

## AFRICA RISK CONSULTING

### Zimbabwe Briefing September 2024

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#### Zimbabwe Summary 12 September 2024

*The Zimbabwe Gold (ZiG) currency slides in value on the black market amid low confidence by the transacting public. Australia-headquartered Invictus Energy on 3 September announces the discovery of a significant prospective oil resource at its Cabora Bassa project in northeastern Zimbabwe. ZESA Holdings chairman Sydney Gata says the state-owned power utility is in talks with India's Jindal Steel & Power Ltd. for a \$800m upgrade at its Hwange coal-fired power plants facility as it seeks to reduce blackouts.*

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#### New currency slides in value

The Zimbabwe Gold (ZiG) currency introduced in April has been sliding in value on the black market amid low confidence by the transacting public. The ZiG is trading at 13.86 to the **United States (US)** dollar on the official market but on the black market is trading between ZiG 24 and ZiG 26 per US dollar.<sup>1</sup> The currency slide has seen prices of basic commodities increase in some supermarkets while shortages of some products have started to surface with retailers blaming the volatility of the new currency.

Zimbabweans have used US dollars to pay for everyday living costs, including transport, medicines and food, since 2009, when the Zimbabwean dollar was scrapped after a failed land-reform policy set off a hyperinflation spiral that wiped out most citizens' savings. Due to the currency volatility in a US dollar-dominated market, some shops now prefer to charge their goods exclusively in foreign currency in defiance of a government order not to do so.<sup>2</sup>

Local media conducted a snap survey in early September in **Harare** which shows retailers, who have been displaying prices in both the ZiG and US dollars, have since started charging exclusively in US dollars. The ZiG shortage has also forced the general public to resort to the US dollar as a store

The **Consumer Council of Zimbabwe (CCZ)** believes there is a need to amplify the monitoring of the pricing model in the country amid the widening gap between the official and informal exchange rates.<sup>3</sup> In its submissions ahead of the mid-term monetary policy review held on 30 August, CCZ chief executive officer **Rosemary Mpofo** said the gap could illustrate the lack of confidence in the ZiG.<sup>4</sup>

In a bid to shore up the local currency value, **Reserve Bank of Zimbabwe (RBZ)** (central bank) governor **John Mushayavanhu** confirmed in the 2024 monetary policy review statement the RBZ has injected \$190m into the foreign exchange market to meet the demand for US dollars and maintain economic stability since the introduction of the new currency.<sup>5</sup>

As part of the so-called \$190m strategic intervention, in late July, the central bank said it put \$50m into the market to meet demand for dollars among Zimbabwe's lenders. The reserve bank

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<sup>1</sup> New Zimbabwe, 6 Sep 2024

<sup>2</sup> Newsday, 11 Sep 2024

<sup>3</sup> Newsday, 28 Aug 2024

<sup>4</sup> Newsday, 28 Aug 2024

<sup>5</sup> Newswire, 3 Sep 2024

is using foreign exchange proceeds collected from exporters to inject the US dollars into the market.

### Invictus announces significant oil find at Cabora Bassa project

Australia-headquartered **Invictus Energy** announced on 3 September the discovery of a significant prospective resource of 184 million barrels of oil condensate at its **Cabora Bassa** project in northeastern Zimbabwe. This development follows a previous gas discovery at the **Mukuyu 2** drill site within the same project, located in the **Muzarabani** district (**Mashonaland Central Province**) (see *ARC Briefing Zimbabwe Jan 2024*).

US-headquartered **ExxonMobil** previously explored the area but abandoned it after indications showed there was more likely to be gas than oil. Invictus Energy then used ExxonMobil's data to kick off its own exploration campaign.

Invictus Energy emphasised that the estimated quantities of petroleum are based on potential future recovery through further exploration and development. The company also noted that these figures involve both a "risk of discovery and a risk of development," necessitating additional exploration, appraisal, and evaluation to confirm the existence of recoverable hydrocarbons.<sup>6</sup>

Invictus holds an 80% stake in the Cabora Bassa project and has since changed its designation to developer from explorer as it transitions to a producer, leveraging its gas and oil discovery in Zimbabwe.

As part of progressing the project, the country's sovereign wealth fund - the **Mutapa Investment Fund (MIF)** – on 29 July announced a strategic investment of \$10m into Invictus Energy. MIF CEO **John Mangudya** believes this will significantly contribute to long-term economic revitalisation efforts.<sup>7</sup>

Invictus Energy recently issued 151,515,152 shares valued at \$10m in a private placement. The MIF will underwrite \$5m of the share issue, with the remaining \$5m being injected by **Mangwana Capital**, a private equity fund. This capital injection will support Invictus Energy's ongoing oil and gas exploration.

MIF will also play a leading role in assisting the company and government finalise a **Petroleum Production Sharing Agreement (PPSA)**.<sup>8</sup> The PPSA is designed to ensure fair and equitable sharing of value generated from the Cabora Bassa project between the government, Invictus and its partners, as well as providing a robust governance framework to manage the project into the future.

### Zimbabwe plans power deals with India

**ZESA Holdings** chairman **Sydney Gata** said on 28 August that the state-owned power utility is in talks with India-headquartered **Jindal Steel & Power Ltd.** over a \$800m upgrade of six units at its **Hwange** coal-fired power plants facility as it seeks to reduce blackouts.<sup>9</sup> A \$310m loan was agreed with the **India Eximbank** in 2021 for this project, but the two sides are yet to reach a financial close to start the project.

With the **Kariba Hydropower Station** producing about a quarter of its capacity due to low water levels caused by the drought, Zimbabwe is currently facing a power shortage which has

<sup>6</sup> Zimbabwean Mail, 4 Sep 2024

<sup>7</sup> Zimbabwean Mail, 28 Aug 2024

<sup>8</sup> Newsday, 26 Aug 2024

<sup>9</sup> Bloomberg, 27 Aug 2024

been exacerbated by frequent breakdowns at its old Hwange coal plants. The plants have an installed capacity of 1,500MW.<sup>10</sup>

Gata said refurbishment will take place unit by unit over the next three to four years and almost double the station's average output to 840MW. Gata added that negotiations with Jindal also include a possible investment in four new units with a combined capacity of 1,200MW.<sup>11</sup> According to Gata, the Jindal deal is part of a raft of measures, including battery storage, the country is working on which will deliver up to 3,300 MW of additional power.

Zimbabwe is producing about 1,042MW against a demand of 1,850MW at peak and the country plans to install battery storage, which would be charged during off-peak periods so that power can be used when demand is high. Gata confirmed that ZESA will install a utility-scale battery energy storage system of 1800MW/per hour (1.8GWh) which will provide three hours of 600MW during morning and evening peaks. The project is at the procurement stage.

While the Jindal deal will bring some relief, it will add to ZESA's debt burden. Zimbabwe is repaying almost \$1 billion to **China Eximbank** which provided funding for the construction of Hwange units 7 and 8 last year. Last year, ZESA said it needed \$35m per month to pay for power from Hwange.<sup>12</sup>

### Planner

26 Sep 2024 **Harare (Zimbabwe) Reserve Bank of Zimbabwe (RBZ)** (central bank) **Monetary Policy Committee (MPC)** decision

Nov 2024 **Harare (Zimbabwe) 2025 National Budget** announcement

31 Dec 2025 **(South Africa)** Expiry of special residence permits for Zimbabweans living in South Africa

### Chronology

10 Sep 2024 **Harare (Zimbabwe) Newswire**. State-owned **National Railways of Zimbabwe (NRZ)** has opened its network up to private players, including a unit of South Africa's **Grindrod**, as it seeks to boost freight volumes that had collapsed from decades of underinvestment;

6 Sep 2024 **Harare (Zimbabwe) Reuters**. An agriculture ministry cropping plan indicates the government expects the private sector to fund 60% of crop production this season as part of an ambitious \$1.64 billion recovery plan from the devastating drought;

6 Sep 2024 **Harare (Zimbabwe) Newswire**. Public service deputy minister **Mercy Dinha** says they expect mass deportation of Zimbabweans illegally residing in **South Africa** as that country's new government steps up deportations of illegal immigrants;

4 Sep 2024 **Harare (Zimbabwe) New Zimbabwe**. **Zimbabwe Republic Police (ZRP)** issues a firearms amnesty to illegal holders of weapons and ammunition amid an escalation in criminality;

4 Sep 2024 **Harare (Zimbabwe) The Zimbabwe Mail**. **African Development Bank (AfDB)** projects Zimbabwe's inflation will drop to 7% by the end of 2024 due to the stability of the new ZiG currency;

<sup>10</sup> Africa Report, 10 Sep 2024

<sup>11</sup> Newswire, 27 Aug 2024

<sup>12</sup> Newsday, 10 Mar 2024

- 4 Sep 2024 **Harare (Zimbabwe)** *Newsday*. High court grants three human rights activists who were arrested on the run-up to the **Southern African Development Community (SADC)** summit \$150 bail each;
- 4 Sep 2024 **Beijing (China)** *Newsday*. President **Emmerson Mnangagwa** and his **Chinese** counterpart **Xi Jinping** sign 17 agreements, including the **Protocol of Phytosanitary Requirements for Export of Zimbabwean Fresh Avocado** to China;
- 4 Sep 2024 **Harare (Zimbabwe)** *Newswire*. **United Kingdom**-based **Sage**, a provider of cloud-based financial management solutions, launches **Sage Intacct** in Zimbabwe, targeting to provide automation and data-driven insights for growing businesses in the country;
- 4 Sep 2024 **Harare (Zimbabwe)** *Newswire*. Local energy company, **Grid Africa** says it has agreed on a deal with a group of miners in Zimbabwe to build 72MW of solar for their operations;
- 2 Sep 2024 **Harare (Zimbabwe)** *Bloomberg*. President **Emmerson Mnangagwa** says in a press conference that he will step down in 2028 despite calls from the ruling **Zanu-PF** for him to extend his term;
- 2 Sep 2024 **Harare (Zimbabwe)** *News Day*. High court strikes off the roll the case between local mining company **RIOZIM Limited** and the defence ministry over 200 mine claims, saying the application was defective;
- 31 Aug 2024 **Harare (Zimbabwe)** *Zimbabwean Mail*. Energy and power development minister **Edgar Moyo** announces through **Statutory Instrument 150 of 2024** that all petrol sold in the country must now be blended with ethanol, a move aimed at promoting biofuel usage and reducing environmental impact;
- 29 Aug 2024 **Harare (Zimbabwe)** *News Day*. The **Zimbabwe Consolidated Diamond Company (ZCDC)** says it is targeting to produce 5.7 million carats of diamonds by year-end and double that amount for 2025;
- 29 Aug 2024 **Harare (Zimbabwe)** *News Day*. **Southern Africa Regional Climate Outlook Forum (SARCOF)** says Zimbabwe and most parts of the southern Africa region are expected to receive normal to above normal rainfall during the 2024/25 agricultural season;
- 27 Aug 2024 **Harare (Zimbabwe)** *News Day*. **Canada**-headquartered **Pambili Natural Resources Corporation** says it will conduct an initial resource drilling programme that is expected to confirm the scale of gold at its **Golden Valley Mine** during the fourth quarter of the year;
- 26 Aug 2024 **Harare (Zimbabwe)** *Newswire*. After 80 years in Zimbabwe, **United Kingdom**-based multinational fast-moving consumer goods company, **Unilever** confirms it is exiting the country casting new light on the decline of formal retail in Zimbabwe, and the pressures that investors face trying to navigate the country's currency twists;
- 26 Aug 2024 **Harare (Zimbabwe)** *Newsday*. **Australian** energy firm, **Invictus Energy Limited** changes its designation to developer from explorer as it transitions to a producer, leveraging its gas and oil discovery in north-east Zimbabwe;
- 26 Aug 2024 **Harare (Zimbabwe)** *Newswire*. **Zimplats**, a unit of **South Africa's Implats**, reports a sharp dip in annual post-tax profits, from \$205.5m in June last year to \$8.2m, but says it will soon commission two new projects that are key to future growth;
- 25 Aug 2024 **Harare (Zimbabwe)** *Zimbabwe Mail*. Local government and public works minister **Daniel Garwe** says the government has commenced the servicing of land in **Mt**

**Hampden** - 26km northwest of Harare - where the country's new commercial and administrative capital is set to be built;

24 Aug 2024 **Harare (Zimbabwe)** *Bloomberg*. State-owned power utility **ZESA** says it will implement increased load shedding due to a technical fault at the **Hwange Thermal Power Station**;

23 Aug 2024 **Harare (Zimbabwe)** *APA News*. **China's** ambassador to Zimbabwe, **Zhou Ding**, hands over 1,760 metric tonnes of rice to President **Emmerson Mnangagwa** as part of China's drought assistance for Zimbabwe;

20 Aug 2024 **Harare (Zimbabwe)** *VOA*. Authorities say they will release over 100 activists detained now that the **Southern African Development Community (SADC)** summit is completed;

19 Aug 2024 **Harare (Zimbabwe)** *Zimbabwean Mail*. Diversified agriculture firm **Tanganda** reports a decline in export volumes for the third quarter ending 30 June due to production timing issues and packaging material constraints, with bulk tea exports dropping by 9% to 4,504 tonnes compared to the same period last year;

17 Aug 2024 **Harare (Zimbabwe)** *News24*. Zimbabwe hosts the 44<sup>th</sup> **Southern African Development Community (SADC) Summit of Heads of State and Government**, with only three heads of state not attending, making it the best-attended summit in nine years;

15 Aug 2024 **Harare (Zimbabwe)** *VOA*. **United Nations Human Rights Office** calls on Zimbabwe to release more than 100 activists detained ahead of the **Southern African Development Community** summit;

14 Aug 2024 **Harare (Zimbabwe)** *SABC*. **Southern African Development Community (SADC)** foreign affairs meetings start ahead of the **SADC Heads of State and Government Summit** starting 17 August;

13 Aug 2024 **Harare (Zimbabwe)** *APA News*. Foreign minister **Frederick Shava** says Zimbabwe will prioritise regional food security and restoring peace and security once Zimbabwe has taken over leadership of the **Southern African Development Community (SADC)**;

13 Aug 2024 **Harare (Zimbabwe)** *News Day*. **Jersey-domiciled miner Caledonia Mining Corporation** says it is on track to achieve its 2024 pre-disclosed production guidance range of between 74,000 to 78,000 ounces of gold at its **Blanket Mine**;

13 Aug 2024 **Harare (Zimbabwe)** *Zimbabwean Mail*. Finance minister, **Mthuli Ncube** says the government will review all laws governing State-owned entities (SOEs) under the **Mutapa Investment Fund** to correct inconsistencies, eliminate overlaps and streamline operation;

### About Africa Risk Consulting:

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