

Speech by the Minister of Energy, Hon Jeff Radebe, MP at the
Renewable Energy Independent Power Producer Programme
(REIPPPP) Bid Windows 3.5 and 4 Contractual

Close signing ceremony

4 April 2018

I would like us to observe a moment of silence in respect of our struggle hero, umama Winnie Madikizela-Mandela who passed away on Monday 02 April 2018.

Minister of Finance

Deputy Minister of Finance

Ambassadors present

Director General of the Department of Energy

Head of the IPP Office

Other Senior Officials from Government Departments and State Owned Enterprises

Our private sector partners

Lenders and DFIs

Media

1. It is with great pleasure that I announce here today the signing of the agreements for the 27 projects procured under the Renewable Energy Independent Power Producer Procurement Programme Bid Windows 3.5 and 4. The names of the 27 projects are on the screens in front of you as well as their locations in the different Provinces.

2. Ladies and Gentlemen, we have reached this milestone following a long period of uncertainty, not only for the renewable energy industry, but also for private sector investment in the energy sector as a whole. This has not been good for investor confidence in our country neither for the management of the economy.
3. The procurement of the 27 new projects is the biggest IPP procurement by the Department of Energy to date, representing a total of R56 billion of investment and about 2300 MW of generation capacity to be added to the grid over the next 5 years.
4. This investment of R56 billion injected by the private into the economy, with no contribution from Government other than support to Eskom in the event of a default by the buyer. This will have a positive impact on the economy and competition in the energy sector will certainly benefit the consumer.
5. As in most of the bid rounds, the Northern Cape will receive the majority of the investment with 15 new wind, solar PV and CSP projects, the Eastern Cape is follow by adding another 4 new wind projects to their Province, together with the North West Province also having 4 new solar PV

projects. Western Cape will add another 2 wind projects to their portfolio, while Mpumalanga will have its first IPP project, a biomass project and the Free State is adding 1 small hydro project to their portfolio.

6. New foreign and local direct investment provides a strong economic growth impetus in support of an economy wanting to lift its head at a time of severe fiscal constraint. This investment will certainly have a positive effect and contribute to the much needed jobs in the rural areas where these projects are located.
7. With the signing of the agreements we are not only re-confirming government's commitment to renewable energy, but also to a solid partnership with the private sector in the generation of electricity, which includes among others coal and gas, while pursuing our energy transition objectives for the future.
8. Energy drives sustainable economic development and growth, and should take its place at the Centre of a growing economy as directed by the National Development Plan 2030.

9. The 27 new renewable energy IPP projects will be building on the remarkable achievement of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).
10. Through this programme we have proved that we can provide sustainable clean electricity at an affordable price to our communities and the people living around these projects, ensuring their health and well-being as one of our highest priorities. We have to acknowledge that, while the main objective is buying electricity, we are also contributing to the transformation agenda of the Country and the investment in the well-being of the people living in the adjacent areas around these projects.
11. On the screens you can see the districts in which these projects are located, the GDP of the area as well as the investment and socio-economic spend over the years to come. The commitments are impressive and will be monitored over the period of the agreements.
12. The programme is delivering real economic growth through direct investment, creation of jobs, ie directly and indirectly, stimulating a green economy as per the Green Economy Accord signed in November 2011 between labour,

business, government and civil society. It is also providing energy at rapidly decreasing cost to the consumer.

13. Our people deserve access to clean affordable electricity which would not have a negative impact on the environment and their health. The National Development Plan 2030, as one of the objectives of the plan, requires 20 000 MW of renewable energy by 2030. It is supported by the Integrated Resource Plan of the Country to be finalized very soon.
14. Furthermore, the renewable energy programme is confirming South Africa's commitment, together with 195 other countries around the world, to the Paris Agreement for the reduction of CO₂ emissions worldwide. It also makes us part of the ever and fast changing global world of a renewable energy industry.
15. I can proudly say that it is also an effective climate change mitigant and a water-smart programme. The 27 projects are expected to offset 8.1 million tonnes of CO₂ per annum.
16. The devastating impact of the current drought, specifically in the Western and Northern Cape Provinces, over the last few years have highlighted the impact of climate change and

water security amongst other things. It should be noted that energy is one of the biggest consumers of water.

17. Generating electricity using renewable energy is an efficient way to minimize water consumption in the energy sector. The projects, once fully operational and at maximum capacity will save 9.6 million kiloliters of water per annum, compared to similar MW hours of electricity from fossil fuels. This is equivalent to the water needs of more than 1.2 million people a year.
18. The programme will further stimulate an indigenous renewable energy industry and contribute to socio-economic development and environmentally sustainable growth.
19. Consistent with global trends, the REIPPPP has been procuring electricity at increasingly cost competitive rates and the estimated, average portfolio cost for all renewable energy technologies under the Renewable Energy Independent Power Producer Procurement Programme has dropped consistently in every bid round.
20. Nersa as the economic energy regulator will continue to play a critical role in ensuring justifiable tariffs to the consumers,

whilst allowing investors in electricity generation to receive a fair return on investment.

21. Indications are that prices will continue to decrease in future rounds as demonstrated by the recent Solar PV and Wind prices elsewhere in the world. The lower prices coming from the renewable energy projects will provide the much needed relief to indigent households under the current economic conditions.
22. We have to acknowledge that we may not always be achieving the low prices as reported in other parts of the world, however there is a necessity to ensure support of the programme to the transformation objectives of our Country, which as partners, we have a mutual responsibility.
23. Our approach to this programme has become an export product in itself, with an increasing number of countries in Africa and elsewhere in the world, adopting and adapting the South African model to suit their particular Country conditions.
24. Important to note is that the socio-economic conditions and government objectives have changed in South Africa since the start of the procurement process of BW 3.5 and 4 in

2013/14. Although very late in the procurement process, we have challenged our private partners to deliver even more value for money through a request to enhance socio-economic transformation opportunities for black South African participation in their project structures.

25. I want to thank you all for your cooperation during the difficult negotiations as well as your positive response to the challenge we have put to you. I am pleased that the negotiation process has been successful and that the 27 projects will deliver substantial benefits, with regard to meaningful black ownership and participation at all the levels of the projects as well as other priority areas of economic transformation as proposed by you.
26. Today we are seeing the dawn of a new era in the renewable energy sector. I would like investors to have line of sight of what will be procured in the future so to indicate the investments needed for the sector. The Integrated Resource Plan, when released, will provide that certainty.
27. No investment decisions can be made on a stop-start basis, and my role as Minister of Energy will be to provide the enabling environment for a thriving energy sector, affordable to our people.

28. Through this procurement of the 27 projects, 58 000 new jobs will be created for South African citizens, and mostly for the youth. Most of these jobs will be created during the construction period and entails the utilisation of the work force in the vicinity of the projects. Furthermore, jobs will be available across the entire value chain with an additional 1 500 jobs possible in the manufacturing sector.
29. The localisation potential of these 27 new projects is substantial. Our estimate is that for the solar PV projects, around 2.8 million solar PV modules would be procured, 600 inverters and 385 transformers. In addition for the onshore wind projects, roughly 500 wind towers and turbines would be required.
30. South African manufacturers stand to benefit from this huge demand given the local content commitments made by the IPPs. In addition, opportunities for suppliers of local goods and services are available, including the opportunity to transport these huge blades from the ports of entry to the specific wind farms.
31. Ladies and Gentlemen, South Africa's IPP Procurement Programmes are yet the only vehicle that progressively

enables mandatory participation by black South Africans in electricity generation. In Bid Windows 3.5 and 4, South Africans own the majority share of 57.8% (R11.90 billion) in the project companies. Of the 57.8% South African shareholding, an average of 64.2% (R7.64 billion) is held by black shareholders. The balance of the shareholding is mostly with institutional investors such as PIC and Old Mutual as well as state owned companies.

32. Ownership without getting the necessary opportunity to develop skills and participate in the projects is of no value. We would like to see South African black Independent Power Producers very soon bidding in other countries, leading the teams developing these projects. The programme committed to employ 86% of black South Africans in top management positions.

33. Furthermore, as part of the obligations, the Bid Window 3.5 and 4 projects have made commitments in five categories, namely education and skills development, social welfare, healthcare, general administration and enterprise development. The majority of socio economic development monies will be spent in local communities and involve youth and women-owned small businesses.

34. Ladies and Gentlemen, the signing of the 27 projects is not the end of the journey, in fact it is the beginning. For this initiative to be successful, much work still has to be done, particularly with regard to lowering the prices going forward to ensure affordable electricity to all, but still contributing to the transformation agenda of South Africa.
35. Finding innovative and affordable funding mechanisms for the participation of black entrepreneurs in this space, will allow the development of black industrialists as well as ensuring participation of black entrepreneurs in main stream economy. This should be a priority going forward. The transformation agenda should not have a substantial negative impact on the price of electricity.
36. I would like to put this challenge to the IPP Office and our development finance partners to design, together with the banks, an innovative solution that will enable more transformation through access to affordable funding. Equity investment in a project has the objective to make money. Our historically disadvantaged partners through their equity must also have such an opportunity.
37. It is the Government's position that South Africa cannot address inequality, poverty and unemployment without

economic empowerment of historically disadvantaged groups such as black people, women, youth and people with disabilities without the support of the private sector. We need to accelerate the participation of youth and women in the energy sector.

38. Here in particular, I would like to propose the development of something along the lines of an Energy Transformation Charter. I would like to engage you, as our partners, to develop and mutually agree on the commitments we can make to ensure South Africa will become the energy growth hub that we all are hoping and waiting for such a long time.

Together we will be successful.

39. A shared vision of a better future for all South Africans depends on how the country can meet the needs and aspirations of its young people, men and women, while delivering electricity at affordable cost.

40. Ladies and gentlemen having signed bid windows 3.5 and 4 we still have other projects in the pipeline to be signed. Furthermore, we are still giving consideration to the expedited bid window of 1800 MW (R63.4 billion) awaiting an announcement, depending on the affordability thereof, prices, economics and value for money. This can contribute

another 80 000 jobs within the foreseeable future, however looking at the future we must ensure a win-win situation for all.

41. Electricity, whether provided by the public or the private sector, should be affordable and always be delivered on time in a disciplined manner. This also means Government must take decisions on time and without delay and as committed to the market.
42. The energy regulator, Nersa has committed to working with the new leadership of Eskom to address the challenges facing Eskom and to ensure that this state-owned company becomes sustainable for the benefit of South Africa, its people and the economy. Concrete steps will be taken during the consideration by Nersa of Eskom's new MYPD 4 tariff application which will include further allowances for the additional cost that will arise out of the Renewable Energy IPPs that are being signed today.
43. In the coming months, we will be deploying all our resources, coupled with the strength of our partnership in the private sector, interested and affected stakeholders and our Country's partners on the African continent, to mobilize and optimize our endowment of energy resources as a key

catalyst for economic growth and the welfare of people of South Africa and the African continent. This is one of my highest priorities as the Minister of Energy in consultation with other energy Ministers on the continent.

44. You can therefore understand why I believe that energy should form the corner stone of the economy to facilitate and ensure the achievement of the 5% growth projected in the National Development Plan.

45. I look forward, whilst powering our country and the region, we will ensure the empowerment the people of, South Africa, the Region and Continent.

I THANK YOU