



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

Press Release

Coal-based Independent Power Producer programme announcement

Cape Town, 10 October 2016

Today, 10 October 2016, Ms. Tina Joematt-Pettersson, the Minister of Energy has announced the successful bidders for the 1st Coal-based Independent Power Producer Programme. Coal is South Africa's dominant energy source. 77% of South Africa's energy needs are provided by this mineral. Environmental considerations and the increasing prevalence of extreme climate events compel the South African government to progressively reduce our dependence on coal and traditional coal fired electricity plant technologies. As one of the United Nations Framework Convention on Climate Change participating member states, South Africa has made international commitments to both sustainable development and climate change. With the understanding that this will entail a reduction in the use of fossil fuels, these commitments signalled an important step in South Africa's journey to a cleaner energy future. In October 2015, along with Energy Ministers from the G20 countries, South Africa affirmed its commitment to enhanced deployment of Renewable Energy (RE).

South Africa's commitments to a lower carbon and carbon resilient future have also been embedded throughout the country's national policy framework. In 2010, the South African Government adopted a plan to grow the share of RE in the electricity mix from 0% to 21% over the 20 year planning horizon to 2030, simultaneously reducing the capacity share of fossil fuels in the electricity mix from 86.5% to 57%. Our Renewable Energy Independent Power Producers Programme (REIPPPP) is effecting this commitment. "As at the end of June 2016, 6 376 MW of electricity have been procured from 102 RE Independent Power Producers in six (6) bid rounds. Of this, 2 200 MW of electrical generation capacity from 44 IPP projects has been connected to the national grid", said the Minister.

Launched in December 2014, the Coal Programme is the first baseload programme which allows the private sector to generate energy using coal resources. This programme is rolled out through two (2) bid windows. **The preferred bidders of the first bid window coal baseload programme are Thabametsi and Khanyisa.** Both bidders were selected as per the stringent requirements of the first bid submission phase, with all bids reviewed and evaluated by the IPP Office.

The bidders will collectively add 863.3MW to the country's grid in the next five years, which is set to begin commercial operation in December 2020. Both projects will use proven technology from suppliers with a track record of timeous delivery. With the collective backing of foreign developers from Korea, Japan and Saudi Arabia, the SA banking sector, including the Development Bank of South Africa (DBSA), the PIC and IDC, the two bidders already have a formidable set of partners committed to enabling their projects' success, said the minister.

The Minister also said that while these two projects will add much needed capacity to our national grid, they ultimately have a far greater role to play in terms of the overall value they will add to the sector. This value has been enabled through a strategic bid design – which saw participants required to have a minimum South African entity participation of 51%, black ownership of 30%, and a weighted B-BBEE contributor status of level five in respect of locally based shareholders, among others.”

The two Coal IPPs will additionally unlock investment in much needed infrastructure and stimulate local procurement. While the over R40 164 million of debt and equity funding committed to the projects demonstrates what the investors see in the coal programme space, the jobs created both during construction (6 613) and operations (13 524) will have a positive impact on surrounding communities.

The Minister also emphasised that while South Africa's energy build plan still incorporates the development of fossil fuel assets in the foreseeable future, the department is committed to transition to a low-carbon economy, with priority to be given to clean energy alternatives, subject to current technological and cost constraints. “We are already seeking ways and new technologies to use fossil fuels with minimal carbon emissions - the RFP for the second coal bid window is being reviewed to give consideration to the inclusion of clean coal technologies” said Minister Joemat-Pettersson.

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