ENERGY

Least-cost and renewable energy supplies to drive a growing economy

Of the many priorities the new MDC government will face, restoring normal supplies of liquid fuels and ensuring supplies of electricity will be among the most urgent. In addition to addressing these immediate problems, there are structural issues in the energy sector which the MDC will also begin tackling from the start. Much of the technical work for reform of the liquid fuels and electricity sectors has been done, but structural reform is stalled because the present government does not wish to relinquish control. The costs to the economy of this stance, especially over the past two years, have been enormous.

The MDC's approach will be to give the private sector a greater role, thereby tapping the financial and other resources that local and international energy companies have to offer, but doing so within the framework of professional regulation which protects consumer interests and promotes national energy goals.

LIQUID FUELS

An MDC government will immediately establish a consortium of oil companies to undertake the procurement of liquid fuels on a transparent, best-practice basis. This will be followed by the negotiation of temporary regulatory arrangements (including an automatic price formula), pending the refocusing of NOCZIM into a statutory regulator whose responsibility will be to supervise the activities of the private sector in the procurement, pricing and distribution of liquid fuels.

NOCZIM has become a major player in the market, with both bulk storage and distribution facilities and retail outlets and road transport. The organization will be placed under new management and control and required to operate on a competitive basis within the liquid fuels market with the long-term goal of creating one regulatory authority for energy. The issue of what to do with the underground storage facilities at Msasa in Harare will be the subject of further investigation and review. The State will eventually withdraw completely from the industry, selling off its commercial and industrial oil industry assets to the private sector.

Until foreign exchange becomes readily available through the open-market system that will be established by the MDC government, the procurement of liquid fuels will be supported by the Reserve Bank.

The immediate impact will be to restore fuel supplies to normal levels and reduce market prices by restoring the economies of scale and delivery that are now simply not possible. These arrangements will also facilitate front-loaded supplies from the oil majors, who have indicated willingness to do this once the NOCZIM stranglehold is removed. This will give the country some relief from the persistent shortages and rationing of these essential supplies, while lasting arrangements for fuel supplies will be negotiated on the basis of the new government's restoration of the rule of law and the introduction of a coherent economic policy stance.

Liquid Fuels Regulator

The MDC government will not get involved in the commercial aspects of the liquid fuels market. This will be left to the private sector, which will be expected to operate on a free-market, competitive basis. Collusion and price-fixing by private companies will be specifically prohibited and violations subjected to criminal prosecution.

However, to protect the interests of consumers and to ensure stability in fuel supplies, the MDC government will establish an energy regulator, the Zimbabwe Energy Regulatory Commission (ZERC), an independent professional body accountable to Parliament that will be set up in consultation with the private sector and mandated to deal with issues such as:

- Licensing of liquid fuel companies.
- The establishment and supervision of liquid fuel stocks to ensure continuity of supply in the event of any serious international or regional dislocation in deliveries.
- The adoption and management of a set formula for the determination of wholesale and retail fuel prices.
- The supervision of retail fuel stations that will be allowed to charge consumers prices above and below the published prices but at the same time advertise their prices on billboards provided for this purpose in clear view of consumers at all times.
- The testing of liquid fuel supplies to ensure compliance with published standards.
- Supervision of the entry and distribution of new fuels as and when they become available.

The Beira to Harare Pipeline

This is presently owned by a consortium of interests and is being used to charge above normally accepted tariffs for pipelines of this type. While the private sector will be left to correct this anomaly, it will be supported in its efforts by the MDC government, using its diplomatic and economic influence. In the longer term, and in consultation with other land-locked countries in the region, consideration will be given to enhancing the capacity of this pipeline to facilitate deliveries for onward shipment to other countries in the region.

ELECTRICAL ENERGY

The MDC government will tender for experts to assess ZESA's capabilities and requirements and to establish the country's current, medium-term and long-term electricity requirements. They will be expected to come up with realistic solutions for rural electrification in the short term, as the regeneration of rural areas requires electricity. It is anticipated that rural areas will initially benefit from favourable tariffs to enable new business start-ups. The experts will also be expected to recommend new cost-effective energy sources.

The exact nature of the immediate actions in respect of the unbundling and privatization of the electricity sector will depend on the state of the industry at the time. An Electricity Consumer Consultative Council will be formed to provide a forum for public participation – a channel to provide the rationale for any increases in tariffs that may be necessary to restore the economic viability of the utility, and to give consumers a medium through which they can air issues and concerns.

ZERC will be established as quickly as possible and, although it will not be fully functional until the relevant legislation is passed, immediate steps will be taken to get its essential elements in place as soon as possible and to initiate training of the three commissioners and support staff.

While ZERC will monitor tariffs and other charges related to the energy sector, the MDC government will allow major consumers to negotiate electrical energy supplies with power generators in the region and delivery tariffs with the main distribution system operator. Local authorities will be encouraged to take this route and to undertake thereafter the retail distribution of power supplies.

Legislation

A new Electricity Act and Rural Electrification Fund Act will be finalized and submitted to Parliament as soon as possible. These Acts will provide for orderly private-sector participation in the energy sector, will give the legal basis for ZERC and will establish a mechanism for accelerating rural electrification by leveraging private-sector resources to complement the rural electrification levy that is already in place.

LONGER-TERM DEVELOPMENT

Over the longer term, the MDC's energy policy will address the fundamental energy-sector goals of ensuring least-cost energy supplies adequate to meet growing domestic and productive needs, universal access to modern forms of energy, and environmental friendliness.

- In the electricity sector, meeting these goals implies making the most of opportunities to import low-cost hydro-power from the Southern African

Power Pool (SAPP), including investing in new projects in neighbouring countries, as well as developing new power stations (where competitive) within Zimbabwe.

- Coal-bed methane has been discussed for over a decade: the MDC believes its new mining policies will create the framework within which private-sector investment to exploit this important resource (for power generation, petrochemical feedstocks, and irrigation in Matabeleland North, as well as direct energy usage) can be attracted.
- Hwange Colliery Company's monopolistic stranglehold on coal will be addressed through ZERC. The MDC will encourage the opening of other coalfields throughout the country, which will provide new focuses of development in the rural areas, as well as making coal available in areas where the price is presently excessive when transport from Hwange is factored in.
- International concerns about climate change have created an environment in which Zimbabwe could receive significant grants to support attempts to prove new concepts in 'greenhouse-neutral growth'. Small biomass-fed electricity generators located near urban centres, electric light-rail commuter trains, and possibly methane-powered fuel-cell vehicles, wind and solar energy systems, are some of the technologies that the MDC would encourage be explored. As far as possible, Zimbabwe should then become involved in the manufacture of equipment and dissemination of the new technologies.
- Ethanol production by the private sector will be encouraged and facilitated using resources within the agricultural industry; however, care will be taken to ensure this does not impede the production and supply of basic foods.
- Low-income households have energy needs which at present are met in a haphazard manner and which threaten the environment in many ways. It is estimated, for example, that six million tonnes of wood fuel are used annually. The main thrust of The MDC's approach on this will be to expand access to and affordability of electricity (in part through 'lifeline' tariffs for basic levels of consumption). In addition, the MDC government will develop extensive woodlots as renewable energy sources.
- The MDC recognizes that the global energy market is changing rapidly and that environmental concerns will both accelerate and direct likely future change. In this context research into energy supplies and systems is regarded as being an essential national priority.