

PRAGMATIC THINKING.

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Eskom's R30 billion

Reading the 2026 results: what the accounts say, where the demand went, and what has not been repaid.

Written following Eskom's publication of its integrated report and annual financial statements for the year ended 31 March 2026, released on 31 August 2026.

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Eskom has been stabilised. The account has not been settled, and those are different things.

Executive summary

Eskom has recovered, and the recovery is real. But the profit came from charging more rather than selling more, on a customer base that has been shrinking for a decade and is now shrinking faster.

R30.3bn

Profit after tax, year ended 31 March 2026

-6.2%

Fall in electricity sold during the year

R496bn

Public money into Eskom since 2008

01 · The profit is real

The most obvious suspicion does not survive examination. Government provided R80 billion in March 2026, in the final month of the financial year, but it was recognised as a shareholder loan at year-end and approved for conversion to equity in August. It sits on the balance sheet, not in the profit.

Operating cash flows fully funded the R45 billion capital programme, for the second consecutive year. The cost savings are physical rather than accounting: coal burnt fell from 106.2 million tonnes to 96.5 million, and spending on open-cycle gas turbines fell from R17.7 billion to R7.1 billion.

Anyone claiming the numbers cannot be believed has not read the statements.

02 · It came from price, not volume

Revenue rose 4.1 percent. In the same year Eskom implemented a standard tariff increase of 12.74 percent, and sales volumes fell 6.2 percent to 178,032 gigawatt hours.

Eskom charged roughly 13 percent more and collected roughly 4 percent more, because it sold considerably less electricity.

03 · The audit is still qualified

The auditors issued a qualified opinion for another year, now limited to the completeness of irregular expenditure. Two previous qualifications have been removed.

The disclosed figure is around R4.9 billion, of which only about R28 million arose in the year under review. Almost no new irregular expenditure is being created, which cuts in Eskom's favour. It remains true that the largest state-owned company in the country has again failed to obtain a clean audit.

04 · Selling less than during load shedding

In the year to March 2024, the worst year of load shedding on record, Eskom sold 183,311 gigawatt hours. In the year to March 2026, when the country lost 0.02 percent of demand, it sold 178,032.

For the first time in more than ten years the utility holds surplus capacity of two to three gigawatts. Electricity it can make and cannot sell.

05 · Two different things

The first is that demand has moved behind the meter. Rooftop solar and embedded generation passed 8.3 gigawatts by June 2026, more than the total capacity of every independent power producer selling into the grid.

The second gets almost no attention. Some of the load did not move. It stopped. Demand from energy-intensive industrial customers fell 22.5 percent. Smelters closed. Those plants have not gone solar.

A country generating more of its own electricity is adapting. A country that has stopped smelting is shrinking.

06 · The fixed cost problem

Eskom owns 30 power stations and more than 411,000 kilometres of lines and cables. Almost none of that cost falls when a customer leaves.

Capital spending is planned to rise above R70 billion a year from 2029, with total investment of up to R343 billion over five years. A growing fixed cost base on a shrinking sales base. The difference goes into the unit price, which strengthens the case for the next customer to leave.

07 · Who left, and who remains

The customers who left are, almost by definition, those who could afford to leave. A household solar and battery system costs between R120,000 and R165,000 installed, against a median household income under R100,000 a year.

Those who remain are largely on prepaid meters. They pay in full and in advance before a single unit flows, and they have no exit.

08 · What it cost

National Treasury's Director General told Parliament in October 2024 that Eskom would have received R496 billion in bailouts since 2008. Eskom's own report cites the CSIR estimate that load shedding cost the economy up to R2.8 trillion in 2023.

09 · What is still owed

Municipal arrears rose to R111.6 billion by March 2026 and R119.9 billion by June. Eskom's chief executive calls the level of municipal non-payment a sovereign risk.

Against that, Eskom must raise around R88 billion and return to the capital markets on its own credit, without a government guarantee, while selling less electricity each year than the year before.

If a utility can be repaired but the cost of its failure cannot be recovered, what should we now require of it in return?

The question this paper leaves

PRAGMATIC THINKING.

01

Testing the profit

Eskom reported R30.3 billion. I went looking for the accounting. What follows is what I found, in the order a finance person would examine it.

Half a trillion rand

In October 2024, the Director General of the National Treasury told Parliament that by the following financial year Eskom would have received R496 billion in bailouts since 2008.

It is a difficult number to hold in the mind, so it is worth restating it plainly. Roughly half a trillion rand of public money, directed into a single company over sixteen years, and unavailable for anything else during those years.

Ten months later, on 31 August 2026, Eskom reported a profit after tax of R30.3 billion for the year ended 31 March. It was the second consecutive profitable year after eight years of losses. Plant availability had improved. The country had gone more than a year without national load shedding.

Both of those statements are true at the same time, and most of the commentary that followed managed to hold only one of them.

There are two unhelpful ways to read a number like R30.3 billion. One is that nothing a state-owned company

reports can be believed. The other is that the problem is now behind us. The first is the more common reflex, and it deserves to be tested rather than assumed, so I tested it.

The most obvious place to look is the government money. Eskom received R80 billion from the shareholder in March 2026, in the final month of the financial year. Had that passed through the income statement, the profit would be an accounting event rather than a business one.

It did not. The R80 billion was recognised as a shareholder loan at year-end and approved for conversion to equity by the Minister of Finance in August 2026. Whatever else is true about the year, government support did not produce the profit.

THE THREE TESTS

Government money. Recognised as a shareholder loan on the balance sheet, not as income. It did not produce the profit.

Cash. Operating cash flows fully funded the R45 billion capital programme, for the second consecutive year.

Cost savings. Physical, not accounting. Coal burnt down 9.7 million tonnes. Diesel spend down R10.6 billion. Nuclear output up as Koeberg returned.

Where the revenue came from

A profit figure is partly a set of judgements about when to recognise things: when revenue is earned, when a cost is incurred, what an asset is worth. Cash is not a judgement. It is the test I would apply to any company. A business that reports a profit while its cash position deteriorates is describing something different from a business that pays for its own investment out of what it earns.

The third test is where the savings came from, because savings are the easiest thing in the world to produce on paper. A change in an estimate, a reversal of a provision, a revision to a useful life, and costs fall without anything happening in the world.

These savings happened in the world. Those are tonnages and gigawatt hours. They are countable, and the

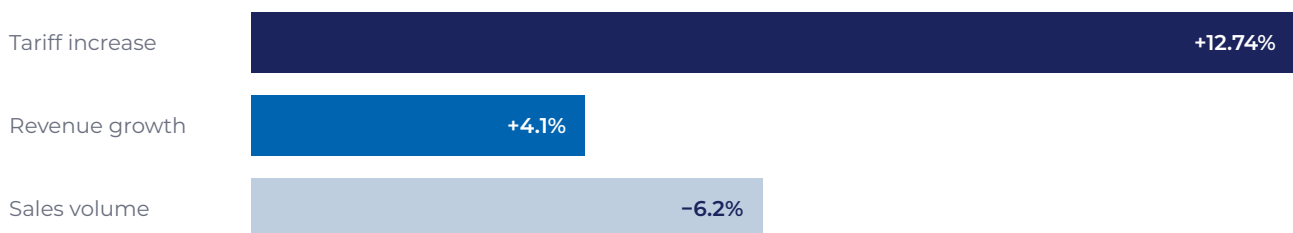
operational performance behind them is real. Energy availability rose to 65.16 percent from 60.60 percent, and the percentage of demand not met fell to 0.02 percent from 5.92 percent two years before.

So the profit is genuine, and the people who delivered the operational improvement behind it should be told so plainly.

Which brings us to the more interesting question. It is not whether the money is real. It is what produced it.

Revenue rose from R340.9 billion to R354.7 billion, growth of 4.1 percent. In the same year, Eskom implemented a standard tariff increase of 12.74 percent, and sales volumes fell 6.2 percent.

FIGURE 1 · PRICE UP, VOLUME DOWN



Eskom charged roughly 13 percent more and collected roughly 4 percent more, because it sold considerably less electricity.

A profit built on volume growth compounds. A profit built on price increases against falling volumes does the opposite.

This is what a price-led year looks like in any business. It is not illegitimate. Tariffs had been suppressed for years relative to Eskom's costs, and a correction was always going to come. But it carries a different set of risks into next year.

Each increase makes the next unit less attractive to buy, and the base against which the following increase must

be levied is smaller. Eskom's own leadership has now said as much. Double-digit increases, the chief executive has stated, are unaffordable, and the intention is to hold future increases to single digits by reducing costs instead.

That is the correct diagnosis. It also removes the lever that produced this year's result.

What the auditors said

The audit opinion received almost no coverage, and it should have.

The auditors issued a qualified opinion for another year. The qualification now relates only to the completeness of irregular expenditure reported under the Public Finance Management Act. Two previous qualifications, on losses arising from criminal conduct and on the accuracy of irregular expenditure reporting, have been removed. That is real progress and it should be acknowledged.

It is worth being precise about what a qualification of this kind means, because the language is technical and the meaning is not. The auditors are not saying the figure disclosed is wrong. They are saying they cannot confirm that all irregular expenditure incurred has been identified and disclosed.

Irregular expenditure is money spent in contravention of the legislation governing how public money must be spent. It is not the same thing as money stolen, and the two are constantly conflated. A contract awarded through a defective procurement process generates irregular

expenditure even if the goods were delivered and the price was fair.

Public entities also report fruitless and wasteful expenditure, money spent in vain that would have been avoided had reasonable care been exercised. Both categories are reported annually across the state, and both have run into the tens of billions of rand for years, with consequences remaining rare.

Eskom's disclosed irregular expenditure figure is around R4.9 billion. Of that, approximately R28 million arose in the year under review. The overwhelming majority relates to historical contracts, much of it concentrated in two incidents from the years that produced the state capture inquiry.

That distinction is important, and it cuts in Eskom's favour. Almost no new irregular expenditure is being created. What remains is a legacy being worked through, in an organisation that a few years ago could not produce financial statements on time.

THE RESTATEMENT

Last year Eskom reported a profit of R16.0 billion. That figure has since been restated down by R2.0 billion to R14.0 billion, and profit before tax from R23.9 billion to R21.9 billion.

Measured against the restated number, profit grew 116 percent. Measured against what Eskom actually published a year ago, it grew 89 percent. Both are large. They are not the same.

Eskom describes the restatement as a correction of errors rather than a change in accounting policy. Two items were missed: no provision for public liability claims, on the basis that Eskom is insured, when the obligation remains Eskom's; and no accrual for guarantee fees payable to the National Revenue Fund, which fell due because certain ratios under the Guarantee Framework Agreement exceeded their thresholds.

Eskom's own costs did not fall. Gross employee benefit expense rose from R45.4 billion to R50.4 billion, alongside a headcount increase of 1,244 and the continuation of a short-term incentive scheme.

The consequence is that the savings which carried the year came almost entirely from burning less coal and less diesel. Eskom burnt less of both partly because it ran the

plant better, and partly because there was less electricity to make.

The audit also required particular focus on asset impairment and going concern, tested against tariff uncertainty, pressure on industrial customers, municipal arrear debt and the long-term sales outlook. In plain terms, the auditors had to satisfy themselves that assets

carried on the balance sheet will earn back their stated value, in a market where the volume of electricity sold is falling.

They concluded that they will. That conclusion rests on demand recovering.

PRAGMATIC THINKING.

02

Where the demand went

Eskom sold less electricity in the year it kept the lights on than in the year it could not. That comparison is the most consequential thing in the results, and it was not what the coverage was about.

The year Eskom sold less than during load shedding

In the year to March 2024, South Africa lost close to six percent of all the electricity it asked for. In the year to March 2026, it lost 0.02 percent, and Eskom sold less.

FIGURE 2 · ELECTRICITY SOLD, GIGAWATT HOURS



Four days of load shedding were recorded in the year to March 2026, all of them in its opening weeks. The last rolling blackouts were in May 2025.

Sales fell 6.2 percent during the year, against a longer-term decline that Eskom puts at roughly two percent annually over the past decade. For the first time in more than ten years, the utility has surplus capacity of between two and three gigawatts. Electricity it can generate but cannot sell.

Its chief financial officer, in the measured register of an annual report, calls the decline a serious signal.

Two quite different things are producing it, and they are almost always discussed as one.

The first is that much of the demand has moved behind the meter. Rooftop solar and embedded generation in South Africa passed 8.3 gigawatts by June 2026. To put that in perspective, it exceeds the total capacity of every

independent power producer selling into the national grid, and it did not exist at that scale five years ago.

Walk through any office park, shopping centre or industrial estate and look up. The roofs that were empty in 2021 are covered. The basements that held diesel generators hold batteries. Listed property companies have reported running out of roof space for the panels their tenants now expect.

Those decisions were taken in 2022 and 2023, at the height of the crisis, by people being realistic rather than pessimistic. The capital has been spent. Nobody removes a functioning solar installation because the grid has improved.

The demand did not pause. It left.

The second thing is less comfortable and receives almost no attention. Some of the load did not move anywhere. It stopped.

Demand from Eskom's energy-intensive industrial customers fell by 9.7 terawatt-hours during the year, a 22.5 percent decline in a single year. The Mozal aluminium smelter went into care and maintenance in March 2026 after its owners and suppliers could not agree on an electricity price, removing a large, stable baseload customer. Two Glencore Merafe ferrochrome smelters were mothballed from January 2026 due to the cost of power. South Africa's last manganese smelter shut its furnaces.

Those plants have not installed solar. They have stopped producing, and the employment and export earnings stopped with them.

So when we say demand has fallen, we are describing two phenomena at once. A country generating more of its own electricity is adapting. A country that has stopped smelting is shrinking. The 6.2 percent contains both, and only one of them is a success story.

This matters for a reason that has nothing to do with ideology and everything to do with the economics of a network business.

Eskom owns 30 power stations and more than 411,000 kilometres of power lines and cables. Almost none of that cost falls when a customer leaves. The transmission line to a town costs the same whether the town draws power from it or not. Maintenance, debt service, staff and depreciation continue regardless of how many units are sold across them.

8.3GW

Rooftop solar and embedded generation, June 2026

2–3GW

Surplus capacity Eskom cannot sell

R343bn

Planned capital investment over five years

That is a growing fixed cost base sitting on a shrinking sales base. There is only one place the difference can go. It goes into the price of a unit of electricity, which raises costs for everyone still buying, strengthens the commercial case for the next customer to leave, and raises it again.

That is not a forecast. It is arithmetic, and it is already visible in the business's behaviour. Eskom has moved

from managing sales erosion to actively hunting for load: negotiated pricing agreements to retain the smelters that remain, data centres, electric vehicle charging, cross-border trade, and a pilot exploring cryptocurrency mining as a form of demand activation.

A utility that spent fifteen years unable to meet demand is now looking for someone to sell to.

Who left, and who remains

The customers who have left are, almost by definition, those who could afford to leave.

A household solar and battery system costs somewhere between R120,000 and R165,000 installed. South Africa's median household income is under R100,000 a year. Around 675,000 households have solar panels, concentrated in Gauteng and the Western Cape, and most of the 8.3 gigawatts sits on commercial rather than domestic rooftops.

This pattern has repeated across every failing public service in this country. When a system stops working, those with capital build a private version of it. Private security, boreholes, private schooling, medical schemes, inverters and panels.

The result is that a household pays twice, once through rates, taxes and tariffs, and again for the workaround, and the second payment is available only to those with the capital to make it.

Nobody designed this, and there is no villain. It is what happens when a utility becomes unreliable for long

enough, and it cannot be reversed by the grid improving afterwards, because the money has already been spent.

One further element in Eskom's report belongs in this conversation. Alongside load shedding, which was national, Eskom has for years operated something called load reduction. It is a set of controlled cuts applied to specific overloaded networks, usually at the morning and evening peaks, in areas affected by illegal connections, meter tampering and infrastructure that cannot carry the draw placed on it. Eskom has been open about it, and anyone living in an affected area needs no introduction.

This year's report adds the scale of it. Seven provinces have now been cleared, and more than 1.2 million customers have been relieved of scheduled cuts, with the objective of eliminating it nationally by March 2027. Gauteng is the principal outstanding area.

More than a year after national load shedding ended, over a million households were still having their power cut on a schedule.

Load reduction is scheduled to end nationally in March 2027

The distinction matters because the two were counted differently. Load shedding was national, announced in stages, tracked on an app and reported every evening. Load reduction was local, and reporting consisted of a line in an annual report.

Those are the customers who remain. A large majority of South African households are on prepaid meters, which means they pay in full and in advance before a single unit

flows. There is no arrears facility and no realistic exit from the grid.

It is also worth correcting a common assumption. Free basic electricity, the allocation of 50 kilowatt hours a month for registered indigent households, reaches far fewer people than qualify for it. Eskom's own chief executive states in this year's report that it benefits far fewer eligible households than it should. The gap is administrative rather than budgetary: indigent registers,

informal settlements without formal connections, and awareness.

PRAGMATIC THINKING.

03

What it cost, and what is owed

Eskom has done what it was asked to do. None of it returns the R496 billion, or the growth the economy did not have, or the businesses that closed.

What the failure cost

The clearest measure of what the electricity crisis cost the wider economy comes from Eskom's own report, which cites the Council for Scientific and Industrial Research estimate that load shedding cost the economy up to R2.8 trillion in 2023. That is Eskom quoting the damage Eskom did, in Eskom's own document, and it was the right thing to do. The figure measures lost economic activity rather than lost gross domestic product, and it should be read as such.

On the narrower measure, the OECD estimates that load shedding reduced growth by 1.5 percentage points in 2023, with the Reserve Bank reaching a similar conclusion. The economy grew 0.7 percent that year. The

estimates suggest it would have grown above two percent without the electricity constraint.

The consequences are not abstract. They appear in a labour market that has not absorbed a generation, and in an economy where the goods-producing sectors have contracted since 2019 while services have expanded, which is precisely the shape you would expect when the binding constraint is power.

Then there is the borrowing. Every rand of that R496 billion was raised by the state, at the state's cost of funds, and is being serviced now out of the same budget that pays for everything else. That is the opportunity cost, and it is permanent.

A guarantee does not appear as expenditure. It costs nothing at all until it costs everything, which is exactly what makes it dangerous.

Eskom's debt has also carried government guarantees running to hundreds of billions of rand, which remain in place until the underlying debt is settled. Guarantees should carry conditions, oversight and triggers rather than being extended and renewed. For years Eskom was the single largest item in the state's contingent liabilities, and decades of guarantees did not prevent the decline they were meant to insure against.

That is what a rating agency examines when deciding what South Africa pays to borrow, and it is a substantial part of why the country was downgraded to below investment grade across all three major agencies by 2020.

This makes the past eighteen months genuinely significant. In November 2025, S&P raised South Africa's

rating for the first time since 2009, citing among other reasons the reduction in contingent liabilities tied to performance improvements at Eskom. Fitch followed in 2026. Eskom's own credit rating was upgraded for the first time in more than a decade.

The mechanism that ran downwards for a decade has, for the moment, reversed. When Eskom deteriorated, the country's borrowing costs rose. Now that it has stabilised, they have begun to fall. That is a real contribution, and Eskom should be credited with it.

South Africa still remains below investment grade, as does Eskom. The upgrades reflect a risk that has stopped growing rather than one that has been removed.

What is still owed

Municipal arrear debt rose 17.9 percent during the year and reached R119.9 billion by June 2026. Eskom's chief executive describes the level of municipal non-payment as a sovereign risk.

FIGURE 3 · MUNICIPAL ARREARS OWED TO ESKOM



On Eskom's own projections, without decisive intervention, the figure could reach R358 billion by 2031.

It is worth being precise about what this number represents, because it is usually described as people not paying for electricity, and that is not what it is.

Municipalities buy power from Eskom and sell it on to residents and businesses. In many cases, residents pay their municipality, and the municipality does not pay Eskom. Money is being collected and not passed on. That is a governance failure in the layer of government closest to the ground, and it is a different problem from a payment culture.

The Auditor General's report for 2023 and 2024 found that City Power in Johannesburg lost close to R5 billion of electricity in a single year, equivalent to nearly 30 percent of everything it purchased from Eskom. Government departments themselves owed City Power around R200 million.

It produces a loop that feeds on itself. Under-recovery delays maintenance. Poor maintenance degrades service. Poor service is used to justify non-payment. Non-payment deepens the under-recovery. Tariff increases do not break that loop. Metering, billing systems and enforcement do, including enforcement against government departments.

There are signs of movement. The City of Johannesburg settled its arrears of R5.25 billion in full in August 2026. In July 2026, National Treasury invoked section 216 of the Constitution to temporarily withhold equitable share transfers from 69 non-compliant municipalities.

Against that background, Eskom plans to raise around R88 billion of funding over five years and return to the capital markets on its own credit, without a government guarantee, having raised only R1.4 billion in new funding during the year under review.

LEADERSHIP, AT THE WRONG MOMENT

The chief financial officer steps down in October 2026 after 24 years at Eskom, with a successor approved but not yet contracted. The chairman's term ends in the same month. The independent transmission operator to be separated from Eskom is a material event for its lenders.

Leadership instability was a significant part of what broke this company. It is about to resume precisely when the funding model changes.

A related point cuts both ways. Koeberg's life extension, the Kusile units, the repairs at Medupi and the debt relief negotiation are multi-year programmes. None were begun by the people now presenting the results, and public credit attaches to whoever holds the office when a programme completes. The current leadership also inherited the consequences of decisions taken long before them.

The one number that is not financial

There is a line in the report I keep returning to, and it has nothing to do with money.

Seven people died at work during the year, four employees and three contractors, against three the previous year. Eskom held an organisation-wide safety stand-down in August 2026 following further fatalities since year-end. Relative particulate emissions worsened,

and environmental compliance is now the only outstanding matter of its kind flagged by the auditors.

A turnaround measured only in profit, availability and load shedding days will not capture that. It should be captured.

CREDIT WHERE IT IS DUE

- The plant runs better. Energy availability improved to 65.16 percent from 60.60 percent.
- The lights are on. A full calendar year without national load shedding by May 2026.
- The accounts are profitable and the cash behind them is real.
- South Africa's first sovereign rating upgrade since 2009, in part because of Eskom.

Every one of those is true, and the people who achieved them are entitled to hear it said.

PRAGMATIC THINKING.

THE QUESTION THIS LEAVES

If a utility can be repaired but the cost of its failure cannot be recovered, what should we now require of it in return?

Eskom has been stabilised. The account has not been settled, and we risk forgetting the difference now that the lights have been on long enough that we have stopped noticing them.

And who is going to ask?

Sources and notes

SOURCES

Figures are drawn from Eskom's integrated report and annual financial statements for the year ended 31 March 2026, Eskom's results announcement of 31 August 2026, the records of Parliament's Standing Committee on Appropriations, National Treasury statements and budget documentation, reports of the Auditor General of South Africa, the National Energy Regulator of South Africa, the Council for Scientific and Industrial Research, the OECD, the South African Reserve Bank, Statistics South Africa, and published rating agency announcements.

Installed rooftop solar capacity is as reported by Eskom's national transmission company. Household solar system costs are drawn from commercial installer surveys rather than official statistics and should be treated as indicative.

Figures are as published at September 2026 and may since have moved. Where sources differ, the more conservative figure has been used.

ABOUT THIS DOCUMENT

This paper was written following the publication of Eskom's annual results for the year ended 31 March 2026. It reflects the personal views of the author and not those of any organisation with which the author is or has been associated.

It is provided for discussion. It is not financial, investment, legal or regulatory advice, and no decision should be taken on the basis of it without appropriate professional input.

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