

South Africa: The Odious Debts Generated by Coal-fired Power Stations

By [Eric Toussaint](#)

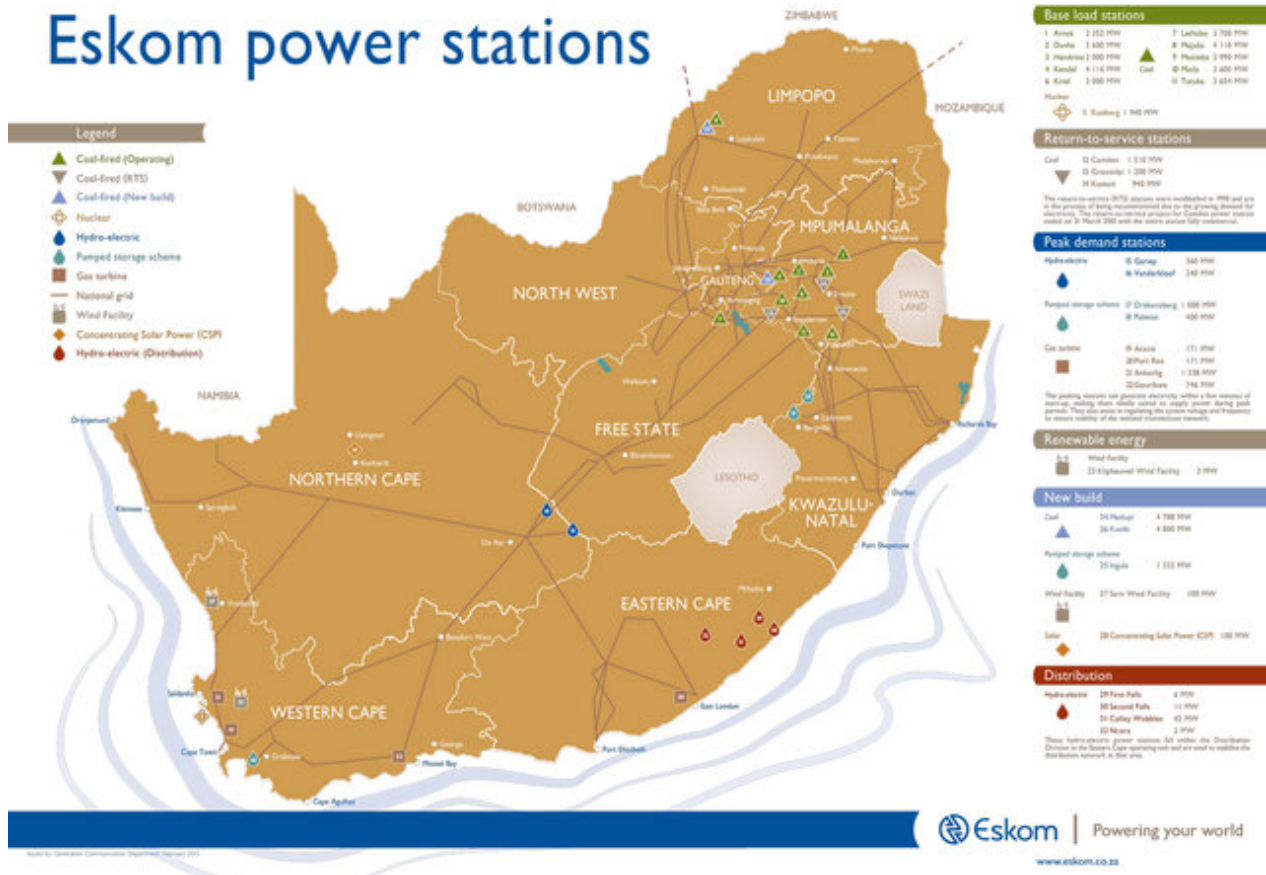
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In South Africa, public debt has recently been back in the news through a nationwide debate over the future of Eskom, the public electricity company. Major power cuts affected the country's social and economic life in February 2019, drawing attention to this company.

The poorest sector of the South African population does not have easy access to electricity. In the townships, many residents set up makeshift electricity connections. Others manage to get a connection going again after Eskom employees have cut them off for not paying their bills. Meanwhile, over 40 % of power is consumed by only 30 big companies, mainly in the mining and metallurgy sectors. (See the Energy Intensive User Group of Southern Africa (EIUG) memorandum, who are lobbying in favour of privatization.



Map of Eskom power stations (Source : www.eskom.co.za)

Most of South Africa's electricity is produced from coal, which is obviously very bad for the environment and public health. Two enormous new coal-fired power stations are under construction, one in Medupi and one in Kusile. This represents an enormous financial cost.

The Japanese transnational company, Hitachi, responsible for the construction, is respecting neither the calendar nor the initial cost estimate. At the same time, they go in for large-scale bribery and corruption to keep the lucrative contract.

The [World Bank](#) granted a loan of 3.7 billion dollars to finance the construction of the Medupi plant. And the China Development Bank lent 2.5 billion dollars for the Kusile plant as well as 1.5 billion dollars for Medupi. Eskom will owe a total debt of over 33 billion dollars. That is colossal. The government has just made a new international loan to refinance the Eskom debt as it is on the brink of defaulting. The ANC government decided to break the company up into three parts thus laying the ground for partial or total privatization. The right wing would like to see rapid privatization. Social movements, including the unions, want the electricity production kept under public control and Eskom's debts, identified as illegitimate, cancelled. Numerous movements, including AIDC and its partners, are demanding an end to coal-fired and nuclear power production along with the implementation of a vast programme of energy transition that would generate decent jobs and be better for the environment.

Regarding nuclear power, ex-president Jacob Zuma had mooted a project to develop South Africa's nuclear power installations which fortunately caused such a hue and cry that it was dropped. / As well as Koeberg nuclear power plant, situated 30 km north of Cape Town and built during the Apartheid era with help from the French government and French companies, Zuma planned to build six to eight new reactors with a total capacity of 9 600 MW. To acquire these new reactors would have cost in the region of 1000 billion rand (about 70 billion euros), which would have meant a massive increase in South Africa's public debt. Russia, France, South Korea and the United States put pressure on the ANC government to place orders. In the end, the project of adding to the present nuclear installations was put aside. [1]

The future of Eskom triggered a huge national debate. You can see a very interesting two-hour television debate broadcast by SABC on 24 March 2019. Irvin Jim, who heads NUMSA and the new Socialist Revolutionary Workers' Party, took part as did Patrick [Bond](#). Bond questioned the debt contracted by Eskom with the World Bank (see his article for more details about Eskom). Makoma Lekalakala, the leader of the environmental movement *Earthlife Africa*, emphasized the need for an energy transition phase to leave behind coal and nuclear power. Various proposals clearly show that hundreds of thousands, even a million jobs could be created as a result of an ambitious energy transition.

In the CADTM's view, the public debt contracted by a government that has chosen to pursue electricity production using coal and/or nuclear power, is illegitimate. Such a debt is also odious because it was contracted against the interests of the population of South Africa. It was also contracted against the interests of the population of the entire planet. The lenders know full well that the money that they place at the disposal of Eskom is used to build coal-fired plants. Furthermore, they collude in the corruption that reigns around all the big Eskom contracts.

The government is well aware of the harm caused by continuing to produce electricity from coal. An expert report on Eskom's coal plants shows that over a period of 21 months (April 2016 to December 2017), there were 3 200 cases when the limits were exceeded for sulfur dioxide (SO₂) and oxides of nitrogen (NO_x). In his report of 15 November 2018 Ranajit (Ron) Sahu, an independent consultant, writes:

“I have reviewed hardcopy monthly monitoring reports from 17 Eskom coal and gas power stations over a 21 month study period (April 2016 through December 2017). Based on my review, and after excluding the gas plants due to incomplete data, I have determined that the coal fired power stations reported nearly 3,200 exceedances of applicable daily Atmospheric Emissions Licenses (AEL) limits for particulate matter (PM), sulfur dioxide (SO₂), and oxides of nitrogen (NO_x).”(See “[Eskom Power Station Exceedances of Applicable Atmospheric Emission License\(AEL\) Limit Values for PM, SO₂ & NO_x During April 2016 to December 2017](#)” and [this](#)).

According to a study carried out by Eskom itself, the pollution produced by 13 of its coal-fired power stations causes 333 premature deaths a year, representing a cost to public health of over a billion euros a year. (“[Emissions from 13 of Eskom’s 15 coal-fired power stations cause 333 premature deaths per year at a health cost of R17.6 billion.](#)”).

Moreover, the contracts that are financed with loans from the World Bank or other banks or lenders who buy sovereign South African securities are marked by obvious illegal acts: corruption, extra billing, non-respect of specifications, etc. are observed.

Conclusion:

It is high time that repaying a public debt generated by fossil or nuclear power production should be questioned. The struggle to have this odious debt cancelled should be combined with one to instigate a vast programme creating jobs that are favourable to the energy transition. Power production can be decentralized by placing it entirely in the public domain and by using sustainable non fossil sources such as solar energy.

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Note

[1] Despite the exorbitant costs, the safety and environmental hazards, and all the problems to be overcome to obtain nuclear technology, at a time when many countries are opting out, in Africa nuclear power is still attractive to governments and capitalists. Countries like Algeria, Morocco, Tunisia, Egypt, Ghana, Kenya, Uganda, Zambia, Niger, Nigeria and Sudan have made known their intentions to manage to produce nuclear energy. « In 2015, Egypt officially announced that Russia was building its first 1 000 MW nuclear power station in El-Dabaa, in the Libyan desert for 4 billion dollars and that it would be operational by 2025, while the Russian company Rosatom is building another nuclear power station in Nigeria.» Source: <https://www.iaea.org/newscenter/news/is-africa-ready-for-nuclear-energy>

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