3rd Annual Meeting of the San Giorgio Group

Expanding Green, Low-Emissions Finance

Financing High-Cost Renewable Energy
The Case of CSP

3 - 4 October 2013
IPP’s allocated 3725MW in 1st determination and 3200MW in 2nd determination by 2020.

42% of Newgen capacity.

CSP 5.6%! Can we improve on this?
Concept in the late 1990’s / assisted by GEF funded studies

Technology choice made in 2008/09 - tower, central receiver
  - Higher plant efficiency
  - Lower Levelised Cost of Energy
  - Higher potential for localisation and socio economic benefits

Had to address financing constraints and technology risk

Equity Funds

Multilateral / DFI’s and Clean Technology Fund

The technology risk remains and work on this aspect will be addressed during RFP phase
## Funding Plan - CSP

<table>
<thead>
<tr>
<th>In USD m</th>
<th>Total Funding USD m</th>
<th>CTF (through IBRD)</th>
<th>CTF (through AfDB)</th>
<th>WB IBRD</th>
<th>AFDB</th>
<th>AFD</th>
<th>KfW</th>
<th>EIB</th>
<th>ESKOM</th>
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<td>195</td>
<td>220</td>
<td>130</td>
<td>100</td>
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Total Cost (USD)

| Total Cost (USD) | 200 | 50 | 195 | 220 | 130 | 100 | Due Diligence | Shortfall |
Principal Challenges – Financing Models

- Corporate BS Financing for specific project with WB bidding processes
  - Steep procurement learning curve including renewables
  - Concerns re suitability of bidding documents
  - Harmonisation a challenge – MOU
  - O&M and performance
- Financing in a project development phase – constantly evolving – studies to confirm choices of technology
- State of technology and relative cost
  - Concessional finance does not obviate the duty of care
  - Technology and other risks
Principal Challenges – Financing Models

- Project revenue and the corporate financing structure
  - Financing constraints remain in a different guise - revenue
- Risk allocation – Project finance vs Corporate Financing
- Managing the exchange rate risk ($/R 7.5 – 10)
- Renewables portfolio small in relation to the overall security of supply challenge – anticipate it in the replication
- Continuity - deal team vs implementation team – profit is key for private sector, process governs public sector
Renewables may need a different model, especially as far as utility implementation is concerned - size and process is hampering the focus.

Risk allocation – Project finance vs Corporate Financing – lines are blurred, especially in a competitive environment.

Wind more manageable – proven technology.

Managing the exchange rate risk ($/R 7.5 – 10).

Renewables portfolio small in relation to the overall security of supply challenge.
Integrated Resource Plan gives direction

New Generation policy and REIPPP

Green economy a focus for job creation and localisation, expectations have been created – are we ready, delivery on these could impede progress

Sovereign Guarantees for Loans from MDB’s and CIF – is this facilitating decisions but hampering progress

Regulation - Affordability remains a concern in the context of the build, its not only a renewable challenge!
Drivers / Benefits / Considerations for a Revised Model

- Financial and technology constraints - lessons learnt are a catalyst rather than an impediment for scalability
- Investigating an alternative structure
- Prudent risk management of new generation technology, transparency required to address concerns iro costs
- Although cost and access to DFI finance aids it is not the only consideration
- PRG’s type structure – a new role for DFI’s and/or ECA’s
- FX risk – funding for this risk – a global fund, drawing right type structure?
- Equity from technology and others
- Regulated vs Non-regulated – is this the way forward?
Thank You.