ECOFIN AGENCY · ZAMBIA · PIPELINE

Zambia opens talks on 16,000MW power pipeline delays

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Zambia's government is preparing to open negotiations with independent power producers to unblock financing obstacles stalling a pipeline of electricity projects totalling more than 16,000 megawatts of proposed capacity. Despite having signed power purchase agreements, many of these projects have failed to advance to construction, leaving a substantial portion of the country's planned generation expansion in limbo.

The core obstacle identified by authorities is the inability of electricity offtakers to demonstrate sufficient creditworthiness to satisfy project lenders. When power purchase agreements are backed by buyers whose financial standing is in question, commercial and development finance institutions are reluctant to commit construction capital. This dynamic — common across sub-Saharan power markets — has effectively frozen projects that on paper appear ready to proceed.

Zambia's installed generation capacity has long struggled to keep pace with demand, a situation worsened by repeated drought cycles that reduce output from hydroelectric facilities, which form the backbone of the country's power supply. Load-shedding has imposed significant costs on mining, agriculture and manufacturing sectors. The government's intent in convening these discussions is to identify structural remedies — potentially including sovereign guarantees, liquidity support mechanisms for the state utility, or revised tariff frameworks — that could restore lender confidence and unlock construction financing across multiple projects simultaneously.

The scale of the pipeline, at more than 16,000 megawatts, is notable. Even partial delivery of that capacity would represent a transformational expansion of Zambia's grid and would position the country as a potential regional electricity exporter within the Southern African Power Pool. Realising that potential, however, depends on resolving the offtaker risk problem that has stopped projects at the financing stage. The government has not specified a timeline for when the stakeholder talks will begin or conclude, nor has it named the developers involved.

The situation reflects a broader pattern across African power markets where project pipelines measured in gigawatts exist on paper but conversion rates from signed agreement to financial close remain low. Zambia's willingness to convene structured dialogue between government and developers is a step toward addressing the institutional and financial architecture needed to move projects forward, but the outcome will depend on the specific instruments deployed and whether offtaker credit risk can be adequately mitigated to meet the requirements of international project finance.

Why this matters to partners and clients of Saga

This is a pre-FID situation across the full pipeline; no procurement outreach is warranted at this stage. Norwegian service companies and infrastructure investors should monitor the stakeholder talks for signals of which projects move toward financial close, particularly any involving transmission infrastructure, grid interconnection, or large-scale generation requiring specialist engineering. Relationship-building with project developers active in Zambia's power sector is appropriate now, ahead of potential tender activity.

PARTNER ANGLES

- **Pipeline:** Transmission and grid interconnection infrastructure will be required if even a fraction of the 16,000MW pipeline reaches construction — worth tracking for future EPC and pipeline tender opportunities.
- **Service:** Engineering consultancies can position now to support feasibility updates, lender technical advisory, and offtaker risk assessments as developers seek to reactivate stalled project files.

- **Subsea/FPSO:** Limited direct relevance; monitor only in case associated water infrastructure or cross-border energy corridors create ancillary project scopes.
- **LNG:** If gas-to-power projects are among the 16,000MW pipeline, LNG supply and regasification expertise could become relevant once financing structures are confirmed — monitor for project-specific disclosures.

Original source: Ecofin Agency →

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