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Zondo commission – Molefe labels Gupta link a smear campaign

Former Eskom CEO Brain Molefe made a return to the stand at the commission of inquiry into allegations of corruption and state capture to explain the prepayment of R1.68-billion Eskom made to Tegeta to obtain Optimum Coal Mine. Molefe told the commission that the power utility decided to enter into a short-term agreement with six BEE companies and Tegeta was one of the six. He reiterated that he was not involved in the process of selecting those companies as he had to undergo an operation and was at home sick.

According to Molefe, Glencore – the parent company of Optimum – threatened to stop coal supply when Eskom refused to enter into a new contract with increased prices, and Eskom had to interdict the company as both parties had a contract agreement.

“This situation was like a poker game, whoever blinks first loses but I stood firm and Glencore eventually agreed to resume the supply of coal at the contractual price, but soon after that they began talks to sell Optimum to Tegeta.”

Molefe insisted that Glencore was not booted out of its contract with Eskom and the narrative that Eskom sold Optimum to the Guptas is a lie and a political move to stain him.

“I had no responsibility for Optimum going bankrupt, my primary responsibility was Eskom. Entering into a new contract with Glencore might have saved Optimum but it would have bankrupted Eskom. People thought they could bankrupt Eskom because they know we will get money from the fiscus but as a former treasury official I knew that the fiscus could not afford to continue subsidising Eskom,” added Molefe.

He said that Glencore failed to do due diligence when it bought Optimum, and did not care about difficulties Eskom was experiencing. Molefe told the commission that he believes the smear campaign to paint Eskom as Gupta people was revenge for his refusal to act against the interests of Eskom.

He said the media campaign against him and others also involves then-public protector Thuli Madonsela’s state capture report. The report found that Molefe and several Eskom executives enabled Tegeta’s acquisition of Optimum. However, Molefe told the commission that Madonsela failed to interview the people she implicated at Eskom for her report.

“The aim was to create a narrative that Eskom had forced Glencore to sell the mine to the Guptas and to find any evidence that linked Eskom executives to the family. Any scrap of evidence that you were next to the Guptas at any point,” Molefe said.

Madonsela’s report found that Molefe had spoken to the Gupta brothers 44 times and visited their Saxonworld home 19 times.

A similar situation played out at Arnot power station, where Exxaro, a company mining the Arnot coal mine that feeds the station, had its contract “abruptly” cancelled in 2015. Evidence leader Pule Seleka said Exxaro made a submission to the commission saying that the contract was supposed to end in 2023 but was prematurely ended in 2015 – the company believes this was done to make way for the Guptas.

Molefe argued that had Exxaro believed the contract was supposed to end in 2023 it was supposed to exercise its right and fought this, but did not.

“My understanding is that the contract with Exxaro cost Eskom over R1 000 per tonne and this contract was coming to an end so we were negotiating a new contract but we could not agree. In fact they demanded an increase on the new contract, which would see Eskom paying R1 300 per tonne, instead we decided that the six BEE companies would supply coal at Arnot on a short-term basis until we can put in place another long-term agreement,” Molefe argued.

Seleka put it to Molefe that the parliamentary portfolio reported the Exxaro price as just over R600 per tonne, rather than R1 000. Molefe answered that maybe the engineering people had the specifications on that but that is the price he remembered. He argued that even if the price was R600, Eskom still got the coal cheaper from the six BEE companies.

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