

4 September 2017

Weekly projects and energy updates in South Africa

Kubayi sets 77c/kWh price cap and October deadline for signing of 26 renewables projects

Energy Minister Mmamoloko Kubayi stipulated that all the projects would be subject to a 77c/kWh tariff cap; a price point that could prove challenging in light of currency, inflation and equipment changes since the projects were procured, as well as the fact that a number of bid quotations for Eskom grid connections had escalated materially over the past two years.

Speaking in Pretoria on Friday, Kubayi also said the 77c/kWh would apply to all the technologies procured during bid windows 3.5 and 4 of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), including the outstanding concentrated solar power (CSP) project procured during Bid Window 3.5.

Engineering News, 1 September 2017

Nigeria approves US\$5bn contract for Mambilla hydropower project

In West Africa, the government has approved a US\$5.792 billion contract, which will enable construction work to begin on the Mambilla hydropower project.

According to the *Daily Trust*, Minister of Power, Works and Housing, Babatunde Fashola, highlighted that: “Nigeria started talking about it [the project] since 1972; that is about 45 years ago.”

ESI Africa, 1 September 2017

Tanzania opens bidding for Rufiji Hydropower project

The Tanzanian Ministry of Energy and Minerals has opened the tender process for the construction of the Rufiji Hydropower project, *The Citizen* reported.

The project will see the construction of the largest dam in the country along the Rufiji River in the Selous Game Reserve.

According to media, the hydropower project is planned to have an installed capacity of at least 2100 MW with a minimum guaranteed annual supply of 5920 GWh.

ESI Africa, 1 September 2017

South Africa has insufficient skills for development of a shale gas industry

South African National Energy Association secretary general Dave Wright noted that the country had a small and limited upstream exposure to shale gas and that there has not been a big demand for skills in that sector.

“If we want to develop a science action plan, we need to tackle the skills shortage in three phases and have short, medium and long-term goals,” he said.

According to the Academy of Science of South Africa’s (ASSAf) latest report on South Africa’s technical readiness to support the shale gas industry, urgent steps need to be implemented by relevant government departments, in collaboration with industry, to coordinate all skills planning initiatives in South Africa to develop a single, coordinated development plan for the shale gas industry.

Engineering News, 1 September 2017

Government certainty needed for successful shale gas exploration in South Africa

Speaking to *Engineering News Online* on the side lines of a national shale gas conference, in Port Elizabeth, on Friday, University of Cape Town Institute of Marine and Environmental Law's Professor Jan Glazewski said this was crucial in finding out if there were payable quantities of shale gas in the Karoo.

“A distinction should be made between the exploration phase and the exploitation phase. A final decision should only be made if shale gas is found in the former stage and if gas is found in economically payable quantities, taking cognisance of the volatile gas price,” he said.

Engineering News, 1 September 2017

Uncertain power price path heightening grid-defection risk, EIUG warns

Speaking at a South African National Energy Association conference in Johannesburg on Thursday, Energy Intensive Users Group of Southern Africa’s (EIUG’s) Piet Van Staden warned that a price tipping point had been breached and that electricity intensive firms could be forced to defect from the grid should further double-digit increases be approved. Such defection could take the form of firms installing cheaper own- or co-generation plants, or result in operations being moved to jurisdictions where power prices and the price path were more attractive.

He said one South African silicon-carbide manufacturer, which he did not name, had already relocated to the Netherlands to take advantage of low prices that can be secured during times of supply surplus; a phenomenon associated with periods of excess wind-energy generation. Other smelters have relocated to countries in Asia, on the basis of the power price certainty extended.

Eskom has submitted a one-year application of nearly 20% for 2018/19 and also wants the National Energy Regulator of South Africa to process three outstanding regulatory clearing account applications for the third multiyear price determination period, through which it is seeking

to recoup a cumulative ZAR60 billion in what it claims to be under-recovered revenue.

Engineering News, 31 August 2017

Kusile Unit 1 brought into full commercial operation well ahead of schedule

Unit 1 is complete and the operator, Eskom Generation, has taken over the plant and is running it on a regular basis.

The state power utility announced on Wednesday that the unit was completed well ahead of its scheduled commercial operation date of July 2018.

“This achievement shows that we have learnt lessons from the past and from other new-build projects, hence we managed to achieve this milestone ahead of revised schedule,” noted Eskom interim group CEO Johnny Dladla.

Engineering News, 30 August 2017

Court allows Eskom to approach NERSA on tariff adjustments

Eskom can once again submit applications for tariff adjustments to the National Energy Regulator of South Africa (NERSA) through a mechanism called the regulatory clearing account, following a Constitutional Court ruling last Friday.

In terms of the tariff-setting methodology, Eskom is able to retrospectively ask NERSA to claw back additional tariffs from consumers in the event that its costs were justifiably higher than anticipated when NERSA granted the original tariff application. If approved by NERSA, the claw-back is then added to the forthcoming year's tariff.

Business Day, 23 August 2017

The above reflects a summary of certain news articles published during the preceding week. It is not an expression of opinion in respect of each matter, nor may it be considered as a disclosure of advice by any employee of Hogan Lovells.

For more information contact [Charles Marais](#), [Philip van Rensburg](#) or [Mzimasi Mabokwe](#).

[> Read the full article online](#)