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ELECTRICITY SUPPLY INDUSTRY OF LESOTHO

General Information for Potential Investors



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INTRODUCTION

The Kingdom of Lesotho is situated in the eastern part of southern Africa. It is a landlocked country and completely surrounded by the Republic of South Africa.

Lesotho's energy resources are mainly renewable: hydropower, solar energy, wind and biomass fuels. Explorations have indicated that fossil energy resources (coal, oil and natural gas) are not available. There is an estimated hydropower potential of 3GW pumped storage and 450MW conventional generation. Of this 76MW is exploited and the peak demand in 2006 was 90MW. Wind potential is estimated at 20MW.

THE REGULATORY ENVIRONMENT

The Electricity Supply Industry (ESI) in Lesotho is regulated by the Lesotho Electricity Authority (LEA). LEA is an independent regulator responsible for issuing licenses, approving electricity tariffs, setting and monitoring quality of supply and service standards, and resolving disputes between suppliers and customers.

LEA has the authority to regulate all aspects of the ESI, including the generation, transmission, distribution, supply, import, and export of electricity.



DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

FACT SHEET



FACT SHEET: **LESOTHO**

Area: 30,355 km²
Population: 2,128,180
Life Expectancy: 40.2 years
HIV/AIDS: 28.9% (2003 est.)
Literacy: 84.8%
GDP (PPP): US\$3.088 billion (2007 est.)
GDP Growth Rate: 4.8% (2007 est.)
GDP per Capita: US\$1,500 (2007 est.)

Major Exports: clothing, footwear, road vehicles, wool and mohair, food and live animals (2000)

Major Imports: food; building materials, vehicles, machinery, medicines, petroleum products

Currency: loti (LSL)
Exchange Rate per US\$: 7.60 (2008)



INSTITUTIONS RELATED TO THE ELECTRICITY SUPPLY INDUSTRY

Lesotho has a number of institutions and government agencies that are either directly or indirectly relevant to the ESI and Independent Power Producers (IPPs).

The Ministry of Natural Resources (MNR) develops ESI legislation through its subsidiary, the Department of Energy (DOE). Its mandate is to develop medium and long-term national energy strategies, promote new and renewable sources of energy and monitor energy sector activities.

The Ministry of Trade and Investment (MTI) facilitates foreign direct investment (FDI) projects within Lesotho, and sometimes negotiates lower electricity tariffs for large FDI projects.

The Ministry of Finance and Development Planning (MFDP) is responsible for the program to privatize state-owned enterprises, which has included the proposed privatization of the Lesotho Electricity Corporation (LEC).

The Ministry of Tourism, Environment, and Culture (MTEC) implements environmental policies out of the Department of Environment.

The Ministry of Employment and Labor (MEL) and the Operational Health and Safety Inspectorate oversee the regulations of the Labor Code Order of 1992.

LESOTHO ELECTRICITY CORPORATION

The Lesotho Electricity Company (LEC) is the national electricity company. The government has made plans to privatize LEC, but this has not been completed. Presently it is foreseen that the corporation will be corporatized first and not sold outright.

PRIVATE INVESTMENT CONSIDERATIONS

Lesotho does not have competition legislation, but the Government's privatization program has resulted in policies and laws that are favorable to foreign and domestic investors. Moreover, the government of Lesotho has accepted international arbitration for infrastructure projects in the past, indicating a willingness to promote transparency and accountability where investment enterprises are concerned.

Although Lesotho currently trades exclusively with South Africa's Eskom (i.e. it is a net importer of electricity), Lesotho is a member of the Southern African Power Pool (SAPP), which should, in theory, allow an IPP based in Lesotho to access other buyers of electricity. However, Eskom owns the transmission networks outside of Lesotho (which is landlocked in the middle of South Africa), hence there are access issues which would need to be resolved for sales other than to Eskom.

Lesotho has real possibilities for the generation of hydro-electric power, as the Lesotho Highlands Water Project demonstrates.

Lesotho's location in the heart of South Africa may also offer certain benefits. Some of the larger cities and towns in South Africa are closer to Lesotho than they are to some of the large Eskom generating stations, implying a potential transmission cost benefit.



INVESTMENT OPPORTUNITIES

Apart from the potential to export electricity to South Africa, some other opportunities also exist.

Large portions of Lesotho remain un-electrified with grid power due to the small demand and very difficult and mountainous terrain. This could offer opportunities for small off-grid hydro or solar solutions to supply energy to, for example, rural communities, existing and potential holiday and ski resorts.

The following projects have been identified as possible:

Project & Capacity (MW)	Project Description & Status	Expected Date	Project Sponsors & Funders
Oxbow (80MW)	Expansion of existing coal fired plant. 4x150MW units planned to meet local demand. Prequalification tenders done.	2015	LEC/Private Partner
Muela Phase 2 (110MW)	Expansion of existing coal fired plant. 4x150MW units planned to meet local demand. Prequalification tenders done.	2012	LEC/Private Partner
Musongoa (230MW)	New hydro development. Feasibility still to be done.	2010	LEC/Private Partner



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