

## **U.S. Position on AfDB's Loan to South Africa's ESKOM**

December 15, 2015

The United States recognizes the importance of addressing South Africa's ongoing power deficit and the importance of South Africa's power generation to the sub-region. Lack of access to energy serves as a significant hindrance to economic growth.

The United States also feels strongly that in order to address the critical challenge of increasing access to energy on the continent, countries must do so with the best and cleanest technologies available as well as with development partners that are committed to strong governance. The United States commends the South African authorities for their commitment to renewable energy as evidenced in the Integrated Resource Plan and Eskom strategy.

The United States has concerns with this project based on both the type of power generation the Capacity Enhancement Program (CEP) will support, as well as Eskom's weak track record, despite considerable support, on delivering investments on time and within budget.

On the type of power generation, the project's contribution to green growth is expected to be limited given Eskom's heavy dependence on coal-fired power plants, and here, the Bank's investment is expected to increase generation capacity.

Moreover, Eskom's financial position remains precarious even with the recent extraordinary support by the government. While Eskom's senior management are taking steps to improve the financial situation, more is needed. The United States is disappointed that this operation does not offer any capacity building assistance or additional support to help Eskom improve its overall operational efficiency. Unfortunately, the Bank may have missed an important opportunity to help strengthen a struggling institution.

Further, Eskom has had a weak track record in adhering to air quality monitoring activities, and many of the environmental commitments made under the Medupi project have not yet commenced. These factors cast further doubts on how well the environmental impacts from the CEP project will be managed. The United States is also disappointed that the AfDB did not disclose any specific environmental assessments for this project.

For these reasons, the United States would like to be recorded as voting 'no' on this operation.