# IPP OFFICE

## INDEPENDENT POWER PRODUCERS OFFICE

"The South African **REIPPPP has proven to be so successful** in South Africa that **the same model could be replicated across Africa**"

– Kieran Whyte, Baker & McKenzie legal firm, July 2015

# AFRICA

"needs an energy revolution"

- Akinwumi A. Adesina, President of the African Development Bank, May 2017

- 645 million Africans do not have access to electricity.
- Insufficient electrical energy infrastructure is estimated to restrict the economic growth of African countries by between 2% and 4% of GDP.
- Africa has vast energy resource potential and is committed to a mix of energy approaches, including on-grid, mini-grid and off-grid solutions to achieve the ambitious electricity access targets for the continent.
- Africa has almost unlimited energy resource potential throughout the continent.
- Africa is committed to coordinated action amongst private and public sector partners to reduce duplication and pool and mobilise resources that achieve economies of scale in Africa's energy investments.

*Information in brochure from various sources including African Development Bank, World Bank and IPP Office*

## THE PRIVATE SECTOR HAS A PIVOTAL ROLE TO PLAY IN AFRICA'S ENERGY REVOLUTION

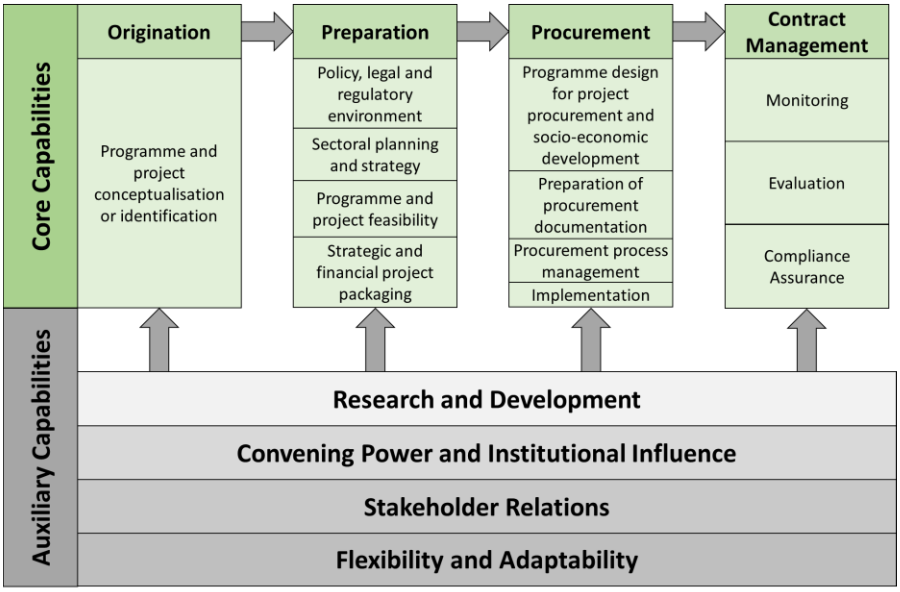
- Private equity has an opportunity to participate in a sector of the economy that has traditionally been the domain of the state / public sector.
- The AfDB's New Deal on Energy for Africa intends to leverage USD 45 billion to 50 billion from the private sector and other partners over the next 5 years.
- Private sector interest in renewable energy is particularly strong enhanced by technological advancements in on and off-grid solutions, declining technology costs and available resources.
- Although private sector funding is available, it does not find its way into infrastructure to a sufficient degree - around a quarter of global private equity funds for infrastructure are dedicated to Africa, but they actually disbursed only 7.4% of all committed funds.
- To attract and retain private sector interest Africa needs appropriate institutional and financial architecture. This includes:
  - Harmonised legal and regulatory frameworks on a regional level;
  - Regional funding instruments;
  - Driving efficiency and transparency in all transactions;
  - Creating dedicated procurement capacities;
  - Ensuring a project pipeline of bankable projects by effectively using project preparation funds and strengthening project management skills and capacity;
  - Committing sufficient national resources to ensure proper maintenance for preserving capital works.

## South Africa's Independent Power Producers Procurement Programme Office is globally recognised as a best-practice public-private partnership (PPP) initiative…

### THE IPP OFFICE

- A recognized international brand and profile, **ensuring**
- Reliable and credible governance, processes, systems and procedures, **offering**
- Competencies in programme design and implementation support, and **facilitating**
- Extensive and dynamic market stakeholder networks (public and private sector) and regular market intelligence exchange

## …with a wide range of capabilities



# WHAT DOES THE IPP OFFICE OFFER?

Competitive advantage in ensuring successful development of programmes and projects and ongoing lifetime project and programme monitoring and evaluation, whilst actively advancing the socio-economic development of poor people and communities.

## 1 SECTOR AND STRATEGY PLANNING

Demonstrated capability in facilitating and contributing innovative thinking to sector strategies and planning

Examples:

- Revolutionised the renewable energy space in South Africa;
- Designed and implemented a world-class Independent Power Producer procurement strategy and process;
- Developing a vision and strategy for the development of the South African gas industry and market;
- Contributions to Integrated Resource Planning, including the development of a price path model;
- Contributions to the implementation of South Africa's National Development Plan (NDP) to 2030;
- Contributions to South Africa's National Transmission Plan.

## 2 MARKET ENABLEMENT

- Minimizing legislative and regulatory risk;
- Reducing the cost of doing business; and
- Exploring opportunities for market expansion.

Examples:

- Contributing to regulatory reforms that enhance private sector participation in energy, including New Generation Capacity Regulations, Amendments to Electricity Regulation Act, 2006, Gas Amendment and Licensing Regulations;
- Developing proposals for the improvement of the South African Grid Governance Code;
- Designing a facility for investment in small renewable transactions;
- Designing a fund to enhance black ownership and participation in projects;
- Re-financing guidelines for existing projects.

## 3 ON-TIME INVESTMENT

Developing bankable investment programmes and projects through:

- Project preparation, including support to conducive legal and regulatory environments, feasibility studies and strategic and financial project packaging;
- Programme design for project procurement, including a focus on securing economic development outcomes;
- Procurement process management;
- Project implementation monitoring and evaluation and compliance assurance.

## 4 MACRO-ECONOMIC MULTIPLIER

Enhancing private participation programmes that:

- Reduce contingent liability on the state and help to create the fiscal space for government to prioritise growth and development initiatives;
- Improves foreign direct investment;
- Stimulates local services and support sectors through local content requirements;
- Diversifies the economy by expanding the manufacturing and services sector and exporting renewable energy components;
- Changes ownership and economic participation patterns in economies;
- Supports the socio-economic development prospects of rural communities.

## 5 KNOWLEDGE SHARING AND REGIONAL CAPACITY SUPPORT

- Innovative research and development;
- Networking, convening power and institutional influence;
- Bilateral partnerships with countries looking to diversify their energy supply;
- Developing a regional framework and strategy for working in Africa on energy.

## 6 FLEXIBILITY AND ADAPTIBILITY

- Untied from laborious government administrative processes means flexibility to respond to varying needs and requirements;
- The private participation enhancement processes and systems established by the IPP Office are replicable in most other policy sectors such as for water, education, municipal electricity distribution and others.

# IPP OFFICE

## HIGHLIGHTS

In 5 years, the Independent Power Producers Procurement (IPPPP) Programme has significantly changed the energy and economic landscape in South Africa. Outcomes achieved by March 2017 include:

- 6 422 MW of electricity had been procured from 112 renewable energy Independent Power Producers (IPPs);
- 3 052 MW of electricity generation capacity from 56 IPP projects has been connected to the national grid;
- 15 220 GWh of energy has been generated by renewable energy sources procured under the REIPPPP since the first project became operational;
- Equity and debt investment to the value of ZAR 201.8 billion, of which ZAR 48.8 billion (24%) is foreign investment, was attracted;
- Created 31 207 job years for South African citizens;
- Socio-economic development contributions of ZAR 357.4 million to date, of which ZAR 58.5 million was spent between January and March 2017;
- Enterprise development contributions of ZAR 115.2 million to date, of which ZAR 20.6 million was spent between January and March 2017;
- Carbon emission reductions of 15.4 Mton $CO_2$ has been realised by the programme from inception until the end of March;
- Successfully procured and announced the first Coal IPP Programme. Two projects totalling 863 MW with a total investment of ZAR 40.4 billion was announced in October 2016;
- Released to market the LNG-to-Power IPP Programme Information Memorandum in October 2016. Projects up to 2 000 MW to be located in the Richards Bay Industrial Development Zone (IDZ) and up to 1 000 MW in the Coega IDZ, in South Africa, with initial capital expenditure only estimated at ZAR 40 billion.

**6 422 MW**
Renewable energy capacity procured from 112 Independent Power Producers

**15 220 GWh**
Energy generated by renewable energy sources procured under the REIPPPP since inception

**31 207 job years**
Created for South African citizens

**R201.8 billion**
Investment (debt and equity) attracted by projects procured to date

**15.4 Mton $CO_2$**
Carbon emission reductions realised by programme from inception to date

## IPP Office
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