

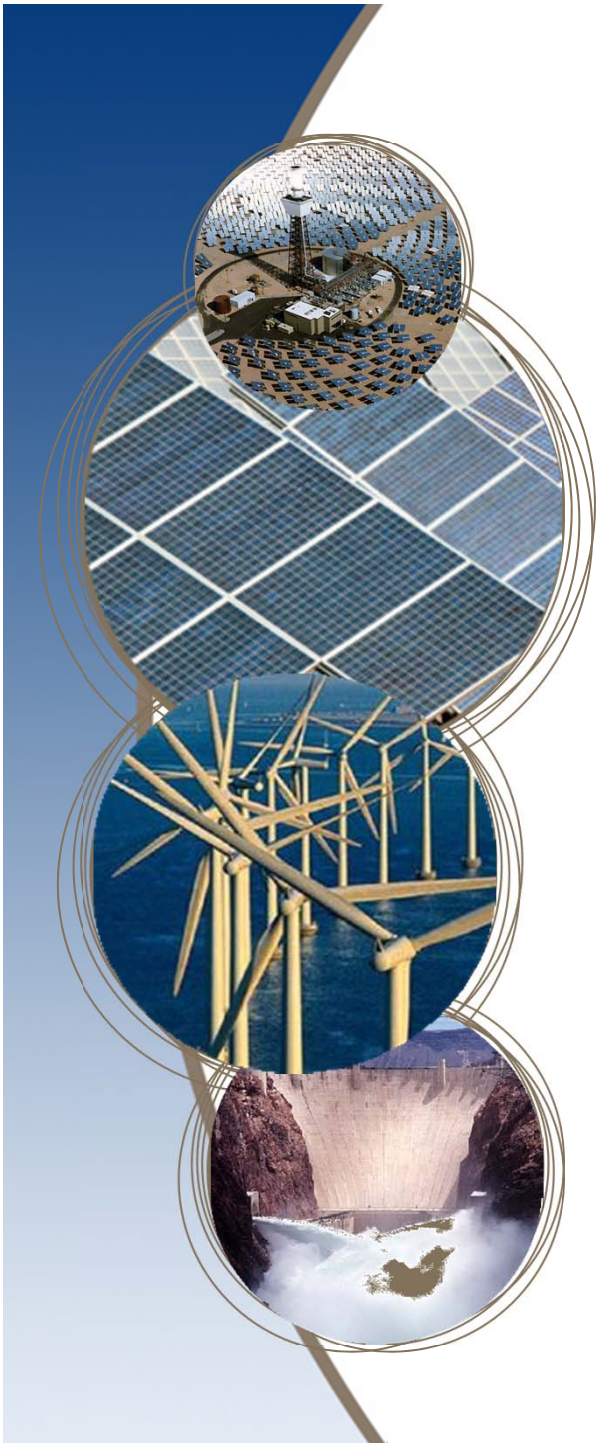


3rd Annual Meeting of the San Giorgio Group

Expanding Green, Low-Emissions Finance

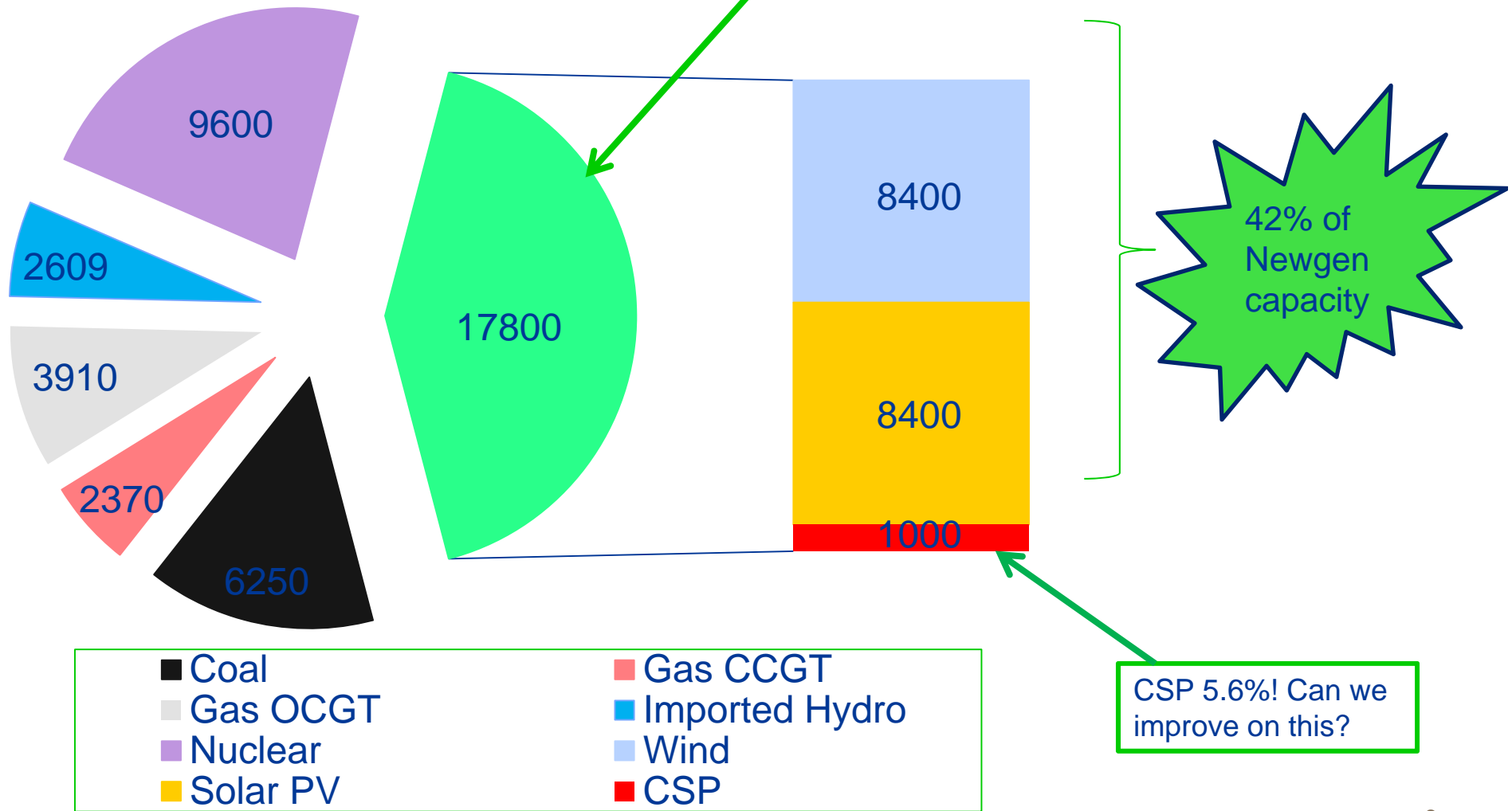
Financing High-Cost Renewable Energy
The Case of CSP

3 - 4 October 2013



New Generation by Primary Energy Source - IRP 2010

IPP's allocated 3725MW in 1st determination and 3200MW in 2nd determination by 2020



- ❑ 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



In USD m	Total Funding USD m	CTF	CTF	WB IBRD	AFDB	AFD	KfW	EIB	ESKOM
		through IBRD	through AfDB						
Total Cost (USD)	??	200	50	195	220	130	100	Due Diligence	Shortfall

- ❑ 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 iro technology and other risks

- ❑ 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!

- ❑ 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.