

# Treasury will not cover Eskom's nuclear plans

● *Guarantee facility must be used only for power stations* ● *Utility gets extension for power-station programme*

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The Treasury has made it clear that Eskom's existing R350bn guarantee facility cannot be stretched to cover a new nuclear-build programme.

But it has confirmed that the facility, whose March 2017 expiry date prompted rating agency S&P Global to downgrade Eskom's rating deep into junk territory last week, will be extended to cover the much-delayed new power stations Eskom is already building.

S&P downgraded Eskom's rating from an already sub-investment grade BB+ to just BB, citing the utility's dispute with the regulator over electricity tariffs as well as the expiry of the guarantee line in March 2017.

The downgrade came ahead of S&P's scheduled update of SA's sovereign rating on Friday, raising fresh fears in the market it might presage a downgrade.

However, S&P analyst Mashiyane Mabunda said this week the agency had been required to review Eskom by the end of November, in line with European and SA rules.

RMB analyst Elena Ilkova

cautioned, however, that another downgrade to Eskom's rating was "not out of the question" if S&P downgraded the government's sovereign rating.

The government provided a total of R350bn of guarantees to Eskom in 2009 and 2011 to close a funding gap that put in question Eskom's ability to complete its new Medupi, Kusile and Ingula power stations.

At that stage, the new build programme was due to be completed by 2017-18 so it was expected that the guarantees would be drawn down by 2017.

But the programme is running many years late, and S&P said last week although Eskom had initiated a process to extend the guarantee line, there was "still no decision by the government to extend the line until completion of Eskom's capital spending programme (anticipated in 2023)".

"We think this raises potential risks to the likelihood of extraordinary government support to Eskom," S&P said.

However, Treasury director-general Lungisa Fuzile said this week: "The discussions that are

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