



CHAMBER OF MINES  
of South Africa

# MEDIA STATEMENT

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## CHAMBER OF MINES NOTES NERSA'S APPROVAL OF A 5.23% ELECTRICITY TARIFF INCREASE FOR 2018/2019

*Short-term solutions based on a structural adjustment programme must be found*

**Johannesburg, 15 December 2017.** The Chamber of Mines notes the approval of a 5.23% electricity tariff increase for 2018/2019 by the National Electricity Regulator of South Africa (Nersa).

Chamber of Mines Chief Economist, Henk Langenhoven notes: "While we welcome Nersa's decision to limit the increase to an estimated allowable revenue of about R190 billion rather than the R220 billion requested by Eskom, electricity costs continue to be the fastest growing component of the mining sector's cost base having increased by more than 300% over the past eight years.

"The mining sector continues to be under significant pressure with, for example, 65% of platinum mines are currently loss-making. We have already seen a number of instances where mining companies have been forced to restructure to ensure their survival, with the number of people employed in the industry declining by 70,000 (14%) between 2012 and 2016 alone. Should current conditions in the sector persist, and in the absence of cost pressures abating (including electricity tariffs), mining operations will be pushed further into the red which, in turn, will necessitate further restructuring.

"It is our view, however, that this short-term measure must be followed by the design and implementation of a structural adjustment program of the entire electricity sector where Eskom would only be one of a range of suppliers of electricity. Without the finalisation of the Integrated Resource Plan, ensuring an economically viable energy supply for the country, Eskom will continue to be in danger of failing. Neither the country's energy users nor its taxpayers can afford such an outcome. Without governance being restored at the utility it will become almost impossible to source funding to sustain the operations of Eskom," concluded Mr Langenhoven.



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