16 years of democracy, never has had to take any loans from the World Bank,' Gordhan told reporters in Johannesburg on April 1. 'If it doesn't come through we will cope. This is an opportunity for the World Bank to build a relationship with South Africa. We are quite optimistic' the loan will be approved on April 8.

The U.S. will abstain on the vote because it feels 'on the defensive' on climate matters, South African Public Enterprises Minister Barbara Hogan told reporters in Pretoria on March 12.

Supporters

In a separate letter to Treasury Secretary Timothy F. Geithner, eight U.S. House members including one Republican urged the U.S. to back the loan, calling the power plant 'critical to heading off an impending energy crisis in South Africa and the entire Africa sub-region.'

'We understand and share concerns about the multilateral development bank's active support for coal-fired power projects, but this project represents a truly unique situation, with mitigating circumstances that warrant broader consideration given its significance to the region's development,'

Representatives Gregory Meeks, Bobby Rush, William Lacy Clay, Jack Kingston, Donald Payne, Yvette Clarke, Maxine Waters and Sheila Jackson Lee wrote.

If awarded, \$3.05 billion of the loan will be used to help fund the Medupi coal-fired power plant that Eskom plans to build in the country's Limpopo province. The plant will generate power on schedule in 2012 even after technical problems and strikes delayed some of the development, the Public Enterprises Ministry said last month.

In addition, \$260 million would go to investment in renewable energy and \$485 million would be used for investment in low-carbon efficiency components, such as 'road to rail coal transportation,' the South African government said in a letter posted on the Web site of its embassy in the U.S.

BHP Billiton: Eskom reaches new price deal

April 6, 2010

By Asha Speckman

Eskom and BHP Billiton have agreed on a new pricing path that will not be linked to commodity prices or foreign currencies.

Eskom said yesterday that the agreement, reached after 'lengthy discussions', applied to the electricity provided to the Mozal aluminium smelter in Mozambique and its Hillside and Bayside smelters in South Africa.

An Eskom spokesman said yesterday the two parties were still in discussion and could not specify the exact pricing differentials.

Eskom said it was confident that the final agreements would be signed by the third quarter of this year. - Asha Speckman

U.S. Lawmakers Raise Concern About World Bank Loan to Eskom

<http://www.businessweek.com/news/2010-04-05/u-s-lawmakers-raise-concern-about-world-bank-loan-to-eskom.html>

April 05, 2010, 12:26 PM EDT

By Sandrine Rastello

April 5 (Bloomberg) -- Three U.S. lawmakers whose committees oversee World Bank policy and funding asked the institution for more environmental and social commitments from Eskom Holdings Ltd. before lending the South African utility \$3.75 billion to build one of the world's largest coal-fired power plants.

In a letter to World Bank President Robert Zoellick, Representative Barney Frank and Senators John Kerry and Patrick Leahy sought assurances that electricity to the poor will be extended, that the use of renewable energy will increase and that state-owned Eskom will retrofit its plants with more environmental protections.

The bank's board is scheduled to vote on the Eskom deal April 8. The Washington-based poverty lender is seeking the backing of its shareholders for the loan, which environmental and civil rights groups oppose for pollution and distribution concerns.

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From The Times April 6, 2010

Britain may block World Bank loan for coal plant in South Africa

Ben Webster, Environment Editor

The Government is considering blocking an aid project to provide reliable coal-fired electricity for millions of South Africans after coming under intense pressure from green groups in the run-up to the election.

On Thursday, Britain will cast the deciding vote on whether the World Bank should grant a \$3.7 billion (£2.4 billion) loan to allow South Africa to build the Medupi coal plant.

It would be bigger than Drax, Britain's largest coal plant, and pump out an estimated 25 million tonnes of carbon dioxide a year into the atmosphere.

But it would reduce the risk of power cuts, which have caused billions of pounds of damage to South Africa's economy in the past two years. The national grid came close to collapsing in 2008 and the South African Government was forced to impose rolling blackouts.

Greenpeace, Friends of the Earth and Christian Aid argue that the risk to the world's climate from the plant's emissions outweighs the benefits of the secure electricity it would supply.

They have been lobbying behind the scenes to try to persuade Britain to vote against the loan. They have held meetings in recent days with Gareth Thomas, the Minister for International Development, Michael Jacobs, the Prime Minister's special adviser on climate change, and Susanna Moorhead, head of the World Bank in Britain.

The Government had been inclined to support the loan but is now wavering and may vote against it in Washington on Thursday, partly because it does not want to offend green supporters before the election.

The green groups argue that South Africa should focus instead on building wind turbines, solar panels and other sources of renewable electricity. These sources cost more than twice as much per unit of electricity compared with coal, which South Africa has in abundance.

Pravin Gordhan, the South African Finance Minister, accused green groups of trying to impose their

environmental priorities on a country lacking the secure electricity that is taken for granted in the developed world.

'It is regrettable that . . . developed countries and very small group of NGOs in South Africa are putting their environmental concerns, which can't be immediately addressed, above the economic needs of South Africa and our need to grow the economy so that all the people benefit.

'For now, not only South Africa but developing countries more generally will have to rely on coal.'

The World Bank said that it had studied the less-polluting alternatives to the Medupi plant and none could provide enough capacity in time to avoid widespread power cuts.

It is urging Britain and other contributors to vote in favour of the loan and said in a report: 'The project will help avoid an energy crisis across southern Africa.

'Without energy, countries face very limited or no economic growth: factories and businesses cannot function efficiently; hospitals and schools cannot operate fully or safely; basic services that people in rich countries take for granted cannot be offered.'

The proposed World Bank loan includes \$260 million for wind and solar power and \$490 million for measures to reduce the coal plant's overall emissions, including a new rail line to transport coal rather than using lorries.

The green groups wrote last month to Douglas Alexander, the International Development Secretary, urging him to vote against the loan on the grounds that it would 'undermine the global fight against climate change' and would not reduce fuel poverty.

It said: 'While there is significant energy poverty in South Africa this project is not focused on meeting the needs of poor communities but instead on supplying energy to major energy-intensive industrial users that already have access to some of the cheapest electricity in the world.'

Britain, the bank's biggest donor and one of its five major shareholders, is expected to determine the outcome of the vote because the US is likely to abstain. Despite generating half its own electricity from coal, the US has adopted new guidelines that include a strong assumption against approving

World Bank loans for coal plants in developing countries.

The Department for International Development said that it had not yet decided how to vote. 'The UK is in ongoing dialogue with the World Bank and the Government of South Africa regarding the loan. We will take a final position on the project when it comes to the World Bank board on April 8.'

<http://www.timesonline.co.uk/tol/news/environment/article7088297.ece#cid=OTC-RSS&attr=1185799>

Business Report

Green Agenda: State pulls out all stops for World Bank loan

April 6, 2010

By INGI SALGADO

The government has used a few lines of argument to try and swing the vote in its favour when the board of the World Bank decides this week whether to give Eskom a \$3.75 billion (R27bn) line of credit.

Chiefly, the government says that withholding the loan would strangle South Africa's economic growth and development goals by delaying much-needed extra power-generating capacity and forcing the government to seek more expensive finance.

The government has simultaneously played up its climate change goals to convey the message that it is targeting long-term low-carbon growth, even though the bulk of the World Bank loan will fund the coal-fired Medupi plant.

The state points out that Medupi's emissions have been built into the country plan to cut greenhouse gas emissions, and that the plant will be ready to capture and store carbon. (However, we need to treat this option with caution given the technical and financial uncertainties of doing so.)

Almost certainly for diplomatic reasons, and the fact that it wants to avert a no-vote by the US this week, the South African government has not pointed out the irony that the US is spearheading an end to multilateral development funding of coal power in developing countries when it is itself home to about 600 coal-fired plants and is historically the world's biggest emitter of carbon dioxide.

Instead, the South African government has questioned the loyalty of those organisations, mainly environmental groups, that are openly lobbying against the loan.

For their part, the organisations say the loan won't serve South Africa's developmental goals because raised tariffs will help make power unaffordable for the poor, while massive power subsidies to select large industrial customers continue. They point out that South Africa's short-term renewable energy target (about 4 percent of energy by 2013) is low.

There are indications that the US will refrain from voting this week, although it has not confirmed this.

There are hints that the politics of the loan application are further influenced by the fact that South Africa hasn't yet taken decisions on its energy mix over the next few decades. For instance, France, which is wooing South Africa to select its technology for a fleet of nuclear power stations, has given its support for the loan.

The decisions on the energy mix will be outlined in the second integrated resource plan (IRP2), a blueprint for South Africa's energy mix over the next 20 years. Last week the government said it was compiling a database of interested stakeholders to provide input, and hoped to finalise the plan by June.

Key issues for the IRP2 have been identified as the role and feasibility of a coal phase-out; the role and feasibility of South Africa's carbon commitments and renewable energy; the role of nuclear power; and the need to consider water, transport and primary energy planning.

When the costs of this infrastructural exercise are tallied, it will make the R864bn the state is currently spending on infrastructure look small. The IRP2 and its subsequent versions will be among the most significant decisions that this government will take, laying the basis for the types of industries that will benefit from massive state spending for decades to come, and launching the trajectory of South Africa's switch from coal to low-carbon options. It will be fiercely contested by the likes of pro-nuclear versus anti-nuclear lobbies, and coal-dependent versus renewable industries.

Last month there was concern that senior government ministers indicated South Africa's future electricity landscape would be nuclear before the consultation process kicked off. Since then, the state, aware of its legal obligations to seek input, has set a time frame for consulting and finalising the IRP2. Let's hope it will be a transparent process.

<http://www.africaaction.org/world-bank-protest-pr.html>

FOR IMMEDIATE RELEASE

Monday, April 5, 2010

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WEDNESDAY: Global Day of Protest Against Proposed World Bank Loan for Coal

Activists from U.S. & Africa to Demonstrate at the World Bank in Washington, DC, Wednesday, April 7th, 12:00 pm – 2:00 pm

Washington, DC - The World Bank is scheduled to vote April 8 on whether to approve a highly controversial \$3.75 billion loan that would help South African utility company Eskom build one of the largest and dirtiest coal-fired power plants in the world. The Eskom loan flies in the face of the World Bank's claims of alleviating poverty and supporting sustainable development.

A global campaign against the World Bank and Eskom has been endorsed by hundreds of organizations that represent millions of concerned citizens, community, environmental, labor and academic constituencies, in South Africa, the rest of the African continent and the world at large.

The protest comes just one day after residents located in the Waterberg area of South Africa's Limpopo Province filed a complaint with the World Bank's independent complaint body, the Inspection Panel. For more information, [click here](#).

What: 'World Bankers' wearing black suits and flaunting sooty faces and medical masks will converge around large smoke stacks and distribute 'coal dollars' to the public and World Bank employees, which will have information about the loan and why the Bank should vote 'no.'

More than 10,000 petition signatures from South Africans urging the World Bank to reject this dirty coal loan will also be presented via a giant voided check.

When: Wednesday, April 7th, 12:00 pm – 2:00 pm

Where: The park across from World Bank headquarters (1818 H Street NW).

Who: Friends of the Earth-US, Africa Action, Avaaz and 350.org

<http://www.opednews.com/articles/The-World-Bank-and-the-Four-by-Susan-Galleymore-100331-820.html>

April 4, 2010 at 14:37:12

The World Bank and the Four Horsemen of Climate Change: Apocalypse Now?

By Susan Galleymore

OpEdNews

Senator John Kerry described US President Obama, China's Premier Wen, India's Prime Minister Singh, and South Africa's President Zuma as 'the four horsemen of climate change.' It is, Kerry said, 'a powerful signal to see [them] agree on a meeting of the minds.'

As the World Bank prepares to vote April 8 on a \$3.75 billion loan to South Africa's parastatal Electricity Supply Commission (Eskom), Kerry's language evokes a powerful vision: the apocalypse of business-as-usual disguised as 'clean coal.'

Rocks of ages

The World Bank is positioned better than most to know the true, externalized costs of coal-fired energy. Indeed, in 2007 the Bank acquiesced to China's request to excise mortality information from its report, 'Cost of Pollution in China': about 350,000 to 400,000 people die prematurely each year from high air-pollution levels; 300,000 die from exposure to poor air indoors; another 60,000 deaths are attributed to poor water quality.

As a geologist and engineer by profession, climate change horseman Premier Wen knows that coal fires have burned for centuries along China's 5,000-kilometer mining belt. They contribute up to three percent of annual global carbon emissions -- about 360 million metric tons -- as much as all the cars and trucks in the US.

China's government intends to extinguish fires to meet its own target of 20-percent reduction of carbon emissions over three years. But it takes months, even years, to put out one fire. Then, small private mining companies working under cover of darkness often fail to replace the soil after extracting coal; spontaneous combustion occurs at 80 degrees Celsius. Yet China seems intent to cut greenhouse gas emissions by putting out fires

rather than implementing effective energy saving measures.

Climate change horseman President Zuma's South African government inherited the decades-old coalfield fires at Witbank (renamed Emalahleni).

Two years ago, unemployed mother Thandi Mthlango and her young son scavenged for coal to heat their home on land pocked with subsidence from underground fires and acid mine drainage. The boy was in a trench when it collapsed and crushed him to death.

There is no one to blame; even assigning responsibility is tough as former owners of Emalahleni's seven abandoned mines are long gone; apparently they cannot be traced.

A German consultancy estimated that it would cost at least R1 billion to rehabilitate the area, way beyond the funding capacity of the city council as it mulls relocating squatters crowded on the toxic land. But where? Town planner Eric Parker says the region is 'sterilized.' In the video report UnderMined, he laughs ruefully and says he sees one bright spot -- local cattle are acclimated. 'But, if you bring in a new cow from somewhere else, it dies. We have a super breed of resistant cows!'

Climate change horseman Prime Minister Singh's Ministry of Coal controls Coal India Limited (CIL), the world's largest coal mine. But, in November or December 2010, financial investors anywhere could own a piece when CIL presents an initial public offering (IPO). It intends to invest the proceeds of US \$1 billion to \$1.5 billion in joint ventures in Australia, Indonesia, US, and South Africa. Chairman Bhattacharya told Economic Times, 'Our focus is to invest our funds in acquiring assets that deliver energy to our country...in a viable manner.' This includes relocating 400,000 people from mining town Jharia who suffer breathing disorders, skin disease, and compromised health from the fumes emitted by fires.

Singh's government has been criticized for its attitude. But India's coal is worth US \$12 billion, and relocating the poor is cheaper than implementing environmental controls.

The unaffordable luxury of clean earth

South Africa's finance minister Pravin Gordhan knows the externalized costs of coal fired energy

and believes they are unavoidable. He wrote recently in a Washington Post op ed:

'If there were any other way to meet our power needs as quickly or as affordably as our present circumstances demand, or on the required scale, we would obviously prefer technologies -- wind, solar, hydropower, nuclear -- that leave little or no carbon footprint. But we do not have that luxury if we are to meet our obligations.'

South Africa has one of the planet's most energy-intensive economies and Eskom plans a five-year, \$50 billion dollar expansion to increase capacity. Its Kendal plant is already the largest coal-fired power station in the world. If approved, over \$3 billion of the Bank loan will go toward constructing 4800 MW Medupi, the first so-called super-critical clean coal plant in Africa and the fourth largest coal-fired power plant in the world that, as advertised, will use 'some of the most efficient, lowest-emission coal-fired technology available.'

Analyst Patrick Bond says Eskom's bid for the loan comes 'at a time of intense controversy surrounding Eskom's mismanagement. In its last annual reporting period, the company lost R9.7 billion, mainly due to miscalculations associated with hedging aluminium prices and the South African currency. Both the chair and chief executive officer lost their jobs late last year amidst unprecedented acrimony.' Moreover, Bond said, 'Eskom's continuation of inexpensive prices to several large export-oriented metals or mining multinational corporations, headquartered abroad, and offering the world's cheapest electricity, [is] heavily subsidised by all other mainly poor users in South Africa.'

He refers to Nersa, National Energy Regulator of South Africa, recently tapping ordinary South Africans for power rate increases of 25 percent for each of the next three years.

Gordhan assures the public that the 'rest of the loan, \$745 million, will be invested in wind and concentrated solar power projects, each generating 100 megawatts, and in various efficiency improvements.' He avoids the government's 2003 White Paper that states that, by 2013, four percent of electricity 4,700 MW based on Eskom's projected electricity consumption must come from renewable energy. Eskom's three-year plan unveiled after Nersa's country-wide community meetings in January states that only 400 MW will come from such sources.

Gordhan concedes the loan 'faces stiff opposition.' Civil society around the world reminds him that Medupi adds an estimated 25 million metric tons of CO2 emissions per year to Eskom's 40 percent share of South Africa's overall total greenhouse gas emissions. There is also the real possibility that, if South Africa's currency crashes again as it has five times since 1996, repayment in US dollars is more expensive than in South African rands.

The South African government can afford the luxury of R8.4 billion to construct five new stadia and refurbish five others for the 2010 FIFA World Cup. There are further, yet undisclosed, costs to improve public transport, implement special safety measures for tourists' security, and 'beautify' (by hiding or removing tens of thousands of shack dwellers). Why can't it afford to clean up environmental degradation that results from generating electricity?

The US is the largest World Bank funder. Send a powerful signal to climate change horseman Obama and Treasury Secretary Timothy Geithner to intervene. Then buckle up for a wild ride along the unexplored path of real energy sustainability. In the long run it affords more security than tripping down the World Bank's yellow brick road of business as usual.

<http://clean-energy.blogspot.com/2010/04/world-bank-loan-and-south-africas.html>

Sunday, April 04, 2010

The World Bank Loan and South Africa's Energy Future

There has been a tremendous amount of debate and media coverage around two energy issues recently, both complex, both intertwined, both with the possibility of having a huge impact on South Africa's energy future. The first is the proposed USD 3.75 billion loan from the World Bank to Eskom to assist with the financing of the ZAR120-billion Medupi coal-power station, and the second is the current (2nd) Integrated Resource Plan (IRP2) which will determine South Africa's energy electricity roadmap for the next 20 years.

When I first heard that a strong NGO movement was forming to oppose the World Bank loan, I had mixed feelings. On the one hand, there is an energy crisis in South Africa, and it could be argued that South Africa still has a 'right' to a certain increased level of carbon emissions. On the other hand, perhaps not getting the loan is just the wakeup call South Africa needs to realise that growing carbon emissions, even in so called Developing Countries, are morally wrong, especially when there are definitely other solutions to the energy problem that are most cost effective, create more jobs, reduce emissions, and guarantee a higher level of energy security. Thus unsurprisingly I have ended up with my feet firmly in the latter camp. The attempts to greenwash the loan have not helped my perception at all - the claim is that the loan is also for wind and solar, but in reality only USD260million (7%) is earmarked for 1x wind and 1x solar farm, and the remaining 93% for coal.

The political comments being made about the loan have been fascinating. Public Enterprise Minister Barbara Hogan has said "If there is a vote against, it will be the most unfortunate thing that has probably happened to this country in terms of its economy and in terms of developmental needs". Scary that we are SOOO dependent on the World Bank! World Bank vice-president for Africa Obiageli Ezekwesili has agreed with the SA position, saying 'There is no viable alternative to safeguard South Africa's energy security at this particular time'; I bet he is desperate to loan the money so he can get his bonus. In contrast, Avaaz, the large global web movement, has said 'The proposed R29 billion World Bank loan to Eskom South Africa should not

be extended because it would contribute to energy poverty, environmental destruction and climate change worldwide'. Pravin Gordon, the finance minister, has said that a 'very small group of NGOs in South Africa' were placing 'environmental concerns, which could not be immediately addressed, above the economic needs of South Africa'. The small group consists of more than 65 South African civil society organizations, joined by 99 other groups in Africa and around the world. In addition, I don't think Mr Pravin and our economic leadership appreciate or understand the inter-linkages between climate change, peak oil/coal and economic growth. But then our leadership, the ANC (the South African ruling party), stand to benefit enormously from the coal power stations - possibly up to R5,8-billion from their investment in Hitachi Power Africa.

The core issue is really whether we have to go the coal power station route to solve our energy problems, or if there is some other solution? That brings us to the 2nd item, the long term energy planning of the IRP2.

The IRP2 process is being driven by an Inter-Ministerial Committee which includes the Department of Energy, Department of Finance and big business. Consultation with public bodies is expected to take place through April and May, and the IRP2 is expected to be gazetted by September 2009. It is my expectation from comments heard from senior players that we will see a strong focus on Nuclear and Renewables, in line with proposals in the Long Term Mitigation Strategy for carbon emission reduction, but still allowing for the current plan of three big new coal power stations.

The core issues with all of the above the fast, cheap way of creating additional power, namely Energy Efficiency, is hardly mentioned, despite the fact that we as a country are a terribly inefficient user of electricity with masses of opportunities to become more efficient. But as I have argued previously, this would reduce Eskom's revenue and profits, as well as other large corporations, such as Areva, which stand to make billions from new (expensive) nuclear power stations. Another irony is that NERSA themselves have argued that all renewable technologies would be cheaper than oil, coal and gas technology by the end of 2015. Nuclear has got way too expensive, and takes too long to build to address the climate issues. Thus the solution to both our energy crisis and future energy security seems to be quite clear - energy efficiency to solve

the short term problems, and renewable energy for the long haul.

So I hope we don't get the loan. It may just get the IRP2 guys thinking about real long term sustainable job creating solutions.

Sunday Times

<http://www.timeslive.co.za/sundaytimes/article385071.ece/Eskom-loan-must-not-benefit-ANC>

'Eskom loan must not benefit ANC'
Apr 4, 2010 12:00 AM | By Brendan Boyle

DA leader Helen Zille will ask the World Bank to force the ANC to pull out of Eskom's biggest contract before giving the corporation a lifeline loan.

quote 'Whatever way you look at it, it is abuse of public office for political gain' quote

The bank is due to decide on Thursday whether to give Eskom a \$3.75-billion loan to complete the 4800MW Medupi power station in Limpopo.

Zille said in her weekly letter to supporters that the ANC's involvement in Hitachi Power Africa, a partner in the construction contract, could earn the party up to R1-billion.

'It is no exaggeration to say that, if the loan is granted and the deal goes through, no opposition party may ever be in a position to compete fairly with the ANC again. The ANC will entrench its single-party dominance and, in doing so, gravely weaken our democracy,' said Zille, the leader of the official opposition.

She said she would meet the World Bank's local chief, Ruth Kagia, on Tuesday and would lobby board members ahead of Thursday's decision.

She said she wanted Eskom to get the loan, but only on condition that Chancellor House, the ANC's business arm, pulled out of the consortium that is building the power station.

Mathews Phosa, the treasurer-general of the ANC, told the Sunday Times he had proposed two years ago that Chancellor House pull out of the deal, but said he was not a member of the company's board and had no way of enforcing his view.

Last year Lawrence Mushwana, the former public protector, criticised Eskom's management of the award, saying Valli Moosa, who was then Eskom chairman and a member of the ANC's finance committee, should have recused himself from meetings on the matter.

In submissions to Mushwana, Moosa acknowledged a 'link' between Chancellor House and the ANC, but did not spell it out.

Zille said the award of the contract to a consortium including Chancellor House might not be illegal, but was improper.

'Lawful or not, the awarding of the contract to an ANC front company is corruption on a grand scale. Whatever way you look at it, it is the abuse of public office for political gain.

'If this scourge of 'legal corruption' is not stopped in its tracks, democracy in South Africa will wither and die. It is as simple as that.'

She said the World Bank 'must have no part in a deal from which a political party stands to profit in any form'.

Chancellor House has been reported to hold 25% of the equity in Hitachi Power Africa.

<http://itsgettinghotinhere.org/2010/04/04/world-bank-to-finance-mega-coal-plant-in-south-africa-it-could-come-down-to-the-us/>

It's Getting Hot in Here

World Bank to Finance Mega-Coal Plant in South Africa? It Could Come Down to the US

Published by nickenelfried, April 4th, 2010 Africa , Coal , Coal Campaign , Impacted Communities , global warming 0 Comments

As an activist in the US working to phase out coal plants, it's distressing to me to think that so much of what the US climate movement has accomplished in the last few years could be undone by one of the world's largest coal plant proposals – the fate of which is likely to be decided in the next several days. On Thursday, April 8th, the World Bank is expected to vote on a decision to lend \$3.75 billion to a South African utility that wants to build a 4,800 MW (that's right, 4,800 megawatts!!!) coal plant. Environmental groups ranging from the Sierra Club to Friends of the Earth are up in arms, urging US Treasury Secretary Timothy Geithner to vote against the loan (follow the links to the 'take action' pages for these groups).

With its history of funding mega-dams that displace entire villages, and development projects that destroy rainforests, the World Bank has some work to do to improve its environmental and human rights image. Helping to finance one of the world's largest carbon pollution projects would not exactly be a step in the right direction, and would cast serious doubt over whether the World Bank's recent statements on climate change are anything more than empty talk. This is a project the World Bank needs to pull out of, and the United States must exert its influence to make that happen.

The mainstream media is likely to frame this as an issue of environmentalists from developed countries trying to deprive the population in a developing nation of cheap electricity. Yet the truth is that Eskom, the South African utility proposing the mega-coal plant, plans to triple electricity prices for its ratepayers in order to pay back the World Bank loan. South African residents have been protesting outside Eskom's offices, while more than 50 South African faith, justice, and environmental organizations have denounced the coal plant project.

Yet the US may refrain from taking a stand on the issue. It looks like the US, under the leadership of the Obama administration, is likely to abstain from voting on the loan to Eskom this Thursday. That could amount to letting the proposal roll forward, negating much of Obama's work to limit greenhouse emissions so far.

The World Bank vote on this will come in less than a week, and the need for action could hardly be less urgent. Please urge US Treasury Secretary Timothy Geithner to vote 'no' on a World Bank loan to Eskom.

Americans Informed Democracy

<http://aidemocracy.wordpress.com/2010/04/04/world-bank-pushes-dirty-coal-loan-in-south-africa/>

World Bank Pushes Dirty Coal Loan in South Africa

April 4, 2010 in Environment, Global Development |
Tags: climate change, CO2 emissions, coal, energy, Eskom, Groundwork, pollution, South Africa, sustainable development, World Bank | by ethanfrey

In a bold, pre-sustainable development era move, the World Bank is pushing to finance a US\$3.75 billion (rand 29 billion) project to establish a new coal plant in South Africa twice the size of the largest plant currently in Great Britain.

This project would be directed through Eskom, one of the largest suppliers of electricity to Africa (approximately 95% of South African electricity and 45% across the country), and incidentally one of the dirtiest and most resistant to clean, sustainable energies. And wait, it gets worse: Eskom had also, originally, planned a rate increases of 45% (!), but only a 25% increase was permitted by the South African government – which is still terrible.

Quick recap: the self-proclaimed sustainable development agency, the World Bank, wants to loan the South African energy giant Eskom US\$3.75 billion to fund another dirty, out-of-fashion coal plant. W-O-W!

South Africa already emits more CO2 per capita than the UK and yet some 15% of its population remains unconnected to its energy grid. The SA government aims to reign in this portion of the populous with this new plant, but as a country rich in solar and wind potential, the largest funder of development assistance worldwide ought to be initiating development projects that will be sustainable, long-lasting endeavors, and not endanger South Africans present and future.

An African environmental group, Groundwork, has criticized the loan as 'a bad project, contributing to energy poverty and environmental destruction.' This plant will only further pollute streams, destroy and pollute communities, and create an expensive mess the government will only be forced to cleanup years on down the line.

So, 350.org, one of the best, most cutting-edge progressive groups out there has launched a campaign, alongside 65 other indigenous groups in South Africa, to stop this ill-conceived development project.

Climate Wire

South African coal plant proposal strains 'culture' of World Bank (04/05/2010)

Lisa Friedman, E&E reporter

'No' isn't a word the World Bank hears often from the United States.

In the past five years, the United States has opposed less than 3 percent of more than 3,400 World Bank Group loans and grants, a ClimateWire analysis has found.

Despite the country's being the largest shareholder, American opposition failed to stop any of the \$183 billion worth of roads, dams, hospitals, irrigation systems or other projects that came before the bank's executive directors for approval. Nevertheless, America exerts a powerful influence on the bank, and its opposition is often enough to steer major policy shifts behind the scenes.

That clout is about to be tested. On Wednesday, the World Bank board is expected to vote on a \$3.75 billion loan to help South Africa build a 4,800-megawatt coal-fired power plant. The plant will release an estimated 25 million metric tons of global warming pollution into the atmosphere. Its loan application has sparked some of the fiercest public outcry the World Bank has seen in years.

Opponents are leaning hard on the United States to cast one of its rare but potent 'no' votes, shining a spotlight on the secretive World Bank decisionmaking process, in which critical choices are made behind closed doors and, analysts say, diplomatic sensitivities mingle with an institutional drive to approve loans. Actual 'yea and nay' votes, in fact, are almost unheard of at the World Bank, where the money flow is virtually always given the green light by a well-orchestrated consensus.

'It's a culture of loan approval,' said Bruce Rich, an international environmental lawyer and longtime World Bank critic. 'The board members tend to almost rubber-stamp these projects. They almost never say no.'

By most accounts, the 24-member board won't say no to South Africa's state-owned Eskom Holdings Ltd. this week, either. Analysts and congressional aides said they expect the U.S. director to abstain, an objection that would still allow the project to move ahead.

The South African government has lobbied fiercely for the loan. In a Washington Post op-ed last month, South African Finance Minister Pravin Gordhan argued that the country's economic health depends on it.

'Stunting' future growth prospects

'To sustain the growth rates we need to create jobs, we have no choice but to build new generating capacity -- relying on what, for now, remains our most abundant and affordable energy source: coal,' Gordhan wrote. He said South Africa is working to address climate change and would prefer to build capacity with clean technologies. But, he said, options like wind and solar are not yet affordable enough, nor can they provide energy at the needed scale.

'A question that has to be faced is whether stunting growth prospects in our region will in any way serve the goal we all share of eliminating greenhouse gas emissions over the long term,' Gordhan wrote.

Environmental groups also mounted a thundering campaign. South African opponents of the coal plant traveled to Washington, D.C., to meet with congressional leaders and World Bank executive directors. >From the Netherlands to France, activists wrote letters urging directors to stand against the plant, on the grounds that limited public funding for energy should not go to fossil fuels.

European leaders are under the gun -- pressed on the one hand to act as leaders in fighting climate change, yet worried on the other about appearing to block economic development in Africa. In Norway, for example, the Ministry of the Environment is urging its government to reject the loan, while the Ministry of Foreign Affairs and Agency for Development Cooperation want to support it.

But no country is facing more pressure than the United States.

Last year, the Obama administration issued internal guidelines to discourage U.S. executive directors from approving coal power plants at any of the World Bank Group institutions. Green groups are pressuring the administration to make good on that promise and vote 'no.' But doing so, analysts said, could rupture relations between America and South Africa.

Diplomatic concerns are a major reason why countries almost never reject projects once they

come for a vote, current and former World Bank officials said.

The 'optics' filter through a lens of consensus

'The optics of this are complicated,' said Manish Bapna, executive vice president of the World Resources Institute and a former World Bank economist and team leader.

'The highly visible international arena in which these decisions are taken make it difficult for significant disagreements or dissension to manifest itself,' he said. 'When it does, it's a significant statement.'

An analysis of five years' worth of positions on World Bank projects, data made public monthly by the U.S. Treasury Department, indicates that a 'no' vote on the Eskom project would be highly unusual for the United States.

The United States has voted against less than 3 percent of World Bank projects over the past five years, a ClimateWire analysis has found.

Of the 3,404 projects the World Bank Group approved in that period, the United States rejected only 88. Of those, 43 percent were loans to Serbia or Bosnia-Herzegovina, opposed on the basis of a law prohibiting America to approve loans for countries that have not taken the necessary steps to apprehend war criminals.

Enacted in 2006, that law is one of about 64 provisions that Congress created requiring the U.S. executive director of oppose the World Bank for a variety of reasons. America's representative at the bank also is expected to oppose loans to terrorist states and human rights violators, countries that practice female genital mutilation, and countries where budgets and audits of military expenditures are not transparent. Some laws govern or bar loans to specific countries like Cuba, Sudan, Myanmar and Iraq.

Far more common than a 'no' vote, though, is an abstention. Since loans are approved by a majority of the World Bank shareholders' votes cast, abstaining is essentially the same as not voting. In practice, it allows a country to state objections to a project without the diplomatic unpleasantness of outright opposition.

Abstention, a diplomatic 'no'?

Congressional aides said last week that they expect the United States to abstain on the Eskom vote.

Most U.S. laws governing foreign assistance give its World Bank directors wide leeway to abstain rather than vote 'no,' and they take it. America abstained 282 times since 2004 -- about 8 percent of the time -- on a wide variety of projects, ranging from a tiny \$3.9 million credit for a biosafety plan in Burkina Faso to a \$2.1 billion loan for a roads project in Kazakhstan.

U.S. Treasury officials declined to discuss World Bank voting patterns or explain any specific votes. The Treasury is required by law to post its 'no' and 'abstain' positions, and each month releases a list of recent board decisions. A handful of other countries, like the United Kingdom, Switzerland and Germany, issue annual reports that may contain a record of their countries' positions, but no other nations release the same volume of data as the United States, according to the Bank Information Center watchdog group.

And the reality is that by the time the World Bank board votes on a project, the outcome has already been decided -- favorably. Much like the way congressional leaders won't bring a major bill to the House or Senate floor without knowing they've got the votes for passage, World Bank management also delays board decisions until a broad consensus has been reached.

David Wheeler, a former World Bank economist and now a senior fellow at the Center for Global Development, said the bank's consensus culture has its roots in history. The original mission of the World Bank, which was created during World War II in Bretton Woods, N.H., was to help rebuild Europe. Even as the mission changed toward poverty alleviation, the United States and Europe dominated both financing and policy.

'Although they had differences among themselves, they basically were aligned in their worldview. I think there was a general sense of commonality in policy,' Wheeler said. 'Imagine the view of a country club that hasn't let anyone new in in a long time. It's a consensus culture.'

That's changing, he and others said, as the geopolitics of the world -- and the World Bank -- shift. Major developing countries like China and India have more clout than ever before, in large part because they can easily access capital in the private markets. The World Bank, though, wants to retain those creditworthy big-borrowing countries as lenders.

'For some of the larger developing countries, the World Bank needs those countries more than those countries need the World Bank,' Bapna said. In the future, he predicted, 'instead of the rich countries being able to call all the shots, increasingly, it's going to require even more negotiation than we've seen in the past.'

Bucking institutional momentum is rare

Per Kurowski, a former World Bank executive director from Venezuela, said the institution has no internal mechanism for handling a loan that is rejected. So taking a loan before the board without ironing out problems is, he said, 'a no-no.'

'You want to make absolutely sure you have the necessary consensus. They are risk-averse, and they don't want embarrassment,' he said, adding, 'Managements are afraid of risk and embarrassment no matter where they are.'

In some instances, a country will withdraw a project if there is strong opposition or if the outcome appears uncertain. In 2000, for example, China withdrew a \$40 million loan request for a controversial project involving the resettling of nearly 58,000 mainly Chinese farmers into a traditionally Tibetan and Mongolian area of Qinghai province.

Those instances of public clashes reverberating outside of the institution are rare. According to Rich, they also are the bank's 'worst nightmare.' He argued that from the time a country approaches the World Bank for a loan or -- as also often happens -- a country director helps a government design a project, all the gears in the bank already are working to see the money through. Loan packages take time to prepare, and by the time a proposal gets to the board, it's gone through months, maybe years, of intense staff and management work.

'There's already a big institutional momentum, and by the time it gets to the board, there are huge political costs for the bank as an institution,' Rich said. 'For the board to turn it down, the borrowing country is offended, it's bad for the careers of the management and the staff, it makes everyone look bad.'

Yet opposition can also steer policy. When the Chinese Western Poverty Reduction Project fell through, it was widely understood that World Bank funds would not be used for Beijing's projects aimed at demographic restructuring and development of Tibetan areas. And while loans to

countries that the United States regards as supporting terrorism, like Iran and Syria, go through despite American objections, they also don't come up very often. The bank has approved only three loans for Iran in the past five years, for example, and one \$5 million equity investment in Syria.

Whether the United States abstains or votes 'no' on Eskom, analysts watching the process say the debate is sending a strong signal that the World Bank will have to do more to encourage renewable energy and may even have to sideline loans for future coal plants.

<http://greenanswers.com/news/144360/international-coal-debate-centers-south-africa>

A coalition of over 70 South African activist groups is asking for U.S. support to help stop the construction of what would be the world's fourth largest coal plant in the world. In response, U.S. organizations including the Sierra Club and Friends of the Earth have launched an international campaign to prevent the World Bank from financing this massive project led by African energy giant Eskom. The debate over South Africa's mega-coal plant is likely to come to a head this Thursday, April 8th, when World Bank representatives are expected to vote on whether or not to finance its construction. U.S. environmentalists have joined in the fight by calling on Treasury Secretary Timothy Geithner to vote against the World Bank loan.

Interestingly, this is hardly a case of Western environmentalists attempting to tell a developing country how to provide cheap energy to its citizens. Indeed, it's grassroots opposition inside of South Africa itself that has grown and spread to the international community.

Three weeks ago, South African activists Makoma Lekalakala and Caroline Ntaopane traveled to the United States to drum up opposition to the proposal to build the 4,800 megawatt coal plant in their country. In response, U.S. environmental groups, including the Sierra Club, agreed to help convince U.S. policy-makers to use their influence at the World Bank to ensure the plant does not receive funding. To finance the project, Eskom is counting on a \$3.75 billion loan from the World Bank, without which the coal plant may prove too expensive to build. In order to pay back the loan, the utility plans to triple electricity rates in many South African communities - accounting for at least part of the widespread opposition to the plant in South Africa.

'The World Bank's mission is to alleviate poverty,' wrote Bruce Nilles and Mark Kresowik of the Sierra Club after meeting with Lekalakala and Ntaopane last month, and 'Eskom officials claim the coal plant is going to help the poor get access to electricity. But hearing Makoma and Caroline describe how their community's electricity rates are tripling over the next five years...we know that this loan will do anything but help the poor.'

Activists in the U.S. have kicked into action, calling on the United States to vote against the loan to Eskom. The Obama administration has so far

indicated it would abstain from voting on the proposal - effectively neither supporting nor condemning the coal plant. Yet without clear U.S. opposition, the World Bank loan is likely to go forward, and groups like Friends of the Earth are calling on the administration to affirmatively register a 'no' vote. 'The [South African coal plant] loan would be a disaster for the poor in South Africa,' reports Friends of the Earth, 'and would lock their country into decades of dirty energy when clean, renewable alternatives exist.'

Though Eskom's proposed coal plant is notable for its enormous size, the fight over funding for the plant is just one of the most recent manifestations of growing international concern over the World Bank's role in financing coal plants and other fossil fuel projects which contribute to climate change. Currently, the World Bank is already supporting the construction of a major coal plant in India. In October of 2009, the bank approved a loan to another large plant in South Africa's neighbor, Botswana. World Bank executives have defended the institution by pointing out that they are scaling up investments in renewable energy and energy efficiency projects as well. But environmental groups charge that as long as the World Bank continues to support massive coal plants like Eskom's, the resulting increase in greenhouse gas emissions will eclipse the bank's greener investments. South Africa has already become the most coal-dependent of all African nations, with 6% of the continent's population accounting for over 40% of Africa's greenhouse gas emissions.

Should the World Bank decide against funding the Eskom coal plant, it would send a clear signal that the bank is shifting away from support for fossil fuel projects. Eskom's proposal is just the sort of project which only a few years ago would probably have received World Bank approval without a hitch - and the mere fact that this coal plant has been met with widespread opposition represents a change for the bank. However, in the end it may be the U.S. which determines whether the fourth largest coal plant on the planet will move forward or not.

Read more:

<http://greenanswers.com/news/144360/international-coal-debate-centers-south-africa#ixzz0kKPu8FOy>

London Mining Network

<http://londonminingnetwork.org/2010/04/black-and-white-unite-against-dirty-south-african-coal/>

Black and White Unite against Dirty South African coal

Posted on | April 3, 2010

African organisations condemn World Bank funding for Eskom

Many NGOs have expressed alarm at the prospect of World Bank financing for a major new coal-fired power station in South Africa. Last week the Bank urged its most powerful member, the US, not to reject the proposed loan. Critics claim that, if the project goes ahead, it would unequivocally consolidate South Africa's state-owned utility Eskom as the continent's leading producer of greenhouse gases. In February, more than two hundred South African and other African organisations issued a statement condemning the loan.

Patrick Bond, director of the Centre for Civil Society in Durban, links the 'sweetheart' deals, already signed between Eskom and the mining companies BHP Billiton and Anglo American, to increased impoverishment of ordinary citizens. He writes: 'For communities near the coalfields (40 new mines are requested by Eskom to supply its new generators) and coal-fired stations, the externalised costs imposed by Eskom are extremely high, including the complete degradation of water sources, air pollution, a frightening rise in mercury associated with coal and other health burdens'.

See

<http://www.minesandcommunities.org/article.php?a=10010>.

SABC

Govt criticised for allowing Eskom to seek World Bank loan

April 02 2010 , 2:32:00

Anglican Church Archbishop, Thabo Makgoba has slammed the government for allowing Eskom to seek a \$3.75 billion loan from the World Bank to build a coal-fired power station in Limpopo.

Archbishop, Makgoba was speaking during the multi-denomination Good Friday Church service in Durban, today. Environmental groups are also opposing the loan. Archbishop, Makgoba says the church must openly oppose the loan.

'We should be saying to our government how are you mobilising your people in ensuring that the earth is respected? People share the produce of the earth and how do we as the church once again say hey something is not right? A R29 billion loan from the World Bank for a bad project that so far has been revealed to be benefiting a few people - should we say wait tell us more, tell us the truth,' Archbishop Makgoba questioned.

Yesterday Finance Minister Pravin Gordhan said South Africa remained 'optimistic' that the World Bank would approve the loan. However, he said that the country, which had refrained from accepting loans from the bank, would 'cope' without the loan, and would also not accept any 'conditionalities'.

He noted that the world's biggest economy, the US, continued to rely on coal for 50% of its power needs. 'The key issue on the World Bank loan is that this is an opportunity for the World Bank to build a relationship with South Africa.'

Gordhan also added that it was regrettable that some non-governmental organisations (NGOs), particularly in developed countries, together with a 'very small group of NGOs in South Africa' were placing environmental concerns, which could not be immediately addressed, above the economic needs of South Africa.

<http://archbishop.anglicanchurchsa.org/2010/04/good-friday-sermon.html>

Archbishop Thabo Makgoba

Good Friday Sermon

This sermon was preached at The Diakonia Council of Churches' 25th Ecumenical Service in Durban on 2 April 2010. At the end of the service, the Congregation processed in reflective and solemn silence to the City Hall, where concluding prayers were held. The theme of the day was 'Creation – Crucified by Greed' – 'For we know that all of creation has been groaning as in the pains of childbirth right up to the present time' Romans 8:22.

Bible Readings: Amos 5:7-15; Luke 23:26-34, 39-42

May I speak in the name of God, whom we remember today most especially as Creator, Redeemer and Sustainer of Life.

Dear people of God, dear sisters and brothers in Christ, thank you for your invitation to join you on this most solemn day in the Church's calendar. Today we reflect again on something that we shall never fully grasp, this side of heaven – the unimaginable extent of the love of God: revealed in Jesus Christ, who cared enough to give up his life on the cross, for the sake not only of humanity, but of all creation. St Paul sums it up within the great poetic description of redemption that he offers in the first chapter of his letter to the Colossians. Here we read 'through Jesus Christ, God was pleased to reconcile to himself all things, whether on earth or in heaven, by making peace through the blood of his cross.'

We know our understanding of Good Friday and Easter is always too small and there is always more to grasp. But our picture of salvation is certainly too narrow if we only consider the promises of God for humanity – mind-boggling though these are. The redemption won on the cross by Jesus Christ is not only for us, it is also for 'all things, on earth and in heaven'. Jesus is the lamb of God who takes away the sin of the world, not only for cleansing the guilt of sinners, the perpetrators – which is of course what all of us are.

It is also about redeeming all the negative consequences of human failures and wrong-doings:

- of repairing the damage,

- of putting right what has gone awry,
- of transfiguring what has been marred,
- of rescuing what has been lost,
- of mending what has been broken,
- of healing what has been wounded.

Everywhere the salvation of Jesus Christ brings new life and new beginnings: for humanity, and for all creation. This is the hallmark of the kingdom of God – the kingdom that both is, and is to come. And though we know we shall see such redemption in all its fulness at the end of time, we are also to be part of the coming of the kingdom here and now – partners with Christ in his good news for all creation.

But the stark truth is that creation itself is a battleground for God's kingdom – at the hands of the most destructive elements of selfish, greedy, short-sighted, sinful humanity. Pollution, environmental degradation, global warming, climate change ... We are complicit in the varying weather patterns that bring worse floods, harsher droughts. We see this happening within Southern Africa. Even more seriously, across the Indian Ocean – which laps so pleasantly on Durban's beaches – the entire nation of the Maldives is threatened with being wiped off the map, as the sea rises and covers their islands.

God calls us to be part of the solution, not part of the problem – part of the coming of the kingdom, partners in his working of redemption and salvation.

'Seek the Lord and live ...' says the prophet Amos, condemning greed and corruption in the exploitation of the earth's resources and its people. The same choice lies before us. Will we seek the Lord and the ways of life – as individuals, and also as members of the communities, society, nation, and global human family of which we are a part?

Last year the Anglican Communion called on Anglicans everywhere to reduce their carbon footprint by 5% annually. Personally, I must admit that my travelling gives me a terrible footprint – only last week, for example, I was in the Netherlands at a conference of religious leaders on HIV and AIDS. But I am working hard to ensure my overall trend is to meet this steady and continuing reduction. I also want to achieve it in my home and offices in Bishopscourt; and across our churches.

We must also learn to help our communities to follow the prophet Amos' call to 'seek good and not evil, that you may live – hate evil and love good, and establish justice ...' If you don't already know the work of SAFCEI, the Southern African Faith Communities' Environment Institute, I strongly commend them. They have considerable resources for us – and we, by giving them our support, strengthen their voice in advocacy. I also commend the South African Council of Churches' work, including the excellent publication 'Climate Change – A Challenge to the Churches in South Africa', downloadable from their website.

We can and must make democracy work, to influence local, provincial and even national government policies, on everything from preserving biodiversity to responsible water usage and waste management. Sometimes we must be like those whom Amos describes as 'reproving at the gate'. The gate-way, the entrance, of a town was where the elders sat and debated the questions of the day. It was the place of public policy making. Our voices must be heard there, and where necessary we will ask awkward questions and offer critique and, as appropriate, criticism too.

At the moment, these are the questions I want to ask at the gate of government:

- Why is there not greater investment in renewable energy, when we have such untapped potential?
- What is being done to encourage efficient electricity consumption by large industry which has, in its secret sweetheart deals for cheap energy from Eskom, so little incentive to act responsibly? It is outrageous if domestic consumers are subsidising industry, without any accountability, or even honesty before parliament.
- What is the justification for seeking a World Bank loan for \$3.75 billion (R29 bn) loan for new coal-powered generators – described as inappropriate financing for a bad project?

We want truth, and we want justice for society and for our planet. Without these, the life of every living thing is put at risk. We also want our government to be fully committed to being part of the global solution, not part of the global problem – and not only in decisions around energy generation. Our government must work for good outcomes at next December's UN meeting in Mexico. Now is not too early to begin.

This is both a moral and a justice matter. Alongside the moral questions of harming the creation of which we are stewards, there are the justice questions of the exploitation of resources to benefit the few at the expense of the many. Even worse, the dire consequences of climate change are disproportionately borne by the developing world. Therefore we understand that environmental concerns should not tighten the shackles of poverty on the poor. But this cannot be used as an excuse by government not to act boldly at home and internationally. And we cannot tackle poverty and inequality without preserving our agricultural sector, our safe water, our food security, and so much more. If we let climate change destroy these, we will not only harm the poorest most; we will more than reverse any economic progress that we have made. We can also do far more to support better practice, to promote and extend recycling, to preserve biodiversity and to protect our water resources and our ecosystems.

We must raise our voices to ensure all this happens.

And yet, for all that we must make ourselves heard, sometimes we must stand up and be counted in silence.

Amos says, 'the prudent will keep silent in such a time, for it is an evil time.' Good Friday is such a time for standing silent. It is a day for saying words are not enough'. Words are not enough for describing the human predicament – the terrible consequences that we face as a result of our actions, our choices, what we do and say, and what we fail to do and say. Words are not enough for describing human need for God's grace, for God's forgiveness and for God's redemption, for this life and the life to come. And words are not enough for describing God's love shown in Jesus Christ, who freely gave his life, so that we might know life, in all its abundance.

Therefore today we will walk in silence, as at the foot of the cross – overcome by the need in which we stand; and daring to try and grasp the enormity of what has been done to save us, by the one who says 'Father, forgive them, for they do not know what they are doing.'

Amen

<http://www.da.org.za/newsroom.htm?action=view-news-item&id=8138>

An ignoble and corrupt parasite

Helen Zille, Leader of the Democratic Alliance
2 April 2010

Next Thursday 8 April the World Bank will decide whether to grant Eskom a \$3.75 billion loan to finance Hitachi Africa's building of a coal-fired power station in Medupi, Limpopo.

Many people don't realise that this decision has serious implications for the health of our democracy.

Why do I say this?

Hitachi Africa is 25% owned by the ANC's investment arm, Chancellor House. This means that the ANC has a R5.8 billion stake in the deal, from which it will make an estimated R1-billion clear profit – enough to fund its election campaigns and the lifestyles of its leaders for years to come.

It is no exaggeration to say that, if the loan is granted and the deal goes through, no opposition party may ever be in a position to compete fairly with the ANC again. The ANC will entrench its single party dominance and, in doing so, gravely weaken our democracy.

How did this happen? How can a political party in control of the state have a stake in a multibillion rand state tender?

In this case, it was achieved through the dual role of a key player on the tender committee – the former Chairman of the Eskom Board, Valli Moosa, also a member of the ANC's National Executive Committee. Moosa did not declare this conflict of interest, and he didn't recuse himself from the tendering process.

This was enough to warrant an investigation by the Public Protector, following a formal complaint submitted by the DA when the story first broke in February 2008.

The Public Protector found that there was a clear conflict of interest, and that Valli Moosa had acted improperly. However, the Public Protector concluded that the awarding of the contract was not affected by Moosa's conduct. Furthermore, he ruled that the awarding of the contract was not

unlawful due to the absence of legislation regulating business between political parties and government institutions.

This ruling is bizarre. If there is a conflict of interest that is not declared, the process should be declared null and void. There is no way that the Public Protector – or anyone else for that matter – can say that the decision was taken in the public interest rather than the ANC's interest.

Lawful or not, the awarding of the contract to an ANC front company is corruption on a grand scale. Whatever way you look at it, it is the abuse of public office for political gain. If this scourge of 'legal corruption' is not stopped in its tracks, democracy in South Africa will wither and die. It is as simple as that.

Former President Thabo Mbeki recognised this back in 2005. In a moment of candour, he said of the ANC's corrupt tendencies:

'What we do in this regard will define whether our organisation, the ANC, continues to maintain its noble character as a servant of all the people of South Africa, or degenerates into an ignoble, blood-sucking and corrupt parasite, an enemy of an immensely heroic people.'

The ANC today, under Jacob Zuma, is taking South Africa close to the vampire state that Mbeki warned about. And, by acting in its own self interest instead of the public interest, the ANC has become an enemy of the people.

Tenders are not awarded on the ability of the winning bidder to do the job, but on the basis of the company's connections with the ANC. This is why Julius Malema is awarded R140 million contracts to build bridges that fall apart and it is why Hitachi Africa got the contract to build coal-fired power stations.

We fully support the need for a World Bank loan to build the power stations so that we can prevent another electricity crisis.

But the ANC's corrupt involvement in this deal has forced South Africans into an invidious position. We are now being asked to choose between our need for sustained energy and the future of our democracy.

In fact, according to the World Bank's own protocols, they should not even consider this loan

because it will directly benefit a political party. The protocol prohibiting this is designed precisely to prevent the kind of power abuse we are witnessing here.

Suggestions are emerging that the World Bank will only agree to fund a portion of the deal from which the ANC will not benefit. But we will not be reassured unless and until the ANC is removed as a shareholder in Hitachi Africa, and a stakeholder in any part of the power station deals. As the arms deal scandal has shown us, these complex deals have many layers, involving primary contracts and subcontracts that can be used to disguise major corruption. The World Bank must have no part in a deal from which a political party stands to profit in any form.

On Tuesday next week I am meeting the Head of the World Bank in South Africa, Ruth Kagia, to discuss the loan. I am going to make the case that South Africa needs this loan to build the coal-fired power stations. Indeed, the DA was calling for this type of infrastructure investment years before the advent of load-shedding.

But, I will point out that in granting the loan, the World Bank would effectively be bankrolling the ANC, in contravention of every principle of democratic practice, and against the World Bank's own protocols. I will propose that, should the World Bank be willing to grant this loan, it should do so only on the condition that the ANC and its front companies divest themselves entirely of any stake in Hitachi Africa, or any of the sub-contractors in this deal.

I am going to present this case to every major World Bank member involved in making the decision before its meeting next Thursday. In this regard, I am also meeting with the US Ambassador and the British High Commissioner on Tuesday next week. We are going to fight this with all we have. The DA is currently consulting its lawyers to assess its legal options should the deal go through. We simply cannot allow the ANC to award multibillion rand tenders to itself.

The ANC is well aware of how the apartheid government fostered corrupt relationships with big business to cement its electoral dominance. In 1997, when the ANC was almost bankrupt, outgoing ANC treasurer Makhenkesi Stofile set out the ANC's new approach to fundraising at its national conference. He said:

'There were a number of options (available to the ANC). One was the National Party option, which formed companies and gave them contracts which produced a steady basis of income. We didn't think that would be a good thing to do. We then considered joint ventures and also thought that they would not be viable and would be the source of conflict. We opted for the role of facilitators for black business in the country. There are black businesses whom we have been able to turn to when we're in trouble'.

BEE legislation soon followed and with it the creation of instant millionaires, indebted to the ANC. It was this small group of politically connected businesspeople, who would fund the ANC.

But it did not stop there. The ANC soon followed the National Party's example. Why simply rely on the donations of those who benefited from state contracts, when the ANC could get those contracts directly? And so Chancellor House was established – a front company for the ANC itself. The purpose of Chancellor House is to enable the ANC in government to channel contracts to the ANC in business in order to fund the ANC as a political party and enrich its leaders. This, exactly, is the pathway from cronyism, to corruption and the criminal state.

The DA will do everything it can to stop this power abuse now and in the future. Political parties exist to serve the people, not to abuse state power to enrich themselves and their leaders. It is high time the ANC learned this. And it is time that more people began questioning the ANC's ill-gotten fortune and moral bankruptcy.

POLICY:

Crossfire among Democrats over World Bank loan (04/02/2010)

Lisa Friedman, E&E reporter

Congressional leaders are weighing in on both sides of a heated debate over a \$3.75 billion World Bank loan for a coal-fired power plant in South Africa.

In dueling letters this week, Democrats appear to split over whether the United States should support the plant which would bolster the South African economy but also add 25 million metric tons of CO₂ into the atmosphere.

'This project is critical to heading off an impending energy crisis in South Africa and the entire Africa subregion,' Rep. Gregory Meeks (D-N.Y.) wrote to Treasury Secretary Timothy Geithner in support of the loan.

But Sens. John Kerry (D-Mass.) and Patrick Leahy (D-Vt.), along with Rep. Barney Frank (D-Mass.), told World Bank President Robert Zoellick the coal plant loan raises 'serious questions' -- particularly as the bank seeks a general capital increase and a stronger role in international financing for climate change.

'We are aware of and sympathetic to the urgent need to provide electricity to South African communities and industries, and recognize that this project was originally meant to be fully financed by the private sector,' the lawmakers wrote. But, they said, the loan leaves a number of unanswered questions about South Africa's renewable energy future and what role the World Bank will play.

'We cannot ignore the reality that our planet is hurtling toward potentially catastrophic climate change,' Leahy, Kerry and Frank wrote. 'This problem did not begin in developing countries, but the solution will depend, in part, on addressing their growing contribution to it.'

The World Bank board of directors is expected to vote Thursday on the loan to Eskom Holdings Ltd., South Africa's state-owned utility company. The 4.8-gigawatt Medupi plant will be the first power plant the country has constructed in more than 15 years. It is expected to add 25 million metric tons of global warming pollution to the atmosphere.

Leahy, Kerry and Frank ask bank to press for reforms

The loan has provoked fierce opposition from environmental groups, which are pressing the World Bank to discontinue lending for fossil fuel plants. Green groups also are leaning on the Obama administration -- which recently enacted guidelines for American directors at the multilateral development banks to discourage lending for coal plants -- to vote against the project. Activists yesterday said they intend to file a complaint to the World Bank's Inspection Panel next week, a move they hope will delay and possibly scuttle the vote.

The South African government also has pressed hard for the loan, reaching out to lawmakers and making an economic case for the plant. In Meeks' letter, which also has been circulated among leading members of the Congressional Black Caucus, the congressman noted that world leaders often make unfulfilled economic pledges to Africa.

'Without access to energy, South Africa and her neighboring countries that get their electricity from South Africa cannot grow their economies or deliver a wide range of services,' Meeks wrote. 'Denying this energy project will undoubtedly prolong and deepen the impacts of the financial crisis in Africa.'

Meanwhile Leahy, Kerry and Frank -- who in various ways currently control both the purse strings and much of American policy at the World Bank -- did not outright oppose the loan. Instead, they called on the bank to insist on environmental reforms within Eskom and secure a commitment from the company to expand its use of renewable energy in the future.

<http://www.guardian.co.uk/environment/2010/apr/01/medupi-world-bank-loan-vote>

Britain has key vote on World Bank loan to Medupi power station

- Medupi coal station would be three times larger than UK's Drax
- Dilemma between climate damage and South African industry

John Vidal

guardian.co.uk, Thursday 1 April 2010 15.05 BST

South Africa's proposed Medupi coal-fired power station, which requires a huge \$3.7bn World Bank loan on which Britain may have the casting vote, would be three times bigger than the UK's Drax power station. Photograph: James Cheadle/Loop Images/Corbis

Britain is likely to cast the deciding vote on whether the World Bank lends South Africa \$3.7bn (£2.4bn) to build one of the largest coal-fired power stations in the world. The state-owned Medupi station would be three times the size of Britain's biggest, at Drax in Yorkshire, but would emit 25m tonnes of CO₂ a year – more than 115 other countries including Kenya, Luxembourg, Burma and Croatia.

The decision on what would be one of the biggest bank loans ever made will be taken next Thursday at a World Bank board meeting in Washington. It places Gordon Brown and the UK government in an intensely difficult situation because Britain has led international attempts to persuade South Africa and other rapidly-industrialising countries to take action on climate change. At the same time the government has strongly backed South African industry which has been hit by major power shortages in the last two years.

Britain, the bank's biggest donor and one of its largest five shareholders, is likely to cast the deciding votes on the loan following President Obama's new guidelines to diplomats to approve coal plants only if the World Bank is unable to secure additional funding to pay for a lower-carbon option. It is thought that under the guidelines, the US will abstain in Thursday's vote.

A spokesperson for the UK's Department for International Development (DFID) said, 'We haven't made the decision yet. It's very difficult. We have been in negotiations with the bank for some time.

We are well aware of the implications of voting either way, and of both sides' arguments.'

Pro- and anti-Medupi lobbyists this week argued fiercely over the merits of the station, which is planned for Limpopo and will be among the 10 largest in the world. South Africa's public enterprises minister Barbara Hogan warned that the country's economy depends on having a secure supply of electricity. 'If we do not have that power in our system, then we can say goodbye to our economy and to our country. This is how serious this thing is. The construction of Medupi ... is necessary so that we do not derail the country's economic growth and development', she said.

She was backed by Jamal Saghir, the World Bank's director of energy, transport and water. 'We cannot afford to see the South African power sector in crisis,' he said in an interview. If the loan is turned down, he said, there would be a 'major backlash' for the economy not just South Africa but the entire region.

But opponents in South Africa and Britain have argued that little of the 4,800MW of electricity which the state-owned power company Eskom plans to generate from Medupi will go to ordinary South Africans, but to large foreign-owned companies in the region who dominate the aluminium and mining industries.

'This loan will put South Africa deep into debt, damage the environment and drive the climate impacts already affecting poor South Africans. It is not electricity for the millions of people who live in deep rural areas who still have no electricity. It's for big industry which uses more than 80% of South African electricity,' said Bobby Peek, director of Groundwork Friends of the Earth. It argues that the power station will amplify South Africa's climate and poverty crises.

A coalition of more than 100 grassroots organisations, including churches, community groups, conservationists and metal-workers today condemned the loan, saying it is 'financing a bad project, contributing to energy poverty and environmental destruction'.

'This is a massive amount of international public finance going to the dirtiest form of energy in a highly unequal society without strong indications that it will have any positive impact on energy access for the poorest. Much of the increased energy provision will go to big, mostly foreign-

owned industry which benefits from beneficial electricity pricing agreements', said Eliot Whittington, an adviser with Christian Aid.

The World Bank has been heavily criticised in the past for funding some of the most environmentally destructive projects. It now calls itself the 'climate bank' because it seeks to distribute global climate change funds, but analysis by the Bank Information Centre – an NGO that advocates social justice and ecological sustainability in funding from financial institutions – shows that it loans nearly 10 times as much to fossil fuel projects than renewables.

There are no firm plans to implement carbon capture and storage on the new plant, although Eskom is 'considering' the option for new stations, according to Hogan. She said that CCS would not be commercially viable until around 2030.

'It's time for Gordon Brown to pull the plug and invest money in the clean energy development South Africa needs,' said John Sauven, director of Greenpeace.

<http://www.guardian.co.uk/environment/cif-green/2010/apr/01/south-africa-medupi-climate-pollution>

South Africa is becoming a high-carbon zone to attract foreign investment

With its proposed Medupi power station, South Africa is an industrialised global climate player and major polluter

South Africa's proposed Medupi coal-fired power station would be a bigger polluter than Britain's dirtiest including Drax, and the country is becoming a high-carbon zone.

With its sky-high poverty levels and average life expectancy of just 51 years, South Africa is not a country we generally associate with extravagant binge-flying lifestyles, turbo-consumerism, and shopping trips to New York. How bizarre then that per capita carbon emissions in South Africa are now higher than in many European countries. While most South Africans are unlikely to ever own a plasma screen TV or Hummer, their carbon footprints still appear to be only slightly less than your average Japanese, and their national carbon emissions are now greater than those of France.

The situation becomes more comprehensible when you look at South Africa's industrial base, with 60% of South Africa's electricity being guzzled by heavy industry, and most of that comes from dirty coal. Now this key global climate player wants another coal station that would pollute as much as the two dirtiest plants in Britain put together, and cause a further surge in its national emissions – and they want you to pay for it. Far from benefiting ordinary South Africans, they will also be forced into subsidising this artificially low-cost electricity, for the benefit of multinational mining companies. It's no wonder that African civil society movements are leading the opposition to this development.

South Africa's situation is a case study in one of the major political currents that poisoned last year's UN climate talks. At Copenhagen, major emerging economies hid behind their poor to justify why they shouldn't need to take on legally-binding climate targets. Infuriating western governments, they used a rigid interpretation of the wonky principle known in UN-speak as common but differentiated responsibility' (CBDR) to argue for more 'pollution rights', since they have less historical responsibility for causing the carbon problem and less ability to pay to solve it. Never mind the new carbon-

constrained realities on the whole world, these powerful developing countries claimed the right to pollute indefinitely, because (just like their industrialised counterparts), they saw short-term strategic interest in securing the largest possible area of global atmospheric territory. In short, a concept developed to promote equity has turned into an excuse to allow ever increasing carbon dioxide concentrations in the atmosphere.

Just as Switzerland offers the super-rich the ability to avoid high taxes, and Uzbekistan-presented high-street clothes chains in Europe with cheap child labour in their cotton fields, South Africa and other major emerging economies like China are beginning to exploit the CBDR principle to establish themselves as global havens for the most environmentally destructive industries on Earth. South Africa is effectively setting up shop as a high-carbon economic zone to encourage in foreign companies by freeing them of carbon regulation.

After Copenhagen, the attitude of the most powerful industrialising countries caused much spluttering on the part of western ministers. Ed Miliband was enraged at what he saw as an unfair apportioning of the blame to the industrialised world after the managed collapse of the negotiations, and wrote: 'The vast majority of countries, developed and developing, believe that we will only construct a lasting accord that protects the planet if all countries' commitments or actions are legally binding. But some leading developing countries currently refuse to countenance this'

That's why it's so odd that western governments, including our own, now seem determined to egg them on by making a \$3.7bn (£2.4bn) World Bank loan to the South African state-owned power company Eskom to help build one of the most polluting power stations in the world. With one hand the government complains about major emerging economies not doing enough to embrace low-carbon development, while at the same time, it directs money that's meant for aid, into dirty coal developments that power the international mining industry.

In fairness, Miliband's comments were clearly directed at China. There was a time last year when climate progressives in the South African government seemed to be his most effective allies in the south. By establishing a reasonable 2020 climate target the South African government positioned themselves in Copenhagen as a bridge between the developed and developing worlds. But

in retrospect, with an aspiration to get up to 95% of their electricity from coal by 2025, despite vast untapped clean energy potential, last year's rhetoric looks like a very thin green veneer. Well, either that or the South African government's principled stand has since been quashed by Big Carbon lobbying.

Recognising that a tonne of CO₂ from a South African coal plant is just as damaging as a tonne from anywhere else, the White House has signalled they won't offer their support to subsidise the Eskom mega-coal plant in South Africa when it comes up for a vote at the World Bank next week. Yet as the single biggest donor to the Bank, it will be the UK which is likely to get the final say. This offers a key test of whether the climate progressives in our own government can win out.

The Times

Gordhan remains optimistic about Eskom loan
MARIAM ISA

Published: 2010/04/01

Eskom - The Times

SA recorded a smaller than anticipated budget deficit for the financial year which ended last week, with tax revenues exceeding forecasts in another sign the recovery is well underway.

'Economic growth was not damaged as much as we thought by the recession,' Finance Minister Pravin Gordhan told reporters. Key indicators showed that the economy was in an upturn, and the higher revenue figures confirmed this, he added.

Gordhan told reporters he 'hoped' that growth would exceed the Treasury's forecast of 2,3% this year but declined to speculate on the outcome.

The budget deficit reached 6,8% of gross domestic product (GDP) in fiscal 2009-10, well below the 7,3% level predicted in the February budget.

Revenues amounted to R598,5 bn, which was R8,1 bn above budget estimates, with personal income tax, corporate tax and value-added tax all performing better than expected.

Gordhan also said that SA would not agree to any conditions for a \$3,75 bn loan from the World Bank to mainly help fund the construction of a new coal-fired plant for Eskom.

'If it doesn't come through, we will cope,' he said in reply to a question. But he added that in 16 years of democracy, SA had never received a loan from the Washington based body and this was an 'opportunity' for it to 'build a relationship' with SA.

Environmental groups have opposed the loan, which will mainly go towards constructing the Medupi coal-fired plant in the northern Limpopo province.

'It's regrettable that developed countries are putting environmental concerns above the economic needs of SA,' Gordhan said.

Nonetheless he said he was 'optimistic' the World Bank would approve the loan on April 8.

Bloomberg

S. Africa Won't Accept Conditions on World Bank Loan (Update1)

April 01, 2010, 12:52 PM EDT

More From Businessweek

By MikeCohen

April 1 (Bloomberg) -- South Africa won't agree to any conditions to obtain a \$3.75 billion World Bank loan to fund the construction of power plants by the state-owned utility Eskom Holdings Ltd., Finance Minister Pravin Gordhan said.

'South Africa, in 16 years of democracy, never has had to take any loans from the World Bank,' Gordhan told reporters in Johannesburg today. 'If it doesn't come through we will cope. This is an opportunity for the World Bank to build a relationship with South Africa. We are quite optimistic' the loan will be approved on April 8.

If awarded, \$3.05 billion of the loan will be used to help finance the Medupi coal-fired power plant that Eskom is building in the northern Limpopo province. Environmental and civil rights groups have opposed the plant.

Those groups 'are putting environmental concerns, which cannot be immediately addressed, above the economic needs of South Africa,' Gordhan said. 'As a South African government we have a very clear plan in terms of capping carbon emissions and investing in renewable energy and over the next 10 to 15 years decreasing our dependence on coal.'

--Editors: Philip Sanders, Ben Holland

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Engineering News

SA would 'cope' should World Bank fail to grant Eskom loan

By: Terence Creamer
1st April 2010
Updated 4 hours ago

South Africa remained 'optimistic' that the World Bank would approve a \$3,75-billion loan for State-owned power utility Eskom on April 8, 2010, Finance Minister Pravin Gordhan said on Thursday. However, he said that the country, which had hitherto refrained from accepting loans from the bank, would 'cope' without the loan, and would also not accept any 'conditionalities'.

Speaking in Johannesburg at a briefing convened to confirm that the South African Revenue Service had outperformed revenue collection targets by R8,1-billion in 2009/10, collecting R598,5-billion, Gordhan again stressed that South Africa, and other developing countries, should be allowed to rely on coal as a primary-energy source, while setting in place mechanisms to cap future carbon dioxide (CO₂) emissions.

He noted, too, that the world's biggest economy, the US, continued to rely on coal for 50% of its power needs.

'The key issue on the World Bank loan is that this is an opportunity for the World Bank to build a relationship with South Africa.

'We must be absolutely clear that South Africa will not accept any conditionalities of any kind,' the Finance Minister said.

He added that it was regrettable that some nongovernmental organisations (NGOs), particularly in developed countries, together with a 'very small group of NGOs in South Africa' were placing 'environmental concerns, which could not be immediately addressed, above the economic needs of South Africa'.

South Africa had 'a very clear plan' for reducing its CO₂ emissions, as outlined in commitments made at the recent climate change gathering, which was held in Copenhagen, Denmark, in December.

Over the next ten to 15 years, the country would decrease its dependence on coal, by investing in renewable energy and nuclear power.

Gordhan said that, as government canvassed the next version of the country's integrated resources plan, which would set out a road map for the country's energy mix for the next 20 years, it would become clearer how South Africa planned to begin reducing its dependence on coal as its key primary energy source.

<http://sa4l.blogspot.com/2010/04/opposition-to-eskoms-world-bank-loan-is.html>

Thursday, April 1, 2010

Opposition to Eskom's World Bank Loan is hot air
Environmentalists vent frustration but ignore bigger picture

by Galen Sher

If you haven't heard already, Eskom has applied to the World Bank for a \$3.75bn loan to cover some of its enormous financing gap. The majority of the loan (\$3bn) will go towards the 4,800 MW Medupi coal-fired power station in Limpopo.

Understandably, environmentalists in South Africa and abroad are concerned that the World Bank should not finance power generation based on fossil fuels. While it is good that people around the world are concerned about the environmental consequences of World Bank investments, much of the opposition is principle-based and lacks a broader perspective.

1. Medupi will be constructed regardless of the outcome of the World Bank loan

Construction of Medupi began in 2007 and has slowed since financing became more expensive. However, the project is going ahead with a coal-supply agreement recently confirmed. Opposition to the World Bank loan often ignores the fact that construction of Medupi will continue regardless of the outcome of the loan application.

2. There will be severe regional consequences if Medupi does not go ahead

South Africa supplies '60 percent of all electricity produced in sub-Saharan Africa and our neighbors Botswana, Lesotho, Namibia, Swaziland and Zimbabwe all rely on Eskom for their electricity.'

Eskom would have to redirect funding from other projects (including renewable energy projects) to finance Medupi. Failing this redirection, Eskom will have to apply for further electricity price increases to finance Medupi.

Medupi will also generate job opportunities for workers in Limpopo.

3. The World Bank loan will also fund renewable energy projects

The balance of the loan, some \$745 million, will be invested in wind and concentrated solar power

projects, each generating 100 MW, and in various efficiency improvements'. Pravin Gordhan

4. The construction of Medupi must be seen in the context of South Africa's national climate change policy

South Africa is pursuing reductions in carbon emissions of '34% by 2020 and 43% by 2025' (Pravin Gordhan). As long as the construction of Medupi and other coal-fired power plants in South Africa are compatible with these reduction targets, it is debatable whether construction of these power plants should be opposed at all.

Eskom has also undertaken efficiency improvements at Medupi to reduce coal and water consumption at the power station. The construction has also passed its environmental impact assessment through the Department of Trade and Energy. These are at least a small comfort.

Now, instead of getting frustrated with the environmental implications of such coal-fired power stations, the public should be more concerned with the potential corruption in the award of the contract to Hitachi to construct Medupi and Kusile - contracts valued at some R39bn!

<http://blog.ethical.org.za/?p=572>

Coal and Eskom

After the failure of climate talks, and the lack of any binding limits, it's business as usual for the coal industry in most of the world.

But not in South Africa.

We have higher per capita carbon emissions than many European countries, criminal considering that most people are living in relative poverty, not sitting in air-conditioned luxury apartments with the dishwasher going. Eskom has applied for a loan from the World Bank to build a new, massive coal power station. This coal power station would be the fourth largest in the world, as dirty as the two dirtiest power stations in Britain combined.

Meanwhile, as Eskom increases the electricity tariffs to the public, they're being sued to reveal the preferential tariffs they offer to some of the dirtiest industries. Huge aluminium operations in Richards Bay and Mozambique use as much electricity as the cities of Durban or Cape Town, but Eskom is believed to be offering them below-cost tariffs.

The dirtiest form of power generation, and the dirtiest industries, all agreed behind closed doors. In 2008, Eskom shortlisted Laymeyer International to help them build new power stations. Laymeyer International is a German company blacklisted by the World Bank after being convicted of bribery. They paid a R2.5 million bribe to the CEO of the Lesotho Highlands Development Authority.

The World Bank will vote in days, and all it takes is one 'no' vote to veto the loan. Perhaps, when Eskom is given an unconditional 'no', it will realise that secrecy and fossil fuel is not the way to go, and will begin to embrace the abundant opportunities for renewable energy in this country.

*

Eskom promotes corruption

Statement by Manie Van Dyk MP, DA Spokesperson on Public Enterprises
18 February 2008 00:00

Questions raised about the parastatal's lack of concern for good corporate governance.

Eskom's decision to shortlist World Bank blacklisted German company; Laymeyer International, amongst

companies to design and provide supervision tasks for the construction of new power stations raises questions about the parastatal's lack of concern for good corporate governance. The DA calls upon Eskom to withdraw Laymeyer International from the shortlist with immediate effect in the interest of good business practice and we will be asking questions in Parliament about this relationship.

In 2003, Laymeyer International was convicted in Lesotho for paying bribes worth R2.5 million to Masupha Sole, the former CEO of the Lesotho Highlands Development Authority. In 2006, the World Bank blacklisted Laymeyer International for seven years following its corrupt activities in the Lesotho Highlands Water Project.

Despite this Eskom has shortlisted Laymeyer International in a consortium with SA firm, Bigen Africa, in its Panel B category, for consulting firms to design the new power stations the power utility will be constructing in the next few years. Panel B is an Eskom initiative in which local consulting engineers or consortiums of local and international firms will be appointed to design and supervise the construction of new power stations. All Eskom work for the next five years will be given to the companies on Panel B.

It is unlikely that Eskom shortlisted Laymeyer without any knowledge of its corruption scandal in the LHWP project, because all companies are required to make declarations regarding their performance records when making submissions for inclusion in any panel unless there was an exceptional case for Laymeyer. Serious questions must be asked about how Laymeyer was deemed fit to be shortlisted with its shameful record for unethical business practices? Furthermore, why did Eskom continue to shortlist Laymeyer despite the company still being blacklisted by the World Bank?

By opting to do business with a company convicted of corruption in Lesotho what message is Eskom sending to Southern African community? Eskom must take the lead in promoting good corporate governance and should not embrace any form of unethical business practice.

http://www.avaaz.org/en/no_eskom_coal_loan/98.php?CLICK_TF_TRACK

Eskom: clean energy, not coal! - Avaaz

In just days, the World Bank will vote on a proposed R29 billion loan to Eskom to build the fourth-largest coal plant in the world -- a climate disaster. At the same time, Eskom plans to effectively double electricity rates over the next three years. Big polluters are getting cut-rate electricity while ratepayers would be left to pay back this disastrous loan.

But the loan is not a done deal. Some creditors are having second thoughts, with the US expected to abstain and several European delegates reportedly on the fence. And we can tip the balance -- we just need one 'no' vote to table the proposal since the Bank rarely proceeds with divisive votes!

While Eskom trumpets the plan, we can tell World Bank directors how we feel about coal. Let the World Bank know that we don't want its dirty loan - click below to sign the petition today:

http://www.avaaz.org/en/no_eskom_coal_loan/?v1

The Bank is right to recognize South Africa's energy needs, but this loan would be putting money in the wrong place. Instead of dirty coal, South Africa needs energy efficiency and clean, renewable sources of power that people who most need it can actually afford. If this loan is approved, South Africans will pay for it several-fold -- in meteoric electricity rates, missed clean energy investments, polluted air, destroyed land, and the warming earth on which we live.

Dozens of South African environmental, community, church, labour, academic and women's organizations, representing a diverse, unified voice have mobilized to stop the loan. But every voice counts in these last days before the World Bank vote. Act now -- sign the petition opposing the loan:

http://www.avaaz.org/en/no_eskom_coal_loan/?v1

With hope,

Ben, Paul, Graziela, David, Alice, Ricken, and the whole Avaaz team

More information --

NGO Response to the World Bank panel report and Fact Sheet

<http://www.groundwork.org.za/Publications/EskomFinalDocs/ResponsetotheWorldBankpanelreportandFactSheet.pdf>

Original World Bank Fact Sheet

<http://www.groundwork.org.za/Publications/EskomFinalDocs/WBEskomloanfactsheet.pdf>

Eskom Tariff Hikes Slammed

<http://allafrica.com/stories/201002250561.html>

World Bank to Consider \$4 Billion Loan Application From Eskom

<http://www.bloomberg.com/apps/news?pid=20601116&sid=aGkhG0hBKlRE>

SAfrica grants Eskom 24.8 pct price rise for 2010/11

<http://www.reuters.com/article/idUSWEB199720100224?type=marketsNews>

Business Day

March 31, 2010

Environmentalists will 'fight hard' against Eskom loan

Siseko Njobeni

Local nongovernmental and environmental groups are relentless in their opposition to Eskom's \$3,75bn loan, despite indications that the World Bank is keen to grant the loan. The loan is a critical source of funding for Eskom and failure to get it could worsen its funding troubles. Public Enterprises Minister Barbara Hogan said earlier this month that the consequences for the South African economy would be dire if the loan application failed. In the wake of the global recession that has made access to funding difficult, development finance institutions such as the World Bank are a cheap source of money for Eskom.

The loan application has raised the ire of SA's nongovernmental and environmental organisations. These groupings have urged the bank to decline the loan. Most of the loan will go towards funding Eskom's Medupi coal-fired power station in Limpopo. The plant is due for commissioning in 2012.

But the World Bank seems eager to grant the loan. A senior executive this week said the institution was urging its shareholders to back the Eskom loan. Jamal Saghir, the bank's director of energy, transport and water, this week said: 'We cannot afford to see Eskom or the South African power sector in crisis. This will have a major backlash for the economy of the country and the economy of the region.'

'We had a technical discussion last week where the bank explained to the US, explained to our shareholders that the project is critical for Africa after the global crisis caused private financing to decline'.

The loan's opponents have, however, remained adamant that it was not good for SA. Bobby Peek, director of environmental group GroundWork, said yesterday it was simplistic to argue that granting the loan would lead to economic growth and job creation.

'It is a formula that does not work. It is a simplistic argument by the World Bank management. The

loan will not give people jobs,' Peek said. The loan's opponents would 'fight hard' to block it, he said. The World Bank will make a decision on the loan next Thursday.

Part of the loan would finance renewable-energy and energy-efficiency projects. The US would abstain on the vote because it felt 'on the defensive' on climate matters, Hogan said this month.

Finance Minister Pravin Gordhan recently wrote an opinion piece in the Washington Post in which he argued why Eskom should get the loan. He defended SA's reliance on coal, saying it was still the cheapest energy source. With Bloomberg

New York Times

<http://greeninc.blogs.nytimes.com/2010/03/31/world-bank-mulls-3-75-billion-for-south-african-coal-power-expansion/#more-42597>

March 31, 2010, 12:36 pm
World Bank Mulls \$3.75 Billion for South African Coal Power Expansion

By PETE BROWNE

'We cannot afford to see Eskom or the South African power sector in crisis,' said Jamal Saghir, the World Bank's director of energy, transport and water.

The World Bank is calling on its members to back a contentious \$3.75 billion loan request from Eskom, South Africa's state run electricity supplier, to finance initiatives that would shore-up the country's struggling power sector.

Among projects under development is the Medupi Power Station, the largest dry-cooled coal fired power station in the world.

South Africa is in urgent need of expanded generating capacity as it attempts to avoid a repeat of energy shortfalls that hit the country in 2008, and to fulfill its commitments to supply neighboring countries with electricity.

'We cannot afford to see Eskom or the South African power sector in crisis,' said Jamal Saghir, the World Bank's director of energy, transport and water, in an interview with Bloomberg News this week. 'This will have a major backlash for the economy of the country and the economy of the region.'

According to Barbera Hogan, South Africa's minister of public enterprises, \$3.05 billion of the loan has been earmarked for the Medupi project, which will produce 4,800 megawatts of electricity.

The response from environmental groups to the loan, however, has been mixed. Sixty-five civil society organizations coordinated by the South African environmental group Groundwork are campaigning against the loan.

In a critique published at the Groundwork Web site (PDF), the groups described the loan as financing 'a bad project, contributing to energy poverty and environmental destruction.'

But other environmental groups argue that the Medupi project is an inevitability.

'We prefer low carbon options, but Medupi will take place irrespective of whether the World Bank loan comes through or not,' said Saliem Fakir, a spokesman for the World Wildlife Fund in South Africa, in an e-mail message. 'Medupi is being built as we sit.'

Mr. Fakir added that South Africa could not finance all of its energy needs, and that the loan must be 'seen in this context.'

'We accept that these circumstances justify some exceptions,' he said. 'However, our concerns are that we want to see real commitment to low carbon trajectories for our energy sector and that the World Bank loan does not further entrench our carbon intensity.'

South Africa's finance minister, Pravin Gordhan, has also argued for the loan in an article in The Washington Post. 'To sustain the growth rates we need to create jobs,' Mr. Gordhan wrote, 'we have no choice but to build new generating capacity — relying on what, for now, remains our most abundant and affordable energy source: coal.'

The World Bank is expected to render a decision on the loan shortly.

COMMENTS

1.
Jake Schmidt, NRDC
Washington, DC
April 1st, 2010
3:55 am

There are a number of unanswered questions that the World Bank and South Africa haven't provided around this loan. But it also isn't clear how the US will square a vote for this project with the coal guidelines for the World Bank recently presented by the Treasury Department.

It is time for the World Bank to stop shoveling the global warming hole deeper and start helping to solve the problem -- a problem that will seriously jeopardize its mission to address the world's poverty. After all, how can you address poverty in 10, 15 years when the climate system that developing countries depend on is changing in dramatic ways around them.

Recommend Recommended by 0 Readers

2.

Sunita Dubey
GroundWork - South Africa
April 1st, 2010
3:56 am

The World Bank's and South African government's argument for building Medupi is based on the assumption that without this coal power plant the whole of South Africa is going to be plunged into darkness and will halt the economic growth. However, they forget to mention that the 'power deficiency' is the result of 'sweet heart deals' between Eskom and many corporations, who are being provided with one of the cheapest electricity in the world. The 'Special Pricing Agreements' done under the apartheid era to benefit mining corporations and smelters are still being protected by the South African government under the guise of 'business secrets'. While World Bank boasts about its policies on corruption and transparency, is mum on this issue.

Medupi coal power plant is not a 'necessary evil' and cannot be placed in the context of transition towards low carbon and renewable energy future, as it is 'business as usual' and an addiction to dirty and cheap coal for next 40-50 years. Rather than creating an enabling environment for renewables to thrive, World Bank loan for fossil fuels is stifling those options. Mere 7% out of \$ 3.75 billion loan for solar and wind project is not a down payment for South Africa's greener future, as claimed by the World bank.

The upcoming decision on Eskom loan at the World Bank is a test of their own policies on poverty alleviation, transparency, their commitment to climate change.

Recommend Recommended by 1 Readers

3.
kittykat
Sydney, Australia
April 1st, 2010
3:56 am

I'm sure that once built, solar or wind based power plants are cheaper to run than coal fired plants, because there is no need to mine and transport coal. These plants last for decades so the saving mount up. Sure, the up front capital investment may be higher - but can't the Worldbank lend SA a bit more money over a longer term, so SA can earn back the higher investment in renewables through longer term savings.

Recommend Recommended by 0 Readers

4.
Wang Suya
Japan

April 1st, 2010

3:56 am

World bank mull south african to build coal power plants. It is totally wrong thing Work bank doing. Why mull south African solar or wind energy? From now we do not allow one by one coal power plants are built in any where. Remember the CO2 concentration already arrive 370 ppm, in order to keep earth health, we must keep CO2 concentration to 350 ppm...

Recommend Recommended by 0 Readers

5.

researcher.n
south africa
April 1st, 2010

3:56 am

first things first....NO to the loan!!! all I see or hear these people in power talk about is money, what about the people who have to live around these power plants....I guess they sitting there in their clean air far way from us who have to deal with the cosequences our Finance minister says 'we have no choice' life is full of choices and the choice should be YES to renewable energy.

The best way to reduce coal's massive CO2 impact is to leave it in the ground. they talking about creating job's..WHAT jobs??? they causing health problems ,our children are falling ill some cases severe than others . And who is suppose to pay back this loan? south africans...we don't want this loan why should we pay for something we do not want!! And the what makes it worst even if the loan falls through we not benefiting .

www.znet.org March 31 2010

Climate justice opportunities after US carbon market and legislative crashes

By Patrick Bond and Desmond D'Sa

Fierce debating about United States climate justice (CJ) strategies and tactics on ZNet over the past couple of months leave us ready to continue exploring comradely but sharp differences.

In ZNetCommentaries on these pages, Robin Hahnel and Ted Glick firmly dispute, respectively, two views we hold from a long way away in Durban, South Africa:

- first, to fight global warming, carbon markets are a destructive distraction, and should be decommissioned; and
- second, national legislative campaigning is futile given the prevailing balance of forces (and weak bills) on offer in the US.

Instead, CJ activists everywhere are better off directly confronting the largest emitters, their financiers and their regulators.

We'll briefly restate these positions, and then provide an alternative CJ opportunity that both us have come to the US to campaign on behalf of during the next two weeks: halting World Bank coal financing.

First, the Kyoto Protocol's carbon market strategy – called 'cap and trade' in the US - is now dead in the water. Hahnel's thousands of words extolling potential carbon market efficiencies in four ZNet articles since late December are obviously well meaning, yet a waste of time.

Why? 'The concept is in wide disrepute', according to the New York Times (ordinarily a booster) last week: 'Obama dropped all mention of cap and trade from his current budget. And the sponsors of a Senate climate bill likely to be introduced in April, now that Congress is moving past health care, dare not speak its name.'

Don't blame us. In spite of trying hard to spike this market (e.g. <http://www.durbanclimatejustice.org> and <http://www.storyofcapandtrade.org>), we green-left critics of carbon trading cannot claim to have succeeded, if the Times is correct: 'Why did cap and trade die? The short answer is that it was done in

by the weak economy, the Wall Street meltdown, determined industry opposition and its own complexity.'

According to Senator Maria Cantwell (a Democrat from Washington State), cap and trade was 'discredited by the Wall Street crisis, the Enron scandal and the rocky start to a carbon credits trading system in Europe that has been subject to dizzying price fluctuations and widespread fraud.'

Hahnel assumed such problems could be solved as the market matured. But just one example of brand new fraud was the Hungarian government's resale of carbon credits, which when exposed recently, drove the price of a tonne from €12 down to €1 and crashed two emissions exchanges. According to a BusinessGreen.com reporter on March 18, 'Europe's carbon market descended into chaos yesterday as fears over 'recycled' carbon credits sparked a collapse in the price of Certified Emission Reductions.'

A week earlier, the Global Forest Coalition accused the European Union of promoting highly volatile carbon markets that jeopardize forest-dependent peoples' livelihoods'.

Four days before that, on March 3, Reuters reported: 'Investors are becoming less convinced that a global carbon market, estimated to be worth about \$2 trillion by the end of the decade, can be established as uncertainty over global climate policy persists.'

The report went on, 'Participants at a carbon conference in Amsterdam were equally downbeat, as carbon prices in the EU Emissions Trading Scheme are weak and range-bound and expectations are low for a climate pact being agreed this year at the talks in the Mexican city of Cancun.'

This is pleasing news, given how bad such a deal would be, and given that the emissions market serves as a profound distraction from serious climate politics, sucking Big Green groups in Washington into corporate quicksand.

Second, then, should organizing be directed at lobbying for a non-market climate law on Capitol Hill? Not yet, not even the legislation that Glick fervently supports, proposed by Cantwell and Maine Republican Senator Sue Collins: the 'Carbon Limits and Energy for America's Renewal Act' (CLEAR).

CLEAR puts a cap at the original source of greenhouse gas emissions, auctions the right to pollute, and gives back a 'consumer rebate' from carbon revenues. It's much preferable to the Waxman-Markey carbon trading bill that passed the House of Representatives last June, to be sure.

However, Maggie Zhou of Secure Green Future in Massachusetts notes that CLEAR's mandated emissions reductions will be just 8% below 1990 levels by 2020, even though 45% cuts are needed to avoid breaching 2 degrees Centigrade. But Zhou reminds us, 'It is becoming increasingly clear that even 1°C is unacceptable warming that could trigger many dangerous and potentially irreversible feedback processes.'

CLEAR's low targets are an unacceptable insult to the rest of the world, and so too is CLEAR's failure to mention repaying victims of climate change the 'climate debt' owed them by the US. Zhou also criticizes 'offset-like projects' in CLEAR, its promotion of unproven or dangerous tech fixes (carbon capture and storage, and oil or gas reinjection), and a too-narrow carbon pricing band range (<http://securegreenfuture.org/blogs/clear>).

(We would add that a genuine climate bill should also strengthen command-and-control regulatory mechanisms and mandates for the Environmental Protection Agency, utility boards and planning commissions. A serious climate/energy bill, yet to be authored, would mandate a profound economic transformation, so as to generate new production, consumption, transport, energy and disposal systems.)

Worse, if CLEAR passes the Senate in coming months, House conference negotiators will no doubt insist on fusing in many of the objectionable features of Waxman-Markey (private offsets, carbon trading, oil/nuke/agro subsidies, EPA neutering, etc).

Glick rebuts that the CJ movement cannot win everything we want at once: 'Immanuel Wallerstein has written about the need for 'movements to internalize the sense that the social transformation they are seeking will not occur in a single apocalyptic moment, but as a continuous process, one continually hard-fought.'

True, but the critical problem is whether CLEAR drives us towards climate transformation, or puts us in neutral or reverse. Let's distinguish between serious, structural, 'non-reformist reforms' on the

one hand, and on the other hand, 'reformist reforms' that offer far too little change (just 8% below 1990); give the system a bit of legitimacy (Obama would go to Cancun beaming); amplify the system's internal logic (auctioning the right to pollute); suffer from system-wide decay (e.g. volatile carbon prices); and weaken our team's momentum.

We asked Wallerstein, who agrees, 'The problem is always to decide about a particular project - in which category it falls.' We've made the case that CLEAR is a reformist reform, to be avoided, and so it's over to Glick.

Until legislation emerges and power relations change so we're not dumped back within the toxic swamp of US congressional parameters, can't leading CJ activists like Glick once again step up movement-building that cuts more quickly to the chase?

A good example was the March 18 Washington protest against EPA slob who are not doing their jobs in West Virginia. For hours, Kate Finneran and Adrian Wilson blocked the EPA headquarters entrance atop stilts and two 20 foot mock blue mountains, demanding a halt to mountaintop removal by coal companies.

Joshua Kahn Russell of Rainforest Action Network explained, 'Despite the Obama administration's big announcement last year that it was going to take 'unprecedented steps' to reduce the environmental damage from mountaintop removal coal mining in Appalachia, the EPA has been slow moving.' Activists demand that EPA 'block every single mining permit application that seeks to remove America's oldest mountaintops and dump the waste into waterways,' he said. And next, go after power companies.

Two more examples of CJ opportunities will be Fossil Fool's Day, when on April 1, Rising Tide North America will 'pull some pranks that pack a punch' (<http://www.fossilfoolsdayofaction.org/2010/15-actions-to-topple-the-fossil-fuel-empire/>); and the Rainforest Action Network's Tax Day (April 15) protests against coal financier Chase Bank.

Another campaign closer to our home entails fighting the World Bank's coal portfolio (<http://www.groundwork.org.za/>). On April 8 the Bank Board is expected to approve a \$3.75 billion loan to the South African electricity utility Eskom, to build the world's fourth largest coal-fired power

plant, Medupi. The US Treasury could veto, and thus 'keep the coal in the hole', but more pressure is needed.

If activists lose, paying for Medupi will require a 127% real price increase from 2007-12 for ordinary South Africans (to nearly \$0.15/kiloWatt hour). Meanwhile the world's biggest metals and mining houses - Anglo American Corporation, BHP Billiton, Arceleor Mittal and other multinationals - still get the world's cheapest electricity from Eskom (less than \$0.02/kWh).

These companies benefit from apartheid-era 'Special Pricing Agreements' that Eskom keeps secret, yet there are very few jobs and economic linkages because locally-sold steel and aluminum cost far more than the same products which are sent abroad. Also sent abroad are their vast profits, contributing to the country's severe payments deficit.

More than 200 organisations across the world have endorsed a critique of the loan (<http://www.earthlife.org.za/?p=858>). South Durban activists launched the campaign on February 16 with a spirited protest at Eskom's main local branch.

South Durban has been an epicenter of protest against fossil fuels, given that our neighbours include the largest and least responsible petro-chemical firms south of the Niger Delta. With electricity prices soaring, many more residents in South Durban are being disconnected. They often reconnect illegally, and as Eskom and the municipality clamp down, the result is more social strife, in a country with what is probably the world's highest rate of community protest (<http://www.ukzn.ac.za/ccs/default.asp?2,27,3,1858>).

In Limpopo and Mpumalanga provinces, anger at Eskom and the World Bank comes from eco-social threats in the vicinity of Medupi and the dozens of new coal mines that will feed it. Local ecologies are adversely affected, especially the notoriously degraded water table, as well as the air, land, vegetables and animals due to mercury emissions from coal.

If these reasons are not enough, Eskom's desire to privatize 30% of generating capacity is explicitly advanced in the loan, leading to opposition from trade unions – especially the National Union of Metalworkers of South Africa - and consumers.

Corruption is rife, too. Contrary to supposed anti-corruption policies, the Bank loan will directly fund African National Congress (ANC) ruling party coffers, because the power plant will be built with Hitachi boilers that in turn kick back an estimated \$700 million thanks to a convenient – and utterly dubious (everyone admits) – ANC investment in Hitachi. When the deal was done, Eskom chair Valli Moosa was also a member of the ANC's finance committee. A government investigation released last Thursday found his conduct in this blatant conflict of interest to be 'improper'.

Finally, there's historic racial injustice. The World Bank's financing of apartheid began just three years after the 1948 election of the Afrikaners' Nationalist Party, and included \$100 million for Eskom. During that period, the World Bank's money financed electricity to exactly zero black households and instead empowered white businesses and residences.

If the Bank makes the loan on April 8, South Africans will call for the revival of the World Bank Bonds Boycott, to encourage divestment by institutional investors similar to anti-apartheid tactics, and will also lobby for rejection of the Bank's forthcoming recapitalization.

Scores of organizations across Africa are already on board this campaign, and the next step beyond the World Bank will be to demand that South Africa confront its own climate debt to the continent.

These opportunities for activism against the world's largest producers, financiers, regulators and consumers of fossil fuels reflect the need for solidaristic global-local linkages. Seeking these out is one benefit behind building internationalist CJ politics as quickly as possible.

(The authors are South Durban residents. Bond is University of KwaZulu-Natal Centre for Civil Society director and is giving talks about keeping SA coal in the hole on April 4 in Berkeley, 5 at New York University, 6 at City University of NY, 8 at Clark University in Worcester, 9 in Boston at Encuentro 5, and 11 in Washington with AfricaAction. DSa leads the Community Environmental Alliance and will discuss the campaign on April 5-6 in Washington, 8-10 at Yale, and 10-12 in Chicago. For more details see <http://www.ukzn.ac.za/ccs>)

Business Report

Eskom couldn't afford to buy back power - Maroga

By Louise Flanagan

Eskom couldn't buy back power from the country's biggest energy user because it didn't have the political backing and couldn't afford the cost.

Details of Eskom's failed attempts to renegotiate the crippling electricity supply contract with resources giant BHP Billiton emerged in the court fight between former Eskom CEO Jacob Maroga and the power utility.

Maroga brought an urgent interdict yesterday aimed at stopping Eskom appointing a new CEO until his legal claim over the loss of his job is finalised.

In the court papers, Maroga disputes acting CEO Mpho Makwana's claim that Maroga lost his job because he performed poorly by failing to present a funding model proposal to the board, and by failing to renegotiate the long-term electricity supply contracts with aluminium producers.

Maroga said Eskom's funding crisis related to the huge capital-expansion programme set in place from 2005 - before he was CEO - without a committed financial plan to pay for it, and the crippling long-term supply contracts to the smelter companies signed decades ago.

Maroga said a funding model was drawn up last year by a task team from Eskom, the National Treasury, and the departments of Public Enterprises and Minerals and Energy, and was the basis of Eskom's price increase application to the National Energy Regulator of SA in September.

He said it was unrealistic to have expected him to renegotiate the smelter company contracts. 'These contracts did not envisage the end of excess capacity. They also did not envisage that with the end of excess capacity, the cost of power would increase,' he said.

After the January 2008 power crisis, Eskom initiated a 'power buy back' programme.

'The idea was to pay BHP Billiton (by far the single largest energy consumer in South Africa) to shut down some of its smelters' capacity in order to free that capacity for use by other smaller customers

and households in the country. This was part of an attempt at renegotiating the BHP Billiton long-term electricity supply contracts,' said Maroga.

But it would have cost \$800 billion (R5.9 trillion) to \$900bn to buy back up to 800MW from BHP Billiton.

'In the result, not only did the renegotiation attempts have no political support from where it matters most (from Public Enterprises and Trade and Industry); the cost of it was also prohibitive,' he said.

'Thus the allegation that I failed to renegotiate these long-term electricity supply contracts is not only disingenuous, it is also grossly unreasonable in the circumstances.'

Late last year Eskom was again trying to put together a strategy to renegotiate the contracts, he said.

Maroga said that in August his performance was assessed at 70 percent and that last month, after he lost his job, Eskom paid him R2.3m in performance-related bonuses.

'If Eskom's poor performance allegations were true, then surely Eskom would not have paid me those performance bonuses.'

Yesterday's application arises from Maroga's original court action filed against Eskom in January, demanding back his job as CEO or a contract settlement of R85.7 million.

Eskom is arguing that Maroga resigned on October 28 and the board accepted this, and then two days later after a dispute arose, the board terminated his contract for poor performance. Maroga has argued that he did not resign, had no intention of doing so and was unlawfully dismissed.

In yesterday's hearing, advocate Wim Trengove SC, for Eskom, said that after consistently denying resigning, Maroga now admitted resigning conditional on a severance package.

Trengove said this was 'patently dishonest'.

Maroga insisted in his affidavit that he did not resign.

'I proposed an elegant and amicable parting of ways if the differences between the chairman and me could not be resolved,' he said.

'Such a parting did not, and could not conceivably, entail a resignation. What I meant was an agreed separation on terms and conditions acceptable to all parties concerned, including payment of a reasonable settlement amount in lieu of the early termination of my contract.'

Judgment was reserved.

- This article was originally published on page 3 of The Star on March 31, 2010

Engineering News

Eskom mum on CEO, Kusile adviser, but makes some cogen progress

By: Terence Creamer
31st March 2010

State-owned power utility Eskom appeared to miss two key self-imposed deadlines on Wednesday, including an indication that it would provide an update on the progress it was making in attempting to secure a new CEO for the organisation, following the acrimonious departure of Jacob Maroga late last year.

However, the utility did report some important progress on plans to buy-in power from cogenerators, which many see as key to closing some of the short- to medium-term capacity gaps.

It was unclear whether Eskom's failure to provide an update on the succession matter (which had been expected before the end of the group's financial year, which ended on Wednesday, March 31, 2010) had anything to do with an urgent application brought by Maroga on Tuesday to prevent Eskom from appointing a new CEO until his legal claim was finalised.

All Eskom would say was that it was 'in the process of considering the position of Chief Executive'.

'No final decision has been made as the process is ongoing. We have no further news at this point in time.'

Maroga, meanwhile, was seeking either R85,7-million in compensation, or reinstatement, having disputed that he had offered to resign during the now infamous October 28, 2009, board meeting.

But Eskom also failed to meet its deadline for the appointment of a transaction adviser (TA) for the possible sale of between 30% and 49% of the R142-billion Kusile coal-fired power project, which was being built in Mpumalanga province.

During the National Energy Regulator of South Africa's (Nersa's) January hearings into Eskom's application for tariff increases of 35% a year between 2010 and 2013, acting executive chairperson Mpho Makwana indicated that the group would seek to secure the service of a TA by the end of March.

However, while Engineering News Online is aware that meetings have been held with various financial institutions in this regard, it is not clear whether Eskom has even formally released a request for proposals to secure the services of such an adviser, let alone whether a TA has been appointed.

It was also unclear whether the announcement had been delayed so as to allow the InterMinisterial Committee (IMC) on electricity to deliberate on the matter.

The IMC, which is chaired by Public Enterprises Minister Barbara Hogan, met on Wednesday, to deliberate on a range of outstanding power-related matters. However, Engineering News Online could not confirm whether the Kusile Private Equity partner acquisition had definitely been discussed.

The issue is one of nine so-called 'work streams' falling under the IMC, which also includes Energy Minister Dipuo Peters, Finance Minister Pravin Gordhan, Economic Development Minister Ebrahim Patel and the Minister in the Presidency Responsible for the National Planning Commission, Trevor Manuel.

But there appears to have been some progress in meeting the March deadline for the conclusion of the first cogeneration (cogen) power purchase agreements (PPAs), as hinted to by Minister Hogan earlier in the year.

Speaking in Parliament earlier in the month, Hogan indicated that Eskom could sign cogen contracts with companies such as Sasol and Sappi, while seeking secure up to 1 143 MW from such sources.

Hogan said that Eskom could no longer be regarded as the country's single power producer and it had become essential to supplement Eskom's energy supply through cogen agreements, as well as through the involvement of independent power producers.

COGEN PROGRESS

In a response to questions posed by Engineering News Online, Eskom said 85% of the medium-term power purchase programme (MTPPP) capacity allowed for by Nersa for the period 2010 to 2013 had been finalised between Eskom and the sellers.

Eskom indicated that this capacity had been capped at 400 MW for the three-year period, and said it could not comment on Hogan's figure of 1 143 MW.

It was possible, though, that the Minister's figure included the allocation for renewable energy production during the tariff-determination period.

Eskom refused to identify the sellers, stating only that the arrangements were concluded before the end of March and had been submitted to the regulator for final approval.

'The remaining 15% will be concluded once agreement with the sellers have been reached,' Eskom said.

Financial Times

Backing sought on S Africa loan for coal-fired plant

By Richard Lapper in Johannesburg

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The World Bank has pressed the US government to support a \$3.75bn loan that would allow South Africa to build a coal-fired power station, writes Richard Lapper in Johannesburg .

The controversial project, proposed by Eskom, the country's state-owned electricity company, will increase carbon emissions and potentially contribute to global warming.

But officials say that new generating capacity is vital if South Africa is to avoid a recurrence of the black-outs that shook business confidence early in 2008.

'We cannot afford to see Eskom or the South African power sector in crisis. This will have a major backlash for the economy of the country and the economy of the region,' Jamal Saghir, the World Bank's director of energy, told Bloomberg news agency .

Mr Saghir said that bank officials had conducted technical discussions with their US counterparts. Just over \$3bn (€2.23bn, £2bn) of the loan would fund a new coal-fired power station at Medupi in Limpopo province, while the rest would go on clean energy projects.

Neither the US nor the UK have said how they will vote when it comes before the World Bank board on April 9.

In an interview with the Financial Times, Dipuo Peters, the South African energy minister, said that carbon emissions would rise after the power station was built, before levelling off and then falling. She said the new capacity was also needed to give electricity to the 15 per cent of homes that are not connected to the national grid.

<http://www.planet-positive.org/ppblog/?tag=eskom>

South Africa's Request for WB loan to finance coal-fired plant & the larger picture.

South Africa's power organisation Eskom has put forward loan proposals to several loan and aid agencies including a proposal to the World Bank for a \$3.75 billion loan of which \$3bn would go towards financing a coal-fired plant.

The power plant is scheduled to operate in Medupi, in the ecologically sensitive area of Waterberg. It would be the world's fourth most carbon intensive coal fired plant, with plans to supply 4,800 megawatts of electricity.

Eskom and the leaders of South Africa say they need energy and a coal fired plant is the most sensible route to filling the gap between need and availability. NGOs and other countries, like the US & the UK, have urged the World Bank to disapprove the proposal on the grounds of environmental harm and possible debt problems. This real-live story quintessentially illustrates the chasm between energy poverty experienced in many developing countries and the low carbon goals of developed countries. It shows why it is so difficult to come to an international agreement regarding carbon reduction; why developing countries are hesitant to sign over their freedom to develop energy cheaply and why developed countries are reluctant to leave developing countries out of the deal.

The Situation in the eyes of Eskom and the South African Government.

Today the South African economy is two-thirds larger than it was in 1994. As with most growth, with it has come an increased demand for electricity. Supply has not met demand - about 30% of South Africans have no access to energy. A lot of this growth has been centred on mines and factories, which themselves need electricity. If there is no access to energy, prospects for growth will be undermined. Eskom projects that by 2028 there will be a demand of 80,000 megawatts of electricity that they will not be able to meet if they do not have access to the coal.

The finance minister of South Africa, Pravin Gordhan, believes that energy from coal is the 'only responsible way forward'. It's abundant, it's affordable. South Africa has large deposits of coal - why shouldn't they use a natural resource they have? In addition, he argues that developing

countries need to get themselves on sustainable growth tracks in order to be in a position to play a part in preserving the environment. In the same light, 'You cannot have poverty alleviation without economic growth...and you cannot have economic growth without access to energy' (World Bank 2010).

Eskom is the only electricity supplier in South Africa. It also supplies 60% of Sub-Saharan Africa with electricity including Botswana, Lesotho and Namibia. If Eskom cannot provide energy, a lot of Sub-Saharan countries will suffer.

As the critics see it.

There are three basic arguments against Eskom's proposal: one is that the coal-fired plant is environmentally harmful to the point where it's detrimental to the economy and of course to our Planet; two, the loan and the debt are likely to lead to a currency crash and lead the public towards more energy poverty; and finally there are doubts about Eskom, their management skills and their projections.

This coal fired plant is projected to emit 25 million tonnes of carbon a year. 200 local organisations have signed up to protest against the plant. It is expected that the coal plant will lead to complete degradation of water sources, air pollution and a rise in mercury.

A typical 500 megawatt coal-fired plant draws about 2.2 billion gallons of water every year from nearby water sources including rivers, lakes and oceans in order to create steam. This would be enough water for 250,000 people. This Eskom coal plant is a lot larger than the typical coal-fired plant, almost 10 times larger.

By borrowing another \$3.75 billion, South Africa is putting itself in a fragile situation. Their currency has crashed 5 times since 1996; even more loans are likely to increase the likelihood of another crash. There is also going to be a price increase of electricity for South Africans. Eskom originally requested a 45% increase of price each year over the next three years. The government didn't allow this, but they did allow a 25% increase in price for the next three years. Eskom has been and is catering significantly to the major energy intensive industrial users whom they have been giving dirt cheap energy prices to in order to keep the mining companies and others in the country. It offers the

world's cheapest electricity to export-orientated metals and mining multi-national corporations.

Last year Eskom lost US\$1.3 billion, highlighting its problems with management. Also, Eskom would not be able to get such a large loan from the World Bank if they did not have such high projections of energy demand in the future. Some, including the World Resource Institute, say it's debatable whether there is an 80,000 megawatt projection for 2028 is realistic. Projected electricity demand may be unrealistically high to justify the huge capital investment.

So what do you think? If you take away the questions about mismanagement, exaggerated demand projection and strip this issue down to its bare bones – does moving a country out of energy poverty using an abundant and affordable energy source override the need for a healthy environment and a low-carbon future? Do you think that we have no right to tell a country that they shouldn't use their natural resource because developed countries have already done that and have already ruined the environment? Or do you think that regardless of what happened in the past we need to be future and forward looking despite the present circumstances? Maybe Brown, Stern and the others meeting in London this week in the attempt to come up with a way to raise \$100 billion a year to help developing countries move towards a low-carbon economy should set their already high aims higher.

Cyber Action des Amis de la Terre -

Alstom vs. Climat : la France doit faire le bon choix !

Paris, le 31 mars 2010 – Les Amis de la Terre lancent aujourd'hui une cyberaction pour demander que la France vote contre un prêt de 3,75 milliards de dollars de la Banque mondiale, qui servira au développement de la centrale à charbon de Medupi en Afrique du Sud. Cette centrale aggravera les changements climatiques et la pauvreté des Sud-africains. La France risque de soutenir le projet en raison de l'implication d'Alstom dans la construction de Medupi. Avec cette action, les Amis de la Terre interpellent Nicolas Sarkozy et Christine Lagarde pour qu'ils ne fassent pas passer l'intérêt privé d'Alstom avant les engagements de la France en matière de climat et de développement.

Le 8 avril prochain, la Banque mondiale doit se prononcer sur un prêt pour la construction de la centrale à charbon de Medupi en Afrique du Sud. L'entreprise française Alstom a décroché un contrat pour la construction de cette centrale géante (4800 MW).

Celle-ci émettra 25 millions de tonnes de CO₂ par an (5 % des émissions françaises totales), et entraînera des pollutions majeures au soufre et au mercure, n'étant même pas équipée d'un mécanisme de désulfuration. En outre, elle exigera l'ouverture de 40 nouvelles mines de charbon pour son alimentation.

Anne-Sophie Simpère, chargée de campagne Finance publique aux Amis de la Terre, explique : « Cette centrale est une catastrophe climatique et environnementale en elle-même, mais aussi parce qu'elle vise à alimenter des industries, principalement minières, elles-mêmes très polluantes. Pourtant, des alternatives existent, à travers l'amélioration de l'efficacité énergétique et le développement de l'énorme potentiel en renouvelables de l'Afrique du Sud. Nous demandons simplement que la France se montre cohérente avec ses engagements climatiques. Choisir le charbon, quatre mois après le sommet de Copenhague, est irresponsable de la part de nos dirigeants et les décrédibiliserait totalement. »

En Afrique du Sud et dans le monde, la société civile s'oppose massivement au projet à cause de ses impacts écologiques, mais aussi parce qu'il va aggraver la pauvreté dans le pays. En effet, la dette créée par Eskom pèsera principalement sur les

particuliers, les entreprises bénéficiant de tarifs artificiellement bas pour l'électricité, sur la base d'accords signés pendant l'apartheid. Sébastien Godhot, coordinateur des campagnes aux Amis de la Terre, précise : « Le gouvernement a déjà accordé une garantie au projet via la Coface, la semaine dernière. S'il continue à soutenir le projet au sein de la Banque mondiale, il va donner de la France une image lamentable : celle d'un pays prêt à soutenir un projet injuste et contraire à ses engagements en matière climatique pour défendre l'intérêt privé d'Alstom. »

Anne-Sophie Simpère, des Amis de la Terre, conclut : « En Allemagne, en Angleterre, en Australie, des cyber actions ont également été lancées pour demander aux Etats de voter contre le projet au sein de la Banque mondiale. Il s'agit de soutenir les ONG Sud-africaines qui se mobilisent contre la centrale, et de montrer aux gouvernements que la société civile est toujours mobilisée pour le climat. »

Lien vers la Cyber Action en France :
<http://www.cyberacteurs.org/actions/form.php?id=82>
Plus d'information sur le projet :
<http://www.amisdelaterre.org/Centrale-a-charbon-de-Medupila,4608.html>

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CIVIL SOCIETY VOICES RISE AGAINST WORLD BANK LOAN TO ESKOM

Community, labour and environmental groups in South Africa, supported by civil society around the world, are rallying to oppose a loan by the World Bank to build the world's fourth largest coal-fired power plant.

Most of the proposed \$3.75 billion loan would finance the massive 4800 MW Medupi plant, which will emit 25 million metric tons of carbon dioxide per year. The loan's main beneficiaries will be multinational corporations BHP Billiton, Anglo American Corporation, and other energy intensive industries, which already receive the world's cheapest electricity supply. BHP Billiton's rate is just over US\$0.01 per kWh, about a tenth as much as poor people pay.

According to many of South Africa's leading community and faith-based organizations, citizen and environmental groups, social movements, academic institutions and trade unions, the loan will not alleviate poverty nor increase access to electricity. On the contrary, it will actually exacerbate energy poverty; disconnections will increase dramatically as a 127% price increase from 2010-2012 hits poor and working people in what is the world's most unequal major country.

At the same time it is pushing this giant coal loan, the World Bank - supported by many developed country governments - is aggressively promoting itself as the globe's climate banker. At United Nations climate negotiations, developed countries have upheld the Bank as the institution that should be in control of funds from developed countries to pay for climate change mitigation and adaptation activities in developing countries.

On the other hand, the G77 - which represents more than 130 developing countries at the climate negotiations - has explicitly rejected putting the World Bank in charge of climate finance. Rather, the G77 and China have proposed a new financial mechanism that would be under the authority of the UNFCCC, which would allow for direct access to funding by recipient countries without having to go

through international financial institutions like the World Bank.

The Bank has embarked on a no-holds-barred push to capture control of short and long term climate financing for developing countries. At last December's UN climate negotiations in Copenhagen, the Bank maintained a high profile. Among other initiatives, they launched their fifth fund under their Climate Investment Funds (CIFs). A recent World Bank board briefing on Copenhagen stated, 'The WBG [World Bank Group] is particularly well positioned to serve as a channel for fast track financing for adaptation and mitigation... We have already heard from donors who are developing their strategies. We have sent the message that the CIFs are able to receive additional funding to support the Fast Track Financing.' Bank staff are conducting an 'outreach campaign' to 'build awareness on our role, not just with our traditional partners... but also with the Ministries of Environmental and Foreign Affairs.'

The World Bank has also situated itself in a pivotal position for facilitating carbon trading and international offsetting through the Clean Development Mechanism (CDM), though the CDM itself has highly questionable climate benefits and very few development benefits. Thus, the Bank launched its twelfth carbon fund in Copenhagen, the Carbon Partnership Facility, designed to be a post-2012 offsetting mechanism. Civil society throughout the world contends that the proposed World Bank coal loan, which would go to the South African utility Eskom, exemplifies why the Bank should not be vested with responsibility for climate financing. The Bank's energy portfolio remains a boon for the fossil fuel industry. It is one of the world's top multilateral fossil fuel financiers.

From 2006 to 2008, coal lending at the World Bank Group increased an incredible 648 percent. In FY2008, fossil fuel funding increased 102 percent. 1 With its very troubling development, environmental, and human rights record, the World Bank is not in a position to lead on climate change. In terms of bringing about sustainable development, it is a deeply flawed institution. 2

The proposed South African coal loan is one of the most extreme cases within the Bank's climate-destabilizing, unsustainable portfolio. More than 190 groups worldwide have signed on to a South African statement strongly opposing the loan, calling it 'a bad project, contributing to energy poverty and environmental destruction.'

Contrary to the requirements of its own Strategic Framework on Development and Climate Change, the Bank gave very little consideration to clean energy alternatives to coal or to rigorous Demand Side Management, which would entail redirecting subsidized, below-cost electricity for multinational mining and metal corporations negotiated under secret Special Pricing Agreements with Eskom. These Special Pricing Agreements were concluded in a non-transparent manner during the last days of apartheid. Less than 7 percent of the \$3.75 billion loan would go towards renewable energy.

Groups opposing the loan say that it will exacerbate, rather than alleviate, energy poverty. The poor actually pay far more for their electricity than the export-oriented metals and mining industries. Moreover, South Africa's National Energy Regulator just approved a tariff increase of 25% every year for three years to help raise funds for Eskom's expansion program, which will double household bills. At the same time, the largest industrial users are exempt from paying their share of the costs to build the coal plant because of the Special Pricing Agreements.

Furthermore, the groups contend that the Bank did not properly assess the potential health impacts and associated costs of the coal plant. The loan will open up 40 new coal mines to feed the plant and related projects, polluting the country's already compromised water table and air, and posing a grave threat to communities. The World Bank board vote on the South Africa loan is currently scheduled for April 8.

1 Bank Information Center, World Bank Energy Sector Lending: Encouraging the World's Addiction to Fossil Fuels (February 2009), available at <http://www.bicusa.org/en/Article.11033.aspx>.

2 Multiple studies demonstrate this. For example, 1) Independent Evaluation Group. Improving Effectiveness and Outcomes for the Poor in Health, Nutrition and Population: An Evaluation of World Bank Group Support since 1997. World Bank. 2009; 2) Independent Evaluation Group. World Bank Assistance to Agriculture in Sub-Saharan Africa. World Bank. 2007

<http://www.themercury.co.za/index.php?fArticleId=5410229>

The Mercury

Taking on World Bank over Eskom

March 30, 2010 Edition 1

PATRICK BOND and DESMOND D'SA

LET'S review this incredibly revealing controversy about climate, electricity and South African fealty to global finance.

The World Bank proposes a \$3.75 billion (R27.5bn) loan to Eskom. If approved by the bank's board next week, most of the money (\$3.1bn) will fund construction of the world's fourth largest coal-fired power plant, Medupi, which in turn requires a 127 percent real price increase for ordinary residential consumers, while the world's biggest metals and mining houses still get the world's cheapest electricity.

Eskom is, as a result, suffering intense criticism, and South Africa will probably soon witness a national strike threatened by the trade unions against price increases required to pay the loan and other escalations.

More than 200 civil society groups across the world have endorsed the critique originating from local activists, who launched the campaign on February 16 with a spirited protest at Eskom's main Durban branch office in Westville.

South Durban has been an epicentre of protest against fossil fuels, given that our neighbours include the largest, least responsible petro-chemical firms south of the Niger Delta. Longer-term oil and coal damage to residents' health and welfare catalysed community-based climate hearings sponsored by Oxfam UK last August.

With electricity prices soaring, many more residents in south Durban are being disconnected. They often reconnect illegally, and as Eskom and our municipality clamp down, the result is more social strife, in a country with what is probably the world's highest rate of community protest.

To illustrate the dangers three months before the World Cup begins, last weekend a police Casspir was caught in a cleverly disguised spiked trap

designed by Mpumalanga protesters from the township of Ogies.

They set it ablaze, fortunately with no deaths.

Anger

In Limpopo and Mpumalanga, anger at Eskom will also rise because of eco-social threats in the vicinity of Medupi and the dozens of new coal mines that will feed it. Local ecologies will be adversely affected, especially the notoriously degraded water table, as well as the air, land, vegetables and animals because of mercury emissions from coal.

The World Bank failed on due diligence, relying on national air quality regulations which remain weak because of the minerals industry's power.

Indeed the point of this loan is not to provide more power to poor people, who will now not be able to afford electricity (and in any case they consume less than 5 percent of the national supply). Instead, Medupi is being built so as to maintain electricity supplies costing less than R0.14/kWh to Anglo American Corporation, BHP Billiton, Arcelear Mittal and other multinationals.

These companies' smelters use the most power, thanks to apartheid-era 'special pricing agreements' that Eskom still keeps secret, yet there are very few jobs and economic linkages because locally sold steel and aluminum cost far more than the same products which the smelters send abroad. Also sent abroad are vast profits from these operations, contributing to the country's severe payments deficits.

As if these reasons are not enough, Eskom's privatisation of 30 percent of generating capacity is explicitly advanced in the loan, leading to opposition from trade unions and consumers.

Moreover, the borrower is not creditworthy. Eskom lost R9.7bn in its last financial year due to hedge-investment gambles on the special pricing agreements and, amidst the chaos, the company's chairman and CEO were ditched. However, instead of reviewing planning by former CEO Jacob Maroga (whom Eskom itself is now attacking in court as so incompetent as to justify dismissal), the new Eskom leadership is proceeding with business as usual.

Corruption is rife, too, as one might expect when the cost of the new power plants escalated by a factor of three. Contrary to supposed anti-

corruption policies, the Bank loan will directly fund ANC party coffers, because the power plant will be built with Hitachi boilers that in turn kick back an estimated R5bn thanks to a convenient - and utterly dubious (everyone admits) - ANC investment in Hitachi.

Leaders of the corruption-riddled ruling party are themselves ashamed about the obvious conflict of interest, but ANC treasurer Matthews Phosa broke a promise made two years ago to sell its shares in Hitachi. Last week revelations that then Eskom chairman Valli Moosa acted 'improperly' given his conflict of interest as an ANC finance committee member, should kill the loan, were the World Bank concerned about reversing its long history of promoting corrupt regimes.

Finally, to understand why opposition to a loan is so strong requires a sense of racial justice. The World Bank's history of financing apartheid (just three years after the 1948 election of the Nationalist Party) included \$100 million for Eskom from 1951-67.

Ignored

During that period, the World Bank's money financed electricity to exactly zero black households, yet like many others which profited from apartheid-era investments and are now facing Alien Tort Claims Act lawsuits in the New York courts, the bank has ignored calls for reparations.

If the Bank makes the loan on April 8, South African activists will call for the revival of the World Bank bonds boycott, to take away the institution's institutional investors, and will lobby for rejection of the Bank's requested \$180bn recapitalisation.

The bonds boycott was launched by a group including the late South African poet Dennis Brutus and Soweto electricity crisis committee chairman Trevor Ngwane just prior to the protest of 30 000 against the Bank's Spring meetings in April, 2000. Within weeks, the cities of San Francisco, Berkeley, Oakland, Cambridge and Boulder, as well as socially responsible investors like the Calvert Group and the world's largest pension fund (TIAA-CREF), had made a commitment not to buy bank bonds.

South Africans and their allies are approaching these same institutions in coming weeks to relaunch the bonds boycott, and to oppose recapitalisation.

With scores of organisations across Africa already on board this campaign, the next step beyond the World Bank protest will be to demand that South Africa confront its own climate debt to the continent.

The Climate Justice movement's demand is simple: in addition to paying back Africa for the damage being done by climate change by an economy that takes far more than its fair share of greenhouse gas emissions space, South Africa must not be allowed to fall deeper into both financial debt to the West (\$75bn) and climate debt to Africa.

The authors are South Durban residents: Bond is University of KwaZulu-Natal Centre for Civil Society director and D'Sa leader of the Community Environmental Alliance.

Business Report

Analysts sneer at coal-fired concerns Comments

Eskom will use very clean technology, say economists

March 30, 2010

By Mzwandile Jacks

Concerns about the polluting effects of the coal-fired power plants being planned by Eskom were baseless and unfounded, prominent local economists said yesterday.

The economists said this was because the latest technology - to be used in the construction of these plants - allowed for a significant reduction in carbon dioxide emissions.

Environmental and civil rights groups have objected to any World Bank loan to Eskom that would fund coal-fired power stations to help it expand generation capacity. The utility is seeking to avoid a repeat of power shortages that plagued South Africa in 2008.

Eskom is seeking cash to fund R460 billion in expansions. If awarded, \$3.05bn (R22.5bn) of the \$3.75bn World Bank loan for which it has applied would be used on building the Medupi coal-fired plant in Limpopo.

The rest of the money will finance renewable energy and energy efficiency projects.

Tony Twine, a senior economist at Econometrix, said current power station technology was not as nearly as 'nasty and dirty' as in the past.

'The technology aimed at reducing carbon emissions would be built into these power plants,' said Twine.

He said Eskom, which needs to have this coal-fired power station by 2012, did not have any other alternative.

There was nothing else in South Africa that could provide primary power inputs, he said.

'Nuclear power stations are out of the question because of the cost. They cost three times more than the coal-fired powered stations.'

He regarded the objections to a World Bank loan to Eskom as 'far-fetched'.

Kevin Lings, an economist at Stanlib, said South Africa had the best power station technology and the type was the most modern in the world.

'The role of the World Bank, among other things, is to inspect the crucial infrastructure and they have seen that the type of technology that Eskom is planning to use in these plants fits what they really want,' Lings said.

South Africa did not have the wind supply, but had a natural supply of coal, he said. This made the use of coal-fired power stations more necessary.

Yesterday, Bloomberg reported that the bank was urging the US to back the loan request from Eskom.

Jamal Saghir, the World Bank's director of energy, transport and water, in an interview in Cancun, said: 'We cannot afford to see Eskom or the South African power sector in crisis; this will have a major backlash for the economy of the country and the economy of the region.'

South Africa needed to expand energy capacity to fuel its economic growth and supply neighbouring African nations that buy its electricity.

'We had a technical discussion last week' where the bank 'explained to the US, explained to our shareholders' that the project is critical for Africa after the global economic crisis caused private financing to decline, Saghir said.

The World Bank will make a decision on whether to award the loan on April 9, according to Saghir.

The Citizen

2010/03/30 19:57:26

Cash-to-burn ANC

Another View by Stephen Mulholland.

If Hitachi of Japan, described without response by this correspondent as 'morally bankrupt', believes it can with impunity interfere in the internal politics of South Africa it should immediately have its lawyers study the Foreign Corrupt Practices Act (FCPA), administered by the US Department of Justice (DOJ) in Washington.

There they will learn how the FCPA was born: 'As a result of SEC investigations in the mid-1970s, over 400 US companies admitted making questionable or illegal payments in excess of \$300 million to foreign government officials, politicians, and political parties.'

Hitachi would be well advised to take note of the reference to 'political parties' and to this passage from the Justice Department: 'Several firms that paid bribes to foreign officials have been the subject of criminal and civil enforcement actions, resulting in large fines and suspension and debarment from federal procurement contracting, and their employees and officers have gone to jail.'

Now Hitachi has its shares listed on the New York Stock Exchange. It also does substantial business in the US, no doubt some of it with the federal government. It must also answer to the Securities Exchange Commission (SEC), which takes a dim view of bribery and has a great deal of muscle.

Hitachi's corrupt allocation of 25% of the shares of its local subsidiary, Hitachi Power Africa, to the ANC's investment arm has been brought to the attention of the World Bank by the Democratic Alliance, the official opposition.

The Bank, which will decide on April 8 on a \$3.75 billion loan to finance the Hitachi contract, has been made aware that the ANC stands to make billions out of contracts between Hitachi and Eskom, itself a 100% state-owned entity. This process will have historic effects on the conduct of politics in South Africa.

It must be said that the World Bank, in this matter at least, behaves in a pusillanimous manner, replying merely that the Hitachi matter was not

raised in the loan negotiations. Hello? Eskom is owned by the state, which is run by the ANC, which has 25% of Hitachi Power Africa. Who at those meetings was going to bring it up?

But the World Bank now knows about this unholy deal. It will render the ANC one of the world's wealthiest political parties. It will make it impregnable in South African domestic politics as hundreds of millions will flow into it from Hitachi's rapidly growing business with government and the private sector year-after-year.

If Hitachi believes this business model is useful why, pray, do we not see it granting 25% of its subsidiaries to ruling parties in other countries in which it operates? Why not, for example, in the US, give Barack Obama's Democratic Party a free slice of Hitachi US, or whatever it's called.

That would, however, mean jail or hari-kiri or some such fate for guilty Hitachi executives. Or maybe, like Daimler, they will just pay a massive fine which just might wipe out their South African profits. Hitachi's lawyers should ask Daimler about the DOJ and the SEC.

It is not overstating the case to say that we stand at an historic crossroads in our political affairs. Unless the ANC is forced to divest itself of its 25% share in Hitachi Power Africa, for which it has not paid, it will emerge a financial powerhouse which will permanently be in a position to brush aside all opposition.

And here is a final warning for Hitachi from the DOJ: 'The anti-bribery provisions of the FCPA make it unlawful for a US person, and certain foreign issuers of securities, to make a corrupt payment to a foreign official for the purpose of obtaining or retaining business for or with, or directing business to, any person.'

Business Report editorial

Business Watch: Pressure mounts over Eskom's World Bank loan
March 30, 2010

With two weeks to go before the World Bank's executive directors decide whether to give South Africa \$3.75 billion (R27.7bn) in loans for cash-strapped Eskom, last-minute pleas and attempts at persuasion are doing the rounds.

The government has told us repeatedly in recent weeks that without the World Bank loan, an energy crisis would engulf southern Africa, setting back development goals and retarding growth.

Officials from within the World Bank itself were this week urging the US to back the loan request, the bulk of which is earmarked to fund the Medupi coal-fired power plant.

It has resulted in opposition to the Eskom loan from the US, the most unlikely of low-carbon champions. A three-month-old US Treasury directory to its directors at multilateral development banks rejects the funding of coal power in developing countries. Public Enterprises Minister Barbara Hogan said recently the US had indicated it would abstain from voting when the Eskom loan came up for debate.

The second wave of opposition to the loan has come from local and international non-governmental organisations, including environmental groups and trade unions. They are trying to mobilise countries to block the loan.

And this week, the DA waded into the dispute with an entirely different complaint. It wrote a letter to the World Bank in which it asked about bank protocol in granting a loan to an entity that has financial links to a political party.

That party is the ANC which, via its investment arm Chancellor House, has a stake in a company supplying boilers for the Medupi plant. The issue was highlighted again this week after a public protector report found a conflict of interest in the role of former Eskom chairman Valli Moosa in the award of the boiler tender.

The DA has asked the bank whether it is able to attach conditionalities to the loan, such as requesting the ANC to divest from the supplying consortium.

With so much political opposition to the World Bank loan, the government may well wish it had taken the advice of green campaigners telling Eskom to get private finance instead.

World Bank Urges U.S. Backing on \$3.75 Billion Eskom Plant Loan

March 29, 2010, 1:37 AM EDT

Businessweek

By Peter Millard

March 29 (Bloomberg) -- The World Bank is urging the U.S. to back a \$3.75 billion loan request from Eskom Holdings Ltd. for a coal-fired power plant that the South African state-owned utility is seeking to help guarantee energy supplies.

'We cannot afford to see Eskom or the South African power sector in crisis, this will have a major backlash for the economy of the country and the economy of the region,' Jamal Saghir, the World Bank's director of energy, transport and water, said yesterday in an interview in Cancun.

South Africa needs to expand energy capacity to fuel its economic growth and supply neighboring African nations that buy its electricity. Eskom is seeking cash to fund a 460 billion rand expansion plan aimed at preventing a repeat of shortages that temporarily shut mines and aluminum plants in 2008.

'We had a technical discussion last week' where the bank 'explained to the U.S., explained to our shareholders' that the project is critical for Africa after the global economic crisis caused private financing to decline, Saghir said.

If awarded, \$3.05 billion of the loan will be used to help fund the Medupi coal-fired power plant that Eskom plans to build in the country's Limpopo province. The rest of the loan will finance renewable energy and energy efficiency projects. The U.S. will abstain on the vote because it feels 'on the defensive' on climate matters, South African Public Enterprises Minister Barbara Hogan told reporters in Pretoria on March 12.

Environmental and civil rights groups have opposed the World Bank loan amid concerns of the polluting effects of coal-fired power plants. The World Bank will make a decision on the loan on April 9, Saghir said.

--Editors: Dale Crofts, John Viljoen.

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Business Day (Johannesburg)
South Africa: Mega Loan 'Only Way Forward'

Siseko Njobeni

29 March 2010

Johannesburg —SERIOUS lobbying either for or against Eskom's 3,75bn loan application to the World Bank is playing out in the open while SA awaits the bank's decision on the matter shortly.

A World Bank loan for a 4800MW coal-fired power station - while the rest of the world is looking for solutions to reduce the global emissions footprint - was obviously not going to pass through the bank's approval processes without notice.

Local environmental and non-governmental organisations disapprove of the loan. The US, the World Bank's biggest shareholder, has already caved in to pressure from environmental groups in that country and has indicated its intention to abstain from voting when the loan comes before the bank's board soon.

More than 3bn of the proposed loan will go towards the costs of Eskom's 4800MW Medupi coal-fired power station. Meanwhile, 260m will be invested in 100MW wind and concentrated solar plants. 485m will be used for low-carbon energy efficiency components.

'By financing 100MW of wind and 100MW of solar power, this project could jumpstart the market for renewable energy in southern Africa,' the World Bank says. This indicates the bank's willingness to grant the loan, but the bank's board, which includes the US, still has to vote on the matter.

Finance Minister Pravin Gordhan has taken the fight to those opposed to the loan. Writing in the Washington Post last week, Gordhan said SA cannot just wish coal away. Given its abundance and low cost, coal is still the best option. He says tapping the World Bank's funding 'is the only responsible way forward'.

Those who argue in favour of the loan say SA is facing serious power shortages because of a lack of investment in new generation capacity. SA had serious blackouts in January 2008 and the consequences for the economy were disastrous.

To keep its R385 bn capital expansion programme on track, Eskom must borrow money because

electricity tariffs on their own cannot cover a funding shortfall. The government has also indicated that it has no intentions to give Eskom more money in addition to the R60bn loan and R176 bn guarantees it has already made available. As a result of the global economic downturn, it has become difficult to access funds in international markets. That is why a loan from development finance institutions such as the World Bank and the African Development Bank is an attractive option. These institutions offer 'cheap' capital with long repayment periods.

The World Bank says that it has assessed the Medupi project and is satisfied that it meets its criteria. 'The World Bank conducted a careful review of the alternatives for SA and the economic consequences of not pursuing this project. After full consideration it was determined that coal is still the least-cost and most viable option for meeting base load power needs required by (SA),' the bank says.

It says wind and solar cannot replace base load generation. Both technologies come at a higher cost compared to coal, it says. For instance, a kilowatt of concentrated solar generation capacity costs three times as much as coal. In a comment that will rub renewable energy advocates the wrong way, the World Bank says 'the African consumer' should not pay additional research and development costs to bring the price of these renewable energy technologies down.

The bank has also countered the argument that, instead of building new coal capacity, SA should intensify so-called demand side management.

'Demand side management only has an impact on peaking capacity, not base load. The supply deficit is too large for only (demand side management) or other conservation measures to make a dent.

'Given the fact that SA has not built a major power plant in almost 20 years and the fact that better demand management will only help SA avoid additional peaking capacity, a new base load plant is still needed to support SA's over-burdened power system,' the Bank says.

ENERGY: Bank-Funded Coal Plant Tests Green Agenda

Source: Inter Press Service

By Matthew Berger

WASHINGTON, Mar 29 (IPS) - Decision-makers around the world are in a period of transition when it comes to the future of supplying energy. Even if everyone agrees that a low carbon future is the inevitable solution, there is nothing close to consensus regarding which path to take. Increasingly, industrial and developing countries find themselves favoring different paths – not only for their own countries but for each other.

These differences were on full display at the Copenhagen climate talks in December. Now, the battleground has moved to World Bank energy projects and investments.

On Apr. 8, the World Bank's board is expected to approve a 3.75-billion-dollar loan for a coal-fired power plant in South Africa.

Earlier this month, it was reported that the United States was opposed to the loan due to the high greenhouse gas emissions of coal-fired plants and that its representatives on the bank's board would abstain from voting on the proposal. U.S. officials have since denied that a decision has been made.

An abstention would allow the loan to go forward, while also allowing the U.S. to go on record in opposition to it.

There are plenty of indications of how the U.S. feels, however.

It abstained from voting on a 2.81-billion-dollar loan from the African Development Bank for the same power plant last November.

And a month later, as blocs of countries were clashing in Denmark over climate adaptation finance and technology transfer, the U.S. Treasury Department issued a guidance memo directing U.S. representatives on the boards of multilateral development banks – such as the World Bank and AfDB – to encourage building demand in developing countries for no- or low-carbon energy sources.

Opposing coal-fired power is a somewhat strange position for the U.S. to take. The U.S. has 600 coal-fired plants, which provide more than half of its

energy supply. There are around 60 new coal-fired plants in various stages of planning or permitting – even after a record 26 planned plants were cancelled last year.

The U.S. has notoriously failed to agree on limits to its own domestic greenhouse gas emissions, though it did agree to modest cuts in Copenhagen which now need to be approved by the Senate.

And lumped in with clean energy proposals and such controversial ideas as building more nuclear plants, the Barack Obama administration has proposed increased investment in so-called 'clean coal' technologies. These are the same technologies that the South African utility giant Eskom says it will employ on the proposed World Bank-funded plant, Medupi.

While the U.S. is favoring one path at home – a slow, industry-friendly one that will ease its economy into a low-carbon future – it seems to be hoping to persuade other countries to favor another, say some developing countries.

Representatives from Africa, China and India responded to the U.S. Treasury's December guidance with a letter to World Bank president Robert Zoellick.

Their points were several-fold: the U.S. should not be allowed to flex its muscle unilaterally as the bank's largest donor; the bank's core mandate is poverty alleviation and economic growth and climate change should only be addressed when it impinges on those efforts; and coal is still crucial to increasing access to electricity and thus those poverty and development efforts.

In agreement with this last point, World Bank Vice President for Africa, Obiageli Ezekwesili, has called Medupi a 'transitional investment'.

'There is no viable alternative to safeguard Africa's energy security at this particular time,' she told Reuters earlier this month.

Certainly, not every country should be expected to take the same path toward a clean energy transition. But does investing in plants fired by coal – which releases more carbon dioxide emissions per unit of energy produced than any other fossil fuel – really best serve people in South Africa and other countries receiving bank funding?

Pravin Gordhan, South Africa's finance minister, says it does. Citing his country's widespread poverty and 24 percent unemployment, he argued in a Washington Post op-ed last week that 'to sustain the growth rates we need to create jobs, we have no choice but to build new generating capacity - relying on what, for now, remains our most abundant and affordable energy source: coal.'

If new plants are being built, though, and especially if they are being built with money from the World Bank, those plants should be made as low-carbon and sustainable as possible, argue critics of the project.

'The World Bank should be assisting projects that help countries transition to long-term sustainable development, not coal plants that will make the future tougher for the recipient and all the rest of us,' wrote the Environmental Defence Fund's climate and air programme director Peter Goldmark in response to Gordhan's op-ed.

For its part, the World Bank website notes that, 'Addressing this challenge [of climate change] is part of WBG's [World Bank Group's] core mandate of helping countries deal with poverty and move towards economic prosperity.'

It is funding numerous efforts to address the effects of climate change and provide support for low carbon projects, largely through the Climate Investment Funds which the bank approved in 2008.

CIF meetings concluded Mar. 19 in Manila with plans to mobilise 40 billion dollars for projects ranging from solar power development to public transportation.

With projects like funding the Medupi plant primed for approval, though, the extent to which the bank has addressed the climate change challenge remains patchy.

Find out more about the forces behind climate change - but also about the growing citizen awareness and new climate policies towards sustainable development

http://ipsnews.net/climate_change/

South Africa – Further fears over World Bank loan

29 March 2010

The DA has written to World Bank to determine if its US\$3.75bn loan application will be jeopardised by a finding that former Eskom chairman Valli Moosa had a conflict of interest when awarding the Hitachi consortium the R38.5bn contract Medupi project. The ruling ANC party, of which Moosa was a member of the national executive and finance committee, will gain up to R5.8bn from the contract due to its 25% stake in consortium member Chancellor House.

http://www.news24.com/Content/MyNews24/YourStory/1162/97c88686218b475c970c38000e912f7a/29-03-2010-11-31/Invest_in_our_Future_Pravin_urges

'Invest in our Future', Pravin urges
by George Annandale

2010-03-29 11:31

As Pravin Gordhan grovels before officials of the World Bank to secure a loan to fund the planned and ill-conceived Eskom expansion the domestic consumer becomes the culprit who has to bear the punishment and the guilt for the ineptness and incompetence of Eskom management and staff.

Only two weeks ago Joemat Pietersen made it clear that the rejection of Eskom's application for a loan from the World Bank will result in an even heavier burden on the consumer and more specifically the over-stressed, paying, domestic consumer, who she, and her colleagues believe to be a bottomless pit of funds.

The paying consumer will have to foot the bill for the poor management and the 'transformation' Eskom is so proud of. Transformation which has 'engineers' and 'technicians' sitting around like flowerpots, doing nothing; just being there and getting paid - balancing the equity books so to speak.

As if the exorbitant tariffs are not enough, the paying consumer will have to suffer blackouts because the incompetent managers, unqualified and inexperienced technicians once again got the maintenance at Koeberg wrong. As so often since Alec Irwin's 'Rogue Terrorist Bolt' we are burdened with an unscheduled shutdown. The reason this time; they missed some leaking pipes last time and, to avoid embarrassment during the World Cup, we must fix it now. A matter of being humble to be proud perhaps? The only reason they did not detect the corroding pipes the last time is because the maintenance staff, because of inexperience and lack of skill will not recognise a corroded pipe if it jumped up and bit them in the arse.

If that is not enough we have to hear that the untouchable Eskom are wasting the consumer's money like water. Millions are spent on sponsorships and campaigns to improve the image of the organization. These imbeciles have not learned that the best way to improve your image is to deliver the service you are paid for, efficiently.

Tall stories may buy you temporary relief at best. Spend the money on improving the competence of your management and staff. Your tall stories will only fool the thief and defaulter who get their power; compliments of the domestic consumer.

Joemat Pietersen and her colleague Barbara Hogan's fears that the World Bank loan may not be approved, is justified. The World Bank is not stupid. You do not have to be a rocket scientist to realise that Eskom is being mismanaged. Any fool can see that the high cost of the proposed expansions, relative to global standards, are a direct result of the collusion between the ANC, Charter House and Hitachi and directed, not at cheap power, but at funding the power mongering of the ruling party. Unfortunately or fortunately, depending on your perspective, the World Bank has financed many African ventures, designed to divert money into the pockets of those in power. They recognise this plan for what it is and are wary of risking their money on ventures doomed to fail.

Pravin Gordhan will have to explain to the World Bank why:

- Their President contrary to official policy signed a tainted Copenhagen agreement. A great achievement according to Lindiwe Sisulu, after all why should we want clean air if it prevents the proliferation of coal fired power stations and halts the huge orders for Hitachi machines in the process destroying the financial returns accruable to the ANC's Charter House - take note Pravin.
- The cost of building a coal fired power station in South Africa costs two to three times as much as a similar installation elsewhere.
- The current set-up and regulations actively discourage private companies and bulk consumers of energy like BHP and Xstrata from generating their own power. The price offered to these potential private suppliers are prohibitive and designed to keep them out unless they agree to the required kick-backs required by the cadres in power.
- ESKOM officials spend millions advertising warm and fuzzy messages, depicting them as heroes and saviour of the oppressed black masses who are allowed to steal electricity at will.
- In 2008 in the run-up to the election, in a rare fit of morality, Mathews Phosa commits to the disposal of the ANC's holding in Hitachi. ANC leaders, never

slow to recognise an opportunity, realised ESKOM can potentially be a bigger contributor to ANC coffers than originally thought resulting in a very rapid evaporation of Phosa's morality and with typical moral flexibility they announced that it is only during pre-election times

Grovel Pravin; grovel. You will be well rewarded by your masters.

Sunday Independent

Moosa acted improperly - report

Opposition parties out for justice as former Eskom chief defends his role in R38.5bn Hitachi tender for Medupi boilers

March 28, 2010 Edition 1

Christelle Terreblanche

ANC leader and former Eskom chairman Valli Moosa says there was a need for debate on whether political parties should be involved in business and, if so, whether they should do business with the state.

Moosa, now a businessman, was reacting to a call by the DA that individuals, including himself, who were involved in awarding an Eskom power generation contract to a company with links to the ANC, be prosecuted.

'I think the debate about whether political parties should have investments that involves the state or government controlled institutions is a very legitimate debate that must be had,' Moosa told The Sunday Independent.

It followed this week's tabling in Parliament of a 2008 report by Public Protector Lawrence Mashwana which, among others, found that Moosa had acted improperly.

At the time when Eskom decided to award a tender to Hitachi, in which the ANC's investment arm Chancellor House holds a 25 percent stake, Moosa was head of Eskom's board and a member of the ANC's National Executive Committee.

On Friday, ANC ally Cosatu also 'condemned' Moosa's alleged conflict of interests, and said it boosted its calls for a review of Eskom's proposed 25-percent-a-year tariff hikes to help pay for Medupi.

Mushwana recommended that the Minister of Public Enterprises - to whom Eskom and most other parastatals report to - develops legislation 'to regulate the conducting of business between government entities and political parties'.

Moosa agreed that party business with the state 'should be regulated properly'.

But he again stressed that due diligence was followed in the awarding of the contract to Hitachi Power Africa, in which Chancellor House is a BEE partner.

It comes amid rising controversy over politicians' links with state tenders as well as Eskom's steep tariff hikes and a R30 billion loan application to the World Bank to complete the Medupi plant. Hitachi is a subcontractor providing R38.5bn in boilers.

DA Energy spokesman Seth Motau has called Mashwana's finding 'a clear and unambiguous sign that the deal was wrong, not in the interest of South Africa, and obviously intended to benefit the ANC first and foremost'.

'Essentially, Eskom's capital expansion programme was a covert way to channel funds directly into the ANC. It could be argued that it is a money-laundering scheme on a national level - unprecedented in scale and audacity,' he stated.

'The ANC must now admit wrongdoing, prosecute the offenders and disinvest from business entities that pose a conflict of interest.'

Moosa said because of the massive size of the tender, an unusual decision was made to postpone the awarding for three months while De Loitte & Touche conduct a forensic audit.

Mushwana said Moosa had 'failed to manage (the) conflict of interest policy of Eskom and therefore acted improperly' although there was no undue influence of the awarding by the ANC or Moosa.

He suggested Moosa should not have been in the meeting that made the final decision because it could have constituted a conflict of interest.

'I don't think there is much more we could have done at the time,' Moosa said in response.

Mushwana's report is not new, but its formal tabling in Parliament was requested by ID MP Lance Greyling who wants to pursue the recommendation for conflict of interest legislation through the public enterprises committee.

ANC treasurer-general Mathews Phosa promised in early 2008 to ensure Chancellor House withdraws from Hitachi, but this never happened. Phosa now refers questions to Chancellor House, which he says is an independent legal entity.

Chancellor House managing director Mamatho Netsianda refused to comment.

Motau has also written to the World Bank to ensure it won't 'provide funding to a political party through government apparatus'.

Greyling had earlier requested the World Bank make the loan conditional on Chancellor House's divestment from Hitachi. The company is set to make billions from the tender.

The World Bank is due to consider the government's loan application in the next two weeks. Government ministers have said there would be 'dire consequences' should it be refused.

This week Finance Minister Pravin Gordhan made a global case for the loan to be granted, an apparent move to diffuse civil society mobilisation against it, partly because of the massive investment in carbon-emissions the Eskom plant represents.

On Friday, Gordhan's office again denied claims that the issue of Chancellor House is part of a list of outstanding matters under discussion with the World Bank.

<http://www.washingtonpost.com/wp-dyn/content/article/2010/03/27/AR2010032702549.html>

If South Africa wants a coal plant, let the private market fund it

Sunday, March 28, 2010; A14

As someone who has worked to further South African development, I was appalled by Finance Minister Pravin Gordhan's op-ed arguing for World Bank assistance for the Medupi coal plant ['How coal can empower South Africa,' March 22].

Mr. Gordhan does not tell us where this coal plant fits into South Africa's proclaimed goal of limiting carbon emissions; nor does he tell us when South Africa's carbon emissions will peak and start declining.

Mr. Gordhan says, essentially: We must have this coal plant, and we must have it now. Maybe. But if so, let the private market finance it. The World Bank should be assisting projects that help countries transition to long-term sustainable development, not coal plants that will make the future tougher for the recipient and all the rest of us.

Peter Goldmark, New York

The writer is director of the Environmental Defense Fund's climate and air program.

<http://www.radb4all.net/index.php/program/41002>

World Bank Loan will Fund More Coal Pollution and Greenhouse Gas

Series: Raising Sand

Program Type: Interview

Featured Speakers/Commentators: Sunita

Dubey interviewed by Susan Galley

Contributor: Raising Sand Radio [Contact Contributor]

Broadcast Restrictions: For non-profit use only.

Notes: On April 8 the World Bank will vote on loaning South African energy parastatal Eskom \$3.75 billion to build what will be the fourth largest coal burning power plant in the world. This 4,800 MW Medupi power plant will add an estimated 25 million metric tons of CO2 emissions per year to Eskom's 40 percent share of South Africa's overall total greenhouse gas emissions.

We talk to environmental activist Sunita Dubey about this loan and the growing world-wide opposition to it. And we hear what Eskom and bank officials are not saying: that there is no such thing as clean coal. In fact, from China to South Africa – where coal seams continue to burn in the ground long after mines have shut down – to India, where a major coal company will present investors an IPO later this year, coal mining and burning devastates land, communities, and people the world over.

For more information or to get involved, go to
Bank center information : bicusa.org
Friends of the Earth : foe.org/
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Watch Sara Belcher's video report, UnderMined
<http://www.youtube.com/watch?v=X97CY15vh7w>

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COSATU disturbed at Eskom conflict of interest

Patrick Craven

26 March 2010

Patrick Craven welcomes Public Protector's report criticising Valli Moosa

The Congress of South African Trade Unions has noted with concern the former Public Protector's report to Parliament which condemns African National Congress NEC member, Valli Moosa, for acting improperly and with a conflict of interest when Eskom, under his chairmanship, awarded a R38,5bn contract for the Medupi power station to the Hitachi consortium in which the ANC has an interest.

COSATU welcomes the report and congratulates Comrade Lawrence Mushwana for exposing the fact that ANC stood to benefit by up to R5,8bn through the 25% stake that its investment arm, Chancellor House, has in engineering company Hitachi Power Africa.

Comrade Mushwana found there was a conflict between Moosa's personal interest in the ANC (as a member of its national executive and its finance committee at the time) and his duty towards Eskom when the Eskom board awarded the boiler contract to the Hitachi consortium. He says that he 'failed to manage the conflict of interests in compliance with the conflict of interest policy of Eskom and therefore acted improperly.'

He had failed to declare the specific conflict of interest with regard to the tender, beyond a general declaration of interests made regularly by Eskom directors. Also, he failed to excuse himself from the board's deliberations. Both these failings could have resulted 'in the reasonable perception that Mr Moosa was biased in respect of the ... award. As the chairperson it was reasonably expected of a person of the calibre of Mr Moosa to have led by example.'

COSATU also agrees with the Public protector's recommendation that Public Enterprises Minister Barbara Hogan should 'consider developing legislation to regulate the conducting of business between government entities and political parties'. These is in line with COSATU's insistence that political and public representatives should not at the same time have business interests, but must choose

between the two roles. It creates an inevitable conflict of interest.

The Public Protector's report also strengthens the federation's argument for a complete review of Eskom's proposed 25% a-year tariff increases for three years. Apart from its devastating consequences for consumers, inflation and job losses, and the revelation that NERSA was not informed of Eskom's secret tariff deals with big business customers, there is now a serious question mark against whether there were vested interests involved in supporting the increases.

Statement issued by Patrick Craven, COSATU national spokesperson, March 26 2010

SABC

DA writes to World Bank regarding Eskom loan
March 26 2010 , 4:59:00

The Democratic Alliance (DA) has written to the World Bank asking whether a finding that former Eskom chairperson Valli Moosa acted improperly in awarding a R38.5 billion Medupi power station contract to the Hitachi consortium, in which the ANC has an interest, would affect a loan application by the utility.

'The DA has today written to the World Bank, from whom Eskom is seeking a loan to finance Medupi, and other power plants, to ascertain how this will affect the loan,' the DA energy spokesperson Sejamothopo Motau said in a statement.

Yesterday, public protector Lawrence Mushwana found in a report, released in Parliament, that Moosa had acted improperly and failed to declare a conflict of interest with regard to the contract.

According to reports, the African National Congress stands to benefit by up to R5.8bn through the 25% stake that the ruling party's investment arm, Chancellor House, has in engineering company Hitachi Power Africa.

Earlier this month, Public Enterprises Minister Barbara Hogan warned of dire consequences for the country's economy if Eskom did not secure the \$3.75bn loan.

Motau said the public protector's findings could 'severely impact' on Eskom's application for a loan from the World Bank. 'Surely, the United Nations affiliate cannot provide funding to a political party through government apparatus,' he said.

'The DA will remain in contact with the World Bank to establish its protocol in these matters and to advise on ways to force the ANC to disinvest from Hitachi without compromising the loan,' he said.

Moosa was a member of the ANC's national executive and the party's finance committee at the time the Medupi contract was awarded. - Sapa

ANC-Hitachi link: DA writes to World Bank

Sejamothopo Motau
26 March 2010

Sejamothopo Motau says the bank's loan should not be allowed to subsidise ruling party

The finding of the report released yesterday by the Public Protector that former Eskom Chairman, Valli Moosa, has acted improperly in awarding a R 38.5 billion Medupi power station contract to the Hitachi business consortium - which is directly linked to the ANC's investment arm Chancellor House - confirms a conflict of interest. The ANC must now admit wrongdoing, prosecute the offenders and disinvest from business entities which pose a conflict of interest.

The DA has today written to the World Bank, from whom Eskom is seeking a loan to finance Medupi, and other power plants - to ascertain how this will affect the loan. (see letter below). A copy of the letter will also be forwarded to the President's office.

The Hitachi link to Eskom has a sordid history of ANC denials and empty promises to appease the public:

On 21 February 2008, ANC Treasurer Mathews Phosa stated that the Hitachi deal will be exited from because 'governance is an issue and there is public focus on this'. There was no confusion regarding this issue two years ago as it was a clear case of conflict of interest - yet nothing happened. See article - Business Report

<http://www.mailfire.co.za/link/QIJVTj0xOTQxMSZMSUQ90DlyOTImUQIEPTkzNDY5NQ==.aspx>

Then the ANC performed an about turn on its opinion:

On 20 January 2010, ANC Secretary General Gwede Mantashe maintained that 'There is nothing wrong with investing in public companies and the Chancellor House has done nothing wrong,' and further stated that 'Hitachi won the contract because it is a global company (with the skills) ... not because it has a minority shareholder which is called the ANC,' See article - Politicsweb

<http://www.mailfire.co.za/link/QIJVTj0xOTQxMSZMSUQ90DlyOTEmUQIEPTkzNDY5NQ==.aspx>

Finally, Phosa himself then contradicted his original position:

On 25 February 2010, Sake24 reported that Phosa stated questions on Chancellor House were 'spiteful' and 'unfair' and reportedly stated 'To hell with the media!'

See article - News24.com

<http://www.mailfire.co.za/link/QIJVTj0xOTQxMSZMSUQ90DlyOTImUQIEPTkzNDY5NQ==.aspx>

The report by the Public Protector is a clear and unambiguous sign that the deal was wrong, not in the interest of South Africa, and obviously intended to benefit the ANC first and foremost. Essentially, Eskom's capital expansion program was a covert way to channel funds directly into the ANC. It could be argued that it is a money laundering scheme on a national level - unprecedented in scale and audacity.

Now that the Public Protector has made this decision, the DA wants to know what will be done about it. We will call on President Zuma to disinvest the ANC from Hitachi as a matter of urgency and to prosecute the individuals involved. More importantly, the real test for Jacob Zuma will be what he does with the report - does he act on it, or sweep it under the carpet.

The situation as it stands can also severely impact on Eskom's application for a loan from the World Bank. Surely, the United Nations affiliate cannot provide funding to a political party through government apparatus. The DA will remain in contact with the World Bank to establish its protocol in these matters and to advise on ways to force the ANC to disinvest from Hitachi without compromising the loan.

The World Bank
1818 H Street, NW
Washington, DC 20433 USA

26 March 2010

Dear sir/madam,

REQUEST FOR INFORMATION ON ESKOM LOAN

The Democratic Alliance (DA), as South Africa's official opposition party, hereby officially request information from the World Bank pertaining to a loan application by Eskom. This information will assist in our planned action of pursuing a variety of dubious aspects of Eskom's relationship with the South African government.

It has been reported by the Public Protector before Parliament that the contract between Hitachi South Africa, a supplier of boilers to coal-fired power plants, and Eskom was improper and constitute a conflict of interest. Hitachi in June 2007 entered into a (R 38.5) contract with Eskom. The African National Congress (ANC) investment arm, Chancellor House, has a significant shareholding in Hitachi South Africa.

The ruling party is, in terms of legislation, responsible for appointing the management of Eskom. The conclusion of a contract between those appointees and a company in which the party responsible for appointing them has strong financial interests creates a conflict of interest.

The possibility that this conflict of interest led to inappropriate decisions in the awarding of tenders is contained in internal Eskom documents that have been made public. These documents show that the particular boilers were not optimal and that there were irregularities in awarding the tender to Hitachi.

Reliable sources has informed the DA that Eskom has adopted a fleet strategy in its acquisitions, which means that all future coal fired power plants (which makes out the gross majority of electricity generation by Eskom) will use Hitachi parts.

Eskom has a complete monopoly on electricity generation and distribution in South Africa. If it does not operate efficiently, and if it does not base its decisions on sound business grounds, then our electricity supply is endangered, with obvious serious consequences.

The DA therefore requests the following information:

1. What is the World Bank protocol in granting a loan to an entity that has financial links to a political party?
2. Given this protocol, what is the effect on the likelihood of granting such a loan, and on the structure of the loan?
3. Would the World Bank be able to attach conditionalities to the loan? Specifically, would the World Bank be able to request the ANC to divest itself of any financial involvement in Eskom before granting the loan?

The DA would like to thank the World Bank in advance for receiving this mail and for providing the requested information.

All the key documentations on this case is available on the internet. However, these documents can also be made available to the World Bank on request.

Sincerely,

Sejamothopo Motau, MP
DA Shadow Minister of Energy

/Statement issued by Sejamothopo Motau, MP, Democratic Alliance <<http://www.da.org.za/>> shadow minister of energy, March 26 2010/

Business Report

Inside Labour: Cost-of-living crunch to spill onto streets

26 March 2010

Terry Bell

With just 76 days to go before the kick-off of the World Cup, the annual wage negotiation season is getting under way. At the same time, a 20 percent hike in public transport fares is looming, along with the near 30 percent increase in bulk electricity charges from Eskom that will affect consumers across the board.

In addition, taxi operators are up in arms over the failed recapitalisation scheme; the increased fuel tax announced in the recent budget is still to filter through to the wider economy; and there is a continuing net loss of jobs, a substantial number of them from the workforces that built the recently completed football stadiums.

All this spells some very tough talking and almost certain industrial action over coming weeks and months as employers try to hold wage rises below double digits.

So while there is considerable interest in, and support for, the great Fifa circus, bread remains the priority for most workers. And while consumer inflation may officially dip below 6 percent, the real rise in the cost of living for the low paid, especially given transport costs, is usually much higher.

As far as the unions are concerned, it is not workers who are to blame for a crisis that has followed a lengthy period of the rich getting increasingly richer while national wealth continues to flow abroad. This has given added impetus to demands to resurrect the call for a basic living wage.

This basic wage call will be a central feature of a three-day 'national bargaining conference' starting on Monday in Johannesburg where the National Union of Metalworkers of SA (Numsa) has adopted the theme: 'Unite for decent work: decent work = living wage.'

In line with the living-wage argument, Numsa, together with the SACP, also this week adopted the more radical stance of pledging to 'drive a revolutionary agenda to restore the bulk of the wealth of our country to the people as a whole'.

But just what constitutes a living wage is open to debate. 'A very crude measure for a modest, low-level standard of living for a household of five would be R3 700 a month,' says Trenton Elsley, the deputy director of the Labour Research Service in Cape Town. However, he stresses that there are no contemporary benchmarks and notes that a large number of workers, even those in full-time employment, still earn much less than this.

The officially stipulated minimum wage for farmworkers over the past year, for example, was R1 231 a month and it is scheduled to rise, from this month, by inflation plus 1 percent, or about 8 percent. 'That would mean still less than R1 500 a month which, in anybody's language, is certainly not (a) living wage,' says Elsley.

Given such facts in these troubled times, it is best to ignore all the optimistic and jargon-ridden talk about the economy having turned; about it having reached the bottom of a 'V' or the second trough of a 'W' dip. On this score, there seems to be fairly widespread consensus among the major players.

On Tuesday in Cape Town, for example, representatives of labour, government and business seemed to agree that if there is any light at the end of this recessionary tunnel, it is a long way off. They also agreed broadly that the light may also not be reachable at all, unless some way is found out of the economic policy tunnel in which we are trapped.

In other words, we are in for a long haul and the way things are done in the economy will have to change if there is to be any hope of future stability and prosperity.

The point was made by Economic Development Minister Ebrahim Patel, Business Leadership SA chairman Bobby Godsell and Cosatu general secretary Zwelinzima Vavi at the Next Economy National Dialogue launched by Patel in association with the Cape Times and the SA New Economics Network (Sane).

It was also made, even more forcefully, last Saturday at gatherings in Johannesburg and Cape Town. These were regional meetings of the Conference of the Democratic Left (CDL), a loose alliance of small left-wing groups, community and campaigning organisations and some trade union representatives. Similar groups are scheduled to meet in KwaZulu-Natal and the Eastern Cape with the object of drawing up campaigning strategies to

be taken to a national conference, some time next month.

A prime focus for these groups, which are largely on the margins, as well as for the labour movement as a whole, is the electricity price hike. The three labour federations represented at Nedlac, the negotiating forum for government, business and labour, have already announced that a general strike is on the cards and this move has received broad support from unions and from the CDL groups.

The manner in which the tariff rise was agreed and the differential - and often confidential - rates paid by big business, in particular, the three aluminium smelters, have raised the ire of consumers across the board. Electricity could, therefore, become the catalyst for general protest. This was summed up by one enthusiastic comment at the Cape Town CDL gathering: 'Constantia and Sandton will march with Khayelitsha and Alex.'

And as Vavi has warned, it is not the union leaders, but the members who will decide when to take action and how long any action will last.

Lines are now being drawn, with the government, Business Leadership and Sane arguing that business, the government and labour are all in the same boat and share equal responsibility for finding solutions. However, this argument for a social compact is an old one and something that, in practice, has been tried - and has failed.

A substantial section of the labour movement, along with a hardline element within business, see calls for such a compact as a historical and, at best, naive. The dialogue may therefore continue, but it could be a dialogue of the deaf.

<http://www.radb786.co.za/index.php/news/3031-eskoms-world-bank-loan>

Eskom's World Bank Loan
Friday, 26 March 2010 12:22

According to Analyst Patrick Bond Eskom's bid for a World Bank loan 'is being pursued at a time of intense controversy surrounding Eskom's mismanagement. In its last annual reporting period, the company lost R9.7 billion, mainly due to miscalculations associated with hedging aluminium prices and the South African currency. Both the chair and chief executive office lost their jobs late last year amidst unprecedented acrimony.

Meanwhile, Eskom continues its inexpensive prices to several large export-oriented metals or mining multinational corporations, headquartered abroad - offering the world's cheapest electricity, heavily subsidised by all other - mainly poor - users in South Africa.'

Groundwork South Africa's Siziwe Kanile comments...

<http://www.radb786.co.za/index.php/news/3042-protests-mount-over-eskom-world-bank-loan>

Protests Mount Over Eskom World Bank Loan
Friday, 26 March 2010 21:01

Environmental watchdog Earthlife says a US\$ 3.7 billion World Bank loan to Eskom would have a negative impact on South Africa's carbon footprint.

The group protested outside the World Bank offices in Pretoria. It said the loan would also be unhealthy for people in the vicinity of the proposed coal-fired Medupi Power Station.

Earthlife organiser Makoma Lekalakala said for environmental and social reasons the World Bank must not grant the loan to Eskom.

3/26/2010 14:26:46

World bank's loan to Eskom would further destroy the climate

JOHANNESBURG - A US\$3.7 billion loan to Eskom from the World Bank would have further negative impacts on the environment, rights group Earthlife Africa said on Friday.

A group of protesters outside the World Bank offices in Pretoria, danced and sang for environmental justice and waved banners reading: 'World Bank you destroy our country' and 'Voetsek killer World Bank'.

Organiser Makoma Lekalakala said if the loan earmarked for coal fire stations, particularly the funding of the coal-fired Medupi power station in Limpopo, was approved in April it would lead to a doubling of carbon emissions.

It also stood in the face of an international obligation to mitigate climate change.

'Coal is not the future of generating electricity, we have got abundant renewable energy options,' she said, adding that there was also no political will to invest in these alternative options.

The World Bank would also be given the 'fossil fool award' for even considering the loan.

The award included a model made with an egg carton, a sandwich package, a toilet roll and a child's toy milk bottle.

Lekalakala said the model did not symbolise anything.

'We are just trying to say to them you are rubbish.'

The award would also include a certificate.

Earthlife said that in 2008 the World Bank and the International Finance Corporation had increased funding for fossil fuels by 102 percent, compared to the 11 percent for renewable energy.

At the bottom of the certificate it reads: 'Well done World Bank Group, You should be very proud, we hope you don't keep up the good work.'

This is the second fossil fool award handed out. Last year Sasol was given the 'prize'.

'They've got a responsibility towards the climate, we've got to remind them of that.'

-Sapa

Business Day

Scathing report on Moosa 'conflict of interest' at Eskom

LINDA ENSOR

Published: 2010/03/26 06:42:18 AM

Mushwana said Moosa's failings had not affected the awarding of the contract, which was confirmed by auditors. Moosa yesterday referred all inquiries to Eskom, whose spokesman was not available for comment.

ensorl@bdfm.co.za

African National Congress (ANC) veteran Valli Moosa acted improperly and with a conflict of interest when Eskom, under his chairmanship, awarded a R38,5bn contract for the Medupi power station to the Hitachi consortium in which the ANC has an interest, according to a public protector's report released in Parliament yesterday.

The ANC stood to benefit by up to R5,8bn through the 25% stake that its investment arm, Chancellor House, has in engineering company Hitachi Power Africa. The murkiness of the ANC's involvement in business through Chancellor House has long been a source of concern.

The finding against Moosa was made by former public protector Lawrence Mushwana, who has recommended that Public Enterprises Minister Barbara Hogan 'considers developing legislation to regulate the conducting of business between government entities and political parties'.

Mushwana found there was a conflict between Moosa's personal interest in the ANC (he was a member of its national executive and its finance committee at the time) and his duty towards Eskom when the Eskom board awarded the boiler contract to the Hitachi consortium.

'Mr Moosa failed to manage (the) conflict of interests in compliance with the conflict of interest policy of Eskom and therefore acted improperly,' Mushwana found.

Moosa rejected the claims of impropriety throughout the inquiry and declined to comment.

Mushwana said Moosa had failed to declare the specific conflict of interest with regard to the tender, beyond a general declaration of interests made regularly by Eskom directors. Also, he failed to excuse himself from the board's deliberations. Both these failings could have resulted 'in the reasonable perception that Mr Moosa was biased in respect of the ... award. As the chairperson it was reasonably expected of a person of the calibre of Mr Moosa to have led by example.'

Meeting between UK civil society and Susanna Moorehead, UK Executive Director to the World Bank 25 March 2010

Minutes|Bretton Woods Project|6 April 2010|url print|email |book mark del.icio.usDigg!Stumble UponRedditFacebookGoogle Book marksYahoo BuzzTweet this

Present

DFID: Susanna Moorehead, Executive Director; Bridget Crumpton, Team Leader, World Bank Team; Melinda Bohannon, Senior Policy Advisor; Siobhan Clifford, Policy Advisor.

NGOs: Robert Bailey, Oxfam; Ruth Davis, Greenpeace; Alison Doig, Christian Aid; Jesse Griffiths, Bretton Woods Project (BWP); Melissa Hall, ActionAid UK; Amy Horton, BWP; Ama Marston, BWP; Alessandra Masci, Amnesty; Aaron Oxley, Results UK; Tom Picken, Friends of the Earth.

1. Energy strategy review
2. Possible World Bank loan to Eskom in South Africa, including coal plants

1. Energy strategy review

Main NGO points

* The Bank's rhetoric on access and low-carbon is not matched by its investment portfolio, staff structure, weak definition of clean energy, and neglect of different approaches to increasing access. There is a need for political guidance to produce a step change - the UK should use its influence and help build a coalition for change including drawing on southern civil society support.

* The Bank should have a clear, limited and focussed energy strategy that focuses on energy access for the poorest and helping countries move towards a low-carbon trajectory. Development doesn't have to be carbon intensive - there's a need for a holistic view including cost, health and gender impacts, spill-overs with jobs - as with food security. The Bank is mandated to alleviate poverty, but high-carbon investments can disable development in other countries and in the longer-term.

* Much of civil society questions Bank role in climate finance - need for UN-mandated solution. Developing countries point out that climate finance should cover the costs of a transition to low-carbon development. In the climate investment funds (CIFs), there must be proper support for civil society involvement in decision making and monitoring.

Susanna Moorehead

* The Bank's consultation on its Energy Strategy in London on 12 April is very welcome. There is a lot of agreement between the UK's position and that of NGOs, but there's a need for a better narrative to convince others. In particular, we need to heed opinions of developing country governments as the Bank is a sovereign lender. The country led approach is important and means the Bank can't impose solutions. There is time to construct the case for change - the new strategy will not be agreed until early next year. The more specific we are, the more influence we'll have.

* The White Paper 'stretch' target will be the basis of the UK government's contribution to the Energy Strategy consultation. The UK government wants a more strategic role for the Board and greater accountability for Bank management, which would enable us to address the issue of the Bank's reputation for funding certain forms of energy.

* The consultation on 12 April will be an opportunity to hear views from developing countries and emerging economies. It would be interesting to hear more from Southern NGOs.

* We're very aware of the concerns about the CIFs. The UK wants to be innovative, take risks, and gather evidence about the effectiveness of different types of climate finance. No agreement has been reached on the Bank's overall role in climate finance, and the Bank is careful not to interfere with wider negotiations about the overall global architecture.

* Action: DFID to organise follow up meeting between NGOs and DFID climate change staff

* Action: DFID to arrange follow up meeting with NGOs and DFID energy policy leads.

2. Possible World Bank loan to Eskom in South Africa, including coal plants

Main NGO points

* We are supporting the call of partners in South Africa for the UK to vote against this loan.

* Supporting the loan would not be consistent with the UK's target for the Bank on clean energy or the upcoming Post-Copenhagen Prospectus.

* It might help some industries which have contractual access cheaper energy but not support energy access because of tariff rises for the poor.

* Alternative energy sources have not been properly explored or pledged matched funding as required by the Bank's Strategic Framework for

Development and Climate Change, though there is considerable potential for renewable energy.

* The loan would be part of a country-systems pilot; a recent gap analysis suggests that Eskom would be responsible for planning for associated resettlement but has not yet done so.

Susanna Moorehead

* The UK hasn't decided how it will vote on Eskom on 8 April. Background papers were only released last Friday. We are looking into these issues but want to make sure we're answering all of the right questions.

* Action: DFID to organise a follow up meeting [this took place on 26 March] and reply on the specific points raised.

Fin24.com

Cheap tricks used to get loan for Eskom
March 25, 2010

The government has been using cheap tricks to ensure that electricity parastatal Eskom gets a R28 billion loan from the World Bank, environmental group Earthlife Africa Jhb said on Thursday.

Part of the loan would be used for the completion of the coal-fired Medupi power station, it added in a statement.

Earthlife Africa Jhb said that Public Enterprises Minister Barbara Hogan had warned that without power in the system, SA could say goodbye to the economy and to the country.

'However, taking the loan could be more disastrous for the country both in terms of the economy as well as greenhouse gas emissions.

'It is a fact that the conditions that are imposed with a World Bank loan have often resulted in policy restrictions and worsening of poverty,' Earthlife Africa Jhb said.

It added that in many developing countries, debt servicing had diverted scarce resources needed to improve health, education and nutritional services to the poor.

The financial danger of a World Bank loan was that the SA currency would crash -- as it had five times since 1996 -- hence making repayment much more expensive since the loans were not repaid in rand but in dollars,' the organisation said.

In addition, the World Bank loan would sink South Africa into much deeper 'Climate Debt' to Africa, Earthlife Africa Jhb said.

According to the organisation, the World Bank's loans within the energy sector did not support developing countries' transitions towards a low-carbon development path.

'In fact, it seems as if the World Bank fossil fuel lending is on the rise with very little being done to incentivise for a reduction in financing for fossil fuels.'

Earthlife Africa Jhb said that instead of expanding its coal facilities, Eskom should engage in serious demand side management, beginning by phasing

out electricity to smelters that had little linkage with the South African economy and that were capital rather than jobs-intensive.

'Concrete plans should be made for a just transition, so as to provide alternative, well-paid green jobs.

'At the same time, the special purchase agreements should be disclosed to the public and opened for renegotiation.'

Earthlife Africa Jhb added that the freed up energy should be redistributed to provide for a much larger lifeline supply of universal free basic electricity with a rising block tariff to encourage conservation.

This would improve spinning margins, which would buy time for a switch into renewable energy technologies.

'Finally, there should be a greater focus on renewable energy technologies rather than coal-fired power stations, as the optimal development path for Southern economies, creating more jobs, building local manufacturing capacity, and avoiding the environmental mistakes of Northern countries,' the organisation added.

It said the World Bank's loan would commit SA to fossil fuel based energy for the next 20 to 40 years.

'As such when developing countries eventually take on greenhouse gas emissions reduction targets, the World Bank's current approach to energy will make meeting these targets more difficult and costly for these countries.'

According to Earthlife Africa Jhb, it was time that the World Bank was held accountable for funding environmentally harmful coal power and the unrealistic loan conditions placed upon developing countries.

The World Bank was expected to make a decision on the loan to South Africa next month. - Sapa

POWER & ALUMINIUM

Aluminium smelters have yielded 'enormous' benefits, study shows

<http://www.engineeringnews.co.za/article/aluminium-smelters-have-yielded-enormous-benefits-study-shows-2010-03-25-1>

By: Matthew Hill
25th March 2010

A previously confidential report, which has been released to Engineering News Online, offers an entirely different take on the value of BHP Billiton's aluminium smelters in Southern Africa, which critics largely blame for South Africa's prevailing power constraints.

The 176-page Econometrix study claims that the smelters have yielded 'enormous' benefits to the region and defends the power supply contracts with Eskom, which opponents describe as iniquitous, as having been pursued correctly when South Africa had surplus electricity capacity.

Details of the report, which was commissioned in 2008 by BHP Billiton, arise as the matter has become the subject of a court case and a Parliamentary enquiry. They also follow on from an Eskom assertion that the commodity-linked deals are 'unsustainable'. In fact, the utility attributed the bulk of its record near R10-billion loss of 2008/9 to its contracts with the smelters, which reportedly consume as much as 5% of the country's power.

The smelters became the focus of public outrage at the height of South Africa's 2008 load-shedding crisis, when then Standard Bank chairperson Derek Cooper controversially suggested that the system could be immediately stabilised if Eskom simply ended its generous supply arrangement with BHP Billiton.

The resources giant has three aluminium facilities in the region: Hillside (commissioned in 1996) and Bayside (commissioned in 1971, with an expansion in the early 1980s) are located in Richards Bay; and Mozal (built between 1998 and 2002) is in Maputo, Mozambique.

Under the terms of its contract with Eskom, BHP Billiton pays less for power when the aluminium price falls and more when it climbs. For Eskom, the economic crisis of 2007 and 2008, which led to precipitous declines in commodity prices, including

the price of aluminium, blew in the perfect storm, with large chunks of power reportedly supplied to the smelters at below cost.

Eskom and government are currently trying to renegotiate these controversial contracts, but a veil of secrecy has been thrown over the details of these discussions.

Meanwhile, the Econometrix report, which was commissioned by BHP Billiton in 2008, when the aluminium price was high, and the rand relatively weak, paints a positive picture of the contribution of the smelters.

At the time of publication, authors Tony Twine and Robert Jeffrey wrote that the 'benefits have had a very broad impact and reach, far beyond and more extensively than the relatively narrow reach of many labour-intensive local and regional development projects.'

The report concludes that the industry has played and continues to play an important role in the region and contributes substantially to the overall economic performance of South Africa.

The smelters employed more than 3 200 employees and 2 800 contractors when the report was written, contributing R1,3-billion in corporate tax to the South African and Mozambique governments. In total, it was estimated that about 100 000 South African citizens depended on the Bayside and Hillside smelters for their livelihoods.

Foreign currency earned from exports, meanwhile, was more than R21-billion. Therefore, even after imports of about R9-billion, the direct positive impact on the Southern African regional current account of the balance of payments in 2007 was estimated to be R12-billion, excluding the flow of dividends abroad.

In sum, the warning was that should the smelters be starved of power, the region would lose valuable export earnings, which would have a big impact on the country's balance of payments. Together, Econometrix estimated that the facilities comprised around 1% of gross regional product. 'Mozal is Mozambique's largest foreign exchange earner, generating 53% of its earnings,' Twine and Jeffrey wrote.

However, the picture has altered substantially since 2008. The aluminium price collapsed from over \$3 000/t in 2008 to some \$1 300/t in March 2009,

leading to the now notorious embedded derivative losses at Eskom. The price is currently around \$2 200/t.

The much lower reserve margin led to the load shedding of 2008, as higher demand bumped into serious supply-side problems, precipitated by low coal stockpiles.

But Econometrix asserts that the tighter supply/demand balance was not due to excessive demand growth, or a sudden increase in demand caused by the smelters. 'Rather, it is a supply problem, which should have been planned for and solved prior to 2004.'

Should BHP Billiton now be punished for government's failure to plan properly?

The report argues that the answer should be a resounding no. It even avers that the decision to proceed with the development of the aluminium industry was, 'at that stage in the country's development, correct'.

'The government must minimise the damage to all goods-producing industry in the country and the aluminium smelting industry should not be prejudiced in any rationing process,' it said, referring to calls for the smelters to be shut.

'The benefits of the aluminium smelting industry are enormous, in terms of jobs created, taxes paid, foreign currency earned, community contributions and purchases from local suppliers.

'The industry is a sound and long-term contributor to the economy and adds considerable value to a resource, which South Africa has in plentiful supply, namely coal.'

Edited by: Terence Creamer

Press Release:
Eskom's World Bank Loan - A Climate Shame!

Earthlife Africa Jhb
25th of March 2010

The World Bank is expected to make a decision on the loan to South Africa in April 2010. The loan comprises US\$3bn to pay about a fifth of Medupi's costs, another US\$260 million for renewable energy projects (wind and concentrating solar power), and US\$490m for low-carbon energy efficiency projects and transportation improvements.

Earthlife Africa Jhb will be holding a demonstration to voice its opposition to the World Bank loan to South Africa. Earthlife Africa Jhb will also be awarding the Fossil Fool Award of 2010 to the World Bank for financing fossil fuel projects. The demonstration will be held as follows:

Date: 26 March 2010
Time: 10:00 - 13:00
Venue: World Bank Offices, 442 Roedericks Road, Lynwood, Pretoria

The South African government has been using blackmail and cheap tricks to ensure that the country gets the WB loan. Minister Hogan has said that without the power in the system, SA can say goodbye to the economy and to the country. However, taking the loan could be more disastrous for the country both in terms of the economy as well as GHG emissions. It is a fact that the conditions that are imposed with a World Bank loan have often resulted in policy restrictions and worsening of poverty. In many developing countries, debt servicing has diverted scarce resources needed to improve health, education and nutritional services to the poor. The financial danger of a World Bank loan is that the SA currency will crash (as it has five times since 1996), hence making repayment much more expensive (since the loans are not repaid in rand but in dollars), hence adding to the extreme cost burden poor South Africans will face.

In addition, the World Bank loan will sink South Africa - into much deeper 'Climate Debt' to Africa. The World Bank's loans within the energy sector do not support developing countries' transition towards a low-carbon development path. In fact, it seems as if the World Bank fossil fuel lending is on the rise with very little being done to incentivise for a reduction in financing for fossil fuels. Instead of expanding its coal facilities, Eskom should engage

in serious demand side management, beginning by phasing out electricity to smelters that have little linkage with the South African economy and that are capital- rather than jobs-intensive. Concrete plans should be made for a 'just transition', so as to provide alternative, well-paid 'green jobs'. At the same time, the special purchase agreements should be disclosed to the public and opened for renegotiation. The freed up energy should be redistributed to provide for a much larger 'lifeline' supply of universal Free Basic Electricity - with a rising block tariff to encourage conservation to improve spinning margins, which will buy time for a switch into renewable energy technologies. Finally, there should be a greater focus on renewable energy technologies rather than coal-fired power stations, as the optimal development path for Southern economies, creating more jobs, building local manufacturing capacity, and avoiding the environmental mistakes of Northern countries. Furthermore, the Bank's loan will commit SA to fossil fuel based energy for the next 20 to 40 years. As such when developing countries eventually take on GHG emissions reduction targets, the World Bank's current approach to energy will make meeting these targets more difficult and costly for these countries.

It is time that the World Bank be held accountable for funding environmentally harmful coal power and the unrealistic loan conditions placed upon developing countries. The Earth can no longer wait, we have to stop this environmental injustice now!

For more information please contact:

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Earthlife Africa Jhb Tel: 011 339 3662

The Mercury

Light and dark side of the Eskom loan debate

The course we have chosen is the responsible way forward

March 24, 2010 Edition 1

Pravin Gordhan

TODAY, the South African economy is two-thirds larger than it was in 1994, when Nelson Mandela took office as the country's first democratically elected president. With this growth has come strong new demand for electricity. Millions of previously marginalised South Africans are now on the grid. Unfortunately, as in other major emerging economies, supply has not kept pace.

Reserve margins are increasingly tight - too tight for an energy-intensive economy such as South Africa's, whose mines and factories rely on steady supplies of competitively priced power. South Africa has weathered the global downturn better than many richer countries, but the majority of our people remain poor and unemployment stands at an unacceptable 24 percent. To sustain the growth rates we need to create jobs, we have no choice but to build new generating capacity - relying on what, for now, remains our most abundant and affordable energy source: coal.

Because this is not the most auspicious time for our energy utility, Eskom, to be looking to finance a \$50 billion (R366bn) capital programme, we are approaching sources of funding we have hitherto left untapped, including the World Bank, the African Development Bank and the European Investment Bank.

But our application for a \$3.75bn World Bank loan faces stiff opposition. A strong body of opinion holds that multilateral development banks should be discouraged from funding coal-burning power projects with carbon dioxide emissions that contribute to climate change. We share this concern but, after careful consideration, have concluded that the course we have chosen is the only responsible way forward.

The bulk of the loan, or just more than \$3bn, will go toward the construction of a 4 800MW power station at Medupi in South Africa's Limpopo province.

This plant, the first of its kind in Africa, will use some of the most efficient, lowest-emission coal-fired technology available. The rest of the loan, \$745 million, will be invested in wind and concentrated solar-power projects, each generating 100MW, and in various efficiency improvements.

Compromise

South Africa takes climate change and the need to reduce fossil fuel emissions extremely seriously. Working with Brazil, India and China, we helped to craft the compromise that saved December's UN climate change conference in Copenhagen from ending in deadlock. In thanks, US senator John Kerry, chairman of the Senate foreign relations committee, called us and our partners 'the four horsemen of a climate change solution'.

We are taking concrete action that will push our carbon emissions 34 percent lower in 2020 than they would have been otherwise and 43 percent lower in 2025, with net reductions kicking in 10 years after that. We are using every tool at our disposal - legislative, regulatory and fiscal - to promote clean and renewable energy.

If there were any other way to meet our power needs as quickly or as affordably as our present circumstances demand, or on the required scale, we would obviously prefer technologies - wind, solar, hydropower, nuclear - that leave little or no carbon footprint. But we do not have that luxury if we are to meet our obligations both to our own people and to our broader region. South Africa generates more than 60 percent of all electricity produced in sub-Saharan Africa.

Our neighbours - Botswana, Lesotho, Namibia, Swaziland and Zimbabwe - all rely on Eskom for their electricity. They face the same growth constraints that we do. Their factories and businesses, hospitals and schools, and their ability to provide basic services all depend on Eskom-generated power.

A question that has to be faced is whether stunting growth prospects in our region will in any way serve the goal we all share of eliminating greenhouse gas emissions over the long term. Whatever paths we take towards that goal - whether shifting to renewables and nuclear, or finding ways to keep harmful gases out of the atmosphere once created - the journey will inevitably be costly, requiring massive investments in technology, research and re-engineering the ways in which we live and do

business. It will also require a true spirit of consensus and collaboration.

Neither of these requirements will be well served by hampering the transitional measures that developing countries like ours need to take to get themselves on sustainable growth tracks and generate the resources they need to play their part in preserving our planet.

Pravin Gordhan is the Minister of Finance. This article first appeared in The Washington Post

The Mercury

World Bank loan may well prove to be a Faustian deal

March 24, 2010 Edition 1

David Hallowes

THE World Bank's board meets shortly to decide on a \$ 3.75 billion (R28bn) loan for Eskom's new build programme. Noting the impact of the blackouts and the financial crisis, the bank argues that the loan is needed to expand electricity production.

It says the loan will bring financial stability to Eskom, support future economic growth, contribute to poverty alleviation and help South Africa on to a 'low carbon path'. Civil society groups dispute each of these terms and are campaigning to stop the loan.

Energy Minister Dipuo Peters says such opposition is unpatriotic while Public Enterprise Minister Barbara Hogan says the economy will go to hell without the loan.

The public first heard of the loan in August, 2008, just as the commodity boom turned to bust. Earlier that year, Wall Street credit ratings agencies - the watchdogs of global capital - put Eskom on 'negative watch'.

With credit drying up, then finance minister Trevor Manuel had already given the utility R60bn. But the ratings agencies were looking for a steep increase in the price of electricity to support funding for the expansion.

Eskom applied to Nersa for a 60 percent hike but was granted 27 percent. Eskom's credit rating was then downgraded, so raising the cost of capital on international finance markets. News of the loan was fed to the media the next day with the bank cast as saviour.

The bank required Treasury guarantees on the loan. The rating agencies also wanted 'unconditional and irrevocable' guarantees before reconsidering Eskom's ratings.

Treasury obliged. Manuel's 2009 Budget provided for R°bn of loan guarantees for Eskom. The risk was now shifted to the public purse but, with the five-year capital expenditure on the new build rising

in giant steps from R84bn in 2004 to R460bn now, a cavernous funding gap remained.

Eskom's latest tariff application was calculated to bring in the money to pay off the global creditors and close the gap. It didn't get what it asked for but, for the five years from 2007 to 2012, Nersa has given it increases that total up to 137 percent above inflation.

In February, 2009, World Bank president Robert Zoellick used the Eskom loan as an example of scaled-up assistance to African countries affected by the financial crisis.

The bank, widely loathed for dictating structural adjustment policies, was now represented as the friend-in-need.

Whether South Africa will do so well is questionable. In taking on the debt, the Treasury is making a double bet: that future economic growth and the continuous expansion of the energy system will more than cover repayments; and that the volatile rand will hold its value.

Otherwise the debt becomes a trap as it did for many southern economies in the 1980s. The odds on the first bet look long. The stupendous sums of money thrown at the world's banks may restore the bubble boom for a while but do not address the causes of an economic depression that is still developing.

Further, 'green shoots' are liable to be strangled as oil supplies tighten during this decade. The second bet then looks even worse. Debt repayments will escalate if the rand crashes as it has done repeatedly since 1994.

Alleviating poverty:

Cost recovery is integral to the World Bank's view of sustainability. It claims that 'access to modern energy' is critical to its core mission of fighting poverty and best provided by the private sector. Commercial terms are necessary to attract private investment and enforce payment discipline.

The bank gets around the problem of how people without money will pay market rates by ignoring it.

Its actual projects have nothing to do with supplying local people but are overwhelmingly about getting the resources out to the global markets.

With the loan facing opposition, the government and the World Bank are endlessly repeating the claim that the giant new build power stations are needed to provide electricity to the poor. As successive community representatives testified to Nersa, many people will be pushed into poverty by the doubling of their bills.

The new build in fact has little to do with household demand. It is primarily designed for bulk power supply to the energy intensive industries and mines which consume over 60 percent of electricity.

While the cost to households is relatively high and higher still for poor people on pre-paid systems, the cost to industry is the lowest in the world.

The very biggest users are the metal smelters supplied under long-term contracts at rates below the cost of production. These customers are altogether exempt from the tariff increase rises. Their rather significant share of the cost of the new build is thus transferred to all other consumers.

We are now told that the Department of Energy can't get it together to produce the Integrated Resource Plan which defines the future power system.

So Eskom will be joined by Anglo American, Billiton and Xstrata - all coal miners and the first two the largest of the intensive energy users - to do it for them. There's patriotism. The state in the service of corporate capital.

Low carbon:

Globally, the World Bank has claimed a leading position on funding sustainable development and addressing climate change in particular. This is rather remarkable.

In the 1980s, the US instructed the bank to invest in oil, coal and gas extraction to expand the supply to northern markets and undermine Opec's control of prices. It has never let go of this agenda.

In 2000, it initiated the Extractive Industries Review in response to criticism from civil society organisations that its lending to oil, gas and mining projects contradicted its stated mission of alleviating poverty.

The review came back with the wrong answer. It found that poverty alleviation was neither the goal

nor the outcome of the bank's lending and recommended phasing out funding for oil and coal and focusing on sustainable energy. The bank ignored it and increased fossil fuel lending.

It now touts the loan as helping South Africa on to a low-carbon growth path. There is nothing 'low-carbon' about Eskom's new build.

It is centred on Medupi and Kusile which will be the fourth and third largest coal-fired power stations in the world.

South Africa is one of the most carbon-intensive economies in the world and Eskom accounts for over 40 percent of its emissions. Eskom's coal experts say national demand, largely driven by the power sector expansion, must increase to 374 million tons a year by 2018. This implies about 670 million tons of CO2 from coal alone compared with total national emissions of 440 million tons in 2004.

Greenhouse gases aside, Eskom is a major league polluter of local environments. With no sulphur dioxide scrubbers on any of its power stations, its emissions are unmitigated. Medupi was planned without scrubbers on the rationale that there is a 'relative lack of pollution' around Lephalale. In fact, ambient SO2 standards there are already exceeded and Eskom's existing Matimba power station is the main source. Miners and power workers in Marapong village are most directly affected.

The bank says Eskom has now committed to retrofitting Medupi in 2018. But scrubbers need lots of water and Lephalale is dry. Water Affairs promises to deliver the water but has not concluded feasibility studies. Come 2018, Eskom may well say that installing scrubbers is not feasible. Supplying the coal for power sector expansion will require 40 new mines.

The streams and rivers around Witbank, where Kusile is under construction, are already ruined by acid mine drainage. Sulphate salts are so thick on the water of the Brugspruit where it flows through the township of Maguqa that the stream looks like it has been snowed over.

Increased production has already driven mining development into the Mpumalanga Lake District where it threatens the source of three major river catchments - the Vaal, the Usuthu and the Komati.

When ministers talk of patriotism, they invariably mean critics should shut up. But opposition to the

Eskom deal is growing. It includes South Africans appalled by the social and environmental costs, and the escalating carbon emissions threatening their survival. Trade unions want an economy that creates meaningful work, and international and local groups are opposed both to the World Bank's fossil agenda and to its use of debt to dictate policy in the South in the interests of global capital.

Dave Hallows is an independent researcher who works with environmental justice organisations.

Washington Times

March 24, 2010

Obama keeps Africa in the dark

Warmist policies kill a million a year

By Roy Innis and Niger Innis

'I see Africa as a ... partner with America on behalf of the future we want for all of our children,' President Obama declared in Ghana last July.

However, three months later, the president signed an executive order requiring that the Overseas Private Investment Corp. (OPIC) and other federal agencies reduce greenhouse gas emissions associated with their projects by 30 percent over the next 10 years. The order undermines the ability of sub-Saharan African nations to achieve progress in energy and economic and human rights.

Ghana is trying to build a 130-megawatt, gas-fired power plant to bring electricity's blessings to more of its people, schools, hospitals and businesses. Today, almost half of Ghanaians never have access to electricity, or they get it only a few hours a week, leaving their futures bleak.

Most people in Ghana are forced to cook and heat with wood, crop wastes or dung, says Franklin Cudjoe, director of the Imani (Hope) Center for Policy and Education, in Accra. The indoor air pollution from these fires causes blindness, asthma and severe lung infections that kill a million women and young children every year. Countless more Africans die from intestinal diseases caused by eating unrefrigerated, spoiled food.

But when Ghana turned to its U.S. 'partner' and asked OPIC to support the \$185 million project, OPIC refused to finance even part of it - thus adding as much as 20 percent to its financing cost. Repeated across Africa, these extra costs for meeting 'climate change prevention' policies will threaten numerous projects and prolong poverty and disease for millions.

Sub-Saharan Africa is home to 800 million people, 80 percent of whom live on less than \$2.50 per day. More than 700 million people - twice the population of the United States and Canada combined - rarely or never have access to the lifesaving, prosperity-creating benefits of electricity, Mr. Cudjoe notes.

Even in South Africa, the most advanced nation in the region, 25 percent of the populace still has no electricity. Pervasively insufficient electrical power has meant frequent brownouts that have hampered factory output and forced gold and diamond mines to shut down because of risks that miners would suffocate in darkness deep underground. The country also suffers from maternal mortality rates 36 times higher than in the United States and tuberculosis rates 237 times higher.

And yet Mr. Obama told his Ghanaian audience last July that Africa is gravely 'threatened' by global warming, which he argues 'will spread disease, shrink water resources and deplete crops,' leading to more famine and conflict. Africa, he says, can 'increase access to power while skipping - leapfrogging - the dirtier phase of development,' by using its 'bountiful' wind, solar, geothermal and biofuels energy.

The president made these remarks before the scandalous 'Climategate' e-mails were made public and headline-grabbing claims about melting glaciers, burning Amazon rain forests and disappearing African agriculture were shown to be mere speculation and exaggeration from climate activists. He also is getting awful advice on climate change and renewable energy.

Literally thousands of scientists disagree with claims that we face an imminent man-made global-warming disaster or that warming is connected to disease or harvests. Africa has faced drought, famine and disease since before biblical times, and armed conflict is far more likely where a lack of electricity perpetuates poverty, scarcity and dashed hopes.

Wind and solar power can help remote villages but are too costly, intermittent and land-intensive to meet the needs of emerging economies. A single turbine requires 700 to 1,000 tons of concrete, steel, copper and fiberglass - far more raw materials than involved with coal- or gas-fired power plants, generating equal amounts of electricity far more reliably and cheaply. And biofuels mean dedicating scarce farmland and famine-level crops to producing energy.

That is why rapidly developing nations like China and India are building power plants at the rate of one per week. In India alone, 400 million people still have no electricity; tens of millions more have it only a few hours a day. Nearly all this electricity must be based on coal.

Wind power is constrained by high cost and limited reliability. Nuclear energy faces major cost and political obstacles. To electrify India in the absence of coal, the country would have to find 14 trillion cubic feet of natural gas, build 250 nuclear power plants or construct the equivalent of 450 Hoover Dams, Penn State University professor Frank Clemente calculates. Those alternatives are unrealistic.

Blessed with abundant supplies of coal, South Africa has applied for a World Bank loan to continue building its 4,800-megawatt Medupi power plant. The Medupi plant would be equipped with the latest in 'supercritical clean coal,' pollution control and 'carbon capture' technologies.

However, the project and loan have run into a buzz saw of opposition, led by the Center for American Progress, AfricaAction, Friends of the Earth and Sierra Club. These radical groups claim to champion justice and better health for Africa but oppose the very technologies that would make that possible.

'Telling Africans they can't have electricity and economic development - except what can be generated with wind turbines or solar panels - is misguided at best and immoral at worst,' Mr. Cudjoe declares.

The proposed Ghanaian and South African power plants already leapfrog dirtier development phases by providing state-of-the-art pollution-control technology. The energy alternatives Mr. Obama envisions would do little to address the desperate crises that threaten Africans' health, welfare and lives.

China and India are showing Africa the way forward. Those of us in already developed countries should support Africa's aspirations - and help it address real health and environmental problems by using affordable, dependable energy that truly is the lifeblood of modern societies and the key to a better future for children everywhere.

Roy Innis is national chairman of the Congress of Racial Equality. Niger Innis is national spokesman for CORE and co-chair of the Affordable Power Alliance.

The Mercury

Durban holds implementation

Power pricing system problems
March 24, 2010 Edition 1

Tony Carnie

THE new 'more you use, more you pay' electricity price system for households is unlikely to start in Durban this year because the city cannot calculate exactly how much power its 600 000 residential customers use every month.

The new rising block tariff system, in which customers are charged escalating prices based on their monthly volume of electricity use, was announced by Nersa, the energy regulator, last month and is due to come into force on July 1 for households which get power supplies from municipalities.

However, eThekweni city treasurer Krish Kumar said yesterday that the new system posed a number of 'technical challenges' and it might not be possible for the city to meet the July deadline.

According to Roy Wienand, the city's deputy head of electricity, the main problem in Durban is that there are nearly 100 vending stations where people can buy prepaid electricity.

'Not all the vending stations are connected online to our computer system because they were not designed for the new rising block system. When a prepaid coupon expires, customers simply buy new coupons... there is no way we can tell immediately how much a particular prepaid customer has used over the last 30 days - and if you don't have that accurate information it is not possible to implement the rising-block system.'

The municipality already supplies the first 50kWh of electricity free to all customers (Block 1).

Under the new system, Block 2 escalating charges kick-in from 50kWh-350kWh, Block 3 from 350kWh-600kWh and the most expensive Block 4 tariff for people who use more than 600 kWh a month.

Under the new system there would also be the extra cost of having to read meters more frequently than once a month.

'We understand that Eskom itself and several other municipalities have similar problems and that Nersa is considering a grace period to accommodate these challenges,' said Wienand.

Nersa spokesman Charles Hlebela said last night that Nersa would be 'interacting' with municipalities to try to iron out the challenges.

Asked what solutions might be used if municipalities were unable to meet the deadline, Hlebela said: 'There will probably be some municipalities which face challenges, but we hope a resolution will be found during our interactions with the municipalities concerned.'

Eskom spokesman Andrew Etzinger confirmed that Eskom also faced problems in calculating monthly consumption for prepaid customers.

'However, we will comply and make the necessary changes to accommodate the rising block tariff system - but it will take a couple of months.'

Hike

Meanwhile, Durban electricity tariffs are expected to rise by 'an average' of 28 percent from July.

Kumar said the city had submitted proposals to Nersa on new tariff structures for different customer categories, but the final tariffs had not been finalised by Nersa.

However, residential customers have historically been charged considerably more than large Durban industries supplied via the eThekweni municipality.

In the 2008/2009 financial year, Durban charged its bulk industrial customers an average of 34c/kWh, while private suburban homes paid 49c and prepaid meter homes paid 51c.

Eskom's current 'average price' for electricity of 33.6c will rise to 41.6c from April 1.

Meanwhile, Anna Cox reports that the City of Joburg is intending to increase the cost of electricity to residents by 18 percent - six percent less than it will be paying for it from Eskom. But this is still double its electricity tariff increase last year.

According to Joburg's draft tariff increases, which will be released on Friday, City Power is expected to charge residents 18 percent more for electricity.

The Mercury

Big industries will contribute less

Residents to subsidise electricity for poor areas
March 23, 2010 Edition 1

Tony Carnie

SUBURBAN residents will pay through the nose to subsidise cheaper electricity prices for poor communities, but it appears big industries will pay much less towards the subsidy bill.

From July 1, all residential customers will be subject to a new inclining block rate tariff, which works on the principle 'the more you use, the more you pay'.

But big industry, mining and commerce would be exempt from this, Eskom spokesman Andrew Etzinger confirmed at the weekend.

Under the new inclining block system, Durban residents who now pay a flat rate of 64c a kilowatt-hour will find themselves paying somewhere between 83c/kWh and 90c/kWh if they use more than 600kWh a month (see table).

The extra revenue from higher-consumption residential customers will be used to soften the impact of the latest Eskom power price hikes in poorer communities.

Eskom says on its website that the inclining block system is commonly used already by municipalities to charge for water bills.

'The principle here is that the more you use, the more you pay, i.e. the pricing signal is that higher consuming residential customers will pay at a higher rate for their electricity. Ultimately the intent is to encourage energy conservation while at the same time achieving cross-subsidisation of the low-income customers.'

Eskom has yet to explain why the inclining block system has been applied selectively to residential customers only, apparently in direct contravention of the government's own electricity pricing policy and the fact that households use only 18 percent of Eskom's total output compared to 76 percent used by industry, mining and commerce.

According to the Electricity Pricing Policy (EPP) of December, 2008, the latest energy white paper published by the Minerals and Energy Department,

all electricity tariffs should become cost-reflective over the next five years and all forms of discriminatory pricing practices should be identified and removed, or be reflected transparently.

While the policy recognises the need to subsidise electricity for poor communities, the EPP states: 'The impact of such cross-subsidy must be pooled over all customers in the licensee (Eskom), not only on domestic customers, and should be shown transparently as a c/kWh levy on consumption.'

Eskom has not responded so far to questions from The Mercury on the apparent discriminatory tariffs, referring queries instead to Nersa.

However, according to tariff structure details posted on the Eskom website on Friday, the cost of subsidising electricity for poor communities has led to a R1.32 billion shortfall in Eskom revenue over the 2010/11 financial year.

In order to pay for the shortfall, the new sliding block tariff has been introduced for residential customers, while the tariffs for large industrial and business customers would also be increased. Eskom said this shortfall would be recovered from industry and business tariffs and a 'small' subsidy from residences.

In the case of large businesses, tariffs would rise by about 1.5c/kWh or by 4.6 percent of the overall 28 percent tariff increase.

Explanation

The latest tariff explanations on the Eskom website do not provide a cents/kWh breakdown of what residential customers will pay towards the low-income power subsidy, nor the percentage breakdown the residential sector will contribute to the subsidy compared to industry and other customers.

However, according to tariff guidelines published by Nersa last month, the new sliding scale tariffs translate into an effective increase of at least 35.8 percent for residential customers who use more than 600kWh a month.

Eskom said yesterday that the majority of its customers used less than 1 000kWh a month. However, this does not take into account residential customers supplied by municipalities.

When The Mercury contacted Nersa last week for comment on the apparent discrimination, Nersa full-time regulator member Thembani Bukula said: 'It is not accurate to assume or make the assertion that the cross-subsidy is 'selectively burdening a narrow band of residential customers' without the correct and appropriate information.' He did not elaborate.

Meanwhile, IFP leader Mangosuthu Buthelezi has also hit out at Eskom over its 'scandalous' electricity deals with some large companies.

Speaking in Estcourt yesterday, Buthelezi said: 'Even though on this Human Rights Day we are all aware that we are entitled to equal access to basic services, the poorest of our people are still being forced to pay proportionally more for electricity than the rich, because the government has allowed Eskom to fund its building programme through levies rather than through government's budget process.'

The price hikes over the next three years would put the benefit of electricity beyond the reach of many South Africans.

'The frustration and pain this brings is multiplied by the scandalous news recently revealed in the media that Eskom has secret deals with some large corporations, which allow them to pay substantially less for electricity than the average consumer.

'Where does this leave the many taxpayers who are already suffering? And what is worse, the ruling party has equity in Eskom through Hitachi.

'The burden of all of these things is borne by the poorest of the poor, whose plight they claim they are concerned with,' Buthelezi said.

South Africa: Coal-Fired Denialism

AfricaFocus Bulletin Mar 23, 2010 (100323)
(Reposted from sources cited below)

Editor's Note

With a request for a \$3.75 billion World Bank loan for a new coal-fired power plant, South African political leaders seem determined to entrench a policy on climate change that disregards clear evidence of catastrophic consequences, echoing the earlier disastrous policies of former President Thabo Mbeki on AIDS. But opposition is mounting to the current plan, which would consolidate South Africa's Eskom as the continent's leading producer of greenhouse gases.

South African Finance Minister Pravin Gordhan defended the plan in a March 22 op-ed article in the Washington Post, contending that alternate energy sources were not practical to meet the country's power needs. But critics say that the power is primarily intended to benefit large multinational companies, rather than South African consumers, and that Eskom has an abysmal record of mismanagement and indifference to public needs. Critics of the loan include not only a large South African civil society coalition, but also international groups and even the U.S. Treasury.

This AfricaFocus Bulletin contains the February 16 statement by over 200 South African and other African organizations opposing the loan, and two recent background articles, one by Lori Pottinger, Africa specialist for the International Rivers Network and the other by Patrick Bond, director of the Centre for Civil Society in Durban, South Africa.

Opposition to the loan in South Africa is being coordinated by Groundwork South Africa (<http://www.groundwork.org.za>).

Africa Action is among U.S. groups that have joined the campaign to stop this World Bank loan. For more information on options for action, visit <http://www.africaaction.org/no-coal-loan.html>

The Sierra Club is also working on this issue, in coordination with their campaign to stop government funding of coal power in the United States (<http://www.sierraclub.org/coal>). For the Washington Post op-ed 'Why Coal is the Best Way to Power South Africa's Growth,' by Finance Minister Pravin Gordhan, see <http://tinyurl.com/y96ku3m>

The Center for American Progress (<http://www.americanprogress.org>) has a new report on ensuring that multilateral development banks prioritize investment in clean energy rather than fossil fuel projects. See http://www.americanprogress.org/issues/2010/03/world_bank.html

For a report from the World Resources Institute on the project, see <http://www.wri.org> / direct link: <http://tinyurl.com/yjy56j8>

For previous AfricaFocus Bulletins on climate, the environment, and related issues, visit <http://www.africafocus.org/envexp.php>

+++++end editor's note+++++

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Huffington Post

Jesse Jenkins

Director of Energy and Climate Policy, Breakthrough Institute

Posted: March 23, 2010 07:57 PM

Without Affordable Clean Alternatives, South Africa Turns to Coal

South Africa's finance minister, Pravin Gordhan, has an op-ed in the Washington Post that illustrates the multi-faceted challenges facing developing nations as they struggle to provide the affordable access to modern energy needed to pull citizens out of poverty. The piece highlights the current tension between such objectives and simultaneous concerns about the environmental and climate impacts of energy development.

With South Africa's economy growing rapidly -- it's expanded by two-thirds since 1994, when Nelson Mandela first took office -- the nation's demand for energy has grown apace. As Gordhan notes, 'Millions of previously marginalized South Africans are now on the grid.' And that's a very good thing.

Consider that not having access to affordable, modern energy sources, particularly electricity, means no access to potable, running water; it means having to burn dung and wood and other primitive biofuels to provide cooking and indoor heating; and it means sputtering kerosene lamps as the only source of light after the sun goes down.

The human toll of such energy poverty is incredible. According to the World Health Organization, solid fuel use causes 1.6 million excess deaths per year globally, especially among women and children, while waterborne disease is one of the leading global killers, ending the lives of over 3 million annually -- again, many of them young children -- who lack access to clean and safe water supplies.

Image source: WHO

Don't forget, as well, that the constant time requirements of collecting water and fuel keeps most women and children in energy poor nations locked out of the empowerment and opportunity that comes from a basic education and participation in the trade economy.

It is not an exaggeration to say that energy poverty fuels a cycle of poverty and death that can only be broken through access to affordable sources of modern energy -- particularly electricity.

But as the economy has grown and access to modern energy has begun to end the cycle of energy poverty for millions of South Africans, there, 'as in other major emerging economies, [energy] supply has not kept pace,' Gordhan writes. 'To sustain the growth rates we need to create jobs, we have no choice but to build new generating capacity -- relying on what, for now, remains our most abundant and affordable energy source: coal.'

And therein lies the dilemma.

Given the challenges of financing major capital projects like power plants in the midst of the Great Recession, South Africa and the national utility, Eskom, have turned to the World Bank, the African Development Bank and the European Investment Bank for assistance in financing new electric power stations. But their \$3.75 billion loan request to the World Bank (\$3b for a major new coal-fired power plant and \$750m for new wind and solar facilities) now 'faces stiff opposition,' according to Gordhan. The reason? Concerns about the effect of new coal-fired power plants on the destabilizing climate.

Gordhan explains:

South Africa takes climate change and the need to reduce fossil fuel emissions extremely seriously. ... If there were any other way to meet our power needs as quickly or as affordably as our present circumstances demand, or on the required scale, we would obviously prefer technologies -- wind, solar, hydropower, nuclear -- that leave little or no carbon footprint. But we do not have that luxury if we are to meet our obligations both to our own people and to our broader region whose economic prospects are closely tied to our own. South Africa generates more than 60 percent of all electricity produced in sub-Saharan Africa. Tight supplies are not just a problem for us.

The simple fact is, without access to clean and cheap energy sources, developing nations like South Africa will continue to turn to coal. They must, as the challenges of ending energy poverty and pulling millions of their citizens out of poverty demands it.

As I've written before, until clean and cheap energy sources are available for deployment on a massive

scale, developing nations like South African will remain stuck in the Development Trap: forced to either sacrifice climate and ecological security in the name of development and poverty alleviation or to condemn countless millions of citizens to energy poverty in the name of climate protection.

Breaking out of this untenable position is the urgent challenge of the century. The only way out of the Development Trap, and the only route to sustainable development and an end to pervasive energy poverty is to make clean energy cheap. On that front, the world can't afford to delay.

Anything else is ultimately counter-productive, ineffective, or even cruelly unjust, a point that Minister Gordhan appears keenly aware of:

A question that has to be faced is whether stunting growth prospects in our region will in any way serve the goal we all share of eliminating greenhouse gas emissions over the long term. Whatever paths we take toward that goal, whether shifting to renewables and nuclear, or finding ways to keep harmful gases out of the atmosphere once created, the journey will inevitably be costly, requiring massive investments in technology, research and re-engineering the ways in which we live and do business. It will also require a true spirit of consensus and collaboration.

Neither of these requirements will be well served by hampering the transitional measures that developing countries like ours need to take to get themselves on sustainable growth tracks and generate the resources they need to play their part in preserving our planet.

We must make clean energy cheap. There is no time to waste.

The Mercury

Switching on to a dark future

March 22, 2010 Edition 1

Glenn Ashton

THOSE responsible for formulating the policies required to solve our national energy crisis are clearly floundering, all at sea, while the great white sharks of international capital circle for the kill.

Our national energy policies are a mess. We have signally failed to formulate a comprehensive long-term energy policy since democracy in 1994, instead relying on ad hoc responses by both Eskom and politicians.

The incestuous Tweedledum and Tweedledee relationship between Eskom and the state undermines public participation in formulating energy policy. The excessive provision of energy capacity by the technocratic central planners of the apartheid state enabled the new South Africa to ride on the shirt tails of its predecessors. However, this capacity was rapidly absorbed, primarily through controversial deals with major energy consuming industries.

The sweetheart deal between Eskom and Billiton to exploit our cheap and dirty power to transform Australian bauxite into aluminium and then export the profits is both an outrageous abuse of a national resource and a cautionary tale. It is a relationship that costs us all dearly. We lose electricity capacity to corporate predators. The public effectively subsidises this cut-rate power sold to Billiton below cost. This is effectively redistribution from the poor to the rich.

Aluminium, with its massive power requirements, has been called solidified electricity. Eskom is instrumental in maintaining Billiton as one of the world's six biggest aluminium companies. Billiton is also one of 138 Eskom industrial customers that receive electricity at between nine and 35 cents a kilowatt-hour (kWh) - at a rate that averages 17c/kWh, for almost 40 percent of Eskom's total output.

This is more than three times less than the 59c/kWh paid by most South African consumers, which is set to rise to around R1/kWh when the full National Electricity Regulator (Nersa) approved increase has been implemented over the next three

years. The poor and middle classes, together with smaller businesses, are effectively subsidising Billiton and 137 other favoured and already wealthy entities.

Earthlife Africa recently showed how poor consumers who rely on prepaid meters already pay about 72c/kWh - four times more than the average discounted Eskom rate.

Billiton is apparently one of two companies with a special long-term discount power contract with Eskom and gains its profit at our collective expense. Do we, as a nation, owe privately held corporations a profit, especially if this is at cross-purposes to both our individual and national interests? Surely Billiton and other wealthy entities should simply pay the same as everyone else?

The preferential tariff rate granted by Eskom to these companies is by its very nature anti-competitive. This unfair discount, which arose through the government wishing to project an atmosphere of business friendliness, severely disadvantages smaller companies.

Any energy-reliant start-up enterprise is automatically compromised by the massive advantages these Eskom subsidies provide. There is clearly a role for the competition tribunal to play in this sordid saga.

Eskom is a public entity. South Africans have a vested interest in the fairness and transparency of how this utility is run and its discriminatory behaviour is patently unfair.

Public utilities should not be permitted to hide behind the cloak of corporate confidentiality. The fact is that the state, as Eskom's sole shareholder, has failed to adhere to the corporate governance principles that the private sector is required to. Eskom does not fulfil its requirements of stakeholder participation and transparency as set out in the King 3 report (chapter 8), which states that the critical role of stakeholders - which in this case includes all South Africans - cannot be ignored.

The Eskom board has proven itself incapable of projecting or formulating a meaningful energy policy and has failed in its charter role of serving the people of South Africa. The manner in which Eskom, through its inordinate influence on Nersa, has forced through inflationary energy policies while capping alternative energy supply, can only lead to the conclusion that those at the helm of Eskom

have lost the plot and are operating beyond their mandate.

We should recall, however, that Eskom did approach the government in the late 90s to highlight that it was rapidly approaching operational capacity, and was rebuffed.

Instead pseudo-solutions like the pebble bed modular reactor were promised. The state has failed to pursue, let alone achieve, proclaimed energy targets, particularly in renewable energy.

In 2003 we set a 10 000GWh renewable energy target, to be achieved by 2013; to date we have installed less than one percent of that goal. Yet Public Enterprises Minister Barbara Hogan insists we will meet this target! What hope have we against such bombastic hubris?

While a renewable energy feed-in tariff was recently cemented after years of dithering by Nersa, it is too little too late. Had we met proclaimed renewable targets we would need to build neither the Kusile nor Medupi power stations. Nersa's dithering has been compounded by Eskom's consistent anti-competitive bias.

Now the government has insisted that renewable energy supply must be capped at unrealistic levels and put out to tender. Surely any agency that can competitively supply power should be permitted to enter the market? This starkly illustrates the contradiction of the state being Eskom's sole shareholder, and then in turn using the authority of the state to stifle competition.

Hogan's recent proclamations that we must embrace the nuclear option are both premature and untested. She ignores that nuclear power will cost nearly twice the amount Eskom wishes to charge us in three years. The nuclear power plant being built in Finland by Areva, identical to the units it wishes to build here, is twice over budget and schedule and will be lucky to produce power at less than R2/kWh. The alternative, US sourced systems, are equally problematic.

Last year we rejected the nuclear option as being too expensive. Now Hogan expounds on its viability. What has changed in six months? This indicates staggering incompetence and a lack of consistent policy. Lance Greyling of the Independent Democrats, who is one of the few politicians with a decent grasp of energy policy, has pointed out that

it is not Hogan's place to make such proclamations before any consultative process has occurred.

Hogan is also panicking about the acute pressure being brought to bear by a civil society coalition against a World Bank loan, sought to fund Eskom's Medupi coal-fuelled power station. This loan is in direct contravention of proposed World Bank lending criteria. This loan will also subsidise 'tenderpreneurs' associated with the ANC-linked Chancellor House, which in turn has accrued interests in the Hitachi Corporation that is contracted to provide generation equipment for the coal power plants.

Hogan's counter that this World Bank loan provides 7 percent (R1.95 bn) for renewables simply illustrates the green-wash behind this entire policy fiasco. Her claim ignores the fact that this is 8 percent less than the established government policy of the 15 percent renewable mix required in any new energy generation capacity.

This all glosses over the fact that the government has thrown away at least R15bn on the hare-brained pebble bed modular reactor, which cost far more in lost opportunities as it diverted power policy attention from alternative supply options.

Unless there is an urgent review of this whole sorry saga we are positioning South Africa to financially compromise its good standing, because we cannot adequately or competitively power our economy. We are being set up for a failure that opens our doors to the sharks and vultures of the developed world - the World Bank, the International Monetary Fund and the rest of the Washington consensus - which will put us collectively in hock for generations to come, to be paid off with our abundant resources and by the sweat of our brows.

The heat being generated by the hands gleefully rubbing together in Washington is almost palpable, as they look south.

Glenn Ashton is a writer and researcher working in civil society. This article first appeared on the South African Civil Society Information Service website.

The Mercury

Hogan will not divulge details
March 22, 2010 Edition 1

Public Enterprises Minister Barbara Hogan has refused to reveal details of Eskom's long-running contracts with foreign companies like BHP Billiton that contributed to the entity's R9.5 billion loss last year.

Hogan told Parliament's portfolio committee on public enterprises she could not bow to pressure to do so because some of the companies were in competition with each other.

'There are Eskom customers that are competitors. Now we can't say let's make this all open to everybody, which will make us look pretty silly,' she told MPs.

Eskom is under intense media pressure to reveal details of its 25-year contract with mining giant BHP Billiton.

Media 24 last week asked for a court order forcing Eskom to reveal the price at which it supplies electricity to BHP Billiton's two aluminium smelters in South Africa.

They reportedly consume more than 5.6 percent of Eskom's electricity output at discounted prices because of a clause in the contract linking the tariff to the aluminium price, which nosedived during the global economic crisis.

Media 24 claims that if Eskom were to break the contract, South Africa's energy crisis would be at an end. However if it continued as is, it would run into more trouble as its exposure to demand linked to aluminium prices is set to increase dramatically.

Eskom has refused to make public the details of the deal on the grounds that it would be detrimental to BHP Billiton's commercial and financial interests.

Hogan said her department was intent on renegotiating contracts concluded by the power utility during the apartheid-era to attract investment into South Africa which have since become burdensome to the company because of the preferential pricing clauses. - Sapa

<http://www.moneyweb.co.za/mw/view/mw/en/page/295799?oid=475862&sn=2009+Detail&pid=287226>

Moneyweb
SAfm

22 March 2010 23:11

Listeners' questions: Alec Hogg, Wayne McCurrie and Ashraf Mahomed

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PICO: Hello. I just wanted to ask what is the function or the work of the foreign reserves that the South African Reserve Bank is accumulating? What are they used for? Especially in light of the fact that the government has then now applied for a loan for Eskom. Now, I want to know if the reserves can be used to fund Eskom projects. That's No 1. And then, No 2, I want to know if the government gets the loan from the World Bank, we as citizens, are we not supposed to know the terms of the loan, you know the interest, the duration of the loan, and so on? And, lastly, what about the other power stations that are just standing unused? Why should we rush and build new ones when we know there are some that are standing unused? Thank you.

...

ALEC HOGG: What about Pico's comment - and it's a good question and is actually relating something that many people would be confused about. We've got all these foreign reserves in the Reserve Bank - why do we have to ask the World Bank for a loan for Eskom?

WAYNE McCURRIE: Alec, the foreign reserves is not just money that is available. What has happened is overseas people bring dollars or pounds or whatever to South Africa, and we've got to convert these into rands. So there is in fact a liability against this, because if the foreigners want to take their money out of South Africa, we've got to take the rands that they bought in South Africa, convert that back into dollars and pounds and give it back to the foreign people. So it's not just free money, it's not just money that just sits there that you can spend as you please. In fact, no-one really owns it. It's actually a liability. The government doesn't really own it, the Reserve Bank doesn't own it. It's actually a liability for the amount of money over time that foreigners have invested in South Africa.

ALEC HOGG: As you say, it's not free.

WAYNE McCURRIE: Of course, there's also the difference between our imports and our exports. If we were running a trade surplus we would be accumulating foreign reserves like China. In other words, we would be building foreign reserves. But in South Africa we actually run a trade deficit, which means we import a lot more than we export. And to fund that - in other words, we've got to pay people, and we are not getting in enough money from selling stuff - so to pay the foreign people that we import stuff from, we've got to get foreign investors to put their money in South Africa. So it's not free money.

ALEC HOGG: Ashraf, just to continue with Pico's question - we can't use the foreign reserves, but shouldn't we know the terms of the World Bank loan if we are given one, and secondly are there power stations that are idle?

ASHRAF MAHOMED: Well, to answer the question on the loan, the terms are generally made public once the transaction has been signed, and those terms are negotiated quite aggressively prior to that. So again, one has to put faith in the Finance Minister when it comes to negotiating those terms. In terms of the power stations that are currently dormant, there are some power stations which, if they were brought on line, would operate more expensively than existing power stations, and significantly more expensively than others. That's the first issue. The second issue is our carbon footprint as a country. Bringing on old power stations could increase the carbon output and we are trying to move away from that. So the new power stations have the technology to reduce carbon output, and are therefore more sustainable if one looks 20 to 30 years out. The other thing people need to consider is that the DME, the Department of Minerals & Energy failed to look out 20 years hence, and that's the reason why we've had rolling blackouts.

ALEC HOGG: And the World Bank is trying to force us to become greener, which is not a bad thing, because 20 years out we want our children to be able to breathe air still.

Counterpunch

What Will Robert Zoellick Break Next?

Firms and Financial Institutions; Countries and the Climate?

By PATRICK BOND

March 19 - 21, 2010

<http://www.counterpunch.org/bond03192010.html>

There are two theories about Robert Zoellick, and they'll be tested next month by a World Bank vote on a massive South African coal-fired generator loan.

The 57-year old Bank president is a nerdy man who served as number two at the Bush State Department and then in 2007 replaced the disgraced, nepotistic Paul Wolfowitz. One theory is that Zoellick is brilliant and effective. The other - which I'll defend - is that nearly everything he touches, he breaks.

In one corner, writing in CounterPunch in 2005, is US foreign policy analyst Tom Barry: 'At first glance, Zoellick could be mistaken for an ideologue, as an evangelist for free trade and a member of the neoconservative vanguard. But when his political trajectory is more closely observed, Zoellick is better understood as a can-do member of the Republican foreign policy elite - a diplomat who always keeps his eye on the prize, namely the interests of Corporate America and U.S. global hegemony.'

Ideologically, the man stood hand in hand with Cheney, Rumsfeld, Perle, Wolfowitz, Bolton, Negroponte and the other maniacs, admits Barry: 'Zoellick was perhaps the first Bush associate to introduce the concept of evil into the construct of Bush's radical overhaul of US grand strategy. A year before Bush was inaugurated, Zoellick wrote: 'A modern Republican foreign policy recognizes that there is still evil in the world - people who hate America and the ideas for which it stands.'"

This, the argument continues, is merely banal Washington rhetoric. It should not distract us from Zoellick's deeper capacity to reproduce and restructure imperial power. As Central American activist Toni Solo put it in CounterPunch in 2003, 'Zoellick is neither blind nor crazy. He simply has no interest in the massive human cost, whether in the

United States or abroad, of his lucrative global evangelical mission on behalf of corporate monopoly capitalism.'

The other theory is more skeptical of Zoellick's efficacy, concluding that he's not particularly good at what he does. Indeed, Zoellick is mainly of interest because he represents a global trend of Empire in crisis since the Millennium, featuring at least three self-immolating traits which he brings to next month's climate showdown at the Bank.

First is the ideological fusion of neoconservatism and neoliberalism that Zoellick shares with his predecessor Wolfowitz. Both strains are bankrupt, by any reasonable accounting. Representing the former, Zoellick was at the outset a proud member of the Project for a New American Century, and as early as January 1998 he went on record that Iraq should be illegally overthrown.

As for the latter ideology, 'Washington Consensus' dogma, Zoellick and IMF managing director Dominique Strauss-Kahn had to spend 2009 beating a hasty retreat from the austerity-oriented economics their institutions intrinsically favor, so as to maintain global effective demand with crony-Keynesianism during capitalist crisis.

Second is Zoellick's inability to cut global-scale deals required to manage the US Empire's smooth dismantling. This we already witnessed in the World Trade Organisation's (WTO's) demise, on his 2001-05 watch as the US Trade Representative. Zoellick's bumbling was on display at the Cancun ministerial summit in 2003, in disputes with the European Union over the US genetic engineering fetish, and in his insistence upon bilateral and regional alternatives to multilateralism, which has generated durable anti-Washington economic sentiment across Latin America.

Next, as one of the most senior Bush Administration officials in 2005-06, Zoellick achieved practically nothing, aside from further wreckage of the US image abroad. And as Bank president, appointed after Wolfowitz's fall by Bush (in what is likely the last unilateral imposition of a US petro-militarist in this role), Zoellick's efforts during the 2008-09 G 20 deliberations on the world economy and at the December 2009 UN Copenhagen climate summit were equally unsuccessful.

Actually, dating to the 1996 Montreal Protocol banning chlorofluorocarbons, there have been approximately zero global-scale deals that

affirmatively solve major world problems. Thanks to Zoellick and his brothers, US Empire-in-decline is just not conceding the resources and power required to fix trade, finance, climate, migration, military, public health, multilateral governance, and similar global-scale crises.

An example is the international carbon market, founded by then US vice-president Al Gore in 1997 at Kyoto through tricking the world into thinking Washington would sign the Protocol if US firms were given permission to keep polluting at planet-threatening rates, through offsetting their emissions with trades and 'Clean Development Mechanism' (CDM) investments.

Zoellick's World Bank strongly promotes carbon markets, even though they contain so much corruption, speculation and stupidity that the carbon price crashed from a high of €33/tonne in mid-2008 to €13 after Copenhagen, and on two European markets all the way down to €1.50 after yet more fraud scandals last week.

Third, at a more profound level, is Zoellick's tendency to deal with economic and ecological crises by shifting and stalling them, while stealing from those least able to defend.

(As a theoretical aside for political-economy fundis, what I call the shifting-stalling-stealing strategy is at the heart of the problem, and can be summed up in David Harvey's phrase: 'accumulation by dispossession'. This stage arrives when capital exhausts the options it usually has to address crises - such as 1973-75, 1980-82, 1989-92, 1997-2001 and 2007-09, with more to come - through traditional means: work speed-up [absolute surplus value], replacing workers with machines [relative surplus value], shifting the problems around geographically [the 'spatial fix'], and building up vast debt and blowing speculative bubbles so as to stall crises until later [the 'temporal fix']. At this stage, capital needs to also loot the non-capitalist spheres of society and nature through extra-economic, imperialist techniques, the way Rosa Luxemburg described stealing so well a century ago in *The Accumulation of Capital* and Naomi Klein has updated in *Shock Doctrine*.)

To shift-stall-steal in a three-piece suit, Zoellick's neocon-neolib worldview gives excellent cover, yet only up to a point, which we now appear to be reaching. That point comes sooner than later in part because the institutions needed to keep the game in play are cracking up.

To illustrate, Fannie Mae, Enron, Alliance Capital and Goldman Sachs were all crucial US imperial banksters, instrumental in generating the fictitious capital in real estate, energy and other sectors which proved so important to the Clinton-Bush era's internal displacement and eventual amplification of crises. Goldman continues in this role today.

The first suffered Zoellick as its mid-1990s executive vice president, following his several-years stint as a senior aide in James Baker's Treasury (at one point Deputy Assistant Secretary for Financial Institutions Policy), just prior to the 1988-90 Savings&Loan crisis, itself a function of the financial-deregulatory era that gave us mortgage-backed securities. By the middle of the last decade, Fannie Mae was so far in the red due to subprime lending through those securities, that a massive state bailout was needed.

(And speaking of Baker, Zoellick served as his main assistant in the notorious December 2000 presidential vote recount in Florida, so destructive of those last vestiges of US democracy, thanks to the open racism and right-wing bullying of Zoellick's thugs.)

The second firm, which cracked in 2002, boasted Zoellick as a senior political and economic advisor in 1999. Records are not available as to how implicated Zoellick was in Enron's electricity gambles, so painful to Californians and investors. However, as Board member of the third firm, Alliance, Zoellick was party to late 1990s oversight of Alliance Capital's investments in Enron which led to multiple fraud lawsuits and vast losses for Alliance's clients, including the state of Florida.

The fourth bank, Goldman Sachs, which Zoellick served as a leading international official in 2006-07, has done well only through illegal, immoral deals and crony-capitalist bailouts linking Bush and Obama econocrats. In the process, Goldman Sachs has come to enjoy an unprecedented amount of popular brand awareness in the US and Europe, albeit not particularly favorable.

What gives any observer hope from Zoellick's c.v. is its pure, consistent, world-class geopolitical, economic, environmental and diplomatic self-destructiveness. He is so bad, he has zero credibility among sensible people.

Moreover, if the World Bank joins Fannie Mae, Enron, Alliance Capital, Goldman's reputation, the

WTO, Bushite foreign/military policy (not to mention a million Iraqis and thousands of US soldiers), and other notches on Zoellick's belt, future generations may be spared the implications simply because he will utterly foul his own nest.

This process will become glaringly evident as early as April 8, when Zoellick attempts to sell his Board's Executive Directors an incompetent, corrupt, underdevelopmental, eco-disastrous loan to a corrupt regime, the African National Congress (ANC). It will add 5% to the foreign debt, which has soared since 2006 due to outflow of capital and amongst the world's highest current account deficits.

Winnie Madikizela-Mandela, the ex-wife of our first post-apartheid president, Nelson Mandela, last week revealed to an Italian journalist (whether on or off record is in dispute) how the ANC leadership sold out to white business elites.

The current South African president, Jacob Zuma, pressured the country's national prosecutor to drop scores of corruption charges against him just days before last year's election. (That must have really impressed Zoellick, whose institution issued a new Africa Development Indicators report last week, ironically entitled 'Silent and lethal: How quiet corruption undermines Africa's development efforts.' The new coal loan should be Case Study #1, but instead the Bank mainly blames teachers and doctors for slacking off.)

Such context clarifies why the ANC continued the apartheid-era gift of the world's cheapest electricity to the world's biggest mining/metals companies, such as Anglo American Corporation (formerly based in Johannesburg, now London) and BHP Billiton (also ex-SA, now Melbourne). This multibillion dollar gift is anticipated to continue in coming years when Zoellick's proposed \$3.75 billion World Bank loan helps the Pretoria government build the world's fourth largest coal-fired power plant, leaving the apartheid deals intact.

Corruption is rife, with a reported \$700 million scheduled to flow into ANC coffers from Hitachi, for its successful tender on a multi-billion dollar contract to build boilers for the \$18 billion Medupi plant (boilermaking is not a typical ANC staffer's speciality but everyone can learn new trades).

The borrower, a parastatal corporation called Eskom, began raising prices to retail consumers by more than triple the inflation rate in 2008. From

2007 to 2012, the price of a month's normal electricity use in an 'average township household' is anticipated to rise 127% in real terms, according to Eskom. These price increases will have an extreme adverse impact, leading to massive disconnections (and illegal reconnections, hence electrocutions) of poor households.

Ironically, World Bank staff insist that the proposed Eskom loan will have a 'developmental' impact. An international coalition of more than 200 groups led by 65 red-green organizations in South Africa, vigorously object, and protests are mounting. Many recall the Bank's last loans to Eskom, from 1951-67, when zero black South Africans received electricity, which was reserved for white business and households.

The World Bank is in an untenable position. Zoellick is soon to issue a new Bank energy policy and he is also campaigning to take on additional responsibilities for channeling finance related to climate change. The proposed Eskom loan should disqualify the World Bank from any further role in climate-related activities.

In advance of the Bank's \$180 billion recapitalization bid at the April 24-25 Spring Meetings, critics are ready to take even more vigorous action against the bank itself. This could include revival of the 'World Bank Boycott' which cost the institution support from many major bondholders over the past decade (including the world's largest pension fund, the cities of San Francisco and Cambridge, the Calvert Group and many university, labor and church endowment funds).

Back to our opening question: is Zoellick clever or a pompous self-saboteur? From this angle he appears anxious, as ever, to defend the shortest-term of Empire's interests, and once again, in the process break a great deal more.

Patrick Bond, director of the Centre for Civil Society in Durban, is doing talks on climate politics on the US West and East coasts in early April; see <http://www.ukzn.ac.za/ccs> for details.

The Mercury

Court papers demand details

Pressure on Eskom to reveal 'sweet' deals

March 19, 2010 Edition 1

Tony Carnie

ESKOM is under growing pressure on several fronts to come clean about its 'sweetheart deals' with aluminium producers and other big companies thought to be enjoying cut-price electricity at the expense of ordinary consumers and small business.

Eskom has been asked in court to reveal full details of the prices it charges BHP Billiton, which has two power-guzzling aluminium smelters in Richards Bay and Maputo.

In Parliament, DA MP Pieter van Dalen has asked Eskom to disclose similar details on the BHP contract to members of the public enterprises portfolio committee. Van Dalen plans to raise the issue at a parliamentary portfolio committee briefing today.

In papers lodged this week, the Media24 group has demanded access to information on the contracts on the basis that it is in the public interest.

Media24 specialist writer Jan de Lange said there were several indications that Eskom was losing billions of rands because of the contract and that ordinary people were subsidising BHP Billiton via sharply rising domestic power tariffs.

The indications were that Eskom had committed itself to a 'multi-decadal contract' with BHP Billiton, which might only expire in 2025. De Lange said limited disclosures made by Eskom in recent annual reports made it clear that BHP Billiton had 'profited substantially' at the expense of Eskom and other electricity customers.

The application was lodged against Eskom, with BHP Billiton and the justice and constitutional development minister as co-respondents.

De Lange says in court papers that he made an initial request for contract details in June last year in terms of the Promotion of Access to Information Act. When Eskom refused, he lodged a second request in September. He wanted to know who

signed the deal, when it was signed, when it would expire and how much BHP Billiton paid for power.

Eskom replied in November, refusing to release the information on the grounds that it was 'highly confidential'.

De Lange said former Eskom chairman Bobby Godsell was quoted last year as saying that some of its long-term contracts were 'problematic' and it was necessary to renegotiate them.

Media24 argues that the 'overwhelming public interest' in the matter should outweigh provisions in the Promotion of Access to Information Act, which limit disclosure of commercial information.

Eskom could not simply rely on confidentiality clauses to refuse requests for information.

In this case, the public had a right to know the full details of the contract, since its smelters consumed more than 5 percent of Eskom's electricity.

'Therefore, if Eskom had not been supplying electricity to the smelters in terms of these two contracts in November 2008, the public would have faced either no blackouts or certainly far fewer blackouts.

'The terms of the contracts, and particularly their duration, are thus highly relevant to the stability of the public's electricity supply.'

Eskom's apparent losses of R9.5 billion as a result of the deal meant its balance sheet and credit ratings were destabilised and made it increasingly difficult for Eskom to raise money for expansion projects.

The Mercury

Transparent prices as clear as mud

Attempts to get information from Eskom are met with the standard 'confidentiality' response.

March 19, 2010 Edition 1

ESKOM acknowledges that its power prices for industry and mining are considerably cheaper than residential prices, yet it says its big customers subsidise the cost of electricity for South Africa's poorest communities.

'We have never disputed that our average prices for big customers are cheaper than residential tariffs - and there are some very logical and straightforward reasons for this,' spokesman Andrew Etzinger says in responding to recent criticism of the monopoly power company's price structures.

In a nutshell, Eskom and the Chamber of Mines argue that industrial and mining tariffs are cheaper because of economies of scale.

In other words, it costs much less to supply one big customer because there is just one high-voltage power connection, one meter and one electricity bill.

But when it comes to linking up millions of homes scattered in remote locations in all nine provinces, the costs begin to rocket.

With residential power, the high voltage that is cranked out from Eskom's power stations has to be 'stepped-down' from 400 000 or 275 000 volts to the much lower voltage levels used in homes.

This requires more transformers, substations, power cables, meters, billing systems, and higher collection and administration costs.

While this argument may be partly true for lower-income residential customers who receive their power directly from Eskom, it tends to fall flat in justifying some of the high basic costs for home customers who get their power through municipalities.

In the case of municipal home power, big cities and towns shoulder the extra cost of distribution by transforming high voltage to lower voltage through their substations, transformers, metering and bill collection.

But many municipalities charge fat mark-ups for taking on these costs, which don't come cheap.

A single high-voltage transformer costs about R27 million and a city like Durban has 6 000 substations within its boundaries.

Last year, Durban bought nearly R2.6 billion in electricity from Eskom and sold it for R4.6bn to nearly 650 000 customers.

The city also has a special division devoted to designing tariffs and taking care of the needs of its biggest 800 customers who bring in nearly 40 percent of the revenue.

According to its latest annual report, eThekweni Electricity charged residential customers and businesses roughly 50 cents/kWh in 2008/09, while bulk industrial customers paid only 34 cents.

While these municipal costs are at a similar level to Eskom tariffs for these customers, Eskom tariffs do not seem to reflect the total costs of making electricity.

Overall, the highest cost lies in the generation - building huge power stations and buying coal to burn into electricity. This makes up roughly 70 percent of the total power cost.

Transmission makes up about 10 percent of costs and distribution about 20 percent.

But Etzinger notes that not all customers are the same. Some use more power at night and some are close to the Mpumalanga power stations, while others lie more than 1 000km away.

And, to reduce power consumption during the critical morning and evening 'peak' loads when most South Africans are burning electricity at home, Eskom offers financial incentives to big industries to reduce power consumption.

This is done by charging higher time-of-use tariffs in peak hours and a much lower price during the off-peak periods.

Extra discounts are offered to industries during the cold winter nights, when more home heaters are burning.

Measured against an international scale, Eskom's prices are among the cheapest to be found anywhere in the world - for industry and homes.

Eskom tariffs also seem to mirror the trend in many industrialised nations, where big business generally pays far less for power than residential customers (see comparative graphs).

For example, Danish, Norwegian, French and Portuguese industries pay almost 100 percent less than ordinary citizens.

The differential is less pronounced in other countries, such as Singapore, Poland, Turkey and the Czech Republic, where industrial and residential tariffs are roughly the same.

At the opposite end of the spectrum, power tariffs are significantly cheaper for citizens than for industry in India, Mexico and China.

Yet in a developing country like South Africa, where the lion's share of electricity is consumed by big industry and commerce - 76 percent as opposed to about 18 percent by residents - the Eskom tariffs seem to be out of kilter with the fact that 70 percent of the cost of electricity comes from the expense of burning coal and building power stations.

In a recent submission to the regulator, Nersa, Eskom argued that it was a 'common misconception' that residents subsidised low industrial power prices.

The company believes that simplistic comparisons between average home tariffs (54 cents) and average industrial tariffs (22 cents) do not take into account some of the factors raised earlier in this article.

Eskom also argues that its biggest industrial customers, grouped in the Megaflex tariff bracket, contribute about R4bn a year to subsidise power for poor households.

The methodology for calculating this estimate is not explained, however.

Other Eskom documents also acknowledge that some of their calculations for average power prices specifically exclude their 'special pricing agreements with selected industrial customers'.

And, although Eskom holds up its annual tariff book as 'proof' of transparency, the price structures laid out in this book are likely to be as clear as mud to the average residential customer.

Simply put, without direct knowledge about the identity of each customer and individual power consumption levels, it remains virtually impossible to ascertain what each large company pays.

Tristen Taylor, energy research co-ordinator of the Earthlife Africa watchdog group, says the existence of several special tariffs for several as yet undisclosed customers has undermined Eskom's claim of being transparent.

In February 2007, Taylor tried to find out how much the Canadian-based Alcan group would pay for electricity at its proposed Coega aluminium smelter in the Eastern Cape.

He sent a detailed set of questions to Alcan, Eskom and the Department of Trade and Industry seeking information under the Promotion of Access to Information Act.

The department revealed that the special agreement with Alcan under the new Developmental Electricity Pricing Policy would remain in place for 25 years.

But most of Taylor's questions came back unanswered, prefaced with the standard phrase: 'Disclosure of this information would constitute a breach of duty owed to a third party in terms of an agreement... etc.'

One of Taylor's questions related to the financial penalties and cancellation fees for each party if the deal went sour.

Soon after he raised the questions, the deal did in fact go sour because of the Eskom power crisis. So it remains unclear what penalties Eskom might be paying for its apparent foolhardiness in offering huge volumes of electricity to a foreign multinational group at cut prices when the writing was on the wall about an impending collapse of national electricity capacity.

The Mercury also sent detailed questions to Eskom in early 2007 requesting tariff information and power consumption figures for 36 of its largest customers.

Eskom took three weeks to respond and, once again, most questions remained unanswered or brought the now-familiar rejoinder: 'Eskom does not disclose details of its agreements with customers in the media.'

'Confidentiality clauses in these agreements do not allow this.'

Until Eskom is compelled to shed more light on its murky tariff structures, its claim to be transparent will continue to ring hollow.

Business Report

Business Watch: Eskom loan opposition is attack on poor - Peters

March 19, 2010

ID MP Lance Greyling obviously got under the skin of Energy Minister Dipuo Peters when he recently called on the World Bank not to provide a loan to Eskom because the ANC had an interest - through its investment arm, Chancellor House - in the build programme of new power stations at Medupi and Kusile.

Yesterday during question time in the national assembly, Peters - who previously said at a news conference that she had not applied her mind to the matter of the conflict of interest of a political party having an interest in a public investment - said: 'I just want to say it is really painful and disappointing... to get an honourable member of this house (calling on the World Bank) not to approve the loan to Eskom.'

To applause from ANC benches, she accused Greyling of displaying 'a high level of unpatriotic behaviour' as well as having 'a lack of empathy' with the poorest of the poor and low-income people, arguing they would have to carry the burden of the tariff increase in the absence of the loan.

'We will have to make sure that we then take money from other sources to fund the Eskom programme,' she argued.

'If we really care for the people who vote for us, we would be able to understand why it is important to get sponsorship as loans for Eskom. It is important that we understand that this World Bank loan is not an ordinary loan... it will bring on renewable energies, clean technologies.'

It would add to the diversity of energy sources, the minister told MPs, noting South Africa needed to move away from an over-reliance on fossil fuels.

The minister was about to say something about the ANC's interest when the bell ended her contribution to the debate.

Times

Hogan doesn't give Eskom deal details
Mar 19, 2010 3:24 PM | By Sapa

Public Enterprises Minister Barbara Hogan on Friday refused to reveal details of Eskom's long-running contracts with foreign companies like BHP Billiton that contributed to the entity's R9.5 billion loss last year.

Hogan told Parliament's portfolio committee on public enterprises she could not bow to pressure to do so because some of the companies were in competition with each other and indiscretion would make Eskom look 'silly'.

'There are mines that are in that world that are in competition with each other. There are Eskom customers that are competitors.

Now we can say let's make this all open to everybody, which will make us look pretty silly,' she told MPs.

Eskom is under intense media pressure to reveal details of its 25-year contract with mining giant BHP Billiton.

Sake24 this week asked for a court order forcing Eskom to reveal the price at which it supplies electricity to BHP Billiton's two aluminium smelters in South Africa.

They reportedly consume more than 5.6 percent of Eskom's electricity output at discounted prices because of a clause in the contract linking the tariff to the aluminium price, which nosedived during the global economic crisis.

Sake24 claims that if Eskom were to break the contract, South Africa's energy crisis would be at an end. However if it continued as is, it would run into more trouble as its exposure to demand linked to aluminium prices is set to increase dramatically.

The troubled national electricity supplier has refused to make public the details of the deal on the grounds that it would be detrimental to BHP Billiton's commercial and financial interests.

Hogan said her department was intent on renegotiating contracts concluded by Eskom during the apartheid-era to attract investment into South Africa which have since become burdensome to the

company because of the preferential pricing clauses.

'The matter is being pursued actively at the moment. In the days of free electricity we could afford such expenditure. Nowadays that is problematic,' she said.

Hogan said reports that Eskom was stuck with 138 such deals were baseless.

'Let me make very clear that there is not a notion here that Eskom is engaged in a myriad of confidential secretive agreements that are not regulated.'

There were a 'small number' of such deals and their terms were not being hidden from government, Hogan said, adding that she had been briefed on them by acting Eskom CEO Paul Makwana.

'I have received a confidential briefing from him on those matters so I do have sight of what these matters are about. We too are equally concerned.'

She was responding to a question from MPs on whether the state had any say in major contracts concluded by Eskom.

The preferential pricing contracts are seen as part of the reason not only for Eskom's losses but for annual 25 percent tariff increases that will be imposed on South Africans to make up the shortfall in funding for its infrastructure expansion programme.

Acting director general of public enterprises Sandra Coetzee confirmed that before concluding significant contracts, state-owned enterprises had to seek the approval of the department.

The Mercury

Sour taste over 'sweetheart' deals

March 18, 2010 Edition 1

By Tony Carnie

RECENT press reports about 'sweetheart' power prices for some of Eskom's 138 biggest customers have outraged ordinary South Africans, soon to be walloped with hefty tariff hikes.

Last week, Eskom hotly denied claims that some of its customers were paying as little as 6c to 9c a kilowatt-hour when suburban residents braced themselves for municipal tariff hikes which would push the price of home power to somewhere between 80c-90c/kWh from July 1.

Within three years, suburban tariffs are expected to climb further, to around 115c-120c/kWh for homes using more than 600kWh.

The government-owned power company was responding to questions by DA MPs Pieter van Dalen and Elza van Lingen in parliamentary sub-committee meetings.

Since then, Van Dalen has been accused of 'sensationalising' the issue of low prices, although recent Eskom reports strongly suggest that multinational mining and resources giant BHP Billiton paid around 11c/kWh in 2008 and around 14c/kWh last year. The company is not named in the Eskom annual reports, but identified simply as one of three 'international end-users'.

Subsidising

Separate analysis of these reports by the Earthlife Africa group suggests that Eskom is effectively subsidising some of its customers by selling them electricity at tariffs far below the actual cost of producing the power.

One example is the Mozal aluminium smelter in Mozambique which paid roughly 14.8c/kWh for power last year at a time when Eskom calculated its 'average total cost' of producing electricity at 27.3c a unit.

During 2008, Mozal appears to have paid just 11.8c a unit, when Eskom costs were estimated at 18.9c.

'Eskom's own data shows that it is selling power to some of the largest and richest multinational corporations on the planet at below the cost of production. So it has become crucial to open up some of these contracts for public debate and scrutiny rather than hiding behind 'commercial secrecy' arguments,' said Earthlife spokesman Tristen Taylor.

When Van Dalen was asked about the source of his information on cheap industrial tariffs this week, he said: 'Yes, there is substance to our information.

'Clearly, some of the conclusions have to be based on intelligent supposition when you are dealing with a climate of secrecy, but Brian Dames of Eskom Generation also told the portfolio committee on public enterprises that 9c was being paid by some of these companies. It's not something we just sucked out of our thumbs.'

According to Van Dalen, BHP struck a cut-price deal before 1994 when Eskom had spare capacity. While the tariff was linked to fluctuating commodity prices, BHP smelter tariffs would allegedly never rise above 17c/kWh until the contract expired at an undisclosed date. 'We don't want to push them away from South Africa - but surely BHP needs to come to the party if their tariffs have not gone up for 10 to 15 years. There is no incentive for them to save power or to generate their own power when they have guaranteed rock-bottom prices like this. It's just not fair on the rest of the country.'

Eskom and regulator Nersa have denied suggestions that big industry price structures are secret - with the exception of a limited number of customers which include 'an aluminium smelter in Mozambique and two mines in Namibia'.

They said the identity of the companies and exact tariffs had to remain 'confidential', yet the broad outline of the BHP sweetheart power deal has been an open secret for several years.

The group has three power-hungry aluminium smelters in the region - two at Richards Bay and a third near Maputo, which collectively consume more than 5 percent of Eskom's total capacity.

Though the first deal for the Bayside smelter was signed before 1994, subsequent expansions at Hillside and the newer Mozal smelter seem to have been blessed by former president Thabo Mbeki.

At a smelter opening ceremony in Maputo in October, 2003, former BHP chief executive Chip Goodyear said: 'I need also to pay tribute to President Mbeki. If it were not for some of the decisions made by the South African authorities and the state utility Eskom, southern Africa would not have a Hillside smelter, nor a Mozal smelter, indeed probably not even a southern African aluminium industry which will soon supply some 7 percent of the world's aluminium production.'

Together, the three smelters devour over 2 000MW of power at one time - more than the city of Durban and its biggest industries. This has caused a series of windfall losses by Eskom in recent years. Last year, Eskom reported a loss of more than R9.5 billion associated with the cheap smelter contracts and a R1.6bn loss in 2008 for the same reasons.

Yet, despite similar significant smelter losses, South Africa signed a new sweetheart power deal in 2007 with Canadian-based Alcan Inc, on the eve of South Africa's biggest power crisis.

The new long-term deal with Alcan for a 1 350MW aluminium smelter at Coega in the Eastern Cape is thought to have been the first contract under the Development Electricity Pricing Policy (Depp) which offers lucrative but strictly confidential sweeteners for foreign industries to invest in South Africa, including 'developmental electricity tariffs'.

The Depp guidelines make it clear that selected customers 'may be exempted from contributing to cross-subsidisation of other customers'.

While tariffs could be adjusted every year, the guidelines give the cosy assurance that 'adjustment is expected to happen infrequently, if ever'.

The policy has a strict confidentiality clause which prohibits anyone from Nersa, Eskom and government departments from revealing any information about the benefits given to special customers.

While the Alcan deal collapsed in the aftermath of the January, 2008, Eskom power crisis, it nevertheless signalled that the doors of the post-apartheid government remained wide open for special deals with select customers.

Significantly, President Jacob Zuma also had a private meeting with Anglo American boss Cynthia Carroll during his recent state visit to London, to discuss industrial policy issues.

Anglo is one of the three largest suppliers of coal to Eskom power stations, and also one of its biggest electricity buyers.

And while it may be simple coincidence, eyebrows have been raised about past migrations of some very senior officials between Eskom, BHP and power regulator Nersa.

For example, former Nersa CEO Xolani Mkhwanazi resigned in 2004 to head BHP Billiton aluminium operations. He later became chief operations officer of BHP's local corporate relations arm and now chairs the group's South African operations.

Eskom treasurer and executive director Mick Davis joined BHP predecessor Gencor in 1994. After a spell as chief financial officer of Billiton plc from 1997 to 2001 he became chief executive of Xstrata, which also supplies coal to Eskom.

A third notable 'migrant' was Derek Keys, former Gencor CEO who became finance minister in the post-1994 government. Soon afterwards he moved to Gencor's new home in London, before this formerly South African-based company transmogrified into the global BHP Billiton group.

Observers also speculate that the scuppered Alcan smelter deal at Coega might be resurrected at some point in the near future if Eskom decides to build South Africa's second nuclear power station. Earlier this month, Eskom environmental consultants identified the little hamlet of Thyspunt as their first choice site for a massive 10 000MW reactor. Thyspunt is just 80km south of Coega.

Transparent

Eskom and Nersa remain adamant that the vast majority of local power tariffs are transparent and fair and published every year on Eskom's website.

Yet Nersa full-time regulator Thembanani Bukula remained cautious this week about revealing actual prices for certain customers.

'Each of the 138 big customers referred to have unique and confidential contracts (as defined in the Promotion of Access to Information Act, 2000) that cover the unique nature of their business.'

Such guarded responses have fuelled suspicions that Eskom has failed to come clean.

Speaking on condition of anonymity, a senior manager of a large municipal electricity department said: 'I'm not sure that 'secret' is the right word, but some of those tariffs are very secretive. Eskom keeps the tariff structures close to their chests.

'Yes, there is an Eskom tariff book, but to my knowledge some of the bigger 'contract deals' are not reflected in that tariff book. I'm talking about contracts with the likes of the Mittals and BHP Billitons of this world.'

Referring to the group of nearly 40 companies which collectively use more than 40 percent of the country's total power supplies, he said: 'The Energy Intensive Users Group (EIUG) is a powerful lobby and some of its members seem to escape the cross-subsidisation element of the other tariffs. So big industries are not really contributing to the social element of electricity tariffs.'

ID MP Lance Greyling also remains suspicious.

'Eskom doesn't want to tell us too much because other customers will start demanding the same prices as well.

'Until they do tell us, no one will really know what the truth is. So we just have to keep digging until they give us some straight answers.'

The Mercury will publish Part 2: Eskom's Transparent Prices as Clear as Mud tomorrow.

SA's biggest power guzzlers

AECI

Afrox

Air Products SA

Anglo Operations Ltd

Anglo Platinum

Anglo Coal

AngloGold Ashanti

ArcelorMittal SA

Assmang Ltd

BHP Billiton SA Ltd

Cape Town Steel & Iron Works

Columbus Stainless (Pty) Ltd

Consol Glass (Pty) Ltd

De Beers Consolidated Mines

Exxaro Resources

GFL Mining Services

Harmony Gold Mine Company Ltd

Highveld Steel

Hillside Aluminium Limited

Implats

Kumba Iron Ore Ltd

Lonmin Platinum

Mondi Ltd

Pretoria Portland Cement

Pulp United (Pty) Ltd

Rand Water

Richards Bay Minerals

SA Calcium Carbide

The South African Breweries Limited (SABMiller)

Samancor Manganese

SAPPI Management Services (Pty) Ltd

Sasol Synfuels Ltd

Scaw South Africa (Pty) Ltd

Sishen Iron Ore Company (Pty) Ltd

Transnet Ltd

Xstrata Alloys SA (Pty) Ltd

United Democratic Movement
Parliament

This looting must stop - Holomisa
Bantu Holomisa
18 March 2010

UDM leader says his party has no confidence in the
Zuma government

SPEECH BY MR BANTU HOLOMISA, MP IN THE
NATIONAL ASSEMBLY, MOTION OF NO
CONFIDENCE IN THE PRESIDENT OF THE
REPUBLIC, March 18 2010

Mr Speaker and honourable Members

Last year in this House we asked the President
about the political connections of companies called
Clident 1 and Clident 445 PTY LTD, which had an
interest in the sale of Vodacom shares by Telkom.
To date he has not responded.

This year we asked the President in this House
about the massive financial benefit for the ANC
from the Eskom/Hitachi deal, which will be partly
funded with unpopular tariff hikes and a World Bank
loan. Again he failed to respond. Now we are being
rushed to agree to a huge World Bank loan for
Eskom, just as it was with the Arms Deal. One
begins to wonder whether the recent electricity
crisis was purposefully staged to create a state of
panic, to ensure the approval of this massive Eskom
project for the benefit of the ruling party.
Meanwhile the majority of citizens of this country
are in a state of hopelessness.

The UDM does not have confidence in the ANC and
its leadership in Government - it is no better than
the Mbeki administration. This looting must come to
a stop. I'm reminded of the German expression that
the troughs haven't changed, only the pigs feeding
from them.

SOUTH AFRICA RECEIVES SWEDEN'S HELP TO DEVELOP CLEAN ENERGY

PRETORIA, March 18 (NNN-AFROLNEWS) - The Swedish government has promised to help South Africa develop more renewable energy sources as the two countries vow to fight the devastating effects of climate change.

Briefing the media following their meeting in Tuynhuis on Wednesday, Deputy President Kgalema Motlanthe and Sweden Deputy Prime Minister Maud Olofsson both committed themselves to working towards cleaner energy ahead of the climate change talks in Mexico later this year, the government BuaNews agency has reported.

While South Africa relies heavily on coal for its energy, Sweden is committed to clean energy with 50 percent of that country's energy coming from renewable energy sources.

Olofsson said Sweden supports the World Bank's loan to power utility Eskom and has defended South Africa's use of coal. 'South Africa is not alone; there are many countries that use coal as the main source of energy as they grow their economies,' she said.

Motlanthe said the scope of the discussion in the meeting on national, regional and global issues of common interest confirmed 'the longstanding, sincere and mutually beneficial relationship' between the countries.

Both countries emphasised the importance of a truly global legally binding agreement on mitigating the effects of climate change. They said the Copenhagen accord, reached in Denmark, should give direction to the negotiations leading up to a global agreement under the United Nations Framework Convention on Climate Change.

They agreed that all countries have a responsibility to take action in line with the principle of common but differentiated responsibilities and that South Africa will play a key global role as host of COP17. - NNN-AFROLNEWS

Bloomberg

Naspers Sues Eskom to Disclose BHP Power Discount

March 18, 2010, 11:23 AM EDT

By Carli Lourens

March 18 (Bloomberg) -- Naspers Ltd.'s newspaper and online news unit sued Eskom Holdings Ltd. to disclose the details of contracts under which BHP Billiton Ltd.'s southern African aluminum smelters are supplied with power at a discounted rate.

The accords were unprofitable in Eskom's last fiscal year. The agreements could jeopardize the state-owned power utility's ability to supply the country with power and will push up electricity costs for consumers, Jan de Lange, an employee of the Naspers unit, Media24 Ltd., said in an affidavit filed with the South Gauteng High Court in Johannesburg on March 16.

The BHP-operated smelters in South Africa and Mozambique can use as much as 2,150 megawatts of Eskom's power, equivalent to more than 5 percent of the utility's installed capacity. Eskom, which supplies almost all of South Africa's power, has been authorized by a state regulator to boost power prices by 24.8 percent from April as it struggles to finance a five-year, 460 billion-rand (\$63 billion) expansion program.

The utility is trying to avoid a repeat of power outages that shut most of the country's mines and metal smelters for 5 days in January 2008. It has been granted permission to impose similar price increases in the next two years.

Access to Information

The court application was made after Eskom refused a request from Media24 for access to information under the Public Access Information Act, according to De Lange's affidavit.

'It appears that the contracts are responsible for at least part of Eskom's 3.2 billion-rand operating loss for the year ended March 2009,' De Lange said.

Eskom posted a 9.75 billion-rand net loss for the year through March 31 last year and said Aug. 27 it will review the pricing arrangement with BHP.

Eskom's revenue from BHP is linked to commodity prices and currency exchange rates, which cause short-term fluctuations in the value of the contracts, BHP said in August.

Eskom declined to disclose the information, stating that the 'Billiton Group believes' that releasing the information prejudices it with regard to its competitors, according to the court papers.

'We haven't received any papers regarding the application,' Eskom spokesman Andrew Etzinger said in a mobile- phone text message yesterday. Illtud Harri, a spokesman for BHP in London, said the company wouldn't comment.

Hillside, Bayside

The debate over the deal is a 'storm in a tea cup,' Etzinger told a conference in Johannesburg today. Details of the contracts have been scrutinized by the energy regulator which 'respects Eskom's position' in not making it public, he said.

In March 2008, BHP threatened to 'phase out' its links with Standard Bank Group Ltd. after a bank executive told a business and government meeting that BHP's biggest smelter in South Africa should be shut down to save power.

Construction of BHP's Hillside Smelter in the northeastern South African city of Richards Bay began in 1993 and it now has an annual production capacity of more than 700,000 metric tons. Melbourne-based BHP, the world's largest mining company, also owns the smaller Bayside smelter in the city and 47 percent of Mozal, a smelter in Maputo, Mozambique that can produce over 500,000 tons of the metal.

De Lange and Media24 are the applicants in the case while BHP, Eskom, the Hillside smelter, a Mozambican power distribution company and South Africa's Minister of Justice and Constitutional Development are the respondents. Naspers, based in Cape Town, is Africa's biggest media company.

The case is number is 10/10063.

--Editors: Antony Sguazzin, Simon Casey

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Eskom taken to court

Mar 17 2010 21:43 Jan de Lange

Johannesburg - Sake24, sister publication of Fin24.com, is requesting a court order that will force Eskom to reveal the prices at which electricity is supplied to BHP Billiton's two aluminium smelters in Southern Africa.

The court documents for the application were submitted to the Rand High Court in Johannesburg on Tuesday and will be served on Eskom during the course of this week.

The application follows a comprehensive investigation during the past few months into these two extremely secret contracts that Eskom signed in the early 1990s for supplying electricity to the smelters Hillside in Richards Bay and Mozal outside Maputo.

Conditions have since changed, and the enquiry disclosed that Eskom is suffering enormous losses from supplying electricity to the two smelters.

The two smelters alone consume 5.68% of Eskom's basic power generation capacity and all indications are that they receive power at less than Eskom's cost price.

Hillside, the larger of the two, consumes 1 200MW, which makes it alone the third-largest single electricity consumer in the country after Cape Town and Durban. These two cities consume 1 300MW each.

The country would therefore no longer have an electricity crisis if power were not supplied to the two smelters.

Electricity prices for Hillside and Mozal are determined wholly or partly by the aluminium price on the London Metals Exchange (LME), according to a highly secret formula in terms of a contract signed in the early 1990s. The agreement is valid for several decades.

The aluminium price fell sharply in 2008 and last year, and has still not recovered.

According to Sake24's information, the two contracts are wholly responsible for the R9.5bn loss recorded by Eskom in the year to end-March 2009 from 'derivative instruments' - an accounting term

for prices determined on the basis of external factors.

However, Eskom recorded an operating loss of R3.2bn during the year. Sake24 wants to know what portion of this loss is owing to the provision of electricity to Hillside and Mozal, as well as possible future annual losses.

It believes it is in the public interest for this to be known.

According to old annual reports of Eskom, it also looks as if its exposure to aluminium prices will rise sharply after 2013. According to its 2003 annual report, its exposure to this metal from 2004 to 2012 is 1 16 880 tons per year. From 2013 to 2020, it increases to 200 978 tons per year.

Last year's book value loss of R9.5bn could therefore increase by 72% if the same market conditions occur after 2013.

The defendants are Eskom, Billiton, Hillside Aluminium, a subsidiary of Billiton, Motraco, a partnership between Eskom, the Mozambique government and the Swaziland electricity company, as well as the minister of justice and constitutional development.

The process so far

Eskom has been refusing since July 2009 to reply to two formal requests from Sake24 to disclose the price portions of the contracts. The requests were made in terms of the Promotion of Access to Information Act.

Eskom said in response to the first request in August 2009 that it would not reveal this because it 'contained general and specific commercial, financial and technical information that was of a highly confidential nature and belongs to the BHP Billiton group'.

Disclosure could, according to Eskom, be detrimental to Billiton's commercial and financial interests.

Sake24 also wants to know who the signatories of the contracts are.

In reply, Eskom provided the parties' names but not the names of the individual signatories.

- Sake24.com

Eskom's World Bank loan – what are the stakes?

EE Publishers on March 17, 2010 at
<http://www.eepublishers.co.za/view.php?sid=20688>

by EE Publishers staff reporter

There's been a lot of media coverage of the pending World Bank loan of US\$3,75-billion for Eskom. According to analysts, it is unlikely that the loan will not be granted. But who is the World Bank, how does it make its decisions, and what are the stakes?

In its MYPD2 application of 30 November 2009 for electricity price increases of 35% per annum for the next three years, Eskom indicated that its new-build capital expansion programme (estimated at some R400-billion over the next five years) would be funded through: a R60-billion subordinated government loan (quasi-equity); plus debt leveraged off government guarantees of R176-billion; plus its own capital reserves; plus private equity funding of R20- to R40-billion resulting from the sale of a 30% to 49% stake in Kusile power station; leaving further additional borrowings of R8,5-billion and cash shortfalls of R14-billion in the 2011/12 and R7,9-billion in the 2012/13 financial years still to be plugged.

Many may have assumed that the \$3,75-billion (R27-billion) World Bank loan was to meet the R8,5-billion additional borrowing and R14-billion and R7,9-billion cash shortfalls detailed in Eskom's MYPD2 application. However it has been established that in the Eskom's MYPD2 application, the World Bank loan had been already factored into the funding in hand, with the cash and addition borrowing shortfalls being additional funding requirements still to be raised i.e. in addition to the \$3,75-billion (R27-billion) World Bank loan.

Since then, activists lobbying in the US and UK have opposed the Eskom loan application on environmental grounds. The US has recently indicated that it will abstain from voting for approval of the loan when it is presented to the World Bank board, while the UK has reserved its position for the time being. Although the department of Public Enterprises has indicated that it is confident the loan will be approved, the outcome is only expected in the first week of April 2010, and the minister of Public Enterprises, Barbara Hogan has been quoted as saying that if Eskom does not secure the World Bank loan, the

implications for the South African economy are dire (Business Day, 12 March 2010).

The World Bank is owned by 186 member governments. Each member government is a shareholder of the bank, and the number of shares a country has is based roughly on the size of its economy. This 'one-dollar-one-vote' structure affords richer countries greater power in decision-making processes at the bank than poor, borrowing countries.

The US is the largest single shareholder (16,41%), followed by Japan (7,87%), Germany (4,49%), the UK (4,31%) and France (4,31%). The remaining shares are divided among the other member countries. All developing country borrowers combined have 39% of the shares. The 47 sub-Saharan African nations command less than 6% of the shares.

Executive directors oversee the day-to-day operations of the World Bank, approving all lending operations, policies and strategies, institutional budgets and audits. They also hold discussions on operations, evaluations, development trends and strategic directions for the bank. The executive directors also formally appoint (although the US government selects and nominates) the president of the World Bank, who serves as chair of the board of directors.

The board of directors is made up of 24 executive directors, representing all member countries of the World Bank. The five largest shareholders (US, Germany, France, Japan, and the UK) are entitled to appoint their own representatives. Three 'single constituency' board chairs also have their own seat, namely China, Russia and Saudi Arabia. Sixteen board chairs are divided among the remaining member governments. All 47 sub-Saharan Africa countries are represented by just two executive directors.

The board operates largely behind closed doors, without public access to its deliberations or details about its decisions. Full board meetings are held at least twice a week to approve all World Bank financing and to monitor the bank's day-to-day work. Smaller board committees meet almost daily.

Eskom has indicated that in order to meet the World Bank's environmental requirements to obtain World Bank funding, flue-gas desulphurisation (FGD) plant that had not initially been included for Medupi power station would be required. It has

previously been reported (Energize, December 2009, page 8) that this will increase the current R125-billion price tag of Medupi to R142-billion, and the FGD plant would be installed around 2018, after commissioning of all six generator units.

It is thus clear that the current funding shortfall for Eskom's new build programme (Medupi, Kusile and Ingula) will only partially be met by the World Bank loan, and one must not lose sight of what funding is still to be secured, namely: the \$3,75-billion (R27-billion) World Bank loan itself; the R8,5-billion additional borrowings required as per MYPD2; the cash shortfalls of R14-billion and R7,9-billion as per MYPD2; a price increase of some R17-billion for Medupi in coming years; and R20- to R40-billion private equity funding for Kusile. This gives a total current funding shortfall of R94- to R114-billion!

And this excludes any further capital funding shortfall that may result from the February 2010 electricity price determination by the National Energy Regulator (NERSA), which only granted Eskom a 25% per annum electricity price increase for 3 years, rather than the 35% per annum increase that Eskom had applied for.

One may therefore begin to understand the reason why the DPE and Eskom are so desperate to secure the World Bank loan. In the current economic climate, and with Eskom's downgraded and likely future credit ratings, other independent commercially assessed loans are not only going to be difficult to secure, but they will also be significantly more expensive to service, not to mention the exchange rate risk of foreign debt.

But for Minister Barbara Hogan to refer to the possibility of failure to secure the World Bank loan as 'the most unfortunate thing that could happen to this country in terms of its economy and in terms of developmental needs' (Fin24, 12 March 2010), raises even more concerns on the financial management of Eskom. Should the failure by a major, well managed, state-owned enterprise to secure a low-interest loan from just one funding source, needed to meet just a part of the total funding shortfall, precipitate some kind of national economic crisis? This seems to be acknowledging that other funding sources are not available to Eskom, or that alternative or backup funding plans are not in place, and that the World Bank is seen as the source of some kind of soft loan for a desperate and underdeveloped country. Is this really what Eskom and South Africa has come to?

Energy analyst Marc Goldstein of Frost & Sullivan comments as follows:

'The South African government has made it abundantly clear that it cannot fund any further portion of the new build programmes over and above the R60-billion subordinated loan it has already committed and its various other loan guarantees. This has left Eskom with little choice other than to approach the World Bank for access to affordable funding.

'Looking forward however, the South African government may have to commit the entire R60-billion in a shorter period than the R12-billion over five years that had originally been anticipated. There is still a significant funding shortfall for the Medupi plant, which end-user tariff increases will only partly cover in the short term.

'The government has also recently reported that the next base-load power plant to be built will be a nuclear plant. Capital development costs for nuclear plants have historically been significantly higher than coal-fired plants. Given that government wishes to build 20 000 MW of nuclear plant over the period to 2030, it is unclear how they propose to fund these projects. One possibility would be the introduction of IPPs into the nuclear space in the form of a Build-Own-Operate-Transfer model. The global nuclear renaissance is well under way and South Africa will need to address these issues in the IRP2 if it doesn't want to miss an important opportunity'.

But still without a coherent national energy policy and a properly developed 20-year national energy integrated resource plan (IRP) in place, it is hard to see how a meaningful funding plan can be put in place to address the pressing energy issues confronting South Africa.

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<http://www.eepublishers.co.za/view.php?sid=20688>

FINANCE: Lobbying intensifies on World Bank's proposed South African power plant loan (03/17/2010)

Lisa Friedman, E&E reporter

For Caroline Ntaopane, the World Bank's plan to loan South Africa \$3.75 billion for a new coal-fired power plant is personal.

The South African mother of two stepped into the world of environmental activism when her young daughter developed respiratory difficulties. Worried about the apparent increase of health problems in their town of Sasolburg, Ntaopane and others began monitoring and protesting pollution from the local power station.

Now Ntaopane is on the front lines of a fight to block the construction of a new 4,800 megawatt coal plant in her country. She and another activist, Makoma Lekalakala, traveled to Washington this week to make their case before the World Bank, the Obama administration and members of Congress - and to urge the U.S. to lead the opposition to the controversial project.

'I'm not an intellectual. Sometimes I don't even understand the words that they are using,' Ntaopane, 32, said of the discussions with energy experts over the loan to South Africa's state-owned utility company Eskom. But, she said, 'These decisions affect me. It's personal, because it's what we are living. It's what we are eating and it's what we are breathing. It affects our life every day.'

The visit is the latest in a fierce lobbying blitz from both sides in the heated debate over the Medupi plant. The World Bank initially planned for a decision in late March, but recently pushed the board meeting to April 8. Bank officials chalked up the delay to simple scheduling conflicts, but sources say board's executive directors - particularly Europeans - are facing mounting pressure to oppose the project and some governments still have not decided how they will vote.

Meanwhile the South African government has put its full weight behind the loan, arguing that the Medupi plant is critical to the country's development. At a press conference last week, South Africa's public enterprises minister Barbara Hogan warned that the country's economy depends on having a secure supply of electricity.

'Say goodbye to our economy'

'If we do not have that power in our system, then we can say goodbye to our economy and to our country,' Hogan said. 'This is how serious this thing is.'

In many ways the fight over the Medupi plant has become a proxy battle in the global climate change debate. Environmentalists are pushing the World Bank to stop lending for fossil fuel energy projects. Bank officials, in turn, argue that coal and other dirty energy is still the cheapest and fastest route to powering those without access to electricity.

Leaders of developing countries are making a strong case as well that they have a moral right to the same energy sources that helped enrich America and Europe. They argue Western countries concerned by rising emissions should clear out some carbon 'space' by shutting down some of their own power plants. Many are suspicious that the World Bank's expanding role in funding climate change mitigation will translate into restrictions for developing countries wealthy nations accused of causing global warming won't face.

In the midst of all this, the U.S. is trying to reconcile World Bank loans with climate change concerns. Last year the Obama administration ordered its World Bank Group board members to take greenhouse gas emissions into consideration when they vote. New guidelines call on the U.S. to approve coal plants only if the World Bank is unable to secure additional funding to pay for a lower-carbon option.

Yet if the U.S. votes against the Medupi project, it faces a potential backlash from South Africa and could face accusations that it is blocking the country's development.

'This would be a major affront to South Africa,' a senior World Bank official said. 'No matter how you turn this Eskom project, you hurt something. It's really difficult.'

Meanwhile, it appears that the financing package itself is also going through some changes. A World Bank spokeswoman confirmed Tuesday that the South African government has temporarily withdrawn its request for \$250 million in funding from the bank's Clean Technology Fund (CTF) - a program aimed at mitigating climate change - to support the utility company's low-carbon strategy.

Sources inside the World Bank said officials from the U.S., U.K. and Germany expressed serious concerns about the public relations effect of connecting any climate change funds to the Eskom loan.

U.S. could abstain

Under the terms of the overall loan, about \$3 billion will go for the construction of the power plant, which will be the first in South Africa to use cleaner super-critical technology. And about \$260 million will fund wind and solar projects, and \$490 million will go toward transportation improvements.

A World Bank spokeswoman noted that the renewable plans include construction of a 100 megawatt solar power plant that is the largest grid-connected solar project in any developing country; and a 100 megawatt wind facility matched in size only by one other World Bank project in China.

Treasury officials have declined to advertise how the U.S. will vote on Medupi. South Africa's Hogan was widely quoted last week saying she had assurances the U.S. would abstain - a position that would allow America to go on record with its objections to the plant while still allowing the project to go forward. A spokeswoman yesterday denied that, issuing a statement saying it was not in a position to comment because the project has not yet been completed.

But, a spokeswoman added, 'Given the concerns raised, we are encouraging the World Bank and the South African government to address issues related to the environmental soundness of the project and enhance its developmental impact.'

Meanwhile in a whirlwind of meetings with World Bank executive directors and members of Congress and their staffs, Ntaopane and Lekalakala spent the week insisting to lawmakers that poor South Africans are not likely to see much of the new Eskom energy.

'We're talking about benefiting poor people, but those poor people have never been consulted,' Ntaopone said. 'It's very important to say that we need energy, but it's time to look at new models.'

<http://www.wdm.org.uk/world-bank-fuelling-dirty-energy-0>

World Bank fuelling dirty energy

17 March 2010

In solidarity with campaigners in South Africa, WDM has joined a call to the UK government to say no to a World Bank proposal to provide a \$3.75 billion loan to South African energy giant Eskom. The project, which Eskom want to use as an excuse to raise rates for people living in South Africa, would increase energy poverty and cause environmental destruction that would hit the poorest people in South Africa hardest.

The project would also increase debt for South Africa which would fall most heavily on the poorest people. Furthermore, the proposal highlights why it is completely hypocritical for the World Bank to be involved in administering funds provided to help tackle climate change.

WDM are calling for the UK, which is the biggest single donor to the World Bank, to vote against this loan. Below you can read our joint letter asking that Douglas Alexander votes against World Bank funds going towards Eskom's venture.

Read more about the campaign in South Africa

Dear Secretary of State

Re: Proposed World Bank loan to Eskom, South Africa

We are writing to urge that the UK vote against the proposed \$3.75 billion loan to Eskom for the Medupi coal-fired power plant in South Africa when it comes before the World Bank executive board. We enclose a letter sent to all Executive Directors by a South African civil society coalition campaigning against the loan.

Eskom's proposal is not in the interests of poor communities in South Africa, and approving the loan will undermine both them and the global fight against climate change. While there is significant energy poverty in South Africa this project is not focussed on meeting the needs of poor communities but instead on supplying energy to major energy-intensive industrial users that already have access to some of the cheapest electricity in the world. Those users would be exempted from price increases to meet the costs of this loan by

existing power purchase agreements - leaving a disproportionate burden to fall on domestic households. The Medupi station and the coal mines that would be opened to feed it would also have significant impact on the health, land, air and water of local communities.

The proposed Medupi plant would emit an estimated 25 million tonnes of CO2 per annum for decades to come. Furthermore, support for Eskom's overall expansion would nearly double the South African power sector's carbon emissions and put South Africa firmly on a higher carbon development path. This would severely limit any likelihood that the Bank might meet the clean energy targets set out in last year's DFID White Paper and would run counter to any suggestions that the World Bank should administer climate finance, as well as setting a bad precedent for the ongoing energy strategy review.

This loan if approved would also represent a major increase in South Africa's dollar denominated debt - exposing the country to significant debt problems in the event of a currency crash, something which has happened five times since 1996.

Finally, there are serious questions about the lack of due diligence carried out by the Bank when evaluating this proposal, including a failure to properly estimate the social and health costs of the project or to fully examine other options. For example the World Bank's 'Expert Panel' report raised a number of serious concerns about the environmental impacts of this project which do not appear to have been dealt with.

We would welcome the chance to meet with you, before the loan is approved so we can discuss our objections before you make your decision. We look forward to hearing from you.

Yours sincerely,

Asad Rehman, Head of International Climate, Friends of the Earth Charlie Kronick, Chief Climate Advisor, Greenpeace Deborah Doane, Director, World Development Movement Ian Leggett, Director, People and Planet James Picardo, Campaign Director, Jubilee Scotland Jesse Griffiths, Coordinator, Bretton Woods Project Nick Dearden, Director, Jubilee Debt Campaign Paul Brannen, Head of Advocacy and Influence, Christian Aid

cc: Susanna Moorehead, Executive Director, United Kingdom, World Bank

'No problem for ANC to be in business'
17 March 2010 Kea' Modimoeng

Jerry Vilakazi Busa ok with role in Eskom project

BUSINESS Unity SA sees no problem in the ANC's involvement in Eskom's multi-billion rand expansion programme, it said yesterday.

It further condemned labour's proposal for corporate taxes to be used to mediate electricity tariff hikes.

Addressing the media in Johannesburg yesterday, Busa chief executive Jerry Vilakazi said Busa would not have a problem with the ruling party being in business, through its business arm Chancellor House .

'There's no problem as long as there is an open process, and proper checks and balances are conducted for the transparent issuing of tenders,' he said.

Vilakazi said Eskom was not the only state-owned enterprise and using corporate tax for one entity would have a 'detrimental effect'.

'The moment a corporate tax is used for Eskom's challenges, you will create a situation where in future, if the need arises, you will also resort to corporate tax.'

The business federation also reiterated its support for the power utility's 3,75billion (about R27billion) project loan from World Bank .

Vilakazi said the failure to borrow sensibly for Eskom's needs would either mean higher electricity tariffs or the risk of load shedding if the construction of the Medupi power station was not completed in time.

Busa, which has recently urged its members to avoid the temptation of charging inflated prices during the World Cup, said it regarded Cosatu's threats to protest during the tournament as not being in the interests of South Africa and the workers.

'Most of the workers depend on the favourable sentiment of foreign investors who will be visiting the country at the time to ensure that their employment remained sustainable,' Vilakazi said.

Cosatu spokesperson Patrick Craven said the federation agreed with Busa's position and attributed the 'misleading' impression that Cosatu planned to disrupt the World Cup to the media.

'Our planned electricity protest has nothing to do with the World Cup. The timing of our protest will not be aimed at the World Cup and we hope it will take place long before the tournament begins,' he said.

Gugu Ndima <gugundima@gmail.com> 3/17/2010
1:27 PM >>>

YCLSA REJECTS WORLD BANK LOAN FOR ESKOM

17 March 2010

The Young Communist League of South Africa (uFasimba) is flabbergasted by the continued efforts of the Ministry of Public Enterprises on behalf of the South African government to secure a \$3, 75 billion loan from the World Bank.

We are strongly opposed to this World Bank loan because it will feed into capital's agenda of privatising energy generation. The loan is the first stage of putting Eskom into the hands of monopoly capital and private control. Even though Minister Barbara Hogan argues that there are no conditions, the World Bank's own 'Fact Sheet' about the loan claims that by 2013, there will be 1,667 megaWatts of renewable energy available 'led by the private sector'.

YCLSA believes strongly in replacing coal with renewable energy but insists that this is a job for the state because making profits and caring for the environment are often incompatible. Already, Eskom has been so oriented to commercialization that it has failed miserably in its stated intention of producing one million solar hot water geysers; only a few thousand have been produced. Numsa has re-iterated that a 'Just Transition' will involve metalworkers moving into Green Jobs including production, installation and maintenance of passive solar geysers, wind and wave turbines, and many other clean forms of energy. The World Bank and Eskom are the wrong agencies to rely on for loans and investments, history has proven.

Moreover, the costs of repaying the World Bank loan will stagnate the economy and lower the living standards of South Africans, because of exorbitant tariffs and the shedding of quality manufacturing jobs. The cost of paying the loan will rise as the Rand falls in value, and in any case, the Bank's 2008 Country Assistance Strategy already says clearly, 'South Africa is a unique client for the Bank within the Africa region. It is a large middle-income country with sizable own revenues and no need for significant external financing.' The Bank then admits that it should not be involved in energy financing, because 'Going forward, therefore, Bank assistance to South Africa must focus on those areas in which the Bank has comparative advantages

acknowledged and valued by Government' and amongst those listed, energy is not one.

We call on both the Ministries of Public Enterprises and Energy to convene public hearings across the country to solicit a popular public view on the loan. This call is consistent with the Freedom Charter's injunction that the 'people shall govern', as opposed to 'government must govern'. Failure to heed this call by our public representatives will reinforce our beliefs that our leaders are betraying the people's mandate and aspirations. Alternatively, we call on the Ministry to subject this process to a parliamentary process and debate to ensure that our representatives engage with this issue.

The mandate that this government should remember comes from the 1994 Reconstruction and Development Programme: 'Relationships with international financial institutions such as the World Bank and International Monetary Fund must be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions.'

For these reasons, we reiterate our rejection of the loan from the imperialist World Bank, which thrives on imposing neo-liberal and capitalist policies to suffocate the lives of the working class and the poor of the world. As the YCLSA, we call on the Cabinet to rethink this matter. We are not convinced that all funding possibilities were considered before the decision to approach the World Bank was made.

For more information

Contact

Gugu Ndima

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The \$50 Billion Cure for Power Cuts

A meeting of the World Bank's board in late April will decide on the wisdom of lending USD 3.75 billion to the South African power utility Eskom, notably for the construction of a coal-fired electricity plant. South Africa has fallen victim since 2008 to a wave of power cuts that have put a brake on its economy. The World Bank loan won't be enough to meet Eskom's financial needs, which are estimated at no less than USD 50 billion over the coming five years. To make up for its production shortfall, Eskom is going to give up its monopoly over the country's power sector.

A Crucial Vote for World Bank. With the World Bank's vote on the loan to Eskom firmly in mind, the Pretoria government has swung into action. During an official visit to Britain on March 3, South African president Jacob Zuma attempted to drum up backing from prime minister Gordon Brown. However, South Africa's public enterprises minister, Barbara Hogen, has stated that Britain and the United States are expected to abstain from voting on the loan, unlike France. Africa Energy Intelligence understands that the official in charge of the project at the World Bank, Reynold Duncan, sat in during talks on the loan between the Bank's leading contributors (U.S, Britain, Germany, Japan, France, Russia and China). New loan documentation is being put together by the countries that administer the Bank before a definite date for a decision is fixed. Initially, the loan involved USD 3.05 billion for a 4 800 MW station running on coal at Medupi (out of an estimated bill of USD 12 billion for the facility, according to the Bank) as well as renewable energy projects and technical assistance. Some of the Bank's shareholders would reportedly prefer to see renewable energy get a bigger share of the cake. Zuma, for his part, hopes the loan would serve as an incentive to other donors to put up money.

Eskom Must Still Woo Private Banks. While Eskom views the Bank's loan as a prime building block in its funding program over the coming five years the money will fall far short of meeting South Africa's needs. And the problem is complicated by Pretoria's refusal to guarantee new loans to the utility. Still, a number of private banks have forked out significant sums in recent months. Five French establishments (BNP Paribas, Societe Generale, Calyon, Natixis and CIC) lent Eskom USD 1.18 billion in late December. That followed on the heels of a USD 705 million loan in mid-December from HSBC Holdings Plc and

six other banks for the Kusile plant, Eskom's other big coal-fired power station project.

Together, Medupi and Kusile are going to cost roughly USD 20 billion. In bearing in mind a USD 2.8 billion loan from the African Development Bank (ADB) for Medupi last November (AEI 617), as well as that of the World Bank, Eskom will still need billions in fresh money.

Need to Open Market to IPPs. Unable to shoulder all of the bill alone, Eskom has no alternative but to open the market to private investors. South Africa's energy minister, Elisabeth Dipuo Peters, signaled in London on March 3 that Eskom Holdings' monopoly on purchasing electricity was on its last legs. A new independent body is to be set up in April to ensure that private companies will no longer be forced to sell the energy they produce to Eskom, their direct rival. Aware of the difficulty of borrowing enough money to cover its needs, Eskom is proposing that private investors acquire a 49% holding in Kusile for 40 billion rand (USD 5.2 billion). The new facility is to also generate 4 800 MW and will cost pretty much the same as Medupi.

Several Independent Power Producers (IPPs) belonging to the South African Independent Power Producers Association (SAIPPA) are highly critical of Eskom's projects for coal-fired stations, deeming them costly and taking too long to construct. Several IPPs producing a few hundred MWs apiece could be operational far more quickly, they say.

Business Report

Business Watch: Solar geyser sales bubble as Eskom turns on taps

March 17, 2010

Energy Minister Dipuo Peters said last week that there were indications South African households would install 1 million new solar water heaters 'long before' the target date in five years' time.

Let's hope she's right. After all, Eskom is warning that power supply will become a serious concern again from 2011. Without interventions to reduce demand, Eskom may have to burn its expensive diesel-powered open-cycle gas turbines or, as a last resort, turn to load shedding.

Eskom's solar water heater incentive programme received a vital shot in the arm earlier this year when the power utility announced it would substantially raise the rebate offered to consumers for installing solar water heaters. There have since been anecdotal reports of ramped-up sales, following a slow start when the programme was launched in 2008.

More recently, the second industrial policy action plan (Ipap2) has given much attention to solar water heaters. A new subsidy programme has been promised (it is unclear whether this will replace the Eskom scheme), while the Department of Trade and Industry plans to make it compulsory for solar water heaters to be installed in new buildings, during home upgrades and in the replacement of existing geysers. The plan also aims to leverage financing and incentives for manufacturing and installation capacity.

Ipap2 suggests there are marketing opportunities for manufacturers in the rest of Africa, so local producers won't be forever reliant on the short-term increase in South African demand for solar water heaters.

Nevertheless, there is concern about the future of the industry once demand-side management programmes come to an end, with some players hoping the government will guarantee further funds for widening the rollout, or at least announce measures to offset the cost of solar water installation against personal income tax.

Tax credits are one of the fiscal incentives used in the US to encourage a switch to solar geysers.

But for this year at least, South Africa will continue to rely on imported solar water heaters. Significant local production is expected to kick off only next year.

Edited by Peter DeLonno. With contributions by Florence de Vries, Ingi Salgado and Samantha Enslin-Payne.

<http://links.org.au/node/1570>

South Africa: Momentum against climate-destroying World Bank loan grows

By Patrick Bond, Durban

March 16, 2010 - In an indication that the climate justice movement is broadening, deepening and going local, there is now intense opposition to a climate-destroying energy loan for South Africa. The campaign is led by community activists in black townships allied with environmentalists, trade unionists and international climate activists.

The World Bank is trying to lend nearly US\$4 billion to the Johannesburg-based state-owned electricity utility Eskom, the world's fourth-largest power company and Africa's largest carbon emitter (with 40% of South Africa's total emissions).

The loan is mainly for constructing the world's fourth most CO₂-intensive coal-fired power plant, Medupi, in the ecologically sensitive Waterberg area north of the capital of Pretoria.

The World Bank also aims to finance privatised power generation, notwithstanding the abject failure of public-private partnerships in South African infrastructure, including in electricity and water. More than 200 organisations have signed up in protest.

The loan would fly in the face of the World Bank's attempt to portray itself as a climate-friendly financier, and will generate a vast, unnecessary debt -- both a financial debt to South Africa's poor and also an expanded climate debt owed by South Africa to the rest of Africa, for overusing its fair proportion of the continent's CO₂ carrying capacity.

For communities near the coalfields (40 new mines are requested by Eskom to supply its new generators) and coal-fired stations, the externalised costs imposed by Eskom are extremely high, including the complete degradation of water sources, air pollution, a frightening rise in mercury associated with coal and other health burdens.

Poor pay for multinationals' cheap power

The loan is being pursued at a time of intense controversy surrounding Eskom mismanagement. In its last annual reporting period, the company lost R9.7 billion (US\$1.3 bn), mainly due to miscalculations associated with hedging aluminium

prices and the South African currency. Both the chair and chief executive office lost their jobs late last year amidst unprecedented acrimony.

Meanwhile, Eskom continues its giveaway prices to several large export-oriented metals/mining multinational corporations, headquartered abroad - offering the world's cheapest electricity, heavily subsidised by all other - mainly poor - users in South Africa. The two main beneficiaries are BHP Billiton of Melbourne, which runs aluminium smelters, and the notorious Anglo American Corporation, which shifted its financial headquarters to London a decade ago.

Thus mining/metals profits flow abroad, exacerbating South Africa's dangerously high international payments deficit.

Activists argue that the scandalous late-apartheid era, multidecade 'special pricing agreements' deals with BHP Billiton and Anglo American should be rejected as 'odious'. In early 2008, repeated national blackouts finally led to cuts in supply to some of these firms, showing that the deals could legitimately be violated. Moreover, the crash of metals and minerals prices dramatically lowered demand.

Demand-side management -- a tried and tested alternative which the World Bank claims to endorse (but hasn't considered in this case) - would mitigate the need for new power plants. Moreover, South Africa's massive renewable energy potential has not even begun to be tapped. Eskom was given responsibility for rolling out more than a million solar-powered hot-water heaters over three years, and after two years, can claim only 1000.

Price increases for poor

Having lost the vast majority of South Africans' trust, Eskom began raising prices by more than triple the inflation rate in 2008. From 2007 to 2012, the price of a month's normal electricity use in an 'average township household' is anticipated to rise 127% in real terms, according to Eskom. These price increases will have an extreme adverse impact, leading to a major increase in disconnections (and illegal reconnections, hence electrocutions) of poor households, that can best be described as 'underdevelopment'.

Ironically, World Bank staff insist that the proposed Eskom loan will have a 'developmental' impact. The civil society coalition vigorously object.

The World Bank is in an untenable position, as it soon releases a new energy policy and also campaigns to take on additional responsibilities for channeling finance related to climate change. The proposed Eskom loan should disqualify the World Bank from any further role in climate-related activities.

Critics insist that if the World Bank intends to raise \$180 billion in new capital from member groups prior to the World Bank/International Monetary Fund Spring meetings in late April, it will have to shelve this loan, because the world's citizens will object that this represents business as usual financing at a time energy transformation is increasingly urgent.

Opposition is gaining momentum:

- Communities and environmentalists have begun to protest the Eskom loan, including at the firm's Durban headquarters on February 16.
- The main manufacturing trade union in South Africa, the National Union of Metalworkers of South Africa, announced its opposition to the loan on February 18. Other trade unions have threatened strikes against the price hikes and Eskom's labour practices.
- The Pan African Climate Justice Alliance, which had the highest African profile at the December 2009 Copenhagen Climate Summit, has endorsed the no-loan demand, on grounds of environmental damage.
- The South African Council of Churches, which played a key role in criticising the World Bank due to its apartheid financing, has also expressed opposition to the loan.
- Eskom is suffering an upsurge of illegal electricity connections in communities, as prices become prohibitive.

In sum, this is a company that can be fairly described as a poor credit risk.

Dozens of organisations across the world have committed to oppose the World Bank's proposed Eskom loan. They are contacting the executive directors of the World Bank from each country -- including Australia's representative, James Hagen, who was visited by South Africans earlier this week -- to demand a 'no coal loan' vote at the April 6 meeting at which the loan will be tabled.

In advance of the World Bank's recapitalisation efforts, the critics are ready to take even more vigorous action against the bank itself - including revival of the 'World Bank Boycott' which cost the bank support from many major bondholders over the past decade (including the world's largest pension fund, the city of San Francisco, the Calvert Group and university and church endowment funds).

For the sake of environmental justice, the surrounding communities, the citizenry, the workers, Eskom customers and the continent of Africa (and all other sites affected by climate change), the World Bank will have no choice but to withdraw this loan. Eskom will then have no other choice but to negotiate an appropriate energy mix and financing strategy with constituencies they have so far ignored.

Please send messages opposing the World Bank loan to:

Executive director, Mr. James Hagan, Australian representative to the World Bank

Telephone: USA 202-458-1015

Fax: USA 202-477-2007

Email: jhagan@worldbank.org

The Mercury

Eye on Civil Society column

Why we need to stand up and shout louder still

March 16, 2010 Edition 1

PATRICK BOND & ORLEAN NAIDOO

'IMPOVERISHED people, people who haven't got food on their plates. Now you are going to take away the roof from their heads. And where do you expect these people to go? You are just compounding their indignity. Then you move in with these security guards and dogs and guns. Now if this is not fascist brutality, what is fascist brutality?'

The scene could have been an apartheid-era forced removal, with a brave black activist haranguing the white regime. But this question was asked of the new government by Fatima Meer exactly a decade ago, at the peak of the Chatsworth housing battle, on the SABC show Special Assignment.

The unity of poor black African and Indian people fighting the city government impressed Meer. She had come to Chatsworth a year earlier as part of the Concerned Citizens Group of mainly Indian struggle veterans, campaigning for a vote for the ANC at a time when minority parties were gaining ground.

Always nimble, Meer did a quick U-turn. On a Sunday shortly before the 1999 national election, the Jankipersadh family faced the threat of eviction from a Chatsworth shack. Shocked by the living conditions she encountered, Meer stayed to fight, cajoling and threatening city officials to halt the Jankipersadh removal. KwaZulu-Natal Premier Zweli Mkhize recalled this incident at her state funeral on Saturday at the Durban International Convention Centre.

Within a year, Meer would be sucking in the smell of post-apartheid tear-gas that became so familiar in Chatsworth, her eyes streaming tears of anger, her throat coughing up disgust at the local ANC rulers whom she had helped put into power with unmatched courage during the bad years when she was beaten and banned.

A decade ago, the ruling party was not quite so corruption-ridden as now. But the tendency of

Durban officials to crush poor people's aspirations was just as pronounced.

New oppressors

On the week of Meer's death, it may be Michael Sutcliffe denying local civics the right to march; back then, it was deputy mayor Trevor Bonhomme, bringing in the cops while accusing Meer and other organisers of harbouring shebeens, drug lords and brothels.

Within two years, Meer had not only helped organise the community to successfully resist. She managed to bring together all the fractious campaigning groups within Durban's poor communities against the World Conference Against Racism.

One day at the end of August, 2001, the Concerned Citizens Forum of grassroots civics allied with Muslim pro-Palestinians, her beloved Jubilee 2000 anti-debt movement, and other human rights groups from across South Africa and the world.

Rightly, they were infuriated that US Secretary of State Colin Powell, UN Secretary General Kofi Annan and former president Thabo Mbeki had agreed to remove from the conference agenda two critical issues: racist Israeli Zionism, and reparations for slavery, colonialism and apartheid.

Meer and the late Dennis Brutus led more than 10 000 people in a march against the UN conference that day, and suddenly the idea of the South African civil society taking on malgovernance was a reality.

That force, to be able to think and act locally, nationally and globally, was perhaps unique in the country's history. Writing her obituary in City Press, Meer's co-conspirator Ashwin Desai now laments that the new urban social movements which emerged on that 1999 Sunday in Chatsworth are a 'spent force', but many others in Meer's circuit will disagree.

For example, Desmond D'Sa of Wentworth last month helped launch a new bcal-global campaign - now more than 200 organisations strong - to halt World Bank financing of Eskom with a R29 billion loan.

Aside from the police squad carrying her casket on Saturday (we imagined her voice inside cajoling them for ongoing 'fascist brutality'), one reason Meer's funeral seemed uncomfortable was because

civil society was given no opportunity to celebrate the non-ANC causes she lent her prestige to.

She opposed a loan that Public Enterprises Minister Barbara Hogan - who oversees Eskom - insists we need to fund a new coal-fired plant (the world's fourth largest) and partial energy generation privatisation, to be paid for by huge increases in tariffs for poor and working people.

Environmentalists, labour and community opponents of the World Bank and Eskom join Meer's longstanding concern that the Bank must first repay black South Africans reparations, for supporting apartheid-era white power when, from 1951-67, Washington financiers lent \$100 million to Eskom but zero African people received electricity.

Meer would have publicly ridiculed the statement by Hogan at a press conference on Friday, just as the great activist passed away: 'If we do not have that power in our system, then we can say goodbye to our economy and to our country.'

'Rubbish! Meer would have shouted, impatiently explaining that by switching supply away to the common person, away from the over-consumers who get the world's cheapest electricity - eg BHP Billiton - we would meet many economic and social objectives, while avoiding construction of new climate-destroying coal plants.

Most myopic of all, perhaps, was her old friend Pravin Gordhan, who in London recently made the startling claim that this would be South Africa's 'first World Bank loan' - when in fact there were several others since 1994 (Industrial Competitiveness and Job Creation, Municipal Financial Management Technical Assistance Project and the destructive Lesotho dams) as well as Bank investments in a failed Domino's Pizza franchise and similarly well-conceived poverty-reduction strategies.

Neoliberalism

Meer's dismay at ANC graft, bling and the youth league leader's right-wing populism was noted by her brother Farouk at the funeral, but what went missing - especially with Gordhan in attendance - was how revolting she found the Treasury's ongoing neoliberalism and the dalliance with the World Bank, emblematised by the failed Growth, Employment and Redistribution programme which Bank staff co-authored.

Delivering the Harold Wolpe lecture at the Centre for Civil Society in February 2007, Meer observed that the Bank and International Monetary Fund (IMF) had 'usurped power in South Africa and the world' because they 'are structured to exploit us'.

Gordhan knows this, for he was the Transitional Executive Council economics representative who in December 1993 co-signed the \$850 million IMF loan that pledged her friend Nelson Mandela's government to painful, neoliberal policies.

So we have now lost Durban's - and South Africa's - two most senior civil society scholar-activists in fewer than 80 days: Brutus on December 26 and Meer last Friday, and that probably pleases many in Washington and Pretoria.

As for the rest of us, the interview Meer did for SABC's Special Assignment in 2000 provides as clear a mandate as we will ever hear, in light of how there is 'No commitment at all to the poor people. It's a very sorry state of affairs. Those of us who can stand up and shout, regardless of how many years we have spent in this life, we must get up and shout.'

With this beautiful voice silenced, surely our responsibility now is to stand up and shout louder still.

Patrick Bond and Orlean Naidoo work at the UKZN Centre for Civil Society, and Naidoo helps organise Chatsworth against injustice. Fatima Meer's interviews on civil society activism are posted at <http://www.vukani.net>

Sunday Independent

'Sweetheart' power deals under review

SA was trying to attract industry and there was plenty of electricity at the time, says Eskom

March 14, 2010 Edition 1

Eleanor Momberg

Eskom has moved to calm critics of its preferential pricing deals by confirming it is renegotiating long-term contracts with an aluminium producer and a mining house.

The announcement this week that the electricity utility had two customers on special deals through which they paid less for energy than other industries and consumers, erupted in a row: Cosatu threatening to mobilise its members and the Cape Chamber of Commerce called for a full investigation into the so-called sweetheart deals. The deals were shrouded in secrecy and apparently not disclosed to the National Energy Regulator when Eskom applied for its three-year, 35 percent increase.

Eskom officials had told Parliament that its key industrial customers paid lower rates for electricity through special agreements, but that details of these contracts were confidential.

Andrew Etzinger, Eskom spokesman, told The Sunday Independent that contrary to recent speculation the utility did not have special contracts in place for all of its 138 large industrial customers.

Only two customers, who hold four contracts between them, were still on special pricing agreement contracts.

While Etzinger would not name the companies, it was understood that one was BHP Billiton which has contracts for its aluminium smelters at Hillside, Bayside and Mozal in Mozambique, and the other Anglo American for its Skorpion zinc mine in Namibia.

The long-term pricing agreements, said Etzinger, were currently under review. Negotiations between the companies and Eskom had started at the end of 2009, shortly after an undertaking by the utility to renegotiate long-term pricing agreements as the country continued to struggle to meet energy demands.

He said that at the time of entering into the special agreements, the country had abundant electricity. It was when a concerted effort was being made to attract new industries to South Africa.

'In terms of the aluminium industry, it is common practice internationally for them to enter into long-term agreements with power utilities because the risk of the investment is so large in terms of electricity pricing. So they need surety before they can invest.

'The single-year price determination structure in which the price was decided yearly was in place at the time and did not provide enough surety. They needed greater insight to determine what their investment was likely to yield,' he said.

The multi-year pricedeterminations which give more certainty were only introduced after these deals had been signed.

The negotiations, he said, could take some time as this was a 'very complex issue that will require extensive negotiation'.

Mamphela Ramphele, chairman of the Technology Innovation Agency, last week wrote in The Sunday Independent that the continuation of the scandalous late apartheid-era multi-decade special pricing agreements amounted to exporting South Africa's precious energy resources to Australia and other destinations where shareholders were benefiting from the cheap electricity fuelling their investments here.

'Such pricing arrangements allow for multinational mining companies like BHP Billiton to import aluminium from Australia and smelt it in South Africa where they use our ridiculously cheap electricity before they re-export it back to Australia for use in various products. In this process South Africa suffers a double loss: precious electricity extracted from burning our finite coal, and industrial development through beneficiation,' she wrote.

Etzinger said other large industrial customers were on the MegaFlex plan. They were charged according to time of use which differed between winter and summer.

If a customer was far from the grid, using electricity during winter at the evening peak, they would be charged R1.40 a kilowatt hour. On the opposite end of the scale, if the client was close to the grid and

using electricity off-peak in summer the charge would be 14.7c per kWh.

In addition MegaFlex and NightSave customers paid fixed transmission and distribution network charges for capacity used, electrification and rural subsidies, a service fee and an administration fee.

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Medupi: Hogan answers questions on World Bank loan
JOHANNESBURG, SOUTH AFRICA Mar 11 2010
17:37

Barbara Hogan, Minister of Public Enterprises, answers the M&G's questions about the controversy surrounding the World Bank loan for the Medupi power station.

M&G: NGOs are unhappy about a perceived lack of consultation about the IRP. [Integrated Resource Plan] Isn't that fair? We got a three page document in the December holidays, and haven't seen much since then. How can we trust government's bona fides on coal without the IRP? Have you now engaged the NGO sector, and how do you plan to take public consultation forward ahead of the proposed July publication of the IRP?

Barbara Hogan: As the policy department responsible for the Integrated Resource Plan, the Department of Energy would be best placed to respond to this question.

M&G: Another concern is the transparency of loan conditions. What are the key financial, governance, and environmental/carbon-related conditions of the loan?

BH: The negotiations for the loan are still under way and are sensitive at this stage, we therefore cannot divulge details, we can, however, highlight that the three key components of the loan are:

- * 1. \$3,05-billion for the Medupi power station, Africa's first clean coal 'supercritical' 4 800MW power station.
- * 2. \$-260-million for investments in renewable energy (100MW wind and 100MW concentrated solar power projects).
- * 3. \$485-million for investment in low-carbon energy efficiency components comprising road-to-rail coal transportation and power plant efficiency improvements.

Furthermore, South Africa's energy strategy has demonstrated its leadership position in the developing world on climate change. Over the last few years, the government has also championed the use of low-carbon strategies in sub-Saharan Africa. The government believes that climate change, if ignored, has the potential to undo many of the positive advances made in meeting South

Africa's own development goals and MDGs. South Africa has played a significant role in greenhouse gas (GHG) emission reduction efforts and is deeply committed to an energy strategy that reduces its GHG emission footprint. The scenario that the government has adopted will result in GHG emissions peaking in 2020-2025, plateau for a decade, and then declining in absolute terms towards mid-century. To this extent, the government has begun taking steps to address the energy challenges while promoting a low carbon growth path.

South Africa has taken many bold steps to address barriers to renewable energy development that reaffirms it as one of the key players on climate change within the developing world. These actions, some of which have not been taken by many middle income countries, include adoption of attractive and private sector friendly feed-in tariffs and establishing a suitable legal and regulatory framework.

M&G: Can you outline what the World Bank requires in terms of ensuring that Medupi is the cleanest possible coal plant?

BH: Medupi is designed in line with international design practice for coal-fired plants. Eskom is considering the implementation of carbon capture for new plants as well as the retrofitting of plants should the technology be viable. We anticipate the technology to be commercial in approximately 2030. One of the critical requirements is to assess storage capacity and availability in South Africa. Eskom is involved in a joint study to produce an atlas of storage sites for South Africa and the results of this work are anticipated in the near future.

Medupi is designed to operate at higher steam pressures and temperatures (termed supercritical) which enables it to achieve a higher efficiency than Eskom's existing coal-fired [plants]. This directly improves environmental performance as it requires less coal and water and produces less ash and fewer air emissions per unit of electricity produced, particularly carbon dioxide, for which there is at present no commercially viable post combustion removal technology. Furthermore, the design also incorporates bag filters and low nitrogen oxide (NOx) burners which further reduces air emissions. Finally, Medupi has a dry-cooling system to reduce water consumption by up to 90%.

M&G: Surely in order for the loan to be granted, the African National Congress must withdraw from

Hitachi power Africa? The World Bank cannot be seen to be funding a political party, even through the vehicle of an infrastructure project.

BH: The ANC would be best placed to answer this question.

M&G: What are the likely consequences if the World Bank loan is not granted? Is alternative finance available? If so, what would the likely conditions of such finance be, and do you think they would be more acceptable to the campaigners, or less?

BH: The financing is critical for sustaining South Africa's future economic development as it will enhance power supplies. Without the loan, the power constraints are likely to increase, especially if the global economic turnaround happens in the near-term. The global financial crisis and recent rating downgrades have reduced Eskom's ability to tap the domestic and international commercial markets. Long-term financing at reasonable costs will help government protect a series of reforms to move to lower carbon economy and to implement an investment program that would allow the country to overcome electricity supply shortfalls

M&G: The state of play in terms of support for the loan from the US, UK, Germany, and France? Have you managed to persuade them to change their stance? Do they understand the urgency of our power situation, and the likely impact on the regional economy, jobs, and the poor?

BH: Discussions and consultations are still under way at the highest level in government, i.e. executive as well as ambassadorial level with all member states and executive directors of the World Bank. We have been communicating the merits of the projects and implications for Eskom, South Africa and the region should the loan not be granted.

M&G: What is your reaction to local NGOs going to the Western powers to block the loan, rather than dealing with the SA government? Is there a kind of very radical argument here that 'if we have to smash the SA economy to wean ourselves off coal, that's too bad?' How do you possibly negotiate with someone who takes that position?

BH: We have been engaging with all stakeholders across the board, including NGOs to discuss the merits of the loan and risks to South Africa's energy supply should it not be granted. The loan does include a component for renewable energy investment, as mentioned above.

M&G: Why do you think these countries have agreed to them? Is it out of concern over carbon

levels or perhaps a desire to sell alternative technologies, notably nuclear, to South Africa?

BH: To understand the factors that influence the decision making of member states, you would need to refer this question to them.

M&G: If the loan does go ahead, do you think we will ever get finance for another such power station? In other words, is Medupi our last coal power plant?

BH: Future projections of energy growth globally shows that coal will remain an important primary energy resource. However, indications are that it will become more difficult to access funding especially from European and US investors as they continue to feel pressure in terms of demonstrating leadership in climate change issues. Eskom is undertaking research into clean coal technology in order to meet the long term challenges of energy security and a low emissions future. A particularly promising technology is underground coal gasification which is being piloted near our Majuba power station.

M&G: If that is the case, there will surely be consequences for unwinding the fleet procurement contracts insofar as they cover Kusile in addition to Medupi. How much will the penalties cost, and can they be avoided?

BH: We would need to wait for the World Bank decision on the loan application, then we will be in a position to review what the alternatives are.

M&G: Will carbon considerations play a role in a decision on Kusile, or is this principally a financial issue?

BH: Kusile is another coal power plant that will be built after Medupi. Refer the question on nuclear policy to the Department of Energy.

M&G: Medupi is our last coal power station, what does this mean for our nuclear policy?

BH: Refer this question to Department of Energy.

M&G: Are we correct in assuming there will be penalties to pay if and when the PBMR project is wound up? Might Westinghouse be hoping that this would give them a leg-up in negotiations around Nuclear 2?

BH: We cannot pre-empt the Cabinet decision on PBMR.

M&G: The latest projections call for a modest contribution from renewables, given the very high installation cost of nuclear, and the capital difficulties we face, isn't there a case to be made

for a much more aggressive set of targets, especially wind? And shouldn't those powers opposed to the Medupi loan, and well positioned to profit from a renewables drive, be offering very large loan facilities to achieve this?

BH: The government of South Africa has clearly demonstrated its commitment to meeting long term climate-change mitigation objectives, and has undertaken a detailed and science-based review of the steps to be taken in moving to a low-carbon economy. At the December 2009 UN climate-change conference, the government of South Africa was part of leading a negotiated settlement, signing a co-drafted Copenhagen Accord in which the country committed to 34% reduction in carbon emissions by 2020, and 43% by 2025, relative to the base-case projections. The intention is to ensure that carbon emissions peak during 2020-2025, plateau for a decade, and then begin declining thereafter. The World Bank-Eskom Investment Support Project, which includes substantial investments in renewable energy sources and energy efficiency, will be a major step forward towards this long-term plan. There are no feasible near-term regional renewable alternatives to meet the demand in South Africa. Moreover, any country that is relying on substantial imports from Eskom in the medium-term is looking for alternate reliable sources in the Southern Africa Power Pool (SAPP) which as a sub-region is facing a severe shortage of generation capacity.

Full exploitation of domestic renewable potential does not meet the near-term power needs of South Africa. South Africa's potential for large renewable projects is limited. Options are limited to CSP and wind; hydropower projects are largely non-existent. Of the renewable energy options, CSP is the most expensive but offers the potential for base-load power (unlike wind power and solar PV) and has a huge scale-up potential in South Africa. Tentative estimates for scale up in South Africa alone amount to some 38 000MW; at present the technology does not allow large scale developments. Wind energy is a commercially mature renewable energy technology, but despite a high growth rate of wind in the global market, its development in South Africa has been minimum to date. Studies are under way for further 500MW in the Western and Eastern Cape provinces and current estimates of wind power potential range from 1 000MW to 10 000MW along the East and West coasts of South Africa. Both CSP and wind technologies are expected to make a significant contribution to the government's target of 10 000 GWh (about 1 667MW equivalent) from renewable energy sources by 2013.

M&G: Finally, how worried should we be if this loan doesn't go ahead? What are the immediate consequences (jobs as the site for example) the medium term consequences (blackouts?) and the long term?

BH: South Africa generates more than 60% of all electricity produced in Sub-Saharan Africa. Electricity shortfalls in South Africa would hinder the economic development of the region. Botswana, Lesotho, Namibia, Swaziland, and Zimbabwe rely on Eskom for their electricity. Without additional energy, the country and the region would face growth constraints in the short-term: factories and businesses would not function efficiently; hospitals and schools would not operate fully or safely; basic services that developed countries take for granted would not be rendered. One of the greatest longer-term development challenges for the region is ensuring an adequate energy supply that is critical for accelerating economic growth, creating employment opportunities, and enhancing the welfare of its citizens and that of the region.

Business Day

Hogan confident of UK vote for Eskom plant loan

SISEKO NJOBENI

Published: 2010/03/15 06:30:00 AM

THE government was confident that the UK would next month vote in favour of Eskom's application for a 3,75bn World Bank loan, while the US had said it would abstain from voting, Public Enterprises Minister Barbara Hogan said on Friday.

Failure to secure the loan would seriously damage the South African economy, she said.

'If we do not have that power in our system, then we can say goodbye to our economy and to our country. This is how serious this thing is,' Hogan said. A vote against the loan would be 'the most unfortunate thing to happen'.

The government's new Medupi power station is due to be commissioned in 2012. Failure to commission additional capacity could lead to continuous blackouts, Hogan said.

Eskom has applied for the loan to finance a portion of the R120bn Medupi coal-fired power station.

There has been intense opposition to Eskom's loan application, with environmental groups and non-government organisations arguing that building new coal-fired power stations would exacerbate greenhouse gas emissions. Reports appeared last week that the UK and US would oppose the loan.

'The Americans are under a bit of pressure and have indicated to us that they are not going to vote against but they'll abstain from voting. They are under particular pressure from their own lobbies. They are going the most neutral route available to them,' Hogan said.

She was, however, confident that the UK would vote in favour of the loan. President Jacob Zuma recently concluded a three-day state visit to the UK.

The World Bank is a relatively cheaper source of money for Eskom's capital expenditure programme. Other sources of finance have dried up because of the global economic meltdown.

Eskom's failure to get the loan could result in higher tariffs, Energy Minister Dipuo Peters said. She said

alternative sources of funding for Eskom could be costly and delay the commissioning of the Medupi power station.

Eskom must raise up to R150bn in the next five years to fund its R385bn programme.

Hogan and Peters took aim at the opponents of the loan.

Hogan said some of the lobbying has been based on 'incorrect' assertions. They denied allegations that SA planned to build more coal-fired power stations, in addition to Medupi and Kusile.

'An incorrect impression has been willfully created that SA intends to continue building more coal-fired power stations,' Peters said. SA's next base-load power stations — after Kusile and Medupi — were likely to be nuclear-based.

The Department of Energy's second integrated resource plan will clarify the mix of SA's future energy sources. The plan will be published by June this year, according to the department.

Hogan defended the loan. '(It) is a specific investment loan, as opposed to a development policy loan, which means the bank will have no say in our policy-making processes, especially our macroeconomic policy,' she said.

Meanwhile, Hogan said Eskom was in discussions to review contracts with two customers who were supplied power at low rates. 'There is no secrecy underlying those contracts,' she said.

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Fin24

- Fin24.com

ANC could hinder Eskom loan
Mar 15 2010 07:29 Jean-Marie de Waal

Cape Town - The indirect stake that the ANC's investment company, Chancellor House, holds in the Eskom expansion programme could count against the ANC government in its desperate application for a World Bank loan for Eskom.

This is while the board of the World Bank is deliberating the massive loan regarded as essential for the South African economy.

Questions apparently continue to be asked about Chancellor House's 25% interest in the Hitachi consortium that won the contract to build the pressure vessels for Eskom's gigantic power stations, Medupi and Kusile, whose costs will run to R120bn and R140bn respectively.

At a press conference on Friday Public Enterprises Minister Barbara Hogan and Energy Minister Dipuo Peters faced questions about Britain's apparent concern over the issue despite a report a year ago by advocate Lawrence Mushwana, the former public protector, which indicated that the awarding of the contract to Hitachi had been legitimate.

There was, however, a conflict of interest owing to the 'personal interest' of then chairperson of Eskom's board, Valli Moosa, as an ANC member. Peters denied that the contract was being interrogated by Britain.

Hogan referred to the report's recommendation that legislation should be introduced to regulate business relations between government institutions and political parties.

Trade unions also have interests in companies - should it therefore be declared illegal for companies to have these unions as empowerment partners, she asked.

Lance Greyling from the Independent Democrats (ID) recently asked the new public protector, Thulisile Madonsela, to table the report in parliament.

Unlike what most ANC members might think, Greyling said, the ID considered it immoral for the ruling party to derive financial benefit from putting to rights the energy disaster caused by gross inefficiency on the part of some of its leaders.

<http://blog.newint.org/majority/2010/03/15/quick-fix/>

New Internationalist

The Majority World Blog

The dirty price of a quick fix

Posted by Dixon M. on Monday, March 15, 2010
Comment on this post

The World Bank is yet again on the brink of providing a loan that will have only negative effects for the poor and the environment. South Africa faces a power crisis at the moment and it is looking to the parastatal Eskom, which in turn is looking to the ever-willing World Bank to provide a US\$4 billion loan. This loan is primarily intended to finance the world's fourth biggest carbon-emitting power plant and fund similar projects that will supposedly address the issue of power in South Africa. At the end of the month we will know whether or not the World Bank will go ahead with the contract - one that will reiterate its neglect for the poor, apathy for environmental issues and ongoing affair with big business. In South Africa and around the world the movement against this proposed loan is gaining momentum, and critics of the contract have been imploring the global loan sharks to cancel the deal because of the adverse effects that it would have on the already burdened region.

Whilst Eskom may claim that the new coal initiative is the only way to resolve the crisis, others have proposed much simpler solutions that the powers-that-be tend conveniently to overlook. In South Africa at the moment the 138 biggest corporations in bed with Eskom pay as little as a sixth of the price for their electricity as the average household does. Rectifying this unjust system, as recommended by economist Patrick Bond, would hugely assist efforts to deal with the power crisis. When in private hands, as we have seen so often in the past, services become far from public in their focus. And as if the situation for the poor communities couldn't get any worse, Eskom have proposed a 35 per cent increase in costs every year for the next three years to help remedy the crisis. Average township household electricity bills are predicted by Eskom to rise from US\$47 to an astonishing \$132 over the next 3 years. The poor are being burdened with an electricity crisis that has been created by big business, whose insatiable appetites will be satisfied by the new power plant,

for the time being. At the same time serious health concerns for those (obviously poor) communities surrounding the new power plant and new coal mines have been voiced, as well as the fact that Eskom is a struggling company that made huge losses last year. Through miscalculations the company lost almost half of the amount that they are requesting from the Bank.

Moreover, at the climate summit in Copenhagen, South Africa was supposedly on the frontline of the movement of nations demanding genuine action on climate change, with its Government considering itself a champion of green initiatives. Over the last few weeks, however, their position has come under intense scrutiny as, aside from the effect the contract will have on the poor, it will seriously undermine efforts to address climate issues. In order to supply the new generators, Eskom intends to create 40 new coal mines. South Africa aims to reduce its emissions by 18 per cent by 2020, but if this new initiative goes ahead, that figure would seem to be increasingly illusive.

At the end of March the World Bank will state its position and the global movement campaigning to keep coal in the hole will see if they have done enough to deny a contract that will leave South Africa financially and environmentally indebted, whilst the poor foot the bill.

South Africa Says Eskom's World Bank Loan Plan Is Misunderstood

By Carli Lourens and Ron Derby

March 12 (Bloomberg) - South Africa defended state-owned power utility Eskom Holdings Ltd.'s plan to borrow at least \$3.75 billion from the World Bank and said critics misunderstand its purpose.

'We are concerned that the issues related to the loan have not been properly understood,' Public Enterprises Minister Barbara Hogan said in an e-mailed copy of speech given to reporters in Pretoria today. 'We are also concerned at the level of misunderstanding regarding our commitment to a transition to a low-carbon economy.'

Developed countries raised moral concerns about the World Bank financing coal-fired power, Finance Minister Pravin Gordhan said on March 4, without being more specific. The loan will contravene assertions by the World Bank that it is a climate-friendly financier, Business Report said on Feb. 23, citing a group of South African environmental organizations, including groundWork.

Eskom approached the World Bank and other development-finance institutions after it overestimated borrowing from local institutions and after access to finance in the international markets 'largely dried up,' Hogan said. Eskom started a 460 billion rand (\$62 billion) expansion plan aimed at preventing a repeat of shortages that temporarily shut mines in 2008 in South Africa, the world's biggest platinum and ferrochrome producer.

'South Africa is fully committed to renewable energy as a significant element of the energy mix,' Hogan said. 'Time will be needed to ramp up these investments.'

To contact the reporters on this story: Carli Lourens in Johannesburg at clourens@bloomberg.net; Ron Derby in Johannesburg at rderby1@bloomberg.net

South Africa may face power cuts without loan

By Agnieszka Flak Agnieszka Flak – Thu Mar 11, 1:14 pm ET

JOHANNESBURG (Reuters) – South Africa may need to enforce power cuts or raise electricity prices further if a disputed \$3.75 billion loan from the World Bank is not approved, a senior government official said on Thursday.

The United States and Britain have threatened to withhold support for the loan for a coal-fired plant in South Africa, expanding the battleground in the global debate over who should pay for clean energy.

'If they say no, we will either increase the tariffs or we will face serious blackouts,' Director General at the Ministry of Energy Nelsiwe Magubane told Reuters in an interview.

South Africa's state-owned utility Eskom is seeking the loan, intended to help expand power generation capacity to meet fast-rising demand in Africa's biggest economy.

Eskom failed to get the 35 percent annual tariff rises it wanted this year, but the regulator still approved hikes of around 25 percent each year for the next three years, stoking inflation fears and anger from unions, businesses and consumers.

Eskom was forced to step up investment after power cuts paralyzed the critical mining industry in early 2008.

Magubane said she was surprised by the apparent opposition from the United States and Britain to the loan, particularly given that South Africa had not been asked to provide an alternative to coal in its application.

She said South Africa, reliant on coal for 95 percent of its electricity needs, had shown sufficient proof of plans to cap emissions and reduce them after 2030. She said the target could be met even with Medupi and another coal-fired plant because less efficient old power stations would be retired.

RENEWABLES

Some \$700 million of the requested loan would go for investments in renewable energy, she said.

In addition, the World Bank's Clean Technology Fund has already approved a loan of \$500 million for South Africa's clean energy projects, also to help fund privately-led initiatives.

She said the government was revising its current target for renewable power to a 'more aggressive' one.

Should the World Bank loan be approved, she said South Africa would seek to speed up Medupi to bring it back to its original schedule of having the first turbine commissioned by April 2012.

But the second planned power plant Kusile, which like Medupi is expected to supply 4,800 MW, is likely to remain delayed.

She said the government was discussing alternative means to help fund Eskom, which reported a 9.7 billion rand (\$1.31 billion) loss for its last financial year. Part privatization and further government guarantees are still options.

Although Magubane said there was no alternative to coal for now, she saw nuclear power playing a critical role in the future, with the next new plant in operation by 2022 at the latest.

(Editing by Matthew Tostevin)

S.Africa says W.Bank loan free of econ conditions
2010-03-12 09:14 (UTC)

PRETORIA, March 12 (Reuters) - A \$3.75 billion loan sought by South Africa from the World Bank would not have any macroeconomic conditions attached, the country's Public Enterprises Minister Barbara Hogan said on Friday.

South Africa's state-owned utility Eskom is seeking the loan, intended to help expand power generation capacity to meet fast-rising demand in Africa's biggest economy.

'The World Bank loan would be a specific investment loan and that means that the bank has no say in South Africa's policy. Any conditionalities will not be macro-economic conditionalities,' Hogan told a media briefing.

(Reporting by Muchena Zigomo; Writing by James Macharia) (For more Africa cover visit: <http://af.reuters.com/> - To comment on this story email: SouthAfrica.Newroom@reuters.com)
Keywords: SAFRICA ESKOM/

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Sunday Independent

Shed those who duped us, Eskom

March 14, 2010 Edition 1

Eskom, the state-owned entity best known for its consistent corporate governance blackouts, has done it again - and this time honesty was the casualty.

It has since emerged that Eskom did not make a full disclosure of electricity tariffs it charges certain multinational companies when it applied to energy regulator, Nersa, to increase electricity tariffs over the next few years. The increases are applicable from April 1.

The company provided half-truths to Nersa and the public. We were told by Eskom and the government, its negligent shareholder, that the increases were inevitable if the country was to meet future energy needs.

In addition to the tariff increases, a multibillion-dollar loan has been sought from the World Bank to finance the additional power generation capacity.

Public fury over Eskom's application was met with a nasty chastisement from the negligent shareholder, who had the audacity to tell us that we had been spoiled for too long with cheap electricity.

It has since emerged that certain multinational mining companies, and not ordinary consumers, are the beneficiaries of the cheap electricity. Yet Eskom and the negligent shareholder hid this information from the public.

When the truth began to emerge, Eskom's response was shocking: it said the contracts with the mining companies were 'private and confidential'.

Eskom later said it had begun to renegotiate the contracts with the companies whose names it would not even mention. Something does not wash in Eskom's behaviour. Why was this information not disclosed to the public during the public hearings?

This crucial information should have formed an integral part of Eskom's application. It should have featured prominently in the public discourse.

And, no doubt, it should have played a part in influencing Nersa's ultimate decision on the administered price of electricity.

The fact that multinational corporations have been paying less than ordinary consumers, and will continue to do so, means that they are being subsidised by ordinary consumers and other industries.

It is against this background that failure to supply sufficient and relevant information to the public process should necessarily result in the suspension of the price increases granted by Nersa.

A flawed process cannot lead to a legitimate outcome. Since price determination is an outcome dictated by the application process, which includes public hearings, it follows that misdemeanour during the process should render the outcome fatal. Nersa must suspend pending tariff increases until there has been a full investigation into Eskom's behaviour. Those who are found to be responsible for misleading the public should be declared a load that requires shedding.

Cosatu fights Eskom hike

2010-03-15 06:24:26

The Congress of South African Trade Unions (COSATU) said on Sunday that it is in the processes of mobilizing its members for strike action against the tariff increase that was granted to Eskom for the next 3 years. The National Energy Regulator of South Africa (NERSA) last month granted Eskom a 25 percent increase in its tariffs. According to the national spokesperson for COSATU, Patrick Craven they will first try to ask NERSA and Eskom to re-look the tariff increase before embarking on strike action.

'We will have to make the attempt to see if we can sway government, Eskom and Nersa on their policy but we are not optimistic about that. We have to make that attempt and then proceed under the labour relations act to call a strike on a socio-economic issue under section 77,' explained Craven.

He said that COSATU was particularly concerned about the secret deals Eskom had negotiated with bigger consumers. 'Some of them are paying far less than the average consumer, putting the cost on the consumers, which is a truly retrogressive way of raising money. The poor are going to pay more and the rich are going to pay less.

Secret deals

'We are particularly concerned that these deals are secret not only from the South African public but even from the regulatory authority NERSA. They took a decision to approve Eskom's increase without full knowledge on what the existing tariffs policy is and this we think is totally unacceptable,' said Craven.

He felt that the increase granted to Eskom will lead to an increase in the cost of living. 'COSATU has been consistently opposed to this excessive tariff increase by Eskom. These increases will virtually double the cost of electricity over the next three years and it will hit individuals, particularly the poor who actually pay far more per unit of electricity than the big users,' the trade unionist said.

The new tariffs will also lead to an increase in inflation according to Craven. 'Most companies pass on their extra electricity costs to their consumer. This could also lead to a loss of jobs. As the South African Chamber of Commerce and industry has

predicted 250,000 jobs could be lost as a result of this,' said Craven.

Inflation

He is of the opinion that the money which is Eskom needs is for capital expenditure for new generating capacity and not for the running cost of providing electricity. 'We believe that money which is basically to invest in a national asset should be raised by government and if necessary through additional taxation. Because taxation unlike tariffs works the other way so that the rich pay more and the poor less and that is a far fairer way of raising money when it is necessary,' said Craven.

He said should COSATU not be successful in negotiating a change in policy they will mobilize their members and take to the streets. 'We will call our members out on strike and we are convinced that we will get the support of the overwhelming majority of the people of South Africa in any protest that we organize,' he said.

Craven could not give a date for the strike action as the union will try to negotiate a change in policy through Nedlac. VOC (Dorianne Arendse)

NUM supports Eskom strike
March 15, 2010

The National Union of Mineworkers (NUM) said on Monday it supported a planned strike by Cosatu at Eskom because the parastatal reneged on an agreement to provide a R5 000 housing allowance to workers.

NUM spokesman Paris Mashego said it was also shocked to hear that 138 companies received special price agreements for the electricity tariff increase at the expense of the poor and working class.

The NUM was also not happy about Eskom's application to the National Energy Regulator of SA (Nersa) for salary increases to be matched to inflation, regardless of company performance.

'As workers, we support Cosatu's Section 77 application to Nedlac [National Economic Development and Labour Council]. The shop steward council also declared 24 March as a national day of peaceful protest,' said Mashego.

'A memorandum will be handed to Eskom demanding proper consultation on housing allowances. The second memorandum will be handed to Nersa demanding the withdrawal of the electricity tariff increase. The struggle continues.'

Two weeks ago, the Congress of SA Trade Unions (Cosatu) reiterated that it would issue a section 77 notice to strike over Eskom receiving the go-ahead to hike power prices by 25 percent this year. - Sapa

Business Week

U.K. May Back World Bank Loan to Eskom, Gordhan Says
March 11, 2010, 6:11 AM EST

By MikeCohen

March 11 (Bloomberg) - South African Finance Minister Pravin Gordhan said the U.K. had indicated it may back state power utility Eskom Holdings Ltd.'s bid to secure a loan from the World Bank.

'We have got more positive signs that the loans will be approved than the opposite,' he told reporters in Cape Town today. Leaders in the U.K. said 'they will certainly consider supporting the loan. The bureaucrats must finish their work now.'

Eskom is struggling to fund a 460 billion rand (\$62 billion) five-year plan to boost supplies in Africa's biggest economy. National Treasury and Eskom officials went to Washington last month to discuss the terms of a \$3.75 billion loan to help finance construction of the Medupi coal-fired plant. An additional \$250 million in loans has also been requested from the World Bank's Clean Technology Fund.

Some countries have come under pressure not to provide funding for a coal-fired plant and have expressed doubts about doing so, Gordhan said.

On Feb. 22, a number of environmental and civil rights groups, including Earthlife Africa and the Center for Civil Society Environmental Justice Program, said they were petitioning the World Bank's executive directors to block the funding.

Criticism

'The loan would fly in the face of the bank's attempt to portray itself as climate-friendly' financier, the group said in an e-mail.

Those concerns gained some support yesterday from the International Monetary Fund's managing director, Dominique Strauss-Kahn.

'In general, I find it legitimate when the whole world is concerned about shifting towards a more green economy that international agencies will favor projects greener than others,' he said.

Public Enterprise Minister Barbara Hogan and Energy Minister Dipuo Peters are scheduled to

address a media conference on the loan application at 10:30 a.m. local time in Cape Town tomorrow.

- Editors: Philip Sanders, Karl Maier

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Government's response to recent media reports on the World Bank loan

11 March 2010

Minister of Public Enterprise, Barbara Hogan and Minister of Energy, Dipuo Peters will brief members of the media on Eskom's loan application from the World Bank.

The briefing will take place as follows:

Date: Friday, 12 March 2010

Time: 10h30

Venue: Room 153, Union Buildings, Pretoria

Note: There will be a linkup to Imbizo Media Centre, 120 Plein Street, Cape Town

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11 March 2010

Manuel warns on lending bodies' demands
JOCELYN NEWMARCH Published: 2010/03/11
06:36:15 AM

RISK: Minister in the Presidency Trevor Manuel says it is important that decisions on Eskom and energy be taken within SA.

COUNTRIES risked losing part of their sovereignty in exchange for international development funding, Minister in the Presidency Trevor Manuel warned in an interview yesterday.

Manuel, who is responsible for national planning, was appointed this week to the high-level advisory group on climate change finance, an international body set up by United Nations (UN) Secretary-General Ban-ki Moon.

This follows the nomination of Tourism Minister Marthinus van Schalkwyk as SA's candidate for the top UN climate job, and further boosts SA's international profile. Yvo de Boer, head of the UN Framework Convention on Climate Change, which oversees climate negotiations, will step down at the end of June.

'It's important that decisions (on Eskom and energy planning) are taken within SA. If we transfer responsibility to the international finance institutions, we will be handing over important parts of our sovereignty,' Manuel said, noting that the US held veto power in the World Bank.

This was in reference to Eskom, which has applied for a 3,75bn loan from the World Bank. The US and UK have threatened to oppose the loan, saying institutions such as the World Bank should finance renewable energy, rather than the construction of coal-fired power stations.

The furor has brought a larger debate, on the role these institutions should be playing, into sharp focus. Many nongovernmental organisations argue that the World Bank, the International Monetary Fund and other development finance institutions should be funding low-carbon projects and taking account of the risks of climate change.

Others argue that an entirely new financial mechanism is needed to disburse the funds, given the undemocratic nature of these institutions and lack of trust on the part of developing countries.

Manuel said the group's focus on unblocking finance — needed for developing countries to adapt to the

risks of climate change and mitigate their emissions — would help negotiators deal with the 'nitty-gritty' of a proposed new agreement on climate change.

But he acknowledged global finance institutions are flawed and countries had sometimes made commitments they did not keep.

'In the past it has been easy for countries to make commitments they have no intention to see through,' Manuel said, referring to finance and emissions.

'Unless we ensure the principle of responsibility finds its way back into the discourse, the world will be a lousy place. There have been a number of propositions, such as a levy on airline tickets, but they haven't found much traction. I think it will be important to look at all the issues anew.'

But raising money in a recession will be a task in itself.

'One of the biggest challenges is that the world's largest economies are running huge deficits,' he said.

It is far from clear how the estimated 100bn a year needed by 2020 will be found.

newmarchj@bdfm.co.za

Business Report

Eskom's secret business deals come to light

March 10, 2010 Edition 2

MELANIE GOSLING Environment Writer

ESKOM has secret deals with 138 big companies that pay dirt cheap prices for electricity, possibly as low as 9c a kilowatt hour.

The average cut-price is believed to be around 17c/kWh for the companies, which use about 40 percent of South Africa's electricity.

Households and small businesses are to pay about 80c/kWh once Eskom's price hikes are implemented.

The special deals are considered by Eskom to be so secret that they were not revealed to the National Energy Regulator of SA in the utility's recent application for tariff increases.

Although Eskom has said these companies will also be subjected to tariff increases, it says it cannot disclose these percentage increases, or how much they currently pay.

It has emerged that neither the parliamentary committees on energy and on public enterprises nor the Department of Energy are privy to the details of these deals.

In a meeting of the parliamentary committee on energy affairs yesterday, Elza van Lingen (DA) asked the director-general of the Department of Energy, Neliswe Magubane, what percentage of electricity was sold to industry at a price of between 6c and 9c/kWh, and whether these agreements would be revised.

Magubane said that the cut-price electricity was a contractual arrangement between Eskom and the companies.

'We are not privy to this.'

Magubane said Eskom had told the department it could not reveal the prices because of 'commercial sensitivity'. The deals were not noted in the tariff hike applications.

Members of the portfolio committee on public enterprises put the same question to Eskom officials last week.

Eskom's Brian Dames replied that there were 138 'large consumers' that had special price agreements, but said the agreements were confidential, and the companies would be subject to tariff increases, which were also confidential.

Dames said about 10 of the big customers, which had entered into deals with Eskom in the apartheid era, were not subject to tariff escalations. Eskom had begun discussions with them about this, he said.

Lance Greyling (ID) said yesterday that these 138 big consumers were the reason South Africa was having to build more power stations.

'If not for them we would not have to build more power stations. It is households and small businesses who have to pay for the price of the new power stations through these tariff increases.'

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Push to block Eskom loan

Environmental organisation says it will lead to more electricity price hikes

March 09, 2010 Edition 2

Barbara Cole

TWENTY-FOUR executive directors of the World Bank have got letters urging them not to vote for Eskom's R28 billion (\$3.77bn) loan at the end of the month.

Durban's Bobby Peek, director of groundwork, Friends of the Earth South Africa, said last night from Amsterdam, where he and a coalition of organisations were mounting a campaign to block the loan, that he felt optimistic about the outcome:

'There is enough pressure from environmental justice and from the unions, too,' he said.

Peek added that if the loan was granted, it would lead to even more electricity increases for consumers.

'It will have to be paid back in dollars,' he said.

The National Union of Metalworkers of South Africa is part of the coalition.

Eskom, the country's energy utility, wants the loan largely to fund the Medupi coal-fired power station.

Peek, who said the new power station would 'most probably' result in a doubling of greenhouse gas emissions, said the main objection was that the loan would have no direct benefit to communities that did not have energy now.

It was also being sought to fund a coal-powered station, which would be going against the World Bank's own advice.

The bank has attempted to portray itself as a climate-friendly financier.

Coal

The World Bank's South African spokesman, Sarwat Hussain, could not be reached yesterday, but he is reported to have said previously that the bank remained committed to supporting selected coal

projects that were consistent with its strategic framework for development and climate change.

Finance Minister Pravin Gordhan has also said that he hoped western nations understood that developing countries needed time during which they would still use coal but would make a commitment - like South Africa was making - to the renewable side of the energy spectrum.

Peek said that if Eskom did not get the loan, serious thought would have to be given on what energy models to change to over the next 10 years

Meanwhile, Earthlife Africa said yesterday that the government's plan to provide 50 kilowatt-hours (kWh) of free basic electricity a month to all was insufficient for basic needs and that 'there is also a problem in the way it is being rolled out'.

This was because, in some areas, 100kWh was already being provided to households.

It recommended that the free allocation should be increased to 200kWh per month per household and that a levy should be placed on high-end users, including industrial users.

'As a society, we have to believe that people come before profits,' a statement said.

http://www.huffingtonpost.com/lori-pottinger/world-bank-gives-south-af_b_490699.html

Huffington Post

Lori Pottinger: World Bank Gives South Africa Lumps of Coal

In case you didn't catch it, the World Bank's top official for Africa just thumbed her nose at the dozens of renewable energy companies lining up to build clean energy in Africa's dirtiest economy.

Obiageli Ezekwesili, the Bank's Vice President for Africa, defended a controversial \$3.75-billion loan to build a massive coal plant in South Africa with this head-in-the-sand statement: 'There is no viable alternative to safeguard South Africa's energy security at this particular time.'

The quote came in an article titled (without irony) 'Africa Ready for Energy Transformation.' With that kind of transformation, the continent can look forward to many more decades of playing catch-up with the rest of the world.

Maybe Ms. Ezekwesili missed the news that South Africa could get 10-20% of its electricity from wind power in the short term (and up to 70% over time), by harvesting some of its 50,000 MW of potential (it currently has just one 5MW commercial wind farm in place). Or that the sunny nation also has huge potential for solar (one study shows 547 gigawatts in potential for grid-based concentrating solar plants, not to mention equally impressive potential for solar water heating and solar PV).

Writes a local columnist, 'Research shows that in conjunction with energy efficiency measures, 75% our electricity could be generated by exploiting renewable energy sources by 2050, slashing our CO2 emissions by 54% below 1990 levels and making massive strides towards avoiding catastrophic climate change.' But the national utility, Eskom, has been despairingly slow to move away from coal to embrace a green energy future.

Says South African professor Patrick Bond: 'South Africa's five-fold increase in CO2 emissions since 1950 and 20% increase during the 1990s, can largely be blamed upon the attempt by state electricity company Eskom, the mining houses (led by Anglo American) and huge metals smelters (especially BHP Billiton) to brag of the world's cheapest electricity. Emitting 20 times the carbon tonnage per unit of economic output per person

than even the United States, South African capital's reliance upon fossil fuels is scandalous.'

Says extractive-industries activist Bobby Peek, of the South African group groundWork: 'The South African government cannot continue to give away electricity below cost, to fire smelters which have little linkage to the South African economy. If the World Bank loan goes through, poor South Africans will have to bear the burden of Eskom's debt, and climate change will intensify.' It's not just activists who are up in arms: the Cape Town Chamber of Commerce is calling for a national investigation into Eskom's 'sweetheart deals' for big industrial energy users at the expense of everyone else.

The World Bank, whose job is to fund poverty alleviation, not cheap power for aluminum smelters, talks of Africa's energy sector 'transforming' itself the way the telecoms industry did - a truly transformative sector-wide change that brought affordable mobile phone service across the continent. But the energy sector cannot transform itself if it looks only to megaprojects for salvation. The telecoms industry was a bottom-up transformation, one that bypassed big bureaucracies to create decentralized service one could buy in small packages, as needed. As long as Eskom and other African utilities are focusing more on mega-industries' needs, and giving them subsidized rates to keep them happy, there will be no transformation, nor a significant change in the ranks of the unconnected. Africa definitely needs an energy revolution, but it needs to focus on people power first.

Meanwhile, renewable energy developers are waiting in the wings for Eskom to show them the money in the form of power purchase agreements. Wind power developer Eddie O'Connor told Engineering News that South Africa was 'pregnant with potential'.

I guess the World Bank won't be the one to deliver that baby.

<http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page72308?oid=164766&sn=Marketingweb%20detail>

Lance Greyling: Dear Dr Zoellick...
Lance Greyling
09 March 2010

ID MP calls on World Bank to make Eskom loan conditional on Chancellor House exit

ID WRITES TO WORLD BANK PRESIDENT DR ROBERT ZOELLICK ABOUT ESKOM LOAN

'Make R29b Eskom loan conditional on Chancellor House's withdrawal,' says Greyling

Lance Greyling, the ID Spokesperson for Public Enterprises, has written to World Bank President Robert Zoellick urging him to make the R29b loan Eskom has applied for conditional upon Chancellor House's divestment from Hitachi Power Africa.

[The letter follows below...]

The ANC, whose front company has a 25% share in Hitachi Power Africa, which received the tender to build the Medupi and Kusile coal-fired power stations, stands to financially benefit directly from massive electricity tariff increases imposed on ordinary South Africans.

'The Independent Democrats will exhaust all avenues open to us in our efforts to get the ANC to be true to the word of its Treasurer-General, Mathews Phosa, two years ago,' Mr Greyling says.

'For Phosa to have told South Africa that the ANC would divest its shares in Chancellor House and then to go back on his word is unacceptable.

'This issue is of paramount importance if we are to protect our democracy and promote good governance principles in South Africa,' says Greyling.

Dr Robert Zoellick
President of the World Bank
The World Bank 1818 H Street
NW Washington
DC 20433
9 March 2010

Dear Dr Zoellick

Re: Serious governance concerns over World Bank loan to South Africa

I am writing this letter as a concerned Parliamentarian from South Africa who is trying to prevent a major conflict of interest occurring in my country's electricity sector. This conflict of interest will be exacerbated by the World Bank agreeing to grant the requested loan to the South African Government to build the Medupi coal-fired power station.

This conflict of interest arises from the fact that the ruling political party in South Africa, the African National Congress (ANC), currently owns, through their front company Chancellor House, a 25% share in Hitachi Power Africa.

Hitachi Power Africa has been awarded the Government tender to build the boilers for both the Medupi and the proposed Kusile coal-fired power stations. This contract is worth in excess of R30 billion, or \$4 billion. The ruling party's share in this contract is therefore worth in excess of R5 billion or \$800 million. These facts are well-known and have been widely reported in the media in South Africa. It has also been confirmed to me through a parliamentary question that I asked of our Public Enterprises Minister, Barbara Hogan, where a written response from her indicated that Chancellor House still possesses a 25% share in Hitachi Power Africa.

At present there are no laws in South Africa that deem such a blatant conflict of interest as being illegal. The reason why there are currently no laws is that the ruling party has not promulgated any, despite numerous assurances over the past six years that they would do so.

I would also like to draw your attention to the fact that the ANC's own Treasurer-General, Mathews Phosa assured the media and the public in February 2008 that the ANC would divest itself from the deal in a 'transparent' fashion, but the party has still not done so. Phosa said at the time that Chancellor House would appoint bankers to advise it on how to exit the deal.

'There will be no deals in the corner. It will be very transparent. It will be handled by a reputable bank,' Phosa said.

He added that the decision to exit the deal was reached because 'governance is an issue and there is public focus on this.'

I am sure you will agree with me that such a glaring conflict of interest, in which the ruling party of a country stands to financially benefit to the tune of almost a billion dollars from a major public infrastructure build programme, flies in the face of the kind of good governance ethics the World Bank is attempting to nurture.

I would therefore request that such a loan is not granted to South Africa unless it is conclusively verified that the ANC, through Chancellor House, has divested all of its shares in Hitachi Power Africa, and that it will not in any way benefit financially from this Government contract.

I write this letter in defence of good governance and our young democracy. It would be a fatal setback for both these ideals if the ruling party of our country exploited the current lack of legislation governing political party funding to benefit financially from what should be a completely independent public build programme.

I realize that I am putting you in an invidious position by asking you to intervene in what is essentially a domestic governance issue. Given the size of the loan being requested, however, and the dire implications that this will have for our democracy and our efforts at rooting out corruption and conflicts of interest at all levels of our public institutions, I believe that it is in your best interests for me to bring this matter to your attention. I also firmly believe that it would not be out of the ambit of your position to insist that the money that the World Bank loans a member country is not used to further a major conflict of interest, or in promotion of bad governance.

I therefore trust that you will give this issue all the attention that it deserves and that you will take the appropriate action. If you require any further information or clarification on this issue please do not hesitate to contact me.

I look forward to reading your response and hopefully witnessing strong action to prevent a major breach in good governance occurring in my country.

Kind Regards

Lance Greyling, MP
Chief Whip
Independent Democrats

Is Eskom subsidizing ArcelorMittal's profits? - ID
Lance Greyling
09 March 2010

Lance Greyling questions Minister on price steel
giant is paying for electricity

ID'S LANCE GREYLING ASKS MINISTER HOGAN
WHETHER ARCELOR MITTAL IS ALSO RECEIVING
'DIRT CHEAP' ELECTRICITY?'

Lance Greyling, the ID spokesperson for finance
and public enterprises, has called on the
Government 'to stop allowing multinationals to
exploit our resources without any developmental
benefits for our people.'

The ID MP, who blamed the ANC Government's
'naivety and Alec Erwin -era incompetence' for the
current dispute between ArcelorMittal and Kumba
Iron Ore, has now submitted a question [below] to
Public Enterprises Minister Barbara Hogan, asking
her whether ArcelorMittal has also been receiving
'dirt cheap electricity'.

'ArcelorMittal has been receiving South Africa's iron
ore at a hugely discounted price, which was part of
the agreement that was signed with Kumba Iron
Ore when the state-owned steel company Iscor was
privatized and sold off to ArcelorMittal,' Mr Greyling
says.

'However, another part of the agreement, one
which ArcelorMittal has conveniently ignored, was
that South Africa's steel industry would be sold steel
at lower prices than that being charged on the
international market.

'The Government, in its naivety and incompetence,
however, did not lock this agreement into place and
ArcelorMittal has been allowed to make huge profits
at the expense of our local industry by charging
them import parity prices,' says Greyling.

'It is hardly surprising that ArcelorMittal's South
African steel manufacturing plant has been the
most profitable of its international ventures.

'Just imagine if they have also been given dirt
cheap electricity and are paying a tiny fraction of
what most businesses in South Africa, and
especially ordinary consumers, are forced to pay,'
Greyling says.

'If this turns out to be the case then this would just
add insult to injury and would be proof that rather

than being patriotic by utilizing our natural
resources for the benefit of our people, the ANC
government gives multinationals free reign to rob
us blind.'

National Assembly

Written Reply

Date submitted: 8th March 2010

Mr Lance Greyling to ask the Minister of Public
Enterprises:

- 1) Does the company ArcelorMittal South Africa
receive electricity at a reduced tariff structure?
- 2) Is this tariff structure part of the Mega-Flex Rate
or is it based on an earlier agreement signed with
Eskom which supplies electricity at a reduced fixed
rate?
- 3) How much electricity does ArcelorMittal utilise
and what percentage of South Africa's total energy
usage does this comprise?
- 4) By what percentage will the price of their
electricity increase as a result of the latest price
increase announced by Nersa?

Statement issued by Lance Greyling, MP,
Independent Democrats Chief Whip, March 9 2010

www.wri.org

The World Bank Eskom Support Program

By Smita Nakhooda on March 8, 2010

Tags: climate finance coal electricity energy financial institutions south africa sustainable development world bank

South Africa's plans for a new coal power plant bring up difficult decisions for the World Bank.

Please contact Smita Nakhooda (snakhooda@wri.org) or Davida Wood (dwood@wri.org) for further information.

The prospect of a \$3.75 billion World Bank loan to support the Medupi Supercritical coal plant in South Africa has raised questions about the future of development assistance in a warming world. The coal plant, part of the national South African utility Eskom's program to expand generation capacity, is expected to provide 4,800 MW of electricity. Construction of the plant has already begun, and contracts for key components have been signed. Yet Eskom's longer-term electricity expansion program may have problematic implications for environmentally and socially sustainable development in South Africa. There are trade-offs between increasing South Africa's electricity generation capacity and reducing its greenhouse gas emissions (as laid out in the country's national Long-Term Mitigation Scenarios) that must be reconciled. Electricity planning processes to date, however, have been neither transparent nor inclusive.¹ The assumptions that coal is the most viable long-term option for South Africa need to be revisited through open, fact based debate on all available energy options.

An Urgent Need for Energy

South Africa has been in the middle of an electricity crisis since 2008: demand significantly exceeds supply, in a marked turn of events for a country that was once awash in cheap electricity. Major investments in new electricity generation have not been made since the 1980s.

The Medupi coal plant for which World Bank funding is sought was originally just one of more than five large scale coal plants that Eskom proposed to build as part of a large capacity expansion program to stop the gap. Eskom and the Department of Energy (DoE) proposed the core elements of this build program in a draft 20-year

Integrated Resource Plan (IRP) for the electricity sector in September 2009. At the end of last year, the government approved an interim five year IRP plan, pending consultations on a longer term plan for the sector, recognizing the need to address the longer term implications of electricity development.²

Questioning Conventional Assumptions

The full costs and benefits of the options for meeting near and long term energy needs must be considered more carefully than in the past. Eskom's projections of 80,000 MW of future demand for electricity by 2028 are debatable. Historically, electricity planners –and Eskom in particular– have been overly optimistic about these projections to justify new investments in infrastructure.³ Financing a massive capital expansion program is certainly not cheap in the immediate term: after Eskom originally requested a 45% per year increase in the price of electricity over three years, the National Energy Regulator of South Africa allowed it an increase of approximately 25% per year between 2010 and 2013.⁴

All base-load electricity options pose risks, and may have hidden costs. The draft IRP emphasized these risks for low carbon options such as renewable energy, without acknowledging the risks of continued dependence on coal fired power.⁵ There is limited transparency about the terms on which Eskom contracts coal, and the costs of coal have been escalating.⁶ Interruptions in coal supply caused by transport failures and weather events have shown that coal plants are also not always reliable.⁷

In addition, the operation of large coal fired power plants is enormously water intensive in a country where water scarcity is a pressing environmental challenge. Acid drainage from mining already poisons many of the country's water systems, and restoring water ecosystems is costly.⁸ When the implications of climate change are also factored in, the viability of conventional coal in the long term looks far less certain.

While the importance of reliable electricity supplies to support economic development and reduce poverty has been central to the rationale for the Eskom program, there has been little emphasis to date on how to meet the enduring challenge of extending access to electricity to the 30% of South Africans who still lack it.

Difficult Decisions for the World Bank

A broad based coalition of local civil society groups within South Africa, and global NGOs are voicing their opposition to the World Bank's support for the Medupi power plant. They have called in particular on the US government, the largest shareholder of the World Bank, to withhold support for the project, referencing the government's new policies which suggest that coal should only be supported as an option of last resort.

The role of the World Bank in the energy sector has been complex and controversial. It has a history of financing mega-infrastructure projects that raise significant environmental and social risks, and supporting private sector oriented reforms that have delivered limited social or environmental benefits.⁹ Attention to environmental considerations in its energy sector lending, particularly climate change, has been uneven.

At the same time, the Bank is interested in financing climate change activities in developing countries, and positioning itself as a lead low carbon growth support agency. The US \$6.3 billion Climate Investment Funds (CIFs) that it administers on behalf of the Multilateral Development Banks (MDBs) represent a pilot effort to explore this space.

Last year, the Clean Technology Fund (CTF) of the CIFs committed US\$500 million to support renewable energy and energy efficiency in South Africa. The concentrating solar thermal plant and the wind farm included in the 2009 electricity IRP will be largely financed by the MDBs. These will be the first large-scale renewable energy facilities to come onto South Africa's grid.

The World Bank also has supported ongoing technical assistance efforts to support renewable energy and energy efficiency programs, and is presently financing the South Africa's DoE to develop a white paper that will shape future policy on renewable energy.

A Need for Transparency and Debate

The underlying problem is that there has been little transparency or public debate of the assumptions that underpin long term plans for how to meet energy needs within South Africa. While the draft IRP developed by Eskom and DoE is referenced extensively in the report of the World Bank expert panel, it has never been officially publicly disclosed in South Africa, though it was leaked to the media earlier this year.¹⁰

A bigger problem is that the electricity IRP should be informed by an Integrated Energy Plan that sets a macro framework for the entire energy sector in South Africa. Public participation in the development of the Energy Plan is required in the 2008 National Energy Act. So far, no Integrated Energy Plan has been developed. Transparency and public participation are especially crucial when such long term investments that affect public interests are being made, and consumers and taxpayers pay the bills.

The realities of climate change require the World Bank to support countries to seriously consider every possible alternative to carbon intensive coal power as they make decide how to meet their energy needs. In the context of the Eskom Support Program, the World Bank must recognize the limitations of the decision-making processes to date, and support improvements in governance.

Policy and regulatory frameworks that better manage the environmental and social externalities of conventional energy technologies are needed. The capacity of institutions to weigh the options, and implement effective low carbon programs must be supported. Creative approaches to enhance technical capacity as well as accountability for impact are also necessary.

If the World Bank is to support developing countries to transition to a sustainable energy future, and to be a credible actor in channeling climate finance, what role can and should it play in supporting conventional technologies? These are difficult decisions that all its shareholders will need to weigh carefully.

This article builds on the research findings of the Electricity Governance Initiative South Africa Assessment, coordinated by Idasa, in collaboration with a wide cross section of civil society and research institutions in South Africa including WWF-South Africa, the International Labour Research Group, Earthlife Africa, the Energy Research Center at the University of Cape Town, the Democratic Governance and Rights Unit of the Faculty of Law of the University of Cape Town, Sustainable Energy Africa, and the Green Connection. The assessment considered transparency, public participation, accountability and capacity in policy and regulation of the electricity sector in South Africa and is available online at <http://electricitygovernance.wri.org>

The Electricity Governance Initiative is a global effort to bring civil society, government, and other sector stakeholders together to improve transparency, inclusiveness and accountability in decision-making to support sustainable energy choices. WRI (USA) and Prayas Energy Group (India) coordinate the Initiative which is active in India, Indonesia, Thailand, the Philippines, Central Asia, Brazil, and South Africa.

1. The Electricity Governance Initiative in South Africa: Shedding a Light on the Power Sector, Idasa, February 2010. ↩

2. Department of Energy Notice No. 1243, Electricity Regulation Act 2006: Determination regarding the Integrated Resource Plan and new Generation Capacity. 31 December 2009. See also unpublished Draft Integrated Resource Plan for Electricity in South Africa, 23 September 2009 available at <http://www.mg.co.za/article/2010-01-08-eskoms-secret-tariff-plan-revealed> ↩

3. For example, Eskom capacity expansions in the 1970s and 1980s were premised on projected electricity growth demand rates of more than 7%, whereas the actual growth that ensued was on the order of 2% - 4%, resulting in a significant electricity surplus. See Andrew Marquard, *The Origins and Development of South African Energy Policy*, University of Cape Town, Jan 2006. p168. Also echoed in the comments of former Chairman of the Eskom Board Bobby Godsell to the National Press Club of Cape Town on 26 Feb 2010. ↩

4. Eskom later scaled its request back to 35% in November 2009. Eskom was previously allowed an interim price increase of 31% in June 2009. While the tariff increases have been unpopular and their economic impact remains to be seen, they may represent a move towards more cost reflective tariffs, and may create an additional incentive for greater efficiency. ↩

5. Draft Integrated Resource Plan for Electricity in South Africa, 23 September 2009: See table 7. ↩

6. Eskom, Proposed Revenue Application Multi-Year Price Determination 2010/11 to 2012/13, September 2009

<http://www.nersa.org.za/documents/electricity/TranenetPrice...>; Eskom Revised Eskom Revenue Application Multi-Year Price Determination 2010/11 to 2012/13, November 2009.

<http://www.nersa.org.za/documents/Home/WelcomeNote/EskomMultiYearPriceDetermination.aspx> ↩

7. For example, 'Anglo Closes 3 South African Coal Mines due to Rain', Reuters, March 2008. ↩

8. Mariette Liefferink 'The true cost of coal: Price escalations, land grabs and water shortages' in *The*

New Nexus of Power and Accountability in Energy, Institute for Security Studies, November 2009. ↩

9. Navroz Dubash, ed. *Power Politics – Equity and Environment in Electricity Reform*, WRI, 2002. See also internal evaluations such as World Bank, Private Sector Development in the Electric Power Sector: A Joint OED/OEG/OEU Review of the World Bank Group's Assistance in the 1990s, July 2003.

Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2003/08/19/000090341_20030819104810/Rendered/PDF/264270UGOPGD.pdf ↩

10. Eskom's Secret Tariff Plan Revealed. 8 Jan 2010, Mail and Guardian.

<http://www.mg.co.za/article/2010-01-08-eskoms-secret-tariff-plan-revealed> ↩

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Smita Nakhooda, Senior Associate

Smita Nakhooda leads WRI's initiative to promote good governance in the electricity sector in developing countries.

www.iol.co.za

Eskom's money woes continue

The government cautioned at the weekend that it did not have money to provide further loans to Eskom, and said there was a limit to the total guarantees it could issue.

The comments from the Department of Public Enterprises come amid increasing pressure to fund the utility's R485 billion capacity expansion. Major developed nations are threatening to withhold support for a \$3.75 billion (R28bn) World Bank loan, the bulk of which is earmarked for the Medupi coal-fired power plant.

This came amid threats from Britain and America to withhold funding for the World Bank loan to fund a coal-fired plant in South Africa. The opposition by the bank's two largest members has raised eyebrows among those who note that the two advanced economies are allowing development of coal-powered plants in their own countries even as they raise concern about those in poorer countries.

Nuclear reactor causes fission amongst local residents

CONCERNED residents of one of the Eastern Cape's most pristine stretches of coastline are planning a court battle of David and Goliath proportions in a last-ditch effort to stave off parastatal Eskom's attempts to build a massive nuclear power reactor on their doorstep.

Residents of popular Southern Cape resort towns Cape St Francis, St Francis Bay and Oyster Bay are furious over plans by Eskom to build a pressurised water reactor, the most common type of nuclear station globally, at Thyspunt, a vacant tract of land between the three coastal retreats. The proposed reactor will cost 'well over R100-billion' and will aim to secure the country's power reserves until well beyond 2025. But Eskom has denied turning a blind eye to residents' concerns, saying a decision is yet to be taken by government over whether it even wants to grow its nuclear energy capacity or not.

Business Day

Richard Calland, Saliem Fakir and Smita Nakhooda:
Secrecy keeps SA in the dark as energy issues are debated

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THE prospect of a 3,75bn World Bank loan in support of Eskom's new build programme to expand its electricity-generation capacity raises fundamental questions about the future of development assistance in a warming world.

At the centre of the controversy is financing for the Medupi coal-fired power station, which will provide 4800MW of electricity to help address SA's electricity shortage. Construction of the plant has begun, and contracts for its key components have been signed. Medupi was originally just one of more than five large-scale coal plants that Eskom proposed to build as part of a large-capacity expansion programme.

The core elements of this programme were proposed in a draft 20-year integrated resource plan (IRP) developed by Eskom in September last year. At the end of last year, the government hurriedly approved an interim five-year IRP pending consultations on a longer-term plan for the sector.

The full costs and benefits of the options for meeting energy needs must be considered carefully. Financing a huge capital expansion programme is certainly not cheap in the immediate term: after Eskom requested a 45%-a-year increase in the price of electricity over three years, the National Energy Regulator of SA (Nersa) approved an increase of about 25% a year between 2010 and 2013.

The escalating financial costs of continued dependence on coal-fired power have not been acknowledged. When the implications of climate change are also factored in, the viability of conventional coal in the long term looks far less certain.

While the importance of reliable electricity supplies to support economic development and reduce poverty has been central to the rationale for the Eskom programme, there has been little emphasis on how to meet the enduring challenge of extending access to electricity to the 30% of South Africans who still lack it.

The underlying problem is that there has been little transparency or public debate of the assumptions that underpin long-term plans for how to meet energy needs in SA. While the draft IRP is referenced extensively in the report of an expert panel appointed by the World Bank to review the proposed Eskom support programme, it has never been officially publicly disclosed in SA, though it was leaked to the media earlier this year.

There is a severe democratic deficit in the way in which vital decisions about energy policy are being made — as the recently published Electricity Governance Initiative report shows; secrecy and lack of due consultation with social stakeholders is especially problematic when long-term investments that affect the public interest are being made, and consumers and taxpayers pay the bills.

As a result, policy appears as if it is being made in a quixotic, chaotic fashion. Consider this: the electricity IRP should be informed by an integrated energy plan that sets a macro framework for the entire energy sector. Public participation in the development of the energy plan is required in the National Energy Act. But, so far, no integrated energy plan has been developed.

Moreover, a white paper on renewable energy is still in the pipeline, and the National Planning Commission (NPC) — whose core mission is to help guide long-term strategic choices — is still being constituted.

One would think that the proper, prudent sequence of planning processes and public policy decision-making would be this: first the NPC strategic thinking, accompanied by the renewables' white paper, then the integrated energy plan, followed by an electricity IRP and, last, the Nersa decision on tariffs.

Instead, what is actually happening is that the order has been reversed.

Meanwhile, negotiations around the huge World Bank loan have taken place almost unnoticed. The role of the bank in the energy sector is complex and controversial. It has a history of financing mega-infrastructure projects that raise significant environmental and social risks, and supporting private sector-oriented reforms that have delivered limited social or environmental benefits.

Attention to environmental considerations in its energy sector lending, particularly climate change,

has been uneven. It is against this backdrop that a broad-based coalition of local civil society groups within SA, and global nongovernmental organisations has voiced its opposition to the World Bank's support for the Medupi power plant. They have called in particular on the US government, the largest shareholder in the World Bank, to withhold support for the project, referencing the government's new policies, which suggest that coal should be supported only as an option of last resort.

At the same time, the World Bank is interested in financing climate-change activities in developing countries and positioning itself as a lead low-carbon growth support agency. The 6,3bn Climate Investment Funds it administers on behalf of the Multilateral Development Banks (MDBs) represent a pilot effort to explore this space. Also 500m from the Climate Investment Funds were committed to support renewable energy and energy efficiency in SA last year. The concentrating solar thermal plant and the wind farm included in last year's electricity IRP will be largely financed by the MDBs.

The World Bank also has supported technical assistance efforts to support renewable energy and energy efficiency programmes, and is presently financing a Department of Energy white paper that will shape future policy on renewable energy.

Yet the conventional components of the Eskom support programme, and the World Bank's aim to be a lead agency on low carbon development, seem to be at cross purposes.

At a minimum, the realities of climate change require that the World Bank should help countries to explore every possible alternative to carbon-intensive coal power as they make choices about how to meet their energy needs. And, in the South African context, this has also to be about turning the rhetoric of 'green jobs' into a concrete reality. Turning away from coal cannot, for reasons of social cohesion more than politics, result in a net loss of jobs.

If the World Bank is to support developing countries' transition to a sustainable energy future, and to be a credible actor in channeling climate finance, what role can and should it play in supporting conventional technologies? These are difficult choices that all its shareholders will need to weigh carefully.

Here, policy and regulatory frameworks that better manage the environmental and social realities of

conventional energy technologies are needed. The capacity of institutions to weigh the options, and implement effective low-carbon programmes must be enhanced.

The transparency and inclusiveness of the processes by which these decisions are made are of paramount importance.

It's time for a proper national dialogue on SA's energy future.

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Business Day

Carbon ironies: Rich countries should welcome World Bank loan

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HOW ironic. For years, the World Bank wants to lend SA money for development but SA keeps saying no. When it finally turns around and says yes, a couple of rich countries jump in to try and prevent the loan on the grounds, essentially, that SA isn't 'first world' enough when it comes to clean air standards.

Eskom and the government have been in talks with the World Bank for more than a year on a 3,75bn loan that would help Eskom fund its R400bn build programme. The loan apparently has stringent clean-air conditions built into it, which makes it inexplicable, even counter-productive, for the US and UK to oppose. The World Bank deal would fund specific components of Eskom's build programme, such as the giant coal-fired power station Medupi. And, according to Eskom, it would 'simultaneously catalyse new and lower carbon technologies such as large-scale solar thermal and wind power'.

Eskom would have had to watch the carbon emissions on its new power stations anyway, adding to the cost of those stations, but the World Bank loan is arguably one of the levers that ensures it will watch that carbon footprint. So it's not clear at all why the US and UK are grandstanding on this one. Perhaps this just reflects the tension between advanced and emerging economies over carbon emissions standards. With its dependence on coal-fired power stations and its sizeable carbon footprint, SA is inevitably a target. And that is despite the fact that the US, which has some pretty dirty coal-fired power stations itself, hasn't committed to any carbon-reduction targets while SA, perhaps naively, has committed to cutting its footprint 34%.

Whatever the politics of it, SA must stand up to the first-world grandstanding and make its case as a developing country with a rather dire need for infrastructure funding. A mega-project such as Medupi may not seem that developmental in nature, but without it (and other new coal-fired stations), there would be severe constraints on SA's economic growth and therefore on its ability to create jobs and reduce poverty.

The government has already provided Eskom with equity capital and guarantees, and can't really provide more, at least not without cutting into social spending. The National Energy Regulator has agreed to steep tariff increases for Eskom, increases that will have a negative effect on the economy. And that leaves borrowing to fill the gap: Eskom needs to borrow as much as it can on the market, at rates as attractive as it can get. Not only will the World Bank loan bring Eskom funding that is attractively priced and appropriately timed, it also provides a balance of payments boost for SA.

SA had always resisted World Bank and IMF loans because it didn't want the strings that were attached. If the strings this time are about clean air, rich countries should welcome the loan, not undermine it.

http://www.ioltechnology.co.za/article_page.php?SectionId=3572&ArticleId=5366258

Eskom shuns renewable energy

An Irish energy company, Mainstream Renewable Power, claims that Eskom does not want renewable energy to succeed in SA. Mainstream vented its frustration over what it said was Eskom's unwillingness to accommodate renewable energy players in the SA power generation market. It last year established a joint venture with local company Genesis Eco-Energy to build wind farms to generate 500MW in the Eastern, Northern and Western Cape. 'Eskom does not want renewables. They do not want competition,' Mainstream CEO Eddie O'Connor said yesterday.

Business Report

Green Agenda: SA in eye of World Bank storm over coal power
March 9, 2010

By INGI SALGADO

South Africa finds itself at the centre of an international row over whether the World Bank should fund coal-fired power plants in developing countries.

The government has applied for a \$3.75 billion (R27.7bn) loan for Eskom, 80 percent of which will help finance the Medupi coal facility, and the remainder a handful of low-carbon projects. It has asked the bank to expedite the approval process amid Eskom's funding crisis.

The loan would not be the bank's first advance for the production of coal-based electricity in recent times. In 2008, the World Bank and Asian Development Bank approved \$850 million in loans to finance a large coal facility in Gujarat, India.

However, it is the first electricity-from-coal scheme that the bank must decide whether to back since December, when the US Treasury issued a controversial guidance memo limiting the conditions under which it would support such projects in developing countries.

That resulted in a strongly worded letter of complaint from nine developing nation executive directors to World Bank president Robert Zoellick, questioning the authority of the US to impose lending conditions when it had failed to provide financial resources to enable the transition from fossil fuels to renewable energy.

It is ironic that the US, which has been responsible for more greenhouse gas emissions than any other nation, sees fit to limit the ability of other nations to spew carbon, having made paltry promises to curb its own emissions, and no commitments to fund long-term carbon mitigation and adaptation in the developing world.

However, giving the rest of the world carte blanche to pollute as the industrialised US has done for more than a century will do little to even the score. We can't wish away the projection that developing countries' emissions will exceed those of developed countries by 77 percent by 2030. This is why environmental groups, even those that note the

US's hypocrisy, appear to back its stance on integrating emissions counts into lending decisions.

This is the context in which all eyes have turned to the World Bank's lending practices, in the same year that it seeks its first general capital increase in 20 years. Even though the bank says its low-carbon lending has risen, a report released this month by the Center for American Progress says the World Bank's overall emphasis on fossil fuel financing has remained 'remarkably stable'.

Chances are that Eskom will get the loan. First, the World Bank's strategic framework for development and climate change backs selected coal projects. Second, its decision on Eskom is due before the decisions on capital increases by donor countries. Third, refusing the loan could annoy the Basic bloc of countries (Brazil, South Africa, India and China) to the extent of derailing global climate talks.

Still, the issues raised by the Eskom loan are likely to exacerbate developing world concerns about using existing unreformed multilateral financial channels for climate finance.

Even though the World Bank says its board decisions are reached by consensus, in fact the US holds a disproportionate 17 percent of the vote. This is a pet hate of National Planning Minister Trevor Manuel, who was appointed last month to the UN's high-level advisory group on climate change financing.

In the meantime, South Africa has had its first taste of the complexities of securing funds for coal power. It may not stop Medupi, but it could put the government off choosing a third new coal-fired plant.

Business Day

South Africa: World Bank Defends Loan to Eskom

Siseko Njobeni
8 March 2010

Johannesburg — THE World Bank has defended its proposed 3,75bn (R29bn) loan to Eskom amid growing criticism from environmental groups and nongovernmental organisations (NGOs).

The loan - set to come up for discussion and approval at the bank's board meeting either later this month or next month - is a crucial component of Eskom's borrowing programme. Eskom must intensify its borrowings if it is to keep its R385bn capital expansion programme on track.

Last month, the National Energy Regulator of SA (Nersa) granted Eskom a tariff increase of 25%-26% for each of the next three years, which is significantly less than the 35% that Eskom had asked for.

Eskom finance director Paul O'Flaherty said last week Eskom had already factored the World Bank loan into the funding plan it submitted to Nersa as part of its application for tariff increases.

The NGOs, Climate Justice Now, groundWork and the Federation for a Sustainable Environment, have criticised the loan, supported by the National Union of Metalworkers of SA and the South African Council of Churches. They said if it was approved, the poor would bear the burden of Eskom debt.

Alternative Energy Africa

World Bank Stands behind Eskom
Monday, March 8, 2010

Despite criticism, the World Bank continues to defend its proposed \$3.75 billion loan to South Africa's state-owned utility Eskom. The loan is set to aid the utility in its efforts to continue its R385 billion expansion program. However, the capital infusion looks more like a bailout package similar to that of the US Federal Reserve attempting to save the US economy from complete collapse. And so far, the US version of a bailout didn't come without complications as more funding had to be given to various sectors (mortgage sector, bond insurers, and government sponsored enterprises) to keep the market afloat.

Another similarity between the potential loan granted to Eskom and the US bailout is that both critics argue that it just enables the entities to continue to make the same mistakes – like rewarding a child with ice cream after repeated bad behavior.

Eskom had, in addition, asked for a 35% tariff hike to which the National Energy Regulator of South Africa only granted a fraction – 25% for each of the next three years. Eskom finance director Paul O'Flaherty said that Eskom had already factored the World Bank loan into the funding plan it submitted to Nersa as part of its application for tariff increases. Did Eskom not learn from other companies – including some oil giants that predicted that the crude costs would remain at an inflated price which ended up hurting them in the long-run as financial statements revealed they'd overestimated their budget expenditures? Why would a company rely on funds that aren't approved yet?

Pretoria-based World Bank spokesman Sarwat Hussain said: 'The campaign (by the NGOs) is based on half-truths accusing the bank of a range of issues. The challenge is about the economic growth imperatives of SA, especially in the post-recession phase. Nearly one in four South Africans does not have access to energy.'

Hussain said a World Bank loan had the lowest interest rates available for financing large-scale projects. O'Flaherty said the proposed funding would be 'an economically attractive option' for South Africa. 'Thanks to decades of macroeconomic stability and prudent fiscal management, South

Africa has the lightest debt burden of any African country. This is the first energy sector investment being made since the fall of apartheid. Electricity demand has grown by 60%.'

Business Unity SA said the loan was appropriate for a developing country like SA 'which is both under-borrowed internationally and anxious to build necessary infrastructure capacity. Failure to borrow sensibly for Eskom's needs will either mean yet higher electricity tariffs or the risk of load shedding if Medupi power station is not completed in time.'

Business Day (Johannesburg)
South Africa: UK to Study Eskom Loan Documents
8 March 2010

Johannesburg — The British government has denied that it's opposed the World bank loan to fund Eskom's Medupi coal power station.

That's after recent media reports alleging that British officials were apparently opposed to the loan on the grounds that it will be used for to fund the building of a a coal power station and London had indicated that would not be in line with the goal to decrease carbon emissions.

In response to questions from the Business Day Online, John Smith, Head of Climate Change, at the British High Commission in South Africa said that the British Government will scrutinise the loan documents when they are circulated to the board members of the world bank and will not offer its current position on the matter.

'At this stage we do not have a public position on the matter but are working closely with the World Bank and the Government of South Africa.'

The 4800MW Medupi coal-fired plant in Limpopo is said to be a bone of contention due to its potential pollution.

Medupi is regarded as critical in easing SA's chronic power shortages that brought the economy to its knees in 2008.

Smith stated that the British government will look at the proposal for the loan and take note of South Africa's development and power needs.

'This (the proposal) will be reviewed along with other environment and climate relevant considerations,' said Smith.

Reuters

Global climate battle plays out in World Bank
Lesley Wroughton - Analysis

WASHINGTON

Sun Mar 7, 2010 1:08am EST

Steam and other emissions are seen coming from a power station in Wollongong, some 89 km (55 miles) south of Sydney November 17, 2009. .
REUTERS/Daniel Munoz

Steam and other emissions are seen coming from a power station in Wollongong, some 89 km (55 miles) south of Sydney November 17, 2009. .

Credit: Reuters/Daniel Munoz

WASHINGTON (Reuters) - The United States and Britain are threatening to withhold support for a \$3.75 billion World Bank loan for a coal-fired plant in South Africa, expanding the battleground in the global debate over who should pay for clean energy.

The opposition by the bank's two largest members has raised eyebrows among those who note that the two advanced economies are allowing development of coal-powered plants in their own countries even as they raise concerns about those in poorer countries.

While the loan is still likely to be approved on April 6 by the World Bank board, it has revealed the deep fissures between the world's industrial powers and developing countries over tackling climate change.

Both camps failed to reach a new deal in Copenhagen in December on a global climate agreement because of differences over emissions targets and who should pay for poorer nations to green their economies.

Some \$3 billion of the loan to South African power utility Eskom will fund the bulk of the 4,800-megawatt Medupi coal-fired plant in the northern Limpopo region and is critical to easing the country's chronic power shortages that brought the economy to its knees in 2008. The rest of the money will go toward renewables and energy efficiency projects.

The battle playing out in the World Bank was prompted by new guidance issued by the U.S. Treasury to multilateral institutions in December on coal-based power projects, which infuriated developing countries including China and India.

The guidance directs U.S. representatives to encourage 'no or low carbon energy' options prior to a coal-based choice, and to assist borrowers in finding additional resources to make up the costs if an alternative to coal is more expensive.

In a letter to World Bank President Robert Zoellick, board representatives from Africa, China and India said such actions 'highlighted an unhealthy subservience of the decision-making processes in the bank to the dictates of one member country'.

GOING GREEN

South Africa, together with Brazil, is a leader among developing countries in fighting climate change and foresees a peak in its greenhouse gas emissions between 2020 and 2025. By contrast, the United States is the only major developed nation with no legal target for cutting its own emissions.

To be fair, the Obama administration wants to cut emissions by 17 percent from 2005 levels, or about 4 percent below 1990 levels by 2020, but that plan is stalled in the U.S. Senate.

Britain is better off in lecturing about clean energy - its emissions were 19.5 percent below 1990 levels in 2008 - and closure of coal mines and a shift to natural gas primarily for economic reasons explain a large part of the fall.

Eskom has proposed to develop Medupi with the latest supercritical 'clean coal' and carbon storage technologies available on the market, which is used by most rich countries.

Still, Medupi will be a major polluter that could make it harder for South Africa to meet its emissions targets.

A U.S. Treasury official told Reuters the United States was in the process of reviewing the Eskom proposal and will develop a position that 'is consistent with administration policy and with facts surrounding the project.'

World Bank Vice President for Africa, Obiageli Ezekwesili, said South Africa's energy security was

key because the country's growth, or lack of it, was felt throughout Africa.

'There is no viable alternative to safeguard Africa's energy security at this particular time,' she told Reuters. 'This is a transitional investment that they are making toward a green economy and that should count for something.'

But the politically connected Center for American Progress in Washington argued in a report last week that the World Bank is a standard-setter for development banks and should push sustainable economic development models in client countries.

'This is a problem for an institution with the moral and financial responsibility to foster large-scale investment in sustainable economic development,' it said.

It said the U.S. should press the point in negotiations over a general capital increase for the World Bank, which ponies up billions of dollars a year to fight global poverty.

Environmental groups argue that the Bank shouldn't be allowed to manage a Clean Technology Fund for donors while also funding coal plants that emit tens of millions tons of harmful carbon emissions into the atmosphere.

It is not the first time the Bank is facing a backlash over its support for coal-fired projects. Last year, it backed India's Tata Ultra Mega supercritical coal-fired plant, one of the world's top 50 greenhouse gas polluters.

LOW-EMISSION PATH

Steve Lennon, Eskom's managing director for corporate services, said while Medupi involved a significant chunk of coal, there were also elements of the project that would meet South Africa's Copenhagen commitment.

'The package of projects that we are applying for the funding for is part of South Africa's long-term climate change mitigation scenario, all aimed at putting the country on a low emissions path in the future,' said Lennon, who was part of a high-level Eskom delegation who visited Washington recently.

David Wheeler, an environmental expert at the Center for Global Development, said the World Bank should press Western donors to fund the cost gap to help South Africa afford an alternative to coal.

'This recalls a central problem at Copenhagen: ample rhetoric about the need for carbon mitigation in developing economies, but little actual willingness to finance the extra cost of clean technology for countries that remain very poor,' he added.

(Additional reporting by Agnieszka Flak in Johannesburg, Editing by Jackie Frank)

Sunday Independent

Cheap energy is SA's double loss

Mamphela Ramphela

March 07, 2010 Edition 1

South Africa has thus far managed to meet its huge post-apartheid development challenges using its own resources. Successive post-apartheid governments have been wary of repeating the mistakes of other developing countries that landed themselves in debt traps through over-reliance on borrowing from the World Bank.

However we also need to harvest the benefits other developing countries have derived from using the resources of finance and knowledge the World Bank has to offer.

South Africa now stands at a critical point in charting its socio-economic development.

The past 15 years of our democracy has demonstrated how complex governing a modern political economy is in an interdependent and interconnected world.

The energy crisis of December 2007 to January 2008 and the global financial crisis have shown South Africa's vulnerability to an energy shock, and the potential for impacts like lowered economic growth, reduced productivity, job loss, and threats to human welfare.

We also need to acknowledge that as a young democracy we made some critical errors in our public policies that have come back to bite us. Civil society and non-governmental organisations that are spearheading the opposition to the proposed \$3.7 billion World Bank loan to Eskom to ensure security of supply make valid criticisms of the choices our government has made in managing our energy supply and demand mix.

In particular, the continuation of the scandalous late apartheid-era multi-decade 'Special Pricing Agreements' amounts to exporting our precious energy resources to Australia and other destinations where shareholders are benefiting from the cheap electricity fuelling their investments here.

Such pricing arrangements allow for multinational mining companies like BHP Billiton to import aluminium from Australia and smelt it in South

Africa where they use our ridiculously cheap electricity before they re-export it back to Australia for use in various products.

In this process South Africa suffers a double loss: precious electricity extracted from burning our finite coal and industrial development through beneficiation.

The responsible citizen response cannot be to delay addressing the energy security problem that is putting so many jobs and the sustainability of our economy at risk.

We need to accept our stewardship role as being that of continuing to support our government to press for the revision of unfair agreements forced upon us at a point of vulnerability as young democracy.

But we dare not become an obstacle to mobilisation of funding to support the first power station in sub-Saharan Africa that meets the criteria of sustainable coal-fired power generation with wind and solar power generation components that lay the ground for long-term mitigation to reduce carbon emissions.

Some facts are important to put to the South African public. The government is working with development partners to respond to pressing energy security needs in environmentally and socially responsible ways. The government has responded to the energy crisis by prioritising improved generation capacity in the near-term; and accelerating energy efficiency plans, investing in clean energy, and pursuing regulatory and economic instruments to stabilise greenhouse gas emissions over the medium-term. Over the long-term, they have established Long Term Mitigation Scenarios (LTMS) to reduce carbon emissions.

The World Bank loan under consideration would support the next steps in South Africa's LTMS plans, by ensuring energy security in the short term and by accelerating investments in the high-cost renewable technologies South Africa needs for long-term, low-carbon growth.

At the December 2009 UN climate change conference, South Africa co-drafted and signed the Copenhagen Accord and announced its commitment to actions that would result in a 34 percent emission reduction by 2020 and 43 percent by 2025.

In support of the government's strategies, the Clean Technology Fund (CTF) recently endorsed a \$500 million co-financed investment plan that is projected to mobilise about \$1.5 to \$2bn for scaling up grid-connected solar thermal power, utility-scale wind power development, solar water heaters, and demand-side energy efficiency.

The CTF investment plan will co-finance, with \$250m of concessional funding, the renewable energy components of the IBRD project: (1) an Eskom 100MW-capacity Concentrated Solar Power (CSP) plant which will be the first commercial scale CSP plant in sub-Saharan Africa and (2) an Eskom Wind Energy Facility (100MW wind farm) which will be the first utility-scale wind power plant.

To address concerns about long-term water availability, the Department of Water Affairs has planned a four-phase water augmentation scheme between 2012 and 2017. In addition, an environmental management framework is expected before the end of 2010 on water availability and cumulative impacts of nearby projects on air quality.

All of this could enable us to create technological platforms that would put us at the forefront of clean sustainable development by turning our challenges into opportunities.

There is potential job creation and increased quality of sustainable livelihoods from involving communities in the entire chain of energy generation and affordable access. Our global competitiveness would be greatly enhanced by broadening the economic participation of communities that continue to live in darkness due to lack of access to affordable energy.

We also have to consider our country's continental responsibilities. We are Africa's engine of economic growth, accounting for two-thirds of southern Africa's GDP. Sustained growth of the South African economy has helped improve conditions in sub-Saharan Africa as a whole. A significant economic downturn in the country could have repercussions for the entire sub-region.

South Africa generates more than 60 percent of electricity produced in sub-Saharan Africa. Our current shortfalls could hinder the economic development of the region. We dare not fail to rise to our responsibilities. We dare not allow ourselves to be trapped into knee-jerk reactions that may

undermine our ability to use our natural resources to advance our socio-economic development.

· Mamphela Ramphele chairs the Technology Innovation Agency and Letsima Circle

Sunday Times

World Bank loan on track

Mar 7, 2010 12:13 AM | By Brendan Boyle

South Africa's application for a \$3.75-billion World Bank loan to Eskom could be back on track following President Jacob Zuma's state visit to Britain

The minister of finance, Pravin Gordhan, who travelled to London with Zuma and a large business delegation, said he had been greatly encouraged by the confidence shown in South Africa's economy and its economic management.

'We have had an extremely positive and enthusiastic response. They trust us as a government and they trust the kind of economic management that we've been able to display both in the past and now,' he told Business Times by telephone.

Gordhan said there was huge investor enthusiasm for the phased procurement programme proposed in the industrial policy action plan launched last week. The 'fleet procurement' scheme involves large orders guaranteed over several years, but contractually linked to the transfer of skills and capacity to South Africa so that later tranches are manufactured locally.

Gordhan said he had raised concerns about the World Bank loan in a London interview with the Bloomberg news agency to express disappointment at sudden climate-related conditions that some unspecified governments wanted to impose on the country's first World Bank loan. He said developed countries needed 'to recognise that economic development is crucial to developing countries and that the only option open to them is to build coal-fired power stations in the short term'.

He said South Africa had played a central role in reaching the compromise that rescued last year's climate summit in Copenhagen, and had agreed to pursue reduced carbon emission targets and to invest in clean technologies.

'I am a lot more encouraged by both direct and indirect conversations that I have had about the prospects of this loan and we look forward to it going through the World Bank process,' he said.

Gordhan said that in London Zuma had successfully allayed concern about mine nationalisation in South Africa.

Eskom goes low-carbon
Fri, 05 Mar 2010 07:39

Eskom has welcomed Business Unity SA's recent declaration of support for its application for a World Bank loan.

'The loan of \$3.75-billion is already factored into the funding plan as submitted to [the National Energy Regulator of SA] in the [multi-year price determination] application and is critical for South Africa and the region,' Eskom finance director Paul O'Flaherty said in a statement on Thursday.

He said Eskom relied on funding from a combination of existing shareholder equity, borrowings from domestic and international markets and tariffs.

The World Bank transaction would fund specific components of Eskom's capital expansion programme, such as the Medupi power station.

'It is recognised that as a developing country, South Africa needs to capitalise responsibly on its natural resources whilst honouring its greater commitment to reduce carbon emissions over time,' said O'Flaherty.

The loan would catalyse new and lower carbon technologies, such as large-scale solar-thermal and wind power.

'The funding is well-aligned to jump-start progress on South Africa's commitment to a lower carbon footprint,' he said.

'The proposed funding will combine favourable financing rates with a structured repayment profile, thereby making it an economically attractive option to contribute to South Africa's future economic growth.'

Busa said earlier this week it had consistently emphasised the need for a new 'mix' of tariff rises, borrowing and equity financing from the government to ensure the future security of the electricity supply on an affordable basis.

In a statement, it said the prospect of a World Bank loan came at an opportune time, as a key component in addressing financial stability issues at Eskom.

The proposed loan would strengthen Eskom's financial viability, following the R20.7-billion loan it

was granted by the African Development Bank in November.

'In Busa's view, accessing a World Bank loan is appropriate for a developing country like South Africa, which is both under-borrowed internationally and anxious to build necessary infrastructural capacity.

'Failure to borrow sensibly for Eskom's needs will either mean yet higher electricity tariffs or the risk of load shedding if Medupi is not completed in time.'

Busa believed concerns about the loan could be addressed in negotiations with the World Bank to ensure the loan conditions were in line with South Africa's national economic interests.

<http://www.eco-h2o.co.za/>

Load shedding to resume after 2010 SWC

London – South Africa will meet its power requirements for this World Cup year but further ahead the situation is much tighter, state utility Eskom's acting chairman and chief executive Mpho Makwana said on Thursday.

Makwana told Reuters in an interview Eskom's power margin between supply and demand will be a maximum 3,000MW in 2011, even tighter than in 2010's World Cup year.

'This year we will generate 40 700MW against demand of just under 36 000MW, giving a margin of 3 000MW,' Makwana said.

'But in 2011 the reserve margin will be even tighter,' he said, adding Eskom was importing power from neighbouring countries and buying power from independent power producers in 2010 to ensure adequate supplies during the World Cup.

Eskom has signed deals with oil and coal company Sasol and Sappi to buy 500MW from each in 2010, rising to 1 000MW each in 2011.

Sasol's Secunda plant could supply just under 2 000MW to Eskom through the grid, Makwana said.

Eskom's failure to secure a 35 percent hike in electricity tariffs had deepened the shortfall for new plant investment to more than R40bn, Makwana said.

Until 2013 brings new generation capacity, Eskom will remain vulnerable to load-shedding and needs to take action to cut consumption wherever possible.

Smelter cutback?

Eskom is in urgent talks with mining giant BHP Billiton on the power supply contracts to BHP's South African aluminium smelters.

Eskom has less than 10 deals with industrial consumers to supply power outside its usual tariffs.

The power contract with BHP's smelters which links power tariffs to aluminium prices is the highest profile of these.

The two smelters in Kwa Zulu Natal use more power than Johannesburg when operating at full capacity.

During the 2008 power crisis, the government was urged to cut power to the smelters to ease pressure on the grid.

Eskom's revenues took a big hit in 2009 because aluminium prices fell due to oversupply, which persists in 2010.

BHP's Hillside and Bayside smelters which make aluminium metal for export from alumina imported from Guinea employ around 2 000 people.

'We are in teams negotiating with BHP. It is urgent for us. It is happening,' Makwana said, referring to smelter contract talks.

Aluminium sources said they expected Eskom and BHP would agree a revision of the power contract to allow prices to rise over a period of years rather than in one hike.

Makwana, who took over from former CEO Jacob Maroga, said he had no interest in a permanent CEO position at Eskom but he did not rule out becoming chairperson, if that is what the government decides.

Eskom held the first interviews for a permanent CEO on February 12 and will soon interview four internal candidates and 3 to 4 external candidates and both groups include women, he said.

Makwana said Eskom wanted to attract investors, partners and employees who would help the utility create a fresh outlook and not just concentrate of solving immediate crises.

The need for fresh thought and comprehensive planning would be reflected in South Africa's end-May second Integrated Resource Policy (IRP) which will include nuclear, solar and wind power, he said.

Eskom is seeking to borrow \$5bn from the World Bank of which \$500m will fund large-scale solar projects which could produce baseload power, he said.

'We need to substantially add generation by 2025 and to include renewables but we need to ensure we address primary baseload generation – wind power is not entirely dependable as the Germans have found out,' he said.

'We have a lot of sunshine but solar is costly. A 1 500MW solar plant costs R200bn, compared with R140bn for the Kusile clean coal plant,' he said.

Solar power could help significantly to take pressure off the overburdened grid, Makwana said.

If 1 million South Africans take up the offer of subsidised domestic solar panel fitting, this could cut 2,500MW of demand from the grid by 2012.

SABC

Gauteng adopts strategy to improve energy production

March 06 2010 , 9:10:00

The Gauteng government has adopted a long term strategy which will make energy production and use more efficient.

Premier Nomvula Mokonyane and Local Government and Housing MEC, Kgaogelo Lekgoro, launched the Gauteng Integrated Energy Strategy in Johannesburg yesterday. Mokonyane says the province has to lead the way in changing behaviour when it comes to energy consumption and production.

Meanwhile, Finance Minister Pravin Gordhan says he is disappointed by the response of developed countries to Eskom's plan to seek about R42 billion in loans from the World Bank to build power plants.

Gordhan has told a financial news channel that it was the first loan South Africa is asking the World Bank for, and suddenly there are all sorts of doubts. Gordhan says there were moral voices being raised about why the World Bank should not be financing coal-fired power stations. Eskom, the state-owned power utility, is struggling to fund a R460 billion five-year plan to boost supplies in Africa's biggest economy.

Cosatu opposes private funding of electricity

March 5, 2010

Cosatu opposed plans by the government to allow private investment in the country's electricity industry, the union federation said yesterday.

Cosatu did not want private investors buying stakes in plants being built by parastatal Eskom, or private companies generating electricity for public consumption, secretary-general Zwelinzima Vavi said.

Such moves would lead to higher electricity prices in South Africa than were already likely, he said.

Higher electricity tariffs were not the answer and the government should consider a one-off tax to fund Eskom's expansion, Vavi said. - Bloomberg

Financial Times

South Africa seeks UK backing for power plant loan

By Richard Lapper in London

Published: March 4 2010 02:00 | Last updated:
March 4 2010 02:00

South Africa is seeking Britain's support for a potentially controversial \$3.75bn World Bank loan for its hard-pressed electricity industry.

The facility has been raised by South African ministers and officials who are in London this week for the state visit of Jacob Zuma, the president. It would assist in funding a new coal-fired generating plant, helping to prevent future power shortages, but also increasing the country's relatively high carbon emissions.

The state power company, Eskom, has been granted permission for a 25 per cent price increase but the industry regulator turned down its request for a 35 per cent rise. This has increased the need for the World Bank loan to fund the planned expansion of generating capacity.

'We really have to go hunting and borrow much more than we would have had to [had the 35 per cent rise been approved],' said Mpho Makwana, the acting chairman and chief executive of Eskom.

Eskom is preparing to build two big coal-fired plants. Some \$3.1bn (€2.27bn, £2.05bn) of the World Bank money is needed for one of the power stations - a 4,800MW plant at Medupi while the rest would be spent on renewables and energy efficiency projects.

South Africa is particularly keen to win support from the UK, as well as other powerful World Bank members such as the US, France and Germany, at a board meeting due early next month. But environmental campaigners argue the project contributes to global warming. In a document published earlier this month, the World Bank said the Medupi station met the environmental criteria for supporting coal projects because it would be equipped with 'clean coal' and 'carbon capture' technology.

In the longer-term, South Africa says that it plans to increase the amount of electricity it generates from hydro-electric and other renewable sources. But its failure to invest in new-generating capacity has left

it facing potential shortages of power, after the black-outs of early 2008.

Pressure on Eskom eased last year as a result of economic slowdown, with output contracting by 1.8 per cent and a number of energy-intensive metal smelters going out of action.

Eskom, which lost its chairman and chief executive last year, had originally suggested a 45 per cent increase in tariffs this year. It was also seeking additional increases in 2011 and 2012, to bring prices closer to international levels. At present South African electricity is among the cheapest in the world.

However, pressure from industry, trade unions and consumers made the proposed increases politically controversial. Mining companies, which have already been hard hit by the appreciation of the rand, would have been particularly affected by the price rises.

*South Africa aims to supply electricity to all homes within four years and all schools by the middle of this year, the energy department said. *The extent of electricity penetration in the domestic sector is currently about 75 per cent,* it said in its three-year strategic plan. *The target date to reach universal access for all formal households is 2012, with informal dwellings to follow by 2014.*

The government plans to ensure that *clean energy* accounts for 30 per cent of the country's power by 2025. Solar water heaters should be installed in all 6m households, a measure that will save 3,600MW of energy, it said. It did not set a deadline for the goal to be met.

The government's previous target was to install solar heaters in 1m homes by 2014.

Business Week

South Africa 'Disappointed' by Response to Eskom Loan

March 04, 2010, 9:52 AM EST

By Nasreen Seria and Rishaad Salamat

March 4 (Bloomberg) - South African Finance Minister Pravin Gordhan said he is 'disappointed' by the response of developed countries to Eskom Holdings Ltd.'s plan to seek about \$4 billion in loans from the World Bank to build power plants.

'It's the first loan South Africa is asking the World Bank for, and suddenly there's all sorts of doubts,' Gordhan said in an interview with Bloomberg TV in London today. There are 'moral voices being raised about why the World Bank should not be financing coal-fired power stations.'

Eskom, the state-owned power utility, is struggling to fund a 460 billion rand (\$62 billion) five-year plan to boost supplies in Africa's biggest economy. National Treasury and Eskom officials went to Washington last month to discuss the terms of a \$3.75 billion loan for the construction of the Medupi coal-fired plant. An additional \$250 million in loans has also been requested from the World Bank's Clean Technology Fund.

'We hope they understand that developing countries need a period of time during which they will still use coal, but make a commitment, like South Africa is making, to the renewable side of the energy spectrum,' Gordhan said.

The World Bank's board will meet late this month or early in April to consider Eskom's loan application, Sarwat Hussain, the bank's spokesman in Johannesburg, said in a phone interview.

Gordhan said the government can 'manage' Eskom's funding to ensure that the construction of power plants is not halted.

'The financing of Eskom had been more or less sewn up,' Gordhan said. 'We now just got a few more billion to look for. I am sure we will find it in one place or another.'

South Africa may increase its loan guarantees to Eskom, Gordhan said. The government has already lent 60 billion rand to Eskom and guaranteed 175.9 billion rand of its debt.

'We will increase our guarantees to Eskom,' Gordhan said. 'The more immediate thing is that the building program is not inhibited in any way.'

- With assistance from Vernon Wessels in Johannesburg. Editors: Philip Sanders, Ben Holland

To contact the reporters on this story: Nasreen Seria in Johannesburg at nseria@bloomberg.net

01 – 03 March 2010 COSATU CEC press statement

The Central Executive Committee of the Congress of South African Trade Unions, comprising national office bearers and representatives of all 21 affiliated unions and provincial structures, held a scheduled meeting from 01-03 March 2010.

NERSA decision and Eskom

The CEC endorsed the total rejection of Eskom's 25% a year tariff increases and raised questions as to the role of NERSA, which has blatantly ignored the overwhelming opposition to the increases expressed by the public at their hearings.

We remain opposed to privatisation of power generating capacity and provision of electricity. Accordingly we completely reject the introduction of IPPs into the sector. Privatisation is not an answer or panacea to societal problems. It will increase and not decrease the prices, it will sideline those who want access to electricity and will make the current prices increases look like a Sunday school picnic.

We will engage with the ANC on two areas:

We are concerned about the reports that the ANC investment arm has invested in Eskom, raising serious questions of and inherent conflict of interest. The problem with this is that the ANC will not be able to ward off genuine concerns that it may have decided to accept the extraordinarily high tariffs imposed on the poor and industry irrespective of consequences because it stands to benefit. If this is true that the ANC Company has invested in Eskom then *God help us all*. 2. To the best of our recollection there is no ANC policy calling for the introduction of private investors in power generation. Where and when was this decision taken? To us this, together with the policy on wages subsidies for the youth, is an example of how conservative and pro-business bureaucrats manipulate and sidestep democratic processes.

We shall immediately submit a new Section 77 Notice, or possibly use the existing and previously submitted one which was never resolved, and if the tariff policy is not changed, to embark on strike action and street protests against increases which will devastate poor consumers, push up inflation and lead, according to the estimate of the SA Chamber of Commerce and Industry to 250 000 more jobs being lost. We are happy that this is a resolution arrived at the recent labour conference and therefore the decision to submit a Section 77

notice has a full support of both FEDUSA and NACTU.

<http://www.engineeringnews.co.za/article/gordhan-pans-opposition-to-eskom-s-world-bank-loan-2010-03-04>

Gordhan pans opposition to Eskom's World Bank loan

By: Terence Creamer 4th March 2010

Updated 1 hour 26 minutes ago

South Africa's Finance Minister Pravin Gordhan would initiate discussions with those developed countries that had indicated their reticence to endorsing a \$3,7-billion (about R28-billion) World Bank loan for South Africa's power utility Eskom, which is seeking finance for its R120-billion Medupi coal-fired development.

Speaking with Bloomberg in London on Thursday, Gordhan said he had been 'disappointed' by the response of some rich countries to what would be South Africa's first World Bank loan since the advent of democracy in 1994.

'Suddenly, there are all sorts of doubts,' Gordhan lamented in a television interview.

He argue, too, that these questions seemed to go against the agreements reached in Copenhagen, Denmark, in December, where it was acknowledged that developing countries had the right to continue with coal-fired projects while seeking to transition to longer term low-carbon growth paths.

Eskom was currently building two new coal-fired power plants, Medupi and Kusile, which would together be phased in to add some 9 600 MW of much needed new capacity between 2012 and 2018. Both projects were, however, facing potential delays, with Eskom reporting last year that Kusile would be delayed by at least a year.

The utility has already indicated that it will have to draw on development finance institution resources, as well as on the South African and international capital markets, to help it in close a substantial funding gap for its R400-billion-plus build programme.

This gap would remain considerable, despite the National Energy Regulator of South Africa having granted the utility price increases of around 25% a year for the next three years. The approval, which was a full ten percentage points lower than that which had been requested by the utility, was

expected to result in an increased borrowing requirement at Eskom.

The utility, whose 40 000 MW fleet was more than 90% coal based, secured a R20,7-billion loan from the African Development Bank in November 2009. It was now hoping to secure a larger World Bank loan, with a decision possible during March or April.

But environmental groups, as well as some governments, were opposed to the loan, saying that the Medupi project would contribute to the acceleration of climate change and should not be financed, despite having apparently met the World Bank's guidelines for coal projects.

In fact, Business Unity South Africa (Busa), which supports the provision of the loan to Eskom, has argued that the Medupi project is in line with 'Development and Climate Change: A Strategic Framework for the World Bank Group'.

'Accessing a World Bank loan is appropriate for a developing country like South Africa, which is both under borrowed internationally and anxious to build necessary infrastructural capacity,' Busa said in a statement.

Meanwhile, World Bank vice president for Africa Obiageli Ezekwesili was quoted by Reuters as saying that South Africa's urgent need for an energy infusion made the Medupi project necessary, while noting that the South African government had committed to a long-term plan to move toward more investments in renewable sources of energy.

'There is no viable alternative to safeguard South Africa's energy security at this particular time,' Ezekwesili said. South Africa's Eskom, he said, provided 95% of the country's power but also 45% of Africa's needs.

South Africa's delegation on a State visit to the UK, which was led by President Jacob Zuma, had apparently canvassed the loan issue with the UK government, and was expected to approach the US, France and Germany on the same matter before the next World Bank board meeting.

Edited by: Creamer Media Reporter

S.African Eskom to auction up to 500 mln rand of bond

JOHANNESBURG (Reuters) - South African power utility Eskom said on Thursday it would auction up to 500 million rand of its ES23 bond on March 10.

The utility said the minimum bids allowed would be one million rand and the bidding methodology would be on a spread basis to the government's 2021 bond.

The National Treasury said in its 2010 Budget Review last month it was assisting power Eskom to access funding from the World Bank. The Bank will this month consider a loan application for \$3.75 billion, along with \$250 million from the Bank's Clean Technology Fund.

The Treasury last year approved guarantees totaling 176 billion rand to support construction of new power plants.

2010-03-04 11:56:43

Business Report

South Africa weighs carry-trade impact; forex volatility curbs

March 4, 2010

South Africa is looking at the impact of the carry trade on its rand currency and is weighing its options to curb currency volatility, the country's finance minister said on Thursday.

Pravin Gordhan ruled out the adoption of capital controls but noted that the International Monetary Fund (IMF) seems to be shifting its thinking on restrictions on the movement of capital.

'We have made a commitment that we will lean against the wind...we want less volatility,' Pravin Gordhan told a business presentation at Bloomberg.

'We are...looking at the impact of the carry trade more carefully and the options we have to assist the currency to have less volatility,' he said, adding that the government was assisting the central bank to build up reserves to have a buffer during bouts of sharp currency swings.

'All exporting currencies want a competitive edge as far as exchange rates are concerned.'

Having risen some 25 percent against the dollar over the last 12 months, the rand now hovers at one-month highs against the dollar.

The exchange-rate appreciation seen in emerging economies such as South Africa has been attributed to carry trades - borrowing in currencies with the lowest interest rates to punt the proceeds on higher-yielding ones.

Brazil in October imposed a tax on capital inflows to halt the sharp appreciation of its currency and Russia has said it was considering 'soft' measures to stem inflows.

Gordhan reiterated that South Africa had no plans to adopt capital controls for the time being but noted that global consensus on the issue had begun to shift.

'We will go with accepted wisdom at the moment...(but) the IMF and other players are asking for a rethink on inflation targeting, on interest rates and capital controls. They share the concerns that all of us have,' he said.

In a shift from its long-held view that capital curbs are ineffective, the IMF says it now sees capital controls as one temporary measure to curb sudden surges in money flowing into emerging economies.

CENTRAL BANK, ESKOM

Gordhan, who assumed his position last May, said the central bank's new mandate stressed its role in keeping a 'watchful eye on what is called balanced and sustainable growth.'

This involves not only economic expansion but also boosting employment in a country where roughly a quarter of the population are jobless.

The minister also said the finance ministry was progressing with providing financing for power utility Eskom, with the World Bank this month considering a loan application from Eskom for \$3.75 billion (R28 billion).

'We've got a few more billion to look for for Eskom, we'll find it some place or another,' Gordhan said.

'On the financing side we can manage that, we will increase our guarantees to Eskom.'

The Treasury last year approved guarantees totalling R176 billion to support construction of new power plants. - Reuters

Africa ready for energy transformation – World Bank

By: Reuters

Published: 4 Mar 10 - 8:06

Just as Africa spent a decade transforming its telecoms market that connected huge swathes of the continent, the World Bank's top official for Africa sees the next giant developmental leap in the power sector.

New technology and legal reforms in Africa's telecoms market opened the way for a boom in affordable mobile phone service, said Obiageli Ezekwesili, vice president for Africa at the World Bank.

A similar transformation could repair Africa's power sector that has suffered from years of underinvestment.

'The next big thing that will happen on the continent is going to be massive investment of private capital into Africa's energy sector,' Ezekwesili said in an interview with Reuters.

The changes are being forced by a critical shortage in power supplies across Africa that is stifling economies.

Chronic energy shortages in South Africa, the region's economic powerhouse, have forced its government to turn to the World Bank for a controversial \$3.75-billion loan to fund a coal-fired plant, which is drawing criticism from environmentalists because of effects on climate change.

South Africa's urgent need for an energy infusion made the project necessary, Ezekwesili said, adding that the government has committed to a long-term plan to move toward more investments in renewable sources of energy.

'There is no viable alternative to safeguard South Africa's energy security at this particular time,' Ezekwesili said. South Africa's Eskom, he said, provides 95 percent of the country's power but also 45% of Africa's needs.

In the same way new telecoms technology gave Africa affordable cell phones, so too can private sector investment bring power to millions of people in the region through renewable sources, said Ezekwesili, who is from Nigeria.

Across a continent endowed with ample resources to meet all of its energy needs, only one in four people have access to electricity, World Bank figures show. The OECD estimated that Africa will need to spend up to \$500-billion in the next two decades to meet power demands.

FINDING THE POWER DEALS

There are already signs that countries, including Uganda, Cameroon, Mali, Rwanda, Kenya and Togo, are teaming up with power investors to help expand power generation capacity.

Ugandan President Yoweri Museveni has highlighted the urgent need for more power to keep that economy growing at a rapid pace. Last year, Museveni said his country wanted to more than double its energy capacity by exploiting two gas deposits and completing two hydro dams by the end of 2010.

Power specialists say the main obstacles to investment in the sector are associated with bureaucratic red tape, lack of planning and difficulty finding the projects that financiers will back.

This is where the World Bank's private-sector lender, the International Financial Corp, hopes to help by combining private capital and expertise.

In Senegal, where the government has divided the country into 11 electricity concessions, which will be opened to private-sector bids, IFC has invested about \$750 000 in Comasel, a unit of Morocco's electricity utility.

The project will use a mix of grid connections and individual solar kits to bring power to 300 rural villages.

These investments were also an opportunity for private companies to work alongside national utilities in public-private partnerships to help finance power deals.

Just as mobile phone business in Africa has taken off with pre-paid phone cards, a similar strategy could work for lighting up Africa.

Much of the changes will also come with the 'neighborhood effect,' in which successful change in one country influences others, said Ezekwesili. 'The next generation of sector-specific reforms is in energy,' she added.

She cited Uganda's Bujagali hydro power project, a 250-MW power generating facility located on the Nile also funded by the World Bank, as an example of a transformative project in Africa's energy sector.

The project developer, Bujagali Energy Ltd, will sell electricity directly to Uganda's transmission company, promising to lower the cost of power and reducing the country's reliance on expensive thermal plants.

Edited by: Reuters

Business Day

TIM COHEN: MONDAY COMMENT

Published: 2010/03/01 07:24:19 AM

DID the National Energy Regulator of SA (Nersa) do the right thing by allowing Eskom successive 25% price hikes over the next three years?

It's an impossibly hard question to answer. The whole issue is now hopelessly politicised, and one has to have sympathy for Nersa officials caught between Eskom's needs and those of the general public.

However, having said that, I can't help feeling that consumers have been ripped off, despite the increases being significantly lower than those initially requested by Eskom. In fact, I would say, consumers have been ripped precisely because the numbers are so much less than Eskom asked for.

If any organisation says it can't possibly get by with less than a 45% increase, and then lops 10 percentage points off the request, it suggests the numbers are a bit funky. Work out the basis on which these lower submissions were calculated and compare that with Eskom's published numbers, and the numbers look even funkier. Is it possible that Eskom, far from being the cash-strapped public utility it's making itself out to be, will within a few years spring back into startling financial virility? Could this possibly be achieved with the capital expenditure programme under way?

This is not just possible, it's positively likely.

Eskom's 2009 annual report says it sold electricity at an average price of 25c/kWh during the period under review.

This had risen about 1c a year since 2005 (from 16c/kWh) until 2008, when the previous double-barrelled increase took place and it jumped from 20c/kWh to 25c/kWh.

But of course, costs have increased too. Costs increased steadily from 13,5c/kWh in 2005 to 27,6c/kWh last year.

At this rate, Eskom was generating electricity at a loss last year — the difference between the 25c/kWh selling price and the 27,6c/kWh it was costing Eskom to produce.

Now things start to get complicated because Eskom hasn't yet reported for 2009-10 so there is a year gap in the figures.

Still, we can extrapolate, because Nersa has told us the level of increases.

Nersa announced the electricity price which Eskom will now be allowed to charge will be 41,57c/kWh, 52,3c/kWh and 65,85c/kWh for the 2010-11, 2011-12 and 2012-13 financial years respectively.

Nersa pegs this as a series of roughly 25% increases and a 24,8% increase over the 2009-10 figure. Compared to Eskom's 2009 annual report for the 2008-09 year, the increase comes to 66%, which shows how much prices have increased even before Nersa's new ruling.

Still, the point is how much will Eskom actually make once the new prices are factored in, and will this pay for the expansion drive?

That depends a lot on input cost increases, but fortunately testimony at the Nersa public hearings suggest Eskom is pegging these increases at 12,7% a year.

If you extrapolate that through, what you get to is a cost price of electricity for Eskom at about 35c/kWh for 2010-11, rising to 45c/kWh in 2013.

This means that the difference between the cost price and sales price will be about the same as it was in 2005, when Eskom generated R15bn in cash, and had a profit of R5,4bn on revenue of R43bn. Nersa has actually specified Eskom's revenue for the period under review.

Keeping the proportions the same as 2005, and Eskom will earn R14bn in profit 2010-11.

This is, however, very different from Eskom's own estimates.

Eskom's estimates, based on the application for a higher increase in its multiyear price determination presentation, suggest it would make a profit of only R5,6bn in 2010-11, rising to R45bn in 2012-13.

Eskom must have a better handle on its finances than a simple extrapolation such as this would suggest, but instinctively, when you compare these numbers, you have to wonder whether Eskom was presenting were a low-ball negotiating position

rather than a realistic assessment of its economic planning.

It gets more complicated too. One of the reasons for Eskom's plight is, as everybody knows, its contracts with the aluminium smelting industry. The really scary part of Eskom's financials is not actually its R200bn-plus expansion projects, as astounding as they are, but the R9,5bn loss it racked up on 'embedded derivatives'. Why this has not got more publicity, I have no clue.

The 2009 annual report says this about these contracts: 'Eskom has a number of commodity-linked pricing contracts with aluminium producers, which both offer discounted prices, and also link the electricity prices to commodity prices and exchange rates. The year-end valuation of these contracts (embedded derivatives) resulted in an accounting loss of R9,5bn. They are clearly not sustainable and Eskom will be engaging these customers with a view to achieving more equitable pricing.'

Consequently, Eskom is blaming these contracts on BHPBilliton and Mozal, but on closer inspection, it's not clear that the contracts are to blame as much as Eskom itself.

Elsewhere in the annual report it says 'the fair value loss of R9506m in the books of Eskom is mainly due to the following: the sharp decrease in the aluminium price at 31 March last year compared with 31 March 2008 is the major contributing factor to the loss'. So, reading between the lines here, is what happened: Eskom has contracts based on the aluminium price with the smelting companies in terms of which it earns less as the aluminium price declines. In order to mitigate that potential loss, it bought derivative contracts long the aluminium price which are now seriously under water. Why it would be long aluminium rather than short, I cannot explain.

Whatever the case, the aluminium price has rebounded 30% from March last year, so we can assume this loss item will reverse itself somewhat, on the assumption that Eskom didn't go and do something silly in the derivatives market in the meantime.

The point is that the cost price to Eskom of producing electricity ought not to be as high as it was in the past if these losses are taken into account.

Overall, I might be wrong and notwithstanding Nersa's pared back decision, I still get the feeling that Eskom has decided to maximise its theoretical woes in order to get a whopping set of increases out of the regulator, putting its own interests decidedly before those of the country.

Business Report

Eskom's R29 billion World Bank loan runs into opposition

Broad coalition threatens to boycott bonds
February 23, 2010

By INGI SALGADO

A coalition of organisations launched a global campaign yesterday to block the World Bank from lending \$3.75 billion (R29bn) to cash-strapped Eskom, the bulk of which is set to finance the Medupi coal-fired power station.

They vowed to mobilise country directors within the bank to vote against the loan next month, and threatened to revive the World Bank 'bond boycott', launched a decade ago to end structural adjustment programmes and lending to environmentally-destructive projects.

The bank secures the bulk of its funds by selling bonds to potential investors like pension funds and local governments.

The latest campaign is driven by South African non-governmental organisations, among them Climate Justice Now, groundWork and the Federation for a Sustainable Environment. It has the backing of both the National Union of Metalworkers of SA and the SA Council of Churches, as well as organisations in the US, India and Bangladesh, among others.

It comes amid tensions between segments of the World Bank and the US government, which quietly issued a guidance note to multilateral development banks during climate change talks in Copenhagen in December to limit the conditions under which they financed coal-fuelled power generation in developing countries.

The note raised the ire of nine World Bank executive directors, who sent a letter to World Bank president Robert Zoellick this month complaining that it highlighted 'an unhealthy subservience of the decision-making processes in the bank to the dictates of one member country'.

They further complained that the US was attempting to shift bank lending to developing countries from coal to renewable energy without providing new financial resources and technology to enable the transition. The letter suggested that the bank had already responded to the US guidelines by

dropping funding for the Thar coal and energy project in Pakistan.

GroundWork director Bobby Peek said yesterday that he understood the US planned to abstain from the Eskom vote but the anti-ban coalition would send delegations to the US over the next few weeks to lobby the US administration to use its 17 percent voting share to stop the Eskom loan.

Officials from the National Treasury and Eskom visited Washington last week to discuss the loan terms with the World Bank. It was reported that further funding requests could be made. The Budget Review last week identified possible second-phase World Bank loans worth \$1.25bn.

Eskom has become reliant on multilateral financial institutions to help fund the costs of its R400bn capital expansion as private capital for infrastructure expansion has dried up.

It has also asked the National Energy Regulator of SA to raise electricity tariffs 35 percent a year for the next three years, and a decision is due tomorrow.

The World Bank confirmed yesterday that a decision on the Eskom loan was due to be taken late next month. Inger Andersen, World Bank's director for sustainable development in Africa, said the loan would support the 'responsible use of coal as an interim resource for power generation, given lack of viable alternatives'.

But the coalition said that if granted, the loan would fly in the face of the World Bank's attempt to portray itself as a climate-friendly financier.

It would generate an unnecessary expanded climate debt owed by South Africa as well as externalised costs for communities around coal mines. In the meantime, demand-side management would mitigate the need for new power plants.

According to the World Bank website, Eskom's Medupi project met the bank's criteria for backing coal power projects, and would help avoid an energy crisis across southern Africa.

'A rigorous analysis of the alternatives to coal-fired power plants was conducted; domestic or regional alternatives cannot meet the required baseload capacity (9 600 megawatts over five years),' it said.

The loan comprises \$3bn to pay about a fifth of Medupi's costs, another \$260 million for renewable energy projects (wind and concentrating solar power), and \$400m for low-carbon energy efficiency projects.

The bank said its energy portfolio was increasingly oriented toward renewable energies and energy efficiencies. Last year, this accounted for 40 percent of all energy financing the bank made.

The Mercury

Global campaign to stop loan

Eskom told to charge companies fair rates
February 23, 2010

By Tony Carnie

Instead of forcing ordinary South Africans to swallow 35 percent electricity hikes, the government could solve the power crisis virtually overnight by cancelling or renegotiating Eskom's 'sweetheart' power deals with international aluminium smelters and big mining houses.

This was the call in Durban last night from nearly 100 civil society groups which have launched a global campaign to prevent Eskom from securing a \$4 billion (R30 billion) loan from the World Bank to finance new coal-fired power stations.

Patrick Bond, a Durban economist and head of the Centre for Civil Society at the University of KwaZulu-Natal, said the power crisis could be resolved very swiftly if Eskom charged equitable tariffs to ordinary consumers and big industry.

However, as things stood, ordinary consumers were paying up to seven times more for their electricity than several international power-guzzling industries such as BHP Billiton, which has massive aluminium smelters in Richards Bay.

Although Eskom has consistently refused to disclose details of its special pricing agreements with BHP and other large industries, Bond said South African-based multinational groups still enjoyed the cheapest electricity tariffs in the world.

Whereas ordinary household consumers paid an average of 35 cents to 40 cents per kilowatt-hour of electricity, some of the largest industries were paying as little as 5 cents to 11 cents per kWh, thanks to deals negotiated during the apartheid era by former Eskom treasurer Mick Davis, who later accepted a senior position with BHP Billiton.

Bond was speaking on the sidelines of the African Utility Week power conference which will be opened today by Energy Minister Dipuo Peters.

'It is not just me who is saying that these special pricing agreements don't make any sense. Bobby Godsell and Jacob Maroga of Eskom, Standard Bank chairman Derek Cooper and Jeremy Cronin (deputy

Transport minister and senior SA Communist Party leader) have all raised similar concerns,' he said.

Responding to questions on why the World Bank would contemplate refusing a loan to Eskom, Bond said the current campaign to cancel the proposed R30 billion loan might seem like a 'quixotic' David and Goliath campaign.

'But I think we are in for a good fight,' he said, noting that cancellation was feasible if the United States Treasury exercised its power as a 17 percent contributor to the World Bank's recapitalisation programme.

Campaign supporters include the powerful US environmental lobby group, the Sierra Club, along with scores of local civil society groups in South Africa and elsewhere.

SABC

Environmental activists oppose Eskom's \$3 billion loan

22 February 2010, 3:35:00

Environmental activists from around the world have called on the World Bank to refuse Eskom's application for a \$3 billion loan. The loan, which Eskom applied for last year, is expected to fund the utility's two new coal fired power station projects.

The activists from around the world have warned that the loan will be bad for South Africa's economy as well as the environment. The call comes as energy moguls from around the continent meet in Durban for African Utility Week.

'The rate for electricity that is being paid by business, is four times lower than by communities. This needs to be re-structured and most importantly, the type of business that uses a lot of electricity and that is an export business – does not create jobs in South Africa. We need a service-orientated internal South African industrial strategy that uses energy for South Africa and then we will find out who is able to afford energy,' says Director of local environmental Non-governmental organisation, Groundwork, Bobby Peak.

Peak says they are making the call on the sidelines of the energy summit, because the discussions revolve around ways to meet the continent's future energy needs.

Electricity utility Eskom applied for a price increase of 35% every year for three years to help raise funds for its R385-billion power expansion programme. Prior to this application, it had demanded an annual 45% hike over the next three years, but reviewed the application after strong protests from major mining companies. Last year Eskom increased its tariffs by 31%.

The National Energy Regulator of South Africa (Nersa) will announce its decision on Eskom's tariff application on Wednesday. In January, Nersa held public hearings in all provinces on the tariff application.

Business Day

Challenge Now is to Lessen Shock of Price Hikes for Poor

Anton Eberhard

22 February 2010

Johannesburg — THE electricity regulator will soon make a necessary, but unpopular, decision. It will allow Eskom tariffs to double over the next three years.

The decision is necessary because electricity prices are uneconomic and insufficient to support new investment by either Eskom or the private sector.

It will be unpopular because each of us will be affected negatively. Inflation will increase, economic growth will be blunted and welfare will be diminished.

How do we best mitigate the negative effects of much higher electricity prices?

Our economy is likely to experience structural changes. We will have less energy-intensive industries. Mines and businesses will invest in more energy-efficient equipment and processes. Some will be able to generate their own power using waste heat. Middle- and higher-income households will reduce electricity consumption by investing in compact fluorescent light bulbs, insulation in their ceilings, solar water heaters and other smart energy-management devices.

But what about the poor, who consume only basic amounts of energy and have limited access to relevant information and investment opportunities to save energy?

Already, energy constitutes a significant proportion of their disposable income. Steep electricity price hikes will force even lower consumption, reduce welfare and deepen poverty. Designing and implementing an effective and targeted subsidy system for such households seems both right and possible.

What is not widely appreciated is that SA already has extensive electricity subsidies, amounting to more than R8bn a year.

There are fiscal subsidies for connecting low-income households (R2,6bn), as well as a monthly free basic consumption allowance of 50 units (R1bn).

There are also extensive cross-subsidies from Eskom's large industrial consumers to its small household consumers (R2,2bn) and nonpayment, or theft, amounts to an additional free subsidy (R2,5bn), at the expense of other paying consumers, some of them poorer than those not paying.

Of Eskom's 4-million registered household consumers, an astonishing one-third recorded no electricity consumption over the past year. What is happening? Either consumers have switched back to other fuels such as paraffin or, more likely, many of them have worked out how to bypass the meter and are consuming electricity without paying.

Municipalities, which supply the other half of electricity consumers are, in all likelihood, also experiencing high levels of 'nontechnical' losses. Data are scarce.

So subsidies (either explicit or hidden) are already extensive. But they by no means reach all who deserve them.

One in four South Africans still does not have access to electricity. They are the poorest of the poor, living in informal urban settlements or remote rural communities.

Dealing with this service delivery backlog would mean an investment of about R6bn a year over 10 years.

And extending the free basic electricity allowance of 50kWh a month to all low-income households would imply an annual subsidy of R4bn in three years' time, when electricity prices double.

Furthermore, Eskom's current cross-subsidies to its Homelight customers would balloon to R5bn, as would the value of stolen electricity. The current R8bn in electricity subsidies could easily become R20bn in three years' time.

Clearly the question arises how affordable electricity subsidies will be in the future, either fiscally or in terms of cross-subsidies from other electricity consumers.

Some have proposed that more electricity is provided free to poor households each month. But a

more sensible approach may be to look at whether existing subsidies are well enough targeted - are all those who need them actually receiving them.

Following international best practice, it makes sense to continue with subsidies, first, for the capital needed to connect those who still do not have access to electricity and, second, for a basic level of consumption for poor households, who can afford only small amounts of electricity.

Eskom's Homelight consumers fall into this category. Connection costs are fully subsidised and a free basic amount is provided each month.

The supply is limited to 20 amps - households can use lights, a small cooker, kettle and other small appliances, but not a hot water geyser or full-space heating.

This may seem a patronising option: we'll give you a subsidy, but only if you limit your consumption. But the reality is that this supply-tariff option best matches the consumption patterns of these households.

And the application of the subsidy is simple. Those households who need and want the subsidy self-select this supply option.

However, not enough consumers are actually receiving these subsidies.

Only 150 000 new connections are being made each year and Eskom disburses only R270m in free basic electricity subsidies.

Data on municipal disbursements of this subsidy are hard to come by, but it would be fair to assume that they also experience challenges.

One of the problems with the Eskom tariff that is applied to these consumers is that after the free basic amount, the consumption charge is higher than the marginal rate of energy production.

Eskom is therefore trying to recuperate some of its fixed monthly costs of supplying these customers through raising the consumption tariff.

A better subsidy would be to cover all fixed costs, offer the same level of free basic electricity each month, and then to charge subsequent energy use at the marginal cost of production.

So we face really difficult choices. Electricity is becoming unaffordable for the poor. But the scale of subsidies might also be unaffordable fiscally or in terms of cross-subsidies.

Any new proposals for subsidies need to calculate their full cost if properly applied, how they might grow in the future and whether they are affordable.

There are a number of additional subsidy challenges.

What do we do about the not-so-poor - those who do not want to accept a demand-limited supply but who consume modest amounts of electricity and cannot easily access information or investment to become more energy-efficient?

In principle, one can think of subsidy options, but they are more difficult to implement and would need more careful study before finalising.

Further ways of mitigating electricity price increases would be to limit the profits municipalities make from electricity sales.

There is no reason municipal customers' electricity bills should double over the next three years. While the cost of power purchases from Eskom clearly needs to be passed on to municipal consumers, the balance of the tariff - municipalities' own distribution and customer service charges - should rise only by the rate of inflation.

So the challenge is to understand what is affordable in terms of subsidies and how best to target and implement them. Hopefully the electricity regulator will consider these issues carefully before announcing the inevitable electricity price increases.

Eberhard is a professor at the University of Cape Town's Graduate School of Business.

iafrica.com/business/randwatch/2247920.htm

Range waits on GDP
Article By: Gareth Vorster

The rand was range bound in morning trade on Tuesday, tracking the euro amid local GDP data out later.

At 08:58 the rand was bid at 7.7054 to the dollar from 7.042 at its previous close. It was bid at 10.4935 to the euro from its previous close of 10.4681 and was at 11.9442 against the sterling from 11.9178.

The euro was bid at \$1.3628 from \$1.3605 previously.

A local currency trader said: 'We saw a reasonable try to break through the range on the upside last night. GDP data is out later, although it doesn't usually have too much of an impact on the rand. There is also data out in Germany, and the US later. The euro is also trading steadily.'

RMB analysts noted in their morning report that investors seem a little fed up with the rand's inability to break lower and as they give up hope, US dollar/rand has pushed back to the upper-end of its range. There are also reported rumours of SARB buying. 'We still feel the natural bias is lower but this morning's trade will probably settle around 7.70 in front of the 4Q09 GDP data at 11:30. Our expectation is that the economy grew at 2.6 percent on a seasonally adjusted and annualised basis in the quarter, up from 0.9 percent in 3Q09,' RMB analysts John Cairns and Nema Ramkhelawan said.

'Our view is in line with the consensus but a surprise figure could still push us five cents or so either direction, i.e. to the edges but probably not outside the current range,' RMB said.

'Of concern for the rand is that a broad coalition of non-government organisations that are attempting to stop the World Bank approving Eskom \$3.75bn loan application due to environmental concerns. The Budget suggested this approval could come as soon as March — but Business Report's article this morning raises the question of whether the money will be forthcoming at all. This also comes just before NERSA is set to announce its decision on electricity price hikes,' Cairns and Ramkhelawan said.

Daily News

'Scrap Eskom's plan to steal'
17 February 2010, 14:12

By Noelene Barbeau

Pensioners and schoolchildren braved the blistering heat yesterday to make their disgruntled point outside Eskom's offices in Westville.

Some of their T-shirt slogans illustrated their frustration - 'Eskom no nuclear energy' and 'No lies, service delivery now'.

Another banner read: 'Eskom's plan to steal from poor South African people and destroy our environment must be scrapped.'

Eskom has applied to the National Energy Regulator of South Africa (Nersa) to increase electricity tariffs by 35 percent for 2010/2011 to 2012.

And now communities, more than 50 non-governmental organisations and environmental groups and academics are sending out a message of disapproval at three years of hikes.

Bobby Peek of the environmental group groundWork called on the World Bank to stop a proposed loan of R29 billion to Eskom.

'If this loan - which may come up for a board vote in March or April - goes through, poor South Africans will have to bear the burden of Eskom's debt and the World Bank's cost recovery programme and climate change will intensify.'

Peek explained that the loan would fund Eskom's construction of coal-fired power plants.

He said community groups fighting against the loan included activists in the polluted Vaal Triangle where people burnt coal for heating and cooking because electricity was unaffordable.

'Eskom shouldn't be given the World Bank loan and won't be as a result of this campaign,' said Peek.

Desmond D'Sa, of the South Durban Community and Environment Alliance, handed over a document to an Eskom representative.

The document illustrated their views on the proposed World Bank loan and the decision Nersa would have to make.

Pensioners from Wentworth, wearing Wentworth Development Forum anti-Eskom T-shirts, said they received a monthly pension of R1 010.

'Eight hundred rand currently goes towards our electricity bill. What's left for other monthly expenses?' asked a pensioner.

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<http://www.dailynews.co.za/?fSectionId=&fArticleId=vn20100217124031724C355565>

15 February 2010

<http://www.radb4all.net/index.php/program/39819>

Stanford University radio

World Bank Loan to Fund Coal-Fired Power Plant

Series: [Raising Sand](#)

Program Type: [Action/Event](#)

Featured Speakers/Commentators: David Hallows,
Patrick Bond, Desmond D'Sa, Trevor Ngwane

Contributor: [Raising Sand Radio](#) [[Contact Contributor](#)]

Broadcast Restrictions: For non-profit use only.

Summary: We look at the impact on carbon emissions, climate change, and our human environment if and when the World Bank makes a US \$3.75 billion loan to South Africa's electricity supply commission to build new coal fired power stations. David Hallows, Desmond D'Sa, Trevor Ngwane, and Prof. Patrick Bond discuss the impact on carbon emissions, climate change, and our human environment. This show was recorded at The Center for Civil Society based at the University of KwaZulu-Natal, Durban and moderated by center director Prof. Patrick Bond.

January 27, 2010 at 14:33:42

The Seamy Side of Coal-fired Power
By Susan Galleymore
For OpEdNews

South Africa has one of the heaviest carbon footprints in the world...and the World Bank is offering a US \$5 billion loan the biggest ever to any African entity that ensures its footprint becomes even heavier. The World Bank, however, says the loan assists South Africa's electricity parastatal Eskom to 'achieve financial stability, increase generation capacity and efficiency, and adopt a low carbon trajectory.'

While the exact loan amount remains unclear, what is clear is that ordinary South Africans are on the hook to repay it with Eskom's proposed 35 percent rate hike for each of the next three years. This affects all South Africans but those already financially stressed are hit hardest: the under- or unemployed, those living on fixed incomes and pensions, and our youth, approximately 40 percent of the population. A low income household that today pays R360 per month will pay R1000 by 2012 while a suburban household paying R750 will fork out R2400. [US \$1 = approx R7.50] The free basic electricity supply of 50Kw/hour will rise to 70Kw/hour but a quick glance at your own power bill shows this quantity is meager...and virtually ensures users will resort to fossil fuels when the meter runs out.

Considering that Eskom's largest service beneficiaries are multinational corporations and smelters that pay about 11 cents per kilowatt hour while household customers pay 44 cents/kilowatt hour the peoples' outrage is understandable and palpable.

About 600 people raised their voices at the National Energy Regulator hearings

From South Durban, Wentworth Development Forum's Patrick Mkhize explained for a radio interview that the rich can cope with the hikes 'but for the poor it will be back to candles and paraffin stoves notorious for accidents and injuries and that even burn down homes. We are heading for disaster.' He said that energy 'like water and other resources important to human survival is a right, not a privilege. If we had a true democracy this country, hailed by many other countries for having the best constitution, would give energy for free

considering where many of us come from in terms of race and segregation.'

Meanwhile, a spokesperson for pharmaceutical multinational Glaxo Smith Kline stated that the facility would pull out of South Africa if its energy rates increase. He said that the company does business in South Africa because of very favorable business conditions and profits and if these diminish the company will seek them elsewhere. Indeed, Eskom was established in 1923 to deliver cheap and abundant electricity to big business, primarily the mining, industry, and energy complex. The World Bank made loans to Eskom in the 1950s to build coal-based power plants. Eskom built more coal powered electricity generators in the 1980s, produced more cheap electricity than required, and consequently mothballed some of these generators. While the historical complexities that allow a parastatal like Eskom to levy utility hikes of this magnitude on the backs of ordinary people have deep origins and are not covered in this short article, the reality of day-to-day life in South Durban communities is antithetical to the World Bank's stated goal of 'a low carbon trajectory.' (See groundWork's 'The World Bank and Eskom: Banking on Climate Destruction' and other free publications for detailed information.)

Eskom accounts for 40 percent of South Africa's CO2 emissions, estimated at 440-million tonnes in 2004 which makes it one of the most carbon intensive economies in the world.

South Durban is one of the most industrially polluted regions in southern Africa and the protesters at Nersa's Durban hearings expressed concern about the adverse social and health effects of two oil refineries and their associated chemical works, a pulp and paper plant, and the many other industries surrounding their communities. Until recently South Africa had few environmental protection laws at all. Today it has some of the best ever on the books. Alas, these laws are paper tigers that are under-utilized, seldom implemented. Enforcement is almost non-existent, and Records of Decision are easily overturned or ignored.

Eskom is regularly referred to as a 'rudderless' public enterprise based upon its past and what it proposes for the future. It began by delivering bulk supplies of cheap electricity on the backs of commodity booms and prices from energy intensive industry such as aluminum, chrome, and ferro-manganese smelters for the export market. About 80 percent of its energy capacity is contracted to its bulk customers while the rest supplies small

business, mom and pop shops, and residential customers. Since Eskom's contracts are favorable to business and ensure that Eskom is penalized for renegeing on these sweet bulk energy deals it passes any penalties on to ordinary people. Generally, a parastatal refers to any over-production as 'surplus' yet at Nersa's Durban hearing Eskom presenter Mr. Makwana, referred to Eskom's 'profits'. The audience picked up on this and Makwana immediately corrected himself. Yet such slips reinforced ordinary peoples' impression that they are the fall guys when things get tough for big business yet are forgotten when things go well. This was apparent in 2008 when Eskom did not have the capacity to fulfill its contracts and the subsequent load-shedding put out lights all across the country.

With ordinary people already paying up to seven times more than big business for energy the proposed 35 percent increase means that the people will subsidize a 'new build' program that is wholly dependent on mining and burning more coal...and that ties South Africans into coal and further pollution for at least the next three to five decades.

None of the South African government's or Eskom's promises to include renewable sources of energy solar, wind, or wave are under serious discussion. Indeed, Eskom's plan further extensive mining and burning of coal with a slight increase in nuclear power sounds like business as usual to the many community groups around the country who attended Nersa's hearings. At the Cape Town event, Deputy chair of the SA Wind Energy Association, Mark Tanton suggested Eskom's tail is wagging the energy regulator's dog. Tanton stated the Department of Energy's integrated plan was published after Eskom's submitted its own three year energy plan with tariff hikes to Nersa. Tanton said the Department of Energy's plan should guide Eskom's energy plan, not the other way around.

'The government said 30 percent of electricity must come from independent power producers. We don't see this in Eskom's multi-year price determination.' The government's White Paper of 2003 states that 4 percent of electricity produced by 2013 must come from renewable energy. Based on Eskom's projected electricity consumption this would be 4700 MW but Eskom's three year plan states that only 400 MW would come from renewable energy sources, a huge departure from the White Paper.

According to Tanton, few renewable energy technologies installations could be completed in just

three years to generate 4700 MW, although wind energy could come close with 3000 MW. 'Eskom does not take wind energy into account when it comes to base-load generation, which is the same thing as believing that the world is flat. We read into this that the future Eskom sees is very dark: coal! This is business as usual and it's wrong.' He said Eskom wants to maintain its control and that means keeping to business as usual 'since it has spent 50 years planning one way it's difficult for it to change.'

Moreover, a relationship exists between the majority political party, the African National Congress (ANC) and Eskom that many South Africans view with alarm. The ANC's investment arm, Chancellor House, holds shares in firms that benefit from public contracts. This means the ANC is positioned to easily meet all the criteria for social and economic redress and that it also has a vested interest in preferential treatment when applying for government tenders and contracts. The ANC holds shares in Eskom and according to Bantu Hlobisa, leader of the United Democratic Movement, this 'creates a conflict of interests that leads to bad governance and corruption. We now have a situation where Eskom's plans are not possible unless they fleece the public.' The UDM he said, 'calls to Parliament to intervene and appoint an independent judge to assist Nersa and strengthen their hand to consider the entire Eskom situation and all the implications for the economy and the public.'

So why should citizens of the north's developed countries worry about what is going on in a faraway developing country at the tip of southern Africa? Well, it is about interdependence. For the foreseeable future, South Africa's rich coal seams will continue to produce electricity for export markets... and increase CO2 emissions that know no borders. Every human being is implicated in how we generate and use our energy resources; we cannot depend upon the poor and seemingly powerless ad infinitum to bail out the rich and powerful. If Nersa's hearings are anything to go by, a deep resentment smolders across this land. If it ignites it engulfs beneficiaries in the developed north too.

Susan Galleymore is the author of *Long Time Passing: Mothers Speak about War and Terror*, in which she shares the stories of people in Iraq, Israel, Palestine, Lebanon, Syria, and U.S. [Pluto Press 2009].