In northern Zimbabwe’s Gokwe South Rural District, the Zimbabwean mining company RioZim has proposed the Sengwa coal power plant. The facility will use the RioZim-owned Sengwa Colliery’s reserves, which are estimated at 538 million tonnes. The power plant was first proposed in 1997 by the Zimbabwean government but until now has been unable to take off due to a lack of investment. Additional new infrastructure includes a power line and a 250-kilometre water pipeline from Lake Kariba to Sengwa. Construction costs are estimated at USD 3 billion and the plant is expected to produce 2,800 megawatts of electricity.

Why this profile?

New coal power plants do not align with the pathways required to stay within the Paris Agreement’s 1.5C global heating limit. The Sengwa plant’s anticipated CO2 emissions would seriously exacerbate climate change.

What must happen

Banks and other financial institutions should not provide any financial or advisory services relating to projects that involve expansion of fossil fuel development, including the Sengwa coal power plant, nor to companies such as RioZim that are planning such projects.

About Sengwa coal power plant

Latest developments

China U-turn leaves RioZim scrambling for Sengwa project backers

Apr 7 2022

CGGC signs on to build Sengwa power station

Apr 28 2020
Impacts

Impact on human rights and communities

The displacement of thousands of local residents to make way for the Sengwa coal plant is highly likely, based on precedents set by similar projects. For example, the Hwange coal power plant expansion in northwest Zimbabwe threatens to displace more than 880 families. The majority of households in the Sengwa project area rely on the local environment for a livelihood, be it farming or fishing. Typically, the government does not consult with local communities when embarking on mining projects and removes residents from construction paths by force.

Health problems linked to air pollution will impact the locality’s remaining residents. As is the case for Hwange – not to mention countless other coal projects – the Sengwa coal plant is expected to release dozens of toxic substances into the air and water. In Hwange, 400 households in a plant-adjacent suburb require relocation to avoid air pollution.

Water shortages are inevitable, because local sources are already only sufficient for agricultural and domestic purposes. Gokwe is a dry area, characterised by high summer temperatures, intermittent rainfall and long periods of scorching heat. The community has had to adapt to water scarcity and employs strategies like dry planting and water harvesting, but it will be impossible to meet the power plant and mine’s water needs too. RioZim’s water pipeline proposal is designed to address this shortfall, but Lake Kariba already hosts a hydropower energy project and is gradually losing water to severe, long-term droughts.

Impact on climate

Zimbabwe’s climate-related disasters will only worsen as Sengwa’s immense carbon reserves are released into the atmosphere. RioZim’s facility will be Zimbabwe’s largest coal-fired power plant and its greenhouse gas emissions will make a significant contribution to global heating. Climate change is already inflicting acute water shortages, catastrophic floods and extreme weather events upon Zimbabweans. In 2019, Cyclone Idai caused several deaths and destroyed many homes and livelihoods, before Cyclone Ana killed 32 people and damaged 282 houses in 2022.

According to the “Zimbabwe Revised Nationally Determined Contribution” 2021 report for the United Nations Framework Convention on Climate Change, “the country is projected to experience a progressive reduction in precipitation, increase in temperatures, increasingly volatile weather events and less dependable seasons.” Zimbabwe’s women are suffering the most from these impacts, because they represent the majority of the agricultural workforce and are in charge of domestic work.

Impact on nature and environment

A vast tract of land will be seized for the Sengwa coal power plant, which has been estimated at 138 square kilometres (excluding land for the pipeline and power line). In its 2020 annual report, RioZim claimed to be concluding the Sengwa project’s Environmental Impact Assessment, but as of August 2022 this had not materialised.

Governance

Bank policies

The following bank investment policies apply to this project:

<table>
<thead>
<tr>
<th>Bank investment policies</th>
<th>Valid from</th>
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<tbody>
<tr>
<td>Guidelines on environmental information disclosure for financial institutions</td>
<td>Jul 22 2021</td>
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<tr>
<td>People's Bank of China</td>
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<tr>
<td>Credit policies for domestic industries: mining, energy, oil &amp; gas, transportation, biodiversity and agriculture</td>
<td>Sep 17 2021</td>
</tr>
<tr>
<td>Page 12 of 2021 interim ESG report</td>
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Applicable norms and standards
In keeping with China’s net-zero commitments, the country has pulled out of financing Zimbabwe’s new Sengwa coal power plant. The Chinese banks ICBC and Minsheng were reportedly providing support, but it has been claimed that ICBC told an environmental NGO that it was pulling out of Sengwa in June 2021. The decision has left owner RioZim with few financing options.

China Energy Engineering Corporation subsidiary China Gezhouba Group Corporation (CGGC) has signed a deal with RioZim to build Phase One of the Sengwa coal power plant project, which will have a capacity of 700 megawatts.

Later this month Rio Zimbabwe Limited (RioZim) will ask its shareholders to approve taking on USD 17 million in debt above its borrowing limit. Already facing financial constraints stemming from a USD 91 million debt, the company is attempting to raise funds for the Sengwa coal plant.

Rio Zimbabwe Limited (RioZim) MD Josphat Sachikonye has revealed that the Sengwa coal power plant project “should have the first 600 megawatt unit on site by 2014”.

The project has had a long gestation period: Zimbabwe granted a coal mining licence to Rio Tinto and RioZim’s Sengwa Colliery company in 1989 and a coal-fired power station was first proposed in 1997. Provisionally named the Gokwe North Power Station, the 1,400 megawatt project was not implemented due to unfavourable economic conditions. In 2010, the Zimbabwe Electricity Supply Authority granted an independent producer licence to RioZim, after the company proposed plans for a bigger, 2,000 megawatt power station.

In 2020, it was reported that the Industrial and Commercial Bank of China (ICBC) was interested in providing finance for the Sengwa project, but ICBC withdrew its interest in June 2021. Citing greenhouse gas emissions targets, China announced it would no longer finance foreign coal projects in September 2021. By March 2022, RioZim had announced it was still seeking financiers for Sengwa.

**Banks**

<table>
<thead>
<tr>
<th>Industrial and Commercial Bank of China (ICBC)</th>
<th>China</th>
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<tbody>
<tr>
<td>Approached, interested</td>
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<td>2020</td>
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<td>source: Bloomberg</td>
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Related companies

**Project sponsor**

| RioZim         | Zimbabwe |