

INTERVIEW-Key developer may drop Inga 3 hydro project

Tue Jul 28, 2009 4:32pm GMT

[Print](#) | [Single Page](#)

[\[-\] Text](#) [\[+\]](#)

- * Says political risk in the DRC is growing
- * To focus on other hydro power projects, mulls listing

By Agnieszka Flak

JOHANNESBURG, July 28 (Reuters) - A joint venture company developing the Inga 3 hydro power project on the Congo river plans to pull out of the project due to mounting political risk in the country, the company's head said on Tuesday.

Inga 3 and the Grand Inga have been seen as a long term solution to Africa's power problems, but investors have held back due to political risk and the billion dollars price tag.

Pat Naidoo, the chief executive of the Western Power Corridor (Westcor), said the joint venture between five Southern African governments and utilities had completed the pre-feasibility study for the project, but would recommend to its board on Thursday not to proceed.

"The political risk of the DRC has re-emerged, there is serious discontinuity in political leadership... I will recommend not to invest a cent; there is no continuity, and to us this is an extremely high risk," Naidoo told Reuters on the sidelines of a hydropower conference.

Naidoo said Westcor had been contracted in 2004 to study the potential of the Congo river and other hydro projects in the region, and to develop them to benefit the utilities from the DRC, South Africa, Angola, Namibia and Botswana.

The disagreements between Westcor and the DRC government emerged after BHP Billiton, which will require a total of 6,000 MW for a new smelter, offered to put \$20 million on the table to accelerate the project.

The government has since asked for other partners to help finance the long-delayed project, outside the legal agreement made with Westcor and the participating utilities, Naidoo said.

"We had a legal agreement ... but now there is the risk that the government will change the agreements overnight," he said.

Westcor's plan was to fund the project, with cost estimates varying from \$5-7 billion, via government equity stakes from the Southern African development Community (SADC).

Later, it hopes to float the company, attracting interest specifically from energy-intensive users, he said.

"The idea is still to list Westcor sometime between 2010 and 2015," he said.

Borrowing money has not been the preferred option, he said.

"This project is a cash machine ... the first 5,000 MW will be generating revenue of \$2.2 billion each year," he said.

Naidoo said the initial study of the Inga 3 potential showed the possibility to extract as much as 30,000 MW from the project. The total potential of the country's hydro resources has been quoted previously at as much as 100,000 MW.

Naidoo said other investors will most likely wait to see clear decisions before putting money into the project.

"The only way we can see Inga 3 happen is if BHP puts the \$5 billion on the table ... I doubt they will do that," he said.

Westcor may instead focus on developing some other projects in the region, like the 6,000 MW Medio Kwanza Basin in Angola and the 2,000 MW project on the lower Kunene river in Namibia.

© Thomson Reuters 2009 All rights reserved

Uganda's Bujagali hydropower unit delayed to 2011

Tue Jul 28, 2009 10:21am GMT



JOHANNESBURG (Reuters) - Power output at Uganda's 250 megawatts Bujagali hydro plant on the Nile has been postponed to at least mid-2011 due to changes in project design, a government official said on Tuesday.

James Baanabe, Acting Commissioner for Energy at Uganda's energy ministry, said the first of the five 50 MW turbines would not be commissioned before the middle of 2011, with the other units being commissioned in intervals of four to six months.

The first unit of the plant had previously been scheduled for commissioning by the end of 2010.

"We are hoping to have the first turbine up and running by 2011 ... we still hope for the middle of 2011, but all depends on when the government will approve the changes in design," Baanabe told Reuters on the sidelines of an Africa hydropower conference in Johannesburg.

Baanabe said it had been discovered during construction that the rock in part of the site was softer than previously anticipated and an additional layer of concrete might need to be laid to secure the required flow of water to the plant.

A revised project plan had been submitted to the government for approval and the changes could raise the cost of the project to close to \$900 million, Baanabe said.

Bujagali is meant to supply rising demand for electricity in the East African country, estimated to be growing 8 percent annually, the official said.

Baanabe also said the plant would lower the cost of power and reduce Uganda's reliance on expensive thermal plants.

"(With Bujagali) tariffs will be more affordable and sustainable," he earlier told the conference.

The project's developer, Bujagali Energy Limited (BEL), will sell electricity directly to Uganda's transmission company under a 30-year power purchase agreement, with the government supplying guarantees for the three-decade long deal.

© Thomson Reuters 2009 All rights reserved

Eskom's Ingula hydro power delayed to early 2013

Tue Jul 28, 2009 11:47am GMT

[Print](#) | [Single Page](#)

[\[-\] Text](#) [\[+\]](#)



1 of 1 [Full Size](#)

JOHANNESBURG (Reuters) - South African utility Eskom's Ingula hydro power plant will be delayed by three months with the first unit of the 1,332 MW plant expected to be commissioned by January 2013, an official said on Tuesday.

Eskom's Corporate Specialist for Hydro Frans Louwinger said the other three units will be commissioned in April, July and October that same year.

"There has been a three-months delay ... If you deal with underground excavations, it always takes longer than you initially thought and the placing of the contract took longer than anticipated," Louwinger told Reuters on the sidelines of a hydro power conference.

The hydro plant is expected to increase capacity during peak times when electricity demand is at its highest.

The cost of the project, estimated at about 17 billion rand, will remain unchanged despite significant rises in the cost of Eskom's other projects, Louwinger said.

Eskom has been battling to keep the lights on in Africa's biggest economy and has been forced to ration electricity since January last year when the national grid nearly collapsed, forcing mines and smelters to shut for days.

Besides two 4,800 MW coal-fired power plants in the pipeline, Ingula is one of the biggest projects planned by the utility as part of its 385 billion rand expansion plan to add capacity to its strained grid and meet rising demand.

Eskom delayed some of the projects due to rising costs and its inability to raise cash owing in tight credit markets on the back of the global financial crisis, but said that Ingula and the two coal-fired plants would remain on track.

© Thomson Reuters 2010 All rights reserved

<http://af.reuters.com/article/investingNews/idAFJOE56R0KA20090728>