

Botswana's Coal Could Earn as Much As Diamonds

By Eric Onstad, 9 November 2006
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GABORONE, Nov 9 (Reuters) - Botswana's coal and gas reserves have the potential to grow into an industry as big as its bedrock diamond sector, the Minerals and Energy minister said.

Diamonds generate half of Botswana's revenue and a third of gross domestic product (GDP) but coal reserves of around 200 billion tonnes are set to rival that, Charles Tibone told Reuters.

"Coal is in abundance and we are not even tapping the tip of the iceberg, because we are only producing about 1 million tonnes a year now," he said in an interview.

Most parts of the country have coal deposits, but those in the east are easier to mine because they are closer to the surface, Tibone said.

Botswana is also looking at exploiting coal-based methane gas and is counting on luring companies to invest in its energy potential.

"There's a whole spectrum of activity that would have a much bigger base than we ever thought of, a base that could be comparable in terms of economic value to what diamonds are delivering now," Tibone said.

Debswana, the world's biggest national diamond producer by value and a 50-50 joint venture of the government and De Beers, had revenue of \$3.11 billion last year.

EXPORT ENERGY

Botswana wants to not only export coal, but also build coal-fired power stations and export electricity to the region, especially power-hungry South Africa.

The government plans to expand capacity at its Morupule coal-fired power station by nearly tenfold to 1,200 megawatts from the current 130 MW.

Two mines are expected to be established at the massive Mmamabula coal fields, 120 km (74.6 miles) north of the capital Gaborone, with one of them powering a new power station.

The coal field is an extension of the Waterberg coal field in South Africa, but the Botswana side is much bigger, Tibone said.

Last month, Canadian-listed CIC Energy Corp and London-listed International Power Plc agreed to build a \$5 billion coal-fired power station with capacity of 2,400-3,600 megawatts, with the first commercial power production in 2011.

The plant, in southeast Botswana, will be started next year for a projected 2011 commercial start-up.

As an example of how industrial spin-offs could also contribute to the economy, a new cement factory may be built along with the Mmamabula complex, he added.

"So Botswana has an opportunity here of not only becoming a net exporter of electricity, but of being a major player in the energy sector to the point where energy could be the medium through which the diversification of the economy could be achieved," he said.

Botswana also seeks to take advantage of deposits of methane gas found in seams of coal. Methane, which burns cleanly, is the chief ingredient of natural gas. The U.S. Energy Department estimates millions of cubic feet of methane escape daily from active coal mines.

"We're in the process of evaluating the possibility of harvesting that gas and either directly marketing it in the form of gas or marketing it through electricity as well," Tibone said.