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South Africa rejects all four bids in 2,000 MW gas-power tender collapse

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South Africa's first gas-to-power tender has collapsed after the Department of Electricity and Energy rejected all four bids received for its 2,000 MW procurement round, confirming on 28 October 2026 that none of the respondents met the fuel supply conditions set by the state. The rejection of a specific field of four bidders — now confirmed by Ecofin Agency reporting — underscores that this was not a thin or poorly subscribed tender, but one where developers engaged seriously before being unable to clear the fuel assurance threshold. The failure deals a significant setback to South Africa's plans to diversify its electricity generation mix away from coal.

The structural difficulty lies in securing bankable, long-term gas supply commitments in a market where upstream production remains limited domestically and LNG import infrastructure is still nascent. South Africa's natural gas imports currently rely heavily on supplies from Mozambique's Pande and associated fields, a dependency that introduces both volume and geopolitical risk that lenders are unwilling to absorb without additional contractual protections. Developers bidding into a power purchase framework need certainty of feedstock — fixed price, fixed volume, fixed delivery point — before project finance can be underwritten. Without a functioning gas market or an anchor LNG import terminal operating at commercial scale, those assurances have proven impossible to deliver, and the tender has stalled before any contracts were awarded.

The 2,000 MW target represented a meaningful tranche of new dispatchable generation capacity for a grid that has endured years of chronic load-shedding driven by ageing and unreliable coal plant. Gas-fired combined-cycle and open-cycle peaking

units were intended to provide flexible, fast-response capacity alongside expanding renewables. The tender's failure does not cancel the underlying policy intent — the government's Integrated Resource Plan retains gas as a transitional fuel — but it pushes the timeline for gas-to-power deployment further to the right and raises pressure on the Department of Electricity and Energy to fundamentally redesign the procurement framework.

For gas supply to become bankable, South Africa needs either a functioning LNG regasification terminal with committed throughput agreements, or credible and diversified pipeline gas supply from Mozambique or another regional source beyond the Pande fields. Neither is currently in place at the scale required to anchor multiple gigawatts of new generation. The tender failure therefore reframes the sequencing challenge: infrastructure enabling gas supply must precede, or at minimum run in parallel with, power plant procurement — not follow it.

The Department has not yet announced whether it will reissue the tender, restructure the fuel supply risk allocation, or pursue alternative mechanisms such as government-backed gas aggregation. Until a redesigned framework is published, the 2,000 MW programme remains formally stalled. Market participants and infrastructure developers should expect a period of policy review before any relaunch, and the timeline for commercial gas-to-power capacity entering South Africa's grid has extended materially as a result.

Why this matters to partners and clients of Saga

The rejection of all four bids confirms that LNG import and regasification infrastructure — not power plant construction — is the critical bottleneck, and Norwegian companies with FSRU, small-scale LNG, or gas aggregation expertise should monitor South Africa's policy response closely. The confirmed Mozambique Pande field dependency also signals an opening for Norwegian subsea and upstream service companies already active in Mozambique to support supply diversification efforts that could eventually unlock the South African gas-to-power market. This remains a pre-FID, pre-contract situation, but relationship-building with Eskom, the Department of Electricity and Energy, and the independent power developer consortia that submitted the four rejected bids is appropriate now to position for when the framework is redesigned.

PARTNER ANGLES

- **FSRU operators and LNG terminal contractors:** The confirmed supply guarantee failure points directly to missing regasification infrastructure; Norwegian FSRU operators are well-placed to propose fast-track floating import solutions that could unlock a redesigned tender.
- **Mozambique upstream and subsea service companies:** South Africa's dependence on Mozambique's Pande fields creates an opportunity for Norwegian subsea contractors already operating in Mozambique to support supply reliability improvements or new offtake structures that could satisfy future South African fuel assurance requirements.
- **Gas aggregation and trading advisors:** A government-backed gas aggregation mechanism is one policy option under consideration; Norwegian energy consultancies with LNG structuring and risk allocation expertise could engage the Department of Electricity and Energy during the policy redesign phase.

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Saga Advisory

General: info@saga-advisory.com · saga-advisory.com

STAVANGER · CAPE TOWN