

KEY NOTE ADDRESS BY HON. F. CHASI, MINISTER OF ENERGY AND POWER DEVELOPMENT AT THE ZIMBABWE ANNUAL MINING CONFERENCE, 29 MAY – 1 JUNE 2019, ELEPHANT HILLS RESORT, VICTORIA FALLS

Protocol

- Your Excellency, the President of the Republic of Zimbabwe, Cde. Emmerson D. Munangagwa
- Minister of Mines And Mining Development, Hon. W. Chitando
- Minister of Finance And Economic Development, Prof. M. Ncube
- The Deputy Minister Of Mines And Mining Development, Hon. P. Kambamura
- Chairman of the Platinum Producers Association, Mr. A. Mhembere
- Secretary for Mines And Mining Development, Mr. O. M. Moyo
- Secretary for Finance and Economic Development, Mr. G. Guvamatanga
- Chairman of the Mining Research, Mr. L. Mlambo
- The Chief Executive Officer of Chamber Of Mines, Mr. I. Kwesu
- Senior Government Officials
- Captains of Industry and Commerce
- Our Distinguished Guests,
- Investors
- Members of the Media
- Ladies And Gentlemen

It is a great honour and privilege to join you today at this year's Zimbabwe Annual Mining Conference under the theme **“realising vision 2030 through resource led growth”**. It is important to note that this conference is being held at a time when the economy is experiencing a myriad of economic challenges. The potential for the Mining Industry to support broad based economic development remains critical to the developmental aspirations of our country.

Zimbabwe is renowned for its abundant mineral resources. It is imperative that concerted efforts are put towards the efficient exploitation of these resources as well as engaging in value addition thereby creating jobs and generating foreign currency for the country. As we gather here, our challenge is to present solutions to overcome the economic challenges bedevilling our economy and pursue the vision of moving towards a middle income economy by 2030.

As theory suggests, the provision of reliable electricity is positively correlated to economic development for any country. In this regard, it is therefore critical to ensure the provision of uninterrupted electricity in the market by maintaining the available assets and expand our generation base. It is sad to note that the region remains in darkness while it has abundant energy resources.

At this juncture, allow me to highlight **the Government's Position and Strategies to Avert the Country's current Electricity Deficit**. However it is important to first define the present to determine the

future. As such, let me acknowledge that the country's electricity sector is currently experiencing power supply challenges which have seen a widening gap between supply and demand. This has forced the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) to implement load shedding as a measure to maintain grid stability. The load shedding schedule is skewed mostly to the domestic consumers while prioritising the productive sectors of the economy.

The major reasons why the country is experiencing the power deficit can be summarised as follows:-

- ❖ Inadequate internal generation capacity due to declining water levels in Kariba Dam which has seen the Zambezi River Authority reducing water allocations towards power generation to **375MW** for each utility from a potential output of **1050MW**. This is due to the drought which we experienced as a region.
- ❖ Obsolete equipment at our thermal power stations Hwange and the three small thermals. These plants are now subject to frequent breakdowns and can no longer produce at their designed plant capacity.
- ❖ Shortages of foreign currency to procure spares for our generating units and to pay for critical requirements including water at Kariba Dam as well as to pay for electricity imports. Currently the utility owes in excess of **US\$83 million** to regional utilities,

the bulk being to Eskom of South Africa and HCB of Mozambique.

- ❖ Low revenue collection resulting in the utility being owed over 1 billion in local currency as consumers default on payments.
- ❖ Increase in costs of production including coal and diesel which are changing with the change in the interbank market rates.
- ❖ Sub economic electricity tariffs which have significantly affected the utility revenue base.
- ❖ Vandalism and theft of utility infrastructure targeting copper cables and transformers affecting the effective transmission and distribution of power.

Being cognisant of the above challenges, Government is doing all it can by putting in place strategies to improve the power supply situation in the country. Capacity expansion strategies both brown and greenfield projects have been identified for development to enhance power supply. Some of the projects are under the transitional stabilisation programme (TSP) priority projects and include the following:-

- In the short term basis, the utility will continue to refurbish and maintain the existing generation plants Hwange and Small Thermals. Part of the works includes life extension works at Hwange Power Station units and repowering of the small thermal power stations. At Kariba, works are also being done to

ensure dam safety is maintained through rehabilitation of the plunge pool and spillway gates.

- Zimbabwe is a member of the Southern African Power Pool (SAPP) which allows electricity trading between SADC members' States and participation in the SAPP market. There is also enough electricity through the Day Ahead Market (DAM) which requires prefunding to bid for electricity and the power is usually cheaper and guaranteed. To participate in this market, ZETDC needs the foreign currency.
- There is electricity available during off peak periods which can be accessed by the country at affordable tariffs. This can allow the utility to save water at Kariba for use during peak hours. However, there is need to avail foreign currency for the purchase of the power.
- Exporting mining companies can enter into a foreign currency payment arrangement with ZETDC on a back to back arrangement with regional utilities to enable the utility secure more imports through the DAM market or under existing PPAs for ring-fenced power.
- The mining companies can also invest in the sector by construction of solar PV power plants and or entering into supply contracts with IPPs.
- Given the high electricity demand by ferrochrome smelting companies, Zimbabwe needs more investments in power

generation especially renewables and base load to ensure future energy security.

- ▶ In the medium term basis, Government in August 2018 conducted the **Hwange 7&8** Expansion Project ground breaking which is set to add **600MW** into the national grid. The first unit is set to be commissioned by end of **2021** and the second unit in **2022**. Allow me to point out that this project is going on well and on course.
- ▶ The country is also pursuing the development of the **1200MW** Batoka Gorge Hydroelectric Project under a **BOT** model. It is anticipated that before the end of 2019, the Zambezi River Authority, the implementing entity for the project, would have identified the project developer.
- ▶ My Ministry is set to launch the Renewable Energy Policy once internal approvals have been obtained which will promote uptake of renewable energy projects and allow for a competitive selection procurement process for the development of future projects. This is opposed to the current situation where potential investors solicit for bids and hold on to the licences. At the moment over 30 different projects have been licensed for power generation with a capacity in excess of over **5000MW**. Those currently not demonstrating capacity to execute their projects will have their licenses revoked to avoid rent seeking tendencies.

► As I have highlighted before, the sector continues to experience rampant theft and vandalism of utility infrastructure targeting copper cables and transformers affecting the effective transmission and distribution of power. In response to this, the utility is working on a number of ways to protect the infrastructure from vandalism;

1. Engaging ICT providers in order to protect and monitor infrastructure.
2. Increase protection through physical barriers and
3. Consider shifting to use of dry transformers which will not be targeted for oil.

The utility has been losing millions of dollars towards replacement of vandalised equipment. Further, the utility is to roll out smart metering program targeting large power consumers. This will go a long way in managing electricity use and improve revenue collection.

► In carrying out all the above projects and programmes, it is important that the transmission infrastructure connecting into the SAPP and East Africa Power Pool is reinforced and upgraded to tap into the excess power available within that market.

Value addition through building of smelters is key to increase revenues to the country. We urge miners to invest in new and efficient smelting technologies together with power supply

infrastructure to the projects which will ensure energy security. This is key to ensure energy security in the country. Miners can build solar power plants next to their mines and be extended as mines rehabilitate the mined areas – We have a lot of these proposals coming up and we believe that's the way to go as we democratize the energy space- the legal provisions are in place already and you can partner with IPP developers or you can go it alone!

My Ministry remains ready to listen and work together with likeminded people in the development of the sector. I encourage you all to exercise efficient use of the limited electricity resources we have as we move towards addressing the challenges we have in the country. Demand side management and efficient use of electricity is key to improve energy security. In that regard, mining companies are urged to look into and aim towards being certified to the Energy Management Systems Standards, ISO50001 which is key to ensure efficient use of scarce energy resources.

My Ministry is working on introducing an Energy Efficiency Policy which will be implemented through Energy Management Regulations. Consultations will be done with the mining industry as a key stakeholder.

The mining sector is a key stakeholder and is amongst the largest consumers of electricity. I am appealing to the sector membership

to settle their bills in order to ensure that the utility provides electricity in a sustainable manner.

The Ministry is aware that the mining sector also consumes large quantities of diesel. Regrettably, supplies of the product have been constrained thus adversely affecting their operations. However, the Ministry remains committed to availing adequate supplies of energy, and is doing everything possible to ensure that the situation returns to normalcy.

I thank you



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