



Independent Power Producer Office

# Renewable Energy Independent Power Producer Procurement Programmes (REIPPPP)

## ESMAP Conference

**5 February 2019**

..."it (REIPPPP) has already established a flagship public-private partnership model for South Africa, and indeed the rest of Africa."

- Enabling Renewable Energy in South Africa: Assessing the REIPPPP, WWF, August 2014  
a partnership between



energy

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national treasury

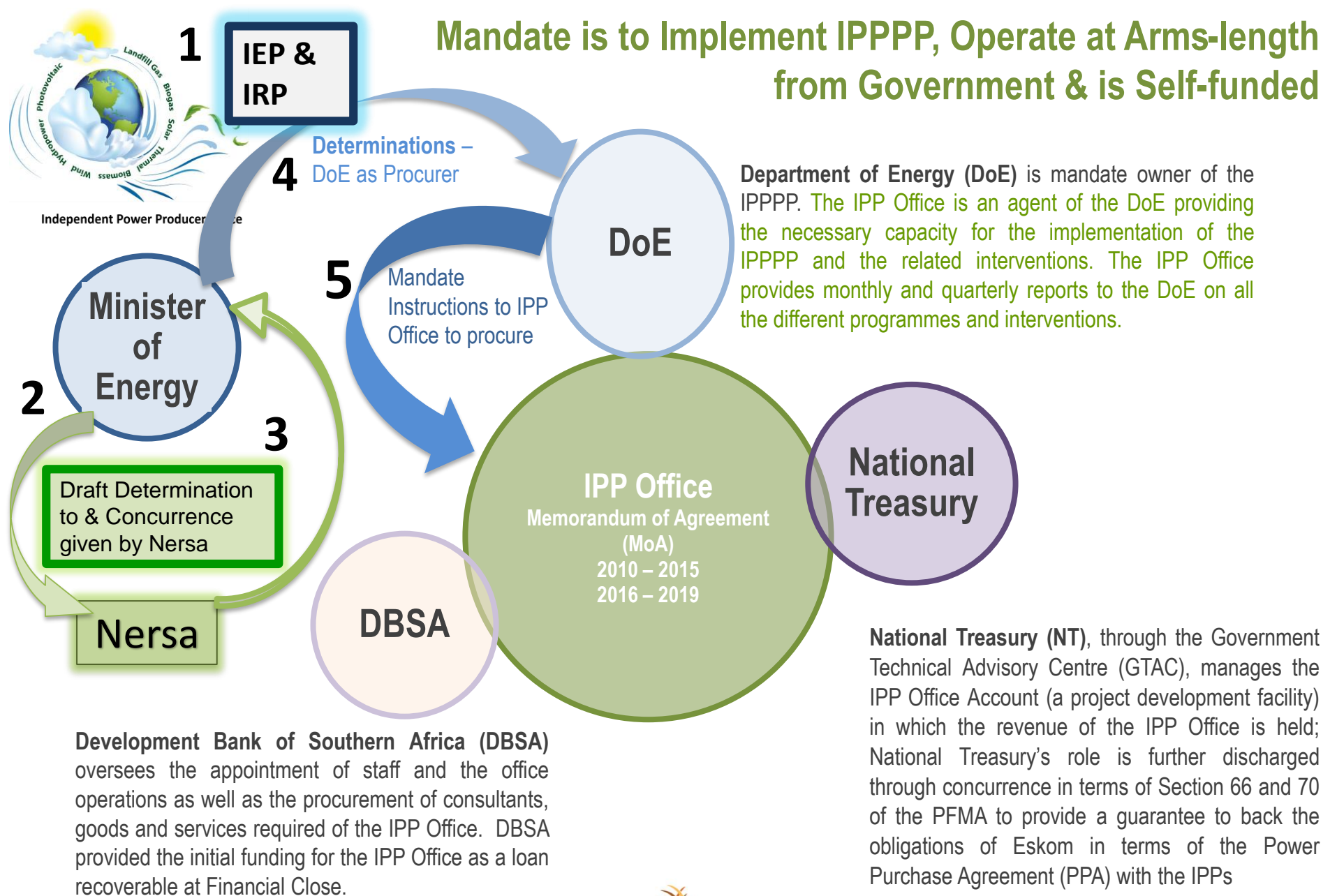
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# Content

1. Mandate of IPP Office
2. Key features of the Independent Power Producer Procurement Programme (IPPPP)
3. Future Opportunities
4. Conclusion and Way Forward





# Key Features

SA's IPP Programme has catalysed, in 7 short years, a profound shift in South Africa's energy market and the economy

- IPP creates much needed fiscal space for government for investment in areas of priority such as education, health and social welfare by crowding in infrastructure investment by the private sector
- REIPP contributes to the diversification of the energy-mix and has changed the landscape of electricity generation, trading and contested access to the national grid
- IPPPP is an innovative vehicle for promoting local investment, ownership and participation, and has stimulated:
  - local production, manufacturing, and new services industries,
  - the introduction of new technologies and formation of new research and knowledge centres among tertiary institutions and in the private sector, and
  - economic activity / opportunities, particularly in rural areas

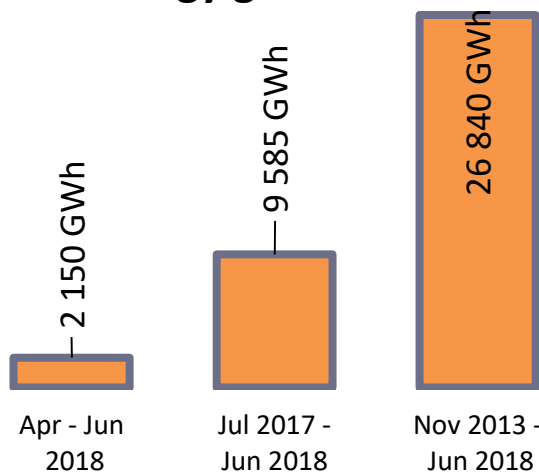


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# REIPPPP shifting the Energy Market

The REIPPPP delivering clean energy timeously and cost effectively

## Clean energy generated



**27.2**  
**Mtons**  
**CO<sub>2</sub>**

emissions displaced per annum, by the current portfolio (that have reached financial close), once fully operational at maximum capacity.

Carbon

Water



**32.2**  
**Million**  
**kilolitres**

of water saved per annum (by projects that have reached financial close, once fully operational at maximum capacity).

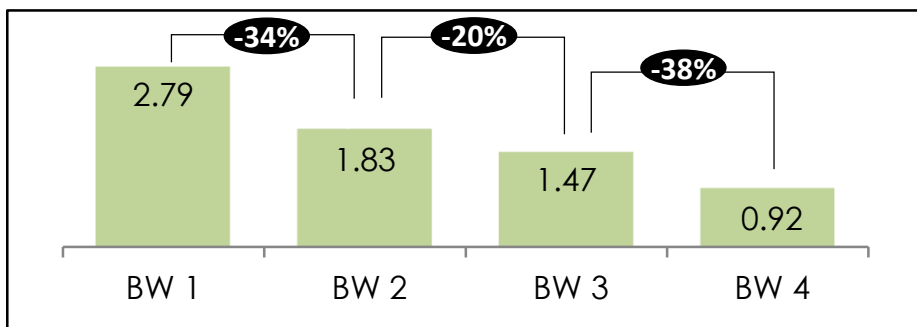
- Since the end of 2013, the IPPPP increased SA's installed and operational RE capacity to more than 3 GW
- As at June 2018, 97% of IPPs scheduled to be operational have started commercial operations.
- The average lead time for these 62 projects to complete construction has been 1.9 years.
- The 27 projects signed in April 2018 provide an additional 2 305 MW (contracted) capacity.



# REIPPPP shifting the Economy

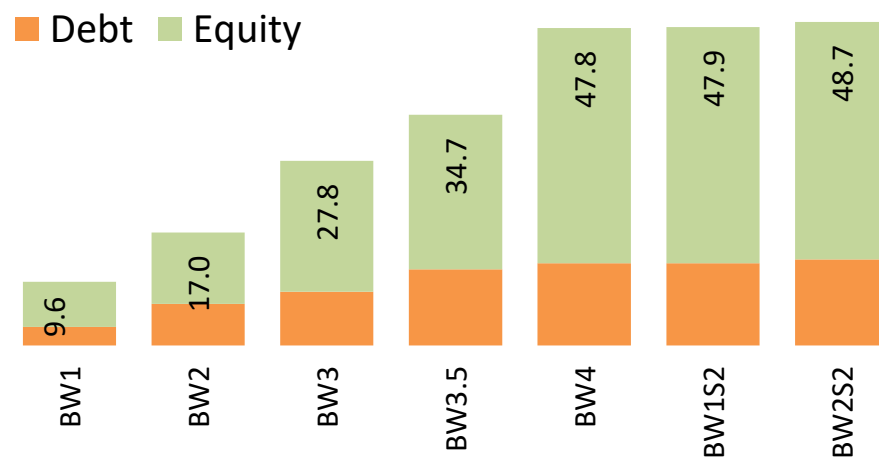
...by supporting broader economic development objectives

**Portfolio price trend (R/kWh Apr 2018 Terms)**



Indications are that prices will continue to decrease in future rounds as low as R0. 40/kWh.

**Total foreign investment relative to total investment (cumulative total R201.8 billion)**



The 27 recently signed projects will provide foreign investment of R17.9 billion (32%) and domestic investment of R38 billion with a total investment of R55.9 billion

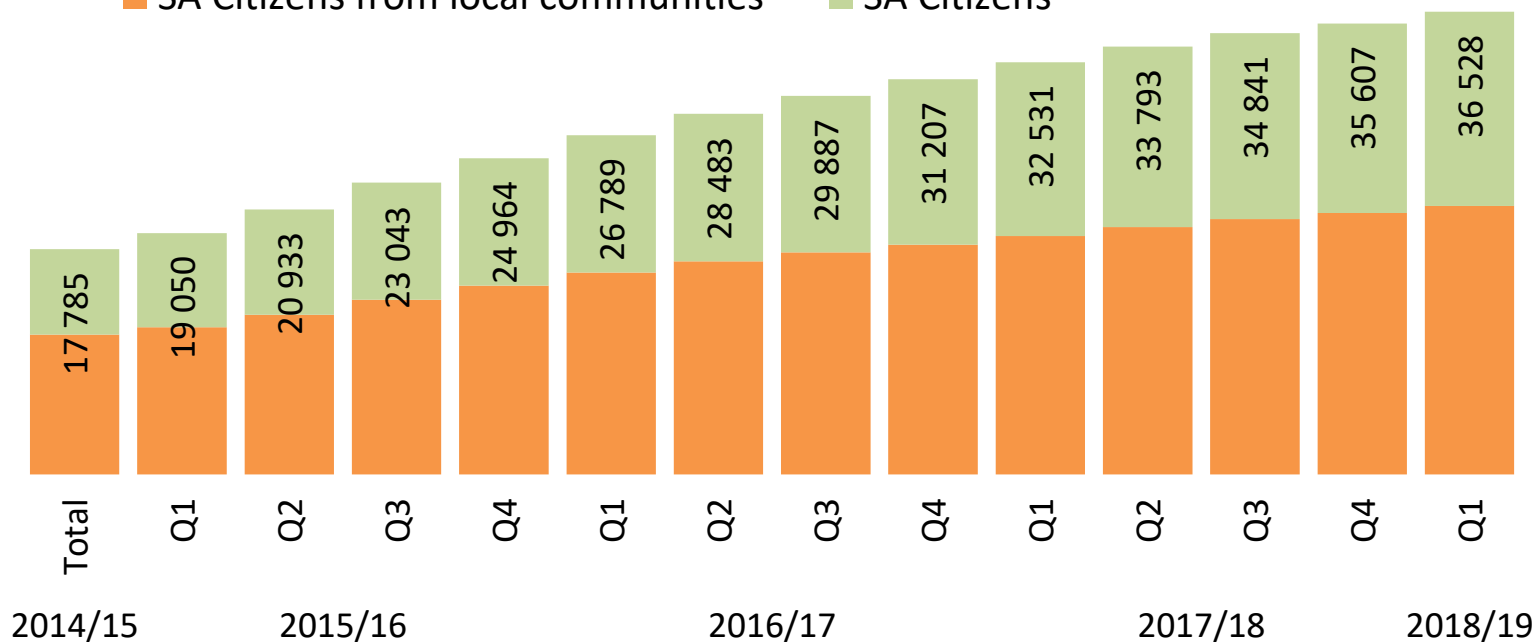


# REIPPPP Shifting the Economy

...by supporting broader economic development objectives (...2)

## Direct Employment Creation by projects (job years), excluding indirect and induced jobs

■ SA Citizens from local communities ■ SA Citizens



RE generation plants are capital intensive and technologically advanced.

**36 528 direct Job Years (41 451 Full Time Equivalent jobs - DPW measurement)** created for South African citizens by June 2018, including people from communities local to the IPP operations. Of these jobs 85% were created **during construction** and 15% in the operational phase of the projects.

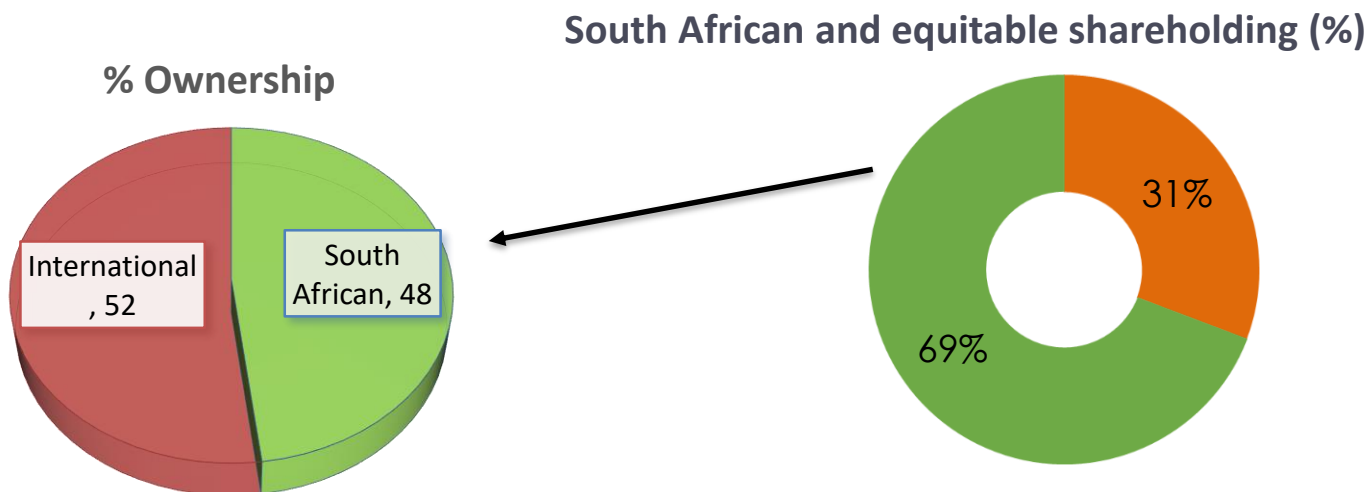
**40 698 Total job years (46 184 FTE jobs)** created in total by the programme to date of which **41% is for the youth**.

The 27 recently signed projects will provide **54 362 total job years (61 688 Full Time Equivalent jobs)** of which **95% is for SA citizens** during plant construction and operations.



# REIPPPP Shifting the Economy

...by supporting broader economic development objectives (...3)



1. Empowered South Africans, who own on average 48% equity in all IPPs;
2. Broadened Black Economic Empowerment, as Black South Africans own, on average, 31% of project equity (shareholding) in the projects which have reached financial close (i.e. projects in BW1 – BW3.5); and
3. Secured 10% equity in IPPs for local communities, who will receive R29.3 billion net income over the life of the projects (20 years).

**For the 27 recently signed projects, 57.8% is owned by South African shareholders and Black shareholders own 40% of the equity.**





# REIPPPP Shifting the Economy

The REIPPPP represents the country's most comprehensive strategy to date in achieving the transition to a greener economy. It has catalysed large investments in manufacturing and indirect job creation

## Local content spend (Rand billion)

### Committed

**45%**

of total project  
value



**R 67.1 billion**

### Actual at June 2018

**51%**

of total project  
value realised  
to date



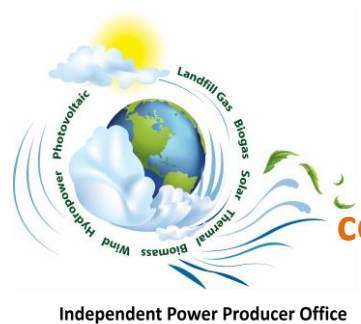
**R 42.1 billion**



The local content commitments for all procured projects amount to approximately **R67.1 billion**. REIPPPP has boosted local manufacturing to the extent that a small export industry has started to develop with imports of solar photovoltaic and wind turbine components progressively declining since 2012.

Performance data obtained from IPPPP Quarterly Report (April to June 2018)

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# REIPPPP Shifting the Economy

Ensuring economic and socio-economic benefits to communities through contractual obligations to spend between 1% & 1.5% of the project revenue on socio-economic development and 0.6% on enterprise development

## Socio-economic development (SED) (Rand billion)

**Committed**

**2.2%**

of committed  
revenue



**R 20.6 billion**

**Actual at  
June 2018**

**1.2%**

of achieved  
revenue



**R640 million**



**39.7%**

Education and skills  
development



**10.0%**

General administration

## Enterprise development (ED) (Rand billion)

**Committed**

**0.7%**

of committed  
revenue



**R 204.6 million**

**Actual at  
June 2018**

**0.4%**

of achieved  
revenue



**R 6.4 billion**



**4.3%**

Health care



**21.1%**

Social welfare



**24.9%**

Enterprise development

Performance data obtained from IPPPP Quarterly Report (April – June 2018)

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of Southern Africa

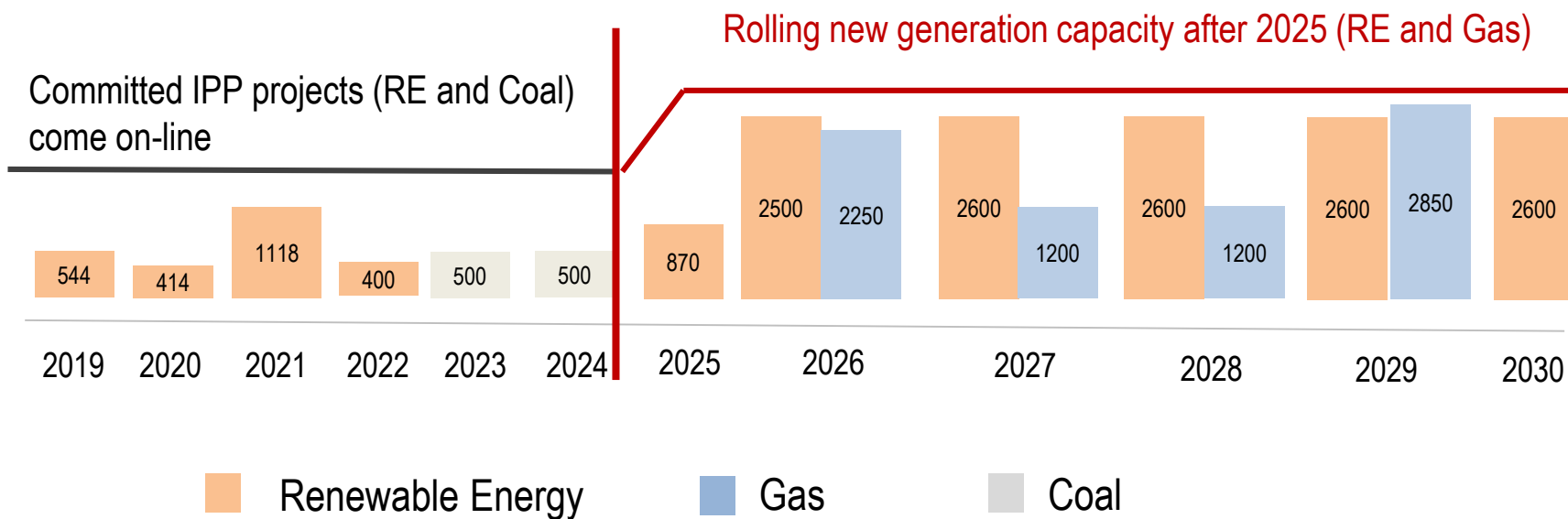


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# Future Opportunities

Draft 2018 Integrated Resource Plan includes committed Renewable and Coal Energy IPP projects, and projects rolling new generation capacity in RE and Gas from 2025 onwards





# Conclusion and Way Forward

- Further planned IPPPP Bid windows hold significant potential for investment, jobs, stimulation of local manufacturing and production and SMME and socio-economic benefits to communities surrounding the IPPs but also to the country as a whole.
- DoE is currently processing all comments received as part of the public hearings and public participation process
- All new IPP Programmes will be guided by the final 2018 IRP which is expected to be finalized by close of the 2018/19 financial year.



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# Thank You

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