

How we should be fighting Eskom's massive debt

The effective end of South Africa's Covid-19 lockdown has been compounded by the resumption of rolling blackouts, or load shedding to use the government's double speak. This already troubled situation has been exacerbated by the news that Eskom's debt rose from R440bn to 488bn at the end of March 2020. Eskom's massive debt burden, has at the behest of Treasury and Tito Mboweni, been effectively placed on the government's balance sheet, contributing to expectations of South Africa's [GDP-to-debt ratio reaching 80%](#) by the end of the year.



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As Ed Stoddard and Tim Cohen correctly note, much of this debt ballooned over the course of the past 10 years, with the [debt to GDP having risen from 35%](#) due to countless billions of public monies supporting State Capture. This blatant corruption has resulted in the accumulation of odious debt. But while corruption has rightfully taken centre stage in Eskom's debt crisis, it must be understood as only one of several factors that have contributed to the current malaises.

Key contributors to the current financial crunch have been:

- **Increase in the price of coal since 2008-2010:** Market competition from India and China, and BEE have created a huge increase in the price of the low grade coal used by Eskom.
- **Commercialisation:** this process has led to what should have been broad societal costs of electrification being solely loaded onto Eskom.
- **Corruption and wasteful expenditure:** as we all know, looting has been rife, not least the skyrocketing costs for Medupi and Kusile, which have been financed with new loans at higher and higher interest rates. (As Jonathan Cannard shows the odious World Bank debt for Medupi should be cancelled)
- **Independent Power Producers:** early highly priced contracts have created unnecessarily expensive renewable energy projects that only enrich private investors.

In response to this the government's decisions can only be described as the equivalent of pouring salt in a gaping wound. It has done so by choosing to capitalise Eskom from the national budget; doing so when the 2019 Budget was adopted. A

significant portion of government revenue, initially meant to fund all kinds of service delivery or public investment projects, will be used to pay interest on Eskom's debts and to pay back Eskom's loans when they expire. R49bn in the 2019/20 budget year, which has already been decided, will be followed by R56bn, R33bn and R23bn in the following years. This decision to use government revenue to directly pay for what can be effectively deemed odious debt has hamstrung the national economy at a time when it needs it least.

Solving Eskom debt crisis will be no easy feat it will require amongst others:

- **A forensic audit of Eskom's debt:** Large chunks of the debt are odious and must be declared so and repudiated.
- **Restructure Eskom's debt:** Eskom's debt can be structured in a manner that uses surpluses accumulated by the GEPP and UIF (managed by the PIC) to manage its debts burden without touching the fiscus.
- **Ending the expensive REI4P programme:** focus instead on building/rebuilding skills, competencies and technologies internally to take on the rollout of renewable energy.

These are some concrete ways to fight the economic and environmental problems facing Eskom and the nation. However achieving a just energy transition using Eskom will require a fundamental rethinking in the government's approach to the problem.

Source: Alternative Information and Development Centre (AI

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