

# Zimbabwe tariff regime impedes energy sector growth

February 8, 2018



*Light bulb and pile of coins with copy space*



**Economic distortions are being compounded by high electricity tariffs in Zimbabwe – last reviewed in 2011 – and as a result, the current structure is impeding the development of the energy sector.**

NewsDay Zimbabwe reported that the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) tariffs are an average of \$0,13/KWh for on-peak usage, \$0,07/KWh for standard usage and \$0,04/KWh for off-peak usage for industries. On the prepaid meters, the average is \$0,10/kWh.

However, as the power is procured from various suppliers, end users are charged a weighted cost of the blended power.

The Zimbabwe Energy Regulatory Authority (Zera) chief executive officer, Gloria Magombo, said in an email response: “Please note that ZETDC blends power from various sources with different costs varying from \$0,02 to \$0,14.

“The tariff to the consumer is a blend of these weighted costs. It is, therefore, misleading to suggest that if ZETDC takes on new power from a supplier at \$0,14, then its tariff to the consumer would be above \$0,14.”

# Zimbabwe Energy Council

According to media, the Zimbabwe Energy Council (ZEC) chairman Amiel Matindike said in the January newsletter, that the issue of electricity tariffs was affecting investment into the energy sector. Adding that the country did not receive much benefit from the \$3 billion private sector investment.

Matindike explained: “The issue of tariffs has been outstanding for a long time. It is slowly becoming a threat to economic recovery. As long as it is not pragmatically and decisively managed, it will cause some distortions in business planning.

“Already, there is some discord in the sector over tariff reviews. Gold miners are demanding a \$0,07/kWh, chrome miners, \$0,04/kWh and the Confederation of Zimbabwe Industries’ \$0,07/kWh. The sector last had a tariff review in 2011.”

The Chair added: “The tariff component has a strong bearing on private sector investment in the power sector. Generously and loosely speaking, no serious investor would invest in a sector where the power is procured at \$0,14/kWh and sold at \$0,98/kWh to the end user. To exacerbate the situation, there is no subsidy to cover for the shortfall, since the government is financially hamstrung. There is need to review the tariff framework for the development of the sector.”

According to the Chair, the \$3 billion received in the 2016-2017 period by the SADC region in private sector investment in energy, Zimbabwe did not have any form of traceable private sector investment in the sector, NewsDay Zimbabwe reported.

“It has been surprising that even the Chinese investors, whom we thought were our all-weather friends, have been wary to invest in the country.

We are confident that with the new economic order, a new lease of life will be breathed into the sector,” Matindike added. [Read more...](#)

“I call upon our members to take advantage of various business meetings to participate in crafting new strategies and plans to resuscitate the funding opportunities.”

*Featured image: Stock*



Ashley Theron