

Minister Jeff Radebe: Independent Power Producer Programmes

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Media Statement by Minister Jeff Radebe, Minister of Energy on the Independent Power Producer Programmes

Director-General, Thabane Zulu

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Senior officials from all stakeholders behind this outcome

Media houses represented

Ladies and Gentlemen

I am delighted to announce that the project agreements of the 27 Renewable Energy Independent Power Producer Projects (REIPPP), including the power purchase agreements with Eskom, will be signed on Tuesday, 13 March 2018 with the full support of the President and my Cabinet colleagues the Ministers of Finance and Public Enterprises as well as Eskom.

I would like to acknowledge them for their support throughout the process as well as the Development Bank of Southern Africa for their support, as our partner, to the IPP Office.

Ladies and Gentlemen, we have reached this milestone following a long period of uncertainty but with this signing we are re-confirming government's commitment not only to renewable energy, but also to a solid partnership with the private sector as we pursue our energy transition objectives in the future. As you have seen these last few years, a partnership with the private sector, labour and civil society, where we support each other in our different roles, is of really great benefit to our Country and the economy.

This milestone will bring much needed policy and regulatory certainty and maintain South Africa's position as an energy investment destination of choice.

This initiative will enable R56 billion of new investment in the economy over the next 2 to 3 years, which will immediately contribute to growth in the economy supporting the already positive achievement of 3.1% GDP growth in the quarter four.

This programme, as well as the proposed future initiatives, will have a significant contribution in job creation across the energy value chain including the re-establishment of industrial development and support to the technical training of young people to be absorbed in the labour market.

The usage of different types of energy supply, which includes renewable forms of power generation, is in line with the energy policy. This aligns with the commitment made in Paris as it relates to reduction of carbon emissions, whilst complying with the South African environmental standards.

These programmes will contribute towards competitive market pricing of electricity, both for the household consumer as well as for industrial usage. This will be achieved firstly through the mere entrance of new and efficient market participants and secondly through the variety of sources for electricity generation. Lower electricity prices such as what we are experiencing with renewable energy generation will assist indigent households to cope with the rising cost of living.

In a nutshell, these projects will provide 61 600 full time jobs of which 95% is for SA citizens, mostly during plant construction specifically with a focus on youth employment. Northern Cape will have 59% of the jobs created, followed by Eastern Cape with 15% and North West 13% of jobs created.

The Renewable Energy Programme has empowered South Africans to own on average 48% of the equity in all of the Independent Power Producers (IPPs) projects. About 25% of the project equity is owned by foreign investors acting as a catalyst by providing investment and skills transfer to the establishment of the new green economy while enhancing opportunities for economic transformation of which the outcomes could clearly be seen in Bid Windows 3.5 and 4.

South Africans own the majority share equity in the Bid Window 3.5 and 4 projects i.e. 57.8% (R11.90 billion). Of the 57.8% South African shareholding, on average 64.2% (i.e. R7.64 billion) is held by black shareholders, while remaining shareholding is mostly owned by PIC, CEF and other institutional investors such as Old Mutual.

It is anticipated that black participation will continue to increase, not just at ownership level but direct and active involvement in the construction of and the operations of these plants. Only then we'll see the establishment of real black industrialists.

The Renewable Energy Programme is embracing local community development as well as socio-economic and enterprise development. Through the geographic spread of the projects, opportunities are created across the country – in all 9 provinces and in mostly in rural areas such as Copperton, Namakwa, and Pixley ka Sema in the Northern Cape.

In the Eastern Cape some of these projects will contribute to the communities around Nelson Mandela Bay Metropolitan Municipality, Sarah Baartman district, and the Amatole area in the Eastern Cape, to mention some.

Local community shareholding (equity share) in the 27 projects amounts to 7.1% (or R1.6 billion). The local community shareholders for the 27 projects will receive R5.9 billion net dividends over the 20 year lifetime of the projects. This will have a substantial positive impact on the living standard of the communities around these projects.

Communities through Community Trusts have full control over how the money will be spent in their areas. The department through the IPP Office will monitor the participation by these communities and measure the impact thereof.

In addition, the IPPs will enable local communities to further benefit directly from the investments attracted to the areas through the R9.8 billion to be spent on socio-economic development initiatives and R3.4 billion to enterprise development over the 20 year lifetime of the project agreements.

As part of the bid obligations, the Bid Window 3.5 and 4 Preferred Bidders have made commitments in five categories, namely, education and skills development, social welfare, healthcare, general administration and enterprise development.

The majority of the money will be spent in these local communities around the projects and will involve women-owned small businesses. It will also ensure youth participation and development, whether through skills transfer and training, bursaries and/or the establishment of small businesses.

In the coming months, we will be deploying all our resources, coupled with the strength of our partnership with the private sector, all interested and affected stakeholders and our country partners on the African continent, to mobilize and optimize our endowment of energy resources as a key catalyst to economic growth.

If energy is seen as central to economic growth it can be the catalyst to build investor confidence and attract investment in the Country and on the Continent. This however, needs the private sector for creative partnerships where trust forms the core of such a relationship. Together we could build a prosperous Country with an economy growing at its full potential.

I have therefore advised the Office of the Director General and IPP Office to immediately commence with the arrangements for signing of the 27 renewable energy projects, and by doing so, releasing the R56 billion investment to stimulate the economy, create the much needed jobs, advance the transformation agenda and further attract possible foreign direct investment into the Country.

Furthermore I have requested them:

To engage in the preparations to finalise all outstanding requirements for the signing of the 20 projects under the Small Renewable Programme (these are projects between 1MW and 5 MW), which will have a substantial impact on a different market segment i.e. the creation of small businesses. This will immediately ensure a R2.7 billion investment in this part of the economy. To be noted is that our Development Finance Institution, the DBSA and the German Development Finance Institution KfW, have established access to affordable funds in support of the participation of small businesses in the green economy and therefore the Small Renewable Energy programme. We want to thank them for working with the Government and for their willingness in growing this very important market.

I have requested the IPP Office to ensure a more equal distribution of the benefits to the communities specifically the distribution of the dividends by analyzing and creating a better and more efficient structure for this purpose.

To sign the 2 projects under Coal IPP Programme as well as the 19 projects procured under the Renewable Energy Expedited Bid Window, which will be announced in due course. Together this will achieve a further R103 billion of investment in the economy with substantial foreign direct investment.

To facilitate the initiatives towards the development of a gas market, while exploring both indigenous and imported resources, as well as the related investment in infrastructure, particularly in collaboration with our neighbouring countries in Eastern and Southern Africa. I personally will lead a delegation to meet these countries to enhance the relationships for the mutual benefit of the people of the regions. I have tasked the IPP Office to take a lead in facilitating these initiatives, as matter of urgency, to ensure that South Africa speaks with one voice and prevent the confusion in the market and the region.

Exploring optimal resource allocation and utilization in the energy-water nexus, among others, through knowledge-sharing and joint initiatives in our role as the Chair of the BRICS and SADC energy initiatives for the 2018/19 year.

Conclusion

We would like to thank our private sector partners for supporting South Africa with its economic transformation agenda. It shows the success of working together on issues of importance. As we continue with the implementation of the other programmes, I would like to see similar economic transformation achieved as demonstrated in Bid Window 3.5 and 4.

It should be noted that the total investment referred to above is from the private sector which indicates investor confidence in the South African energy sector as well as the economy of the Country.

I have looked at the roll-out of the programmes announced above and I can assure you that connection to the grid will in accordance with the projected demand going forward taking into account decommissioning of old power plants. Furthermore the price in real terms of the IPP programmes remains constant over the period of the contracts – i.e. only CPI and below increases will be allowed, which gives certainty to the consumer.

Thank you.

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