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Zondo commission – Conflicted Ramaphosa put Eskom under pressure, says Molefe

President Cyril Ramaphosa ran a de facto board outside Eskom in the form of the much-publicised war room, which put immense pressure on management, while he in turn was conflicted by his relationship with Optimum. This was told to the commission of inquiry into state capture by Eskom’s erstwhile CEO Brian Molefe on Friday.

Eskom managers were compelled to report on a weekly basis to the war room, in effect making them unproductive in their actual jobs, while the real Eskom board was kept in the dark about developments in the parallel structure.

Set up with Ramaphosa as its chairperson, the war room was initiated to tackle Eskom’s energy supply crisis, and weekly reports from Eskom management were tabled at meetings that took place every Friday morning at 7am. This in effect meant staff had only two days in the week to dedicate to Eskom duty, having to start writing war room reports on Wednesdays.

Ramaphosa’s conflict in this went unnoticed. He had been chairperson of Optimum, one of Eskom’s coal suppliers, for some time. Glencore, which owned Optimum at the time Molefe joined Eskom in 2015, thought it wise to rope in a “political heavyweight” on to Optimum’s board so as to exert pressure on Eskom to submit to a revised pricing plan for coal supplied.

"When the deal was done in 2012, and he bought shares, he was made chairperson. In 2014, he became deputy president, chairperson of the war room. One would have expected that under corporate governance, there must be a cooling off period, precisely for things like this.

“That was a strategic decision to use the former secretary-general of the ANC and secretary-general of the National Union of Mineworkers, a member of the NEC of the ANC at the time. They knew that the profitability of the company could only come from a successful re-negotiation of the coal price and Eskom ignoring the penalties that were accumulating at the time,” Molefe said.

The profitability of Optimum, he said, was “peddling on political influence” and the extent to which Glencore could get its way with Eskom. When the company was doing well and profiting from its business with Eskom, it did not need such political weight. It was only when it faced trouble that it considered this strategy.

For changing the trajectory of the negotiated settlements already entered into between Eskom and Optimum prior to his arrival in April 2015, Molefe has no regrets. Glencore had made its bed, but was not willing to lie in it, he said. Had Glencore done a due diligence process on the company it bought Optimum from, it would not have fallen into deep debt.

“The amount that Glencore wanted Eskom to pay for their original mistake of not doing due diligence was R8-billion,” said Molefe. About R2-billion of this was owed to Eskom in the form of penalties for the lower standard of coal that it had supplied over time, while the rest was to be compounded on to that by a change in price for coal, from R150 per tonne to R530 per tonne in the revised pricing model.

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