Publication: Mail & Guardian
Date: Friday, April 12, 2019
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Inga dam deal is a grand delusion

South Africa is bankrolling a huge hydroelectric project in the Democratic Republic of the Congo — but the risks are enormous and the benefits meagre

COMMENT
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As load-shedding continues to affect lives, and headlines decry the deepening crisis at Eskom, it is deeply worrying that the government is gearing up to bankroll the largest electricity project in Africa: the Inga 3 Dam in the Democratic Republic of the Congo (DRC).

The dam will have an uncertain environmental and social effect in the DRC and would be more expensive than most other sources of energy available to the South African government. Why should South Africans help underwrite a multibillion rand project in another country with huge risks and meagre potential benefits?

The Inga 3 Dam is to be built west of the capital, Kinshasa, at a place where the Congo River drops by 96m over 14km. Two dams have already been built at this place in the river; Inga 1 in 1972 (producing 351 megawatts) and Inga 2 in 1982 (producing 1 424MW). The Congolese government, with a rotating cast of partners, has been trying to build a third Inga dam since the 1990s, with South Africa playing a critical role.

Finally, in October 2013, the two countries signed the Grand Inga Treaty, in which South Africa pledged to purchase 2 500MW if Inga 3 was built. This is about 5% of South Africa's current installed capacity. Last year, the DRC government gave the contract to build the project to two construction consortiums, led by large Chinese and Spanish companies.

These deals have barely made the press in South Africa, yet Pretoria forms the financial backbone of the projects expected to cost in excess of R204-billion.

This conservative estimate will probably be financed through loans from the Chinese government and the private sector.

But, without a guaranteed buyer through a power purchasing agreement, these lenders will not open their cheque books. And because the project would cost more than twice the entire current national budget of the DRC, it needs an outside guarantor: the South African government.

It is difficult to understand why the South African government would accept this role. Last year, when the government presented its draft Integrated Resource Plan (IRP), intended to shape the country's energy mix until 2030, it admitted that Inga 3 would cost two to three cents per kilowatt hour more than the lowest cost scenario. That estimate, which would mean an additional R29-million cost to the economy every year, does not take into consideration cost overruns, which are likely.

The parliamentary committee on energy, which is chaired by the ANC, later published a response to the draft IRP. It made clear that a majority of stakeholders had pushed to cancel their purchase of power from Inga and instead to invest in domestic generation of power, which would be cheaper and more reliable, and would create more jobs.

In any case, Inga 3 is not expected to be completed until 2028, by which time the prices for renewable sources of electricity will have dropped even further.

Researchers at the University of California published a study last year arguing that Inga 3 could increase costs to South African consumers by up to R4.3-billion annually, depending on cost overruns to the project and the rate of growth of the country's energy needs.

It is astounding that a project of this magnitude, the largest infrastructure project in the DRC's history, would be pushed through without greater scrutiny.

Congolese and international non-governmental organisations, such as International Rivers, have called for a stop to Inga 3 in its current form, complaining about the lack of transparency in the management of the project, environmental hazards and the displacement of thousands of Congolese. Many people will be displaced for a second time, having had to move to make way for Inga 1 and 2, for which they are yet to be compensated.

It is currently impossible to assess these risks because information on the project is not publicly available and the major environmental and social impact studies are yet to be carried out. In 2015, then president Joseph Kabila placed the project management — which had until then been led by the prime minister and was relatively open to inputs from civil society and technical experts — under his direct control, where it remains to this day.

This move led the World Bank, which had helped finance the various impact studies, to cut its support.

Yet South Africa persists.

Instead of listening to these objections, Minister of Energy Jeff Radebe sent a letter to the DRC government in December last year, saying it would double its purchase of power from Inga.

The IRP is headed toward legal and parliamentary challenges, not to mention the turmoil of elections, in which electricity is gearing up to be a key issue for voters.

South Africa badly needs more reliable, affordable and sustainable electricity. The growth in renewable energy in the region, along with better management of Eskom, could more than make up for its current shortfalls. The answer is not Inga 3. In its current form, Inga 3 is as bad for South Africans as it is bad for the Congolese.

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Up the creek: The Congolese government is trying to build another Inga dam on the Congo River and needs South Africa to act as guarantor. Photo: Marc Jourdier/AFP