

Zimbabwe proposes incentives for \$1bn solar projects

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Zimbabwe has proposed incentives to accelerate 1,000 megawatts of privately owned solar energy projects worth about \$1bn, finance minister Mthuli Ncube announced on Monday, 19 December, as the country scrambles to plug an electricity deficit that threatens to compound its economic woes.



Zimbabwe finance minister Mthuli Ncube. 2018. Source: Reuters/Philimon Bulawayo

The southern African country is currently generating about a third of its 2,000MW peak power demand and experiencing up to 18 hours of power outages daily after its main Kariba hydropower plant cut electricity generation due to low water levels. The country's ageing coal plants are prone to frequent breakdowns, impacting mines, industry and households.

Zimbabwe's drive towards generating 1,100MW from renewable energy sources by 2025 has been slowed by lack of investment by independent power producers (IPPs) spooked by the country's currency volatility and uneconomic tariffs.

The Zimbabwe dollar has rapidly lost value, plunging from around 2.5 to the US dollar when it was reintroduced in February 2019 after a decade of dollarisation, to 673.42 against the greenback currently. The country's power tariffs have also failed to keep track of inflation, which was 255% in November.



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IPPs, many of which require foreign cash to fund development of solar energy plants, have cited the inability to remit dividends and service foreign loans due to Zimbabwe's chronic foreign currency shortages as key investor concerns.

Ncube said the government was guaranteeing viable tariffs and power purchase agreements to allay the IPPs' fears.

"A key ingredient to the successful implementation of the solar IPPs projects is a bankable government implementation agreement with an economic tariff," Ncube said in a statement.

He added that the central bank would also guarantee the payment of dividends and foreign loan repayments to external investors and lenders.

Ncube said the guarantees would cover 27 solar power projects with sizes ranging from 5MW to 100MW and a cumulative capacity of 998MW at a cost of \$1bn.

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