

Press Release

For immediate release

27 March 2019



South African Institute of Race Relations
The power of ideas

Media contact: Terence Corrigan, Project Manager, IRR Tel: 066 470 4456 Email: terence@sairr.org.za

Media enquiries: Michael Morris Tel: 066 302 1968 Email: michael@irr.org.za;
Kelebogile Leepile Tel: 011 482 7221 ext: 2018 Email: kelebogile@irr.org.za

Grave economic risks to mining highlight urgency of solutions to electricity crisis - IRR

Repairing South Africa's compromised electricity supply system is essential if the country is to achieve the economic acceleration that is so essential to its future. Perhaps nowhere are the implications of this as serious as in the mining industry.

The IRR has taken note of projections released by the Minerals Council South Africa (MCSA). These were in response to the tariff increases granted to Eskom by the National Energy Regulator of South Africa (NERSA) earlier in the month. An annual tariff increase of 9.4% was granted for 2019/2020; 8.1% in 2020/2021; and 5.2% in 2021/2022.

With mines being voracious consumers of electricity, this has significant implications for the industry's cost structure. The additional costs imposed on an industry that has long been under strain will threaten the viability of many mining operations.

The MCSA shows, for example, that 71% of gold mining operations and 65% of those mining Platinum Group Metals (PGM) were marginal or loss making in 2018. The NERSA tariffs would, over three years, likely raise these figures to some 95% and 75% respectively.

Employment-wise, the increases would place some 90 222 jobs in jeopardy, in gold, PGM and all other types of mining. The economic and social impact of this would be dire indeed, since – as the MCSA indicates – each such job supports as many as 10 dependants. Mining employment is one of the few options available to low-skilled job seekers in South Africa's rural parts.

It is important to note that this analysis refers only to the impact of tariff hikes, and not any of Eskom's numerous other problems, of which the recent load shedding is the most visible manifestation.

Poor decisions and failings in management and corporate governance have inflicted damage on the country's economic prospects. That this now threatens the mining sector – long South Africa's economic bedrock and indispensable as a provider of work, an anchor of value chains and a major earner of foreign exchange – demonstrates just how critical it is that practical, effective solutions are found for the country's electricity malaise.

Ends