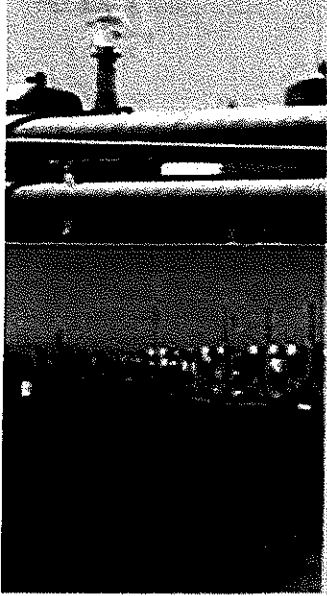
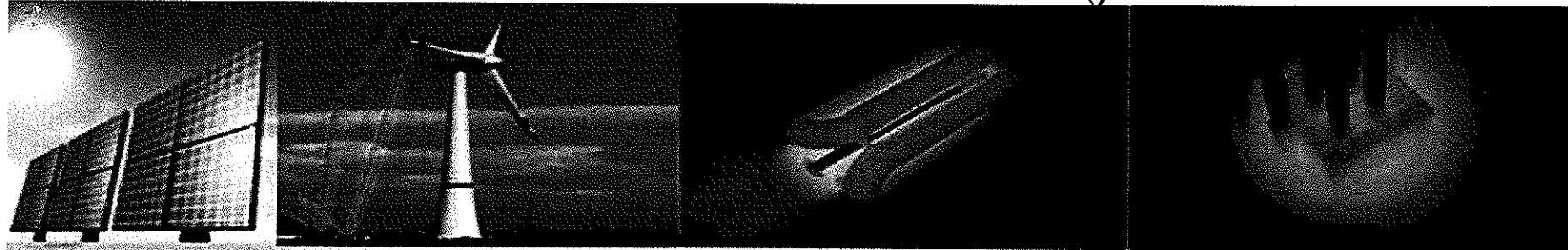


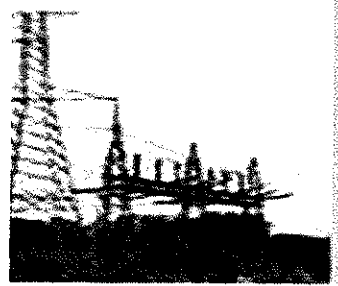
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# **Department of Energy**

## ***South African Renewable Energy Initiative***

***19 April 2012***



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# Scaling up renewables to meet energy, climate and industrial goals



*New Growth Path*

*Aim for green economy to create jobs*

EM1

**Energy Strategy**

*Diverse energy resources in sustainable quantities and affordable prices to ensure energy security of supply and to support economic growth and poverty alleviation, taking into account the environment.*

**Climate Change Response**

*Commitment to enable a 34% deviation below BAU by 2020 and 42% deviation by 2025, depending on the provision of finance, technology and support by developed countries.*

**Industrial policy**

*Renewables industry can contribute to the development of dynamic industrial, globally competitive, labour absorbing South African economy as well as green growth.*



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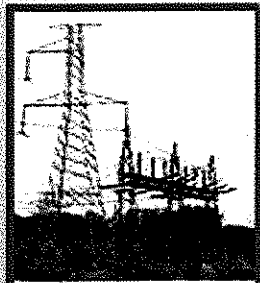
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Slide 2

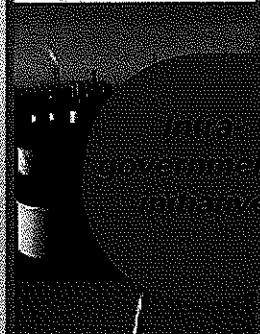
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**EM1**

We do not have definitive figure on this matter and it should be left out as it is dependednt on so many other factors.  
Elizabeth Marabwa, 2011/10/31

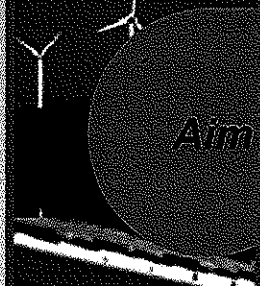


SARi's objective is to catalyse a critical mass of investment in renewable capacity to support fleet procurements.



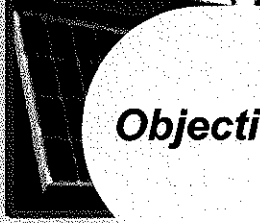
*Inter-governmental initiative*

*Overseen by a Project Steering Committee co-chaired by the Department of Energy and the Department of Trade and Industry.*



*Aim*

*To catalyse South Africa towards a green growth pathway through the building of both a renewables generation and associated industrial cluster.*



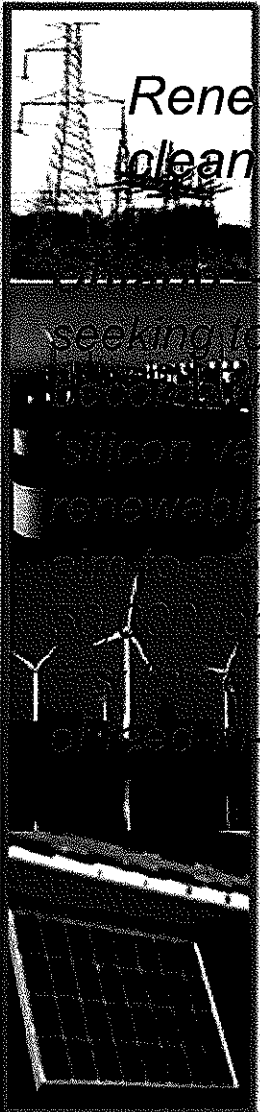
*Objective*

*To design and facilitate the establishment of the **financing arrangements** needed to enable a critical mass of renewables to be developed, without incurring unacceptable incremental cost burdens on South Africa.*



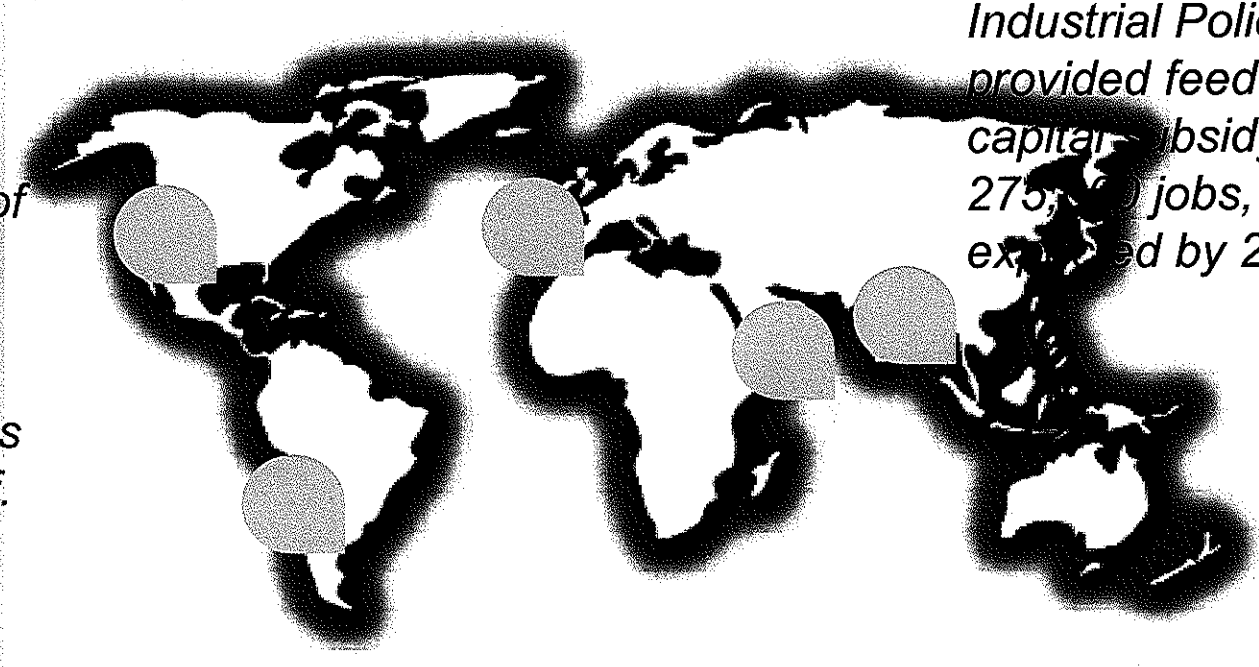
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*Renewable programs globally are driven by industrial policy as well as clean energy goals*

*seeking to replicate the 'silicon valley of renewables' to create 275,000 jobs in 2020 years on feed-in-tariff.*



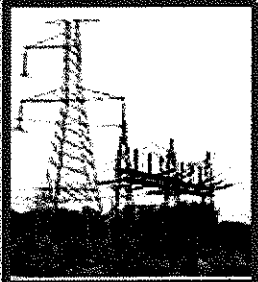
**Germany** – “Ecological Industrial Policy” provided feed in tariff, capital subsidy – over 275,000 jobs, 400,000 exported by 2020.

**India** – Solar mission aims to generate 20GW from solar by 2022, for energy security and to create favourable conditions for solar thermal manufacturing

**China** - Plans for 500GW renewables (mainly hydro and wind) by 2020. Local content rules enabled build up of wind industry over past 10 years, recently removed.



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# SARi in a broader policy context

Power  
Purchase Policy

change

Energy  
planning

Industrial  
policy

**Ambitious  
target for  
renewables**

- **National vision** for green growth.
- **Ambitious target** to achieve critical mass of renewables

**Domestic  
policy  
environment**

- **Institutional frameworks** to reduce investor risk.
- **Guaranteed purchase of renewables**

**Financing  
mechanism**

- **Low cost loans and financial risk mitigation instruments**
- **Funding the gap** through combination of international grant and modest domestic contribution.

**International  
collaboration**

- **International design collaboration** to develop an implementable partnership.
- **Developing long-term funding frameworks** for contributions from DFIs and donors.

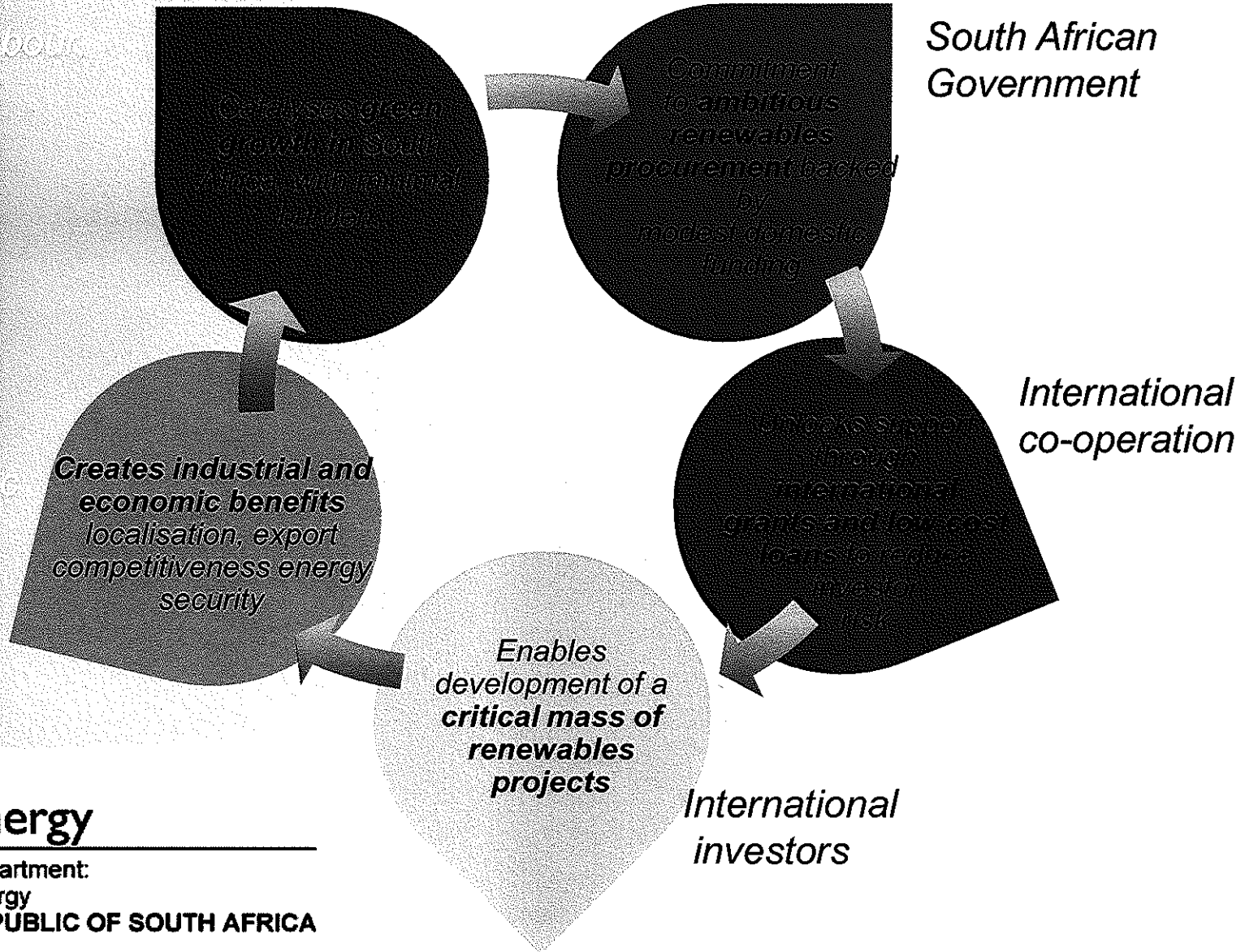
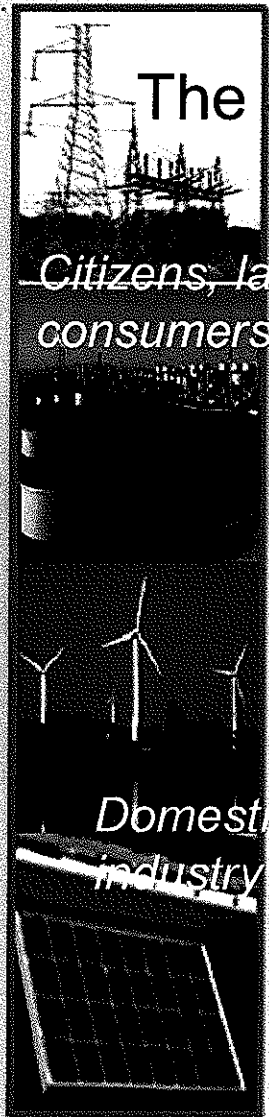


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**SARi focus**

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# The SARI aims to unlock public and private, domestic and international funding to scale up renewables

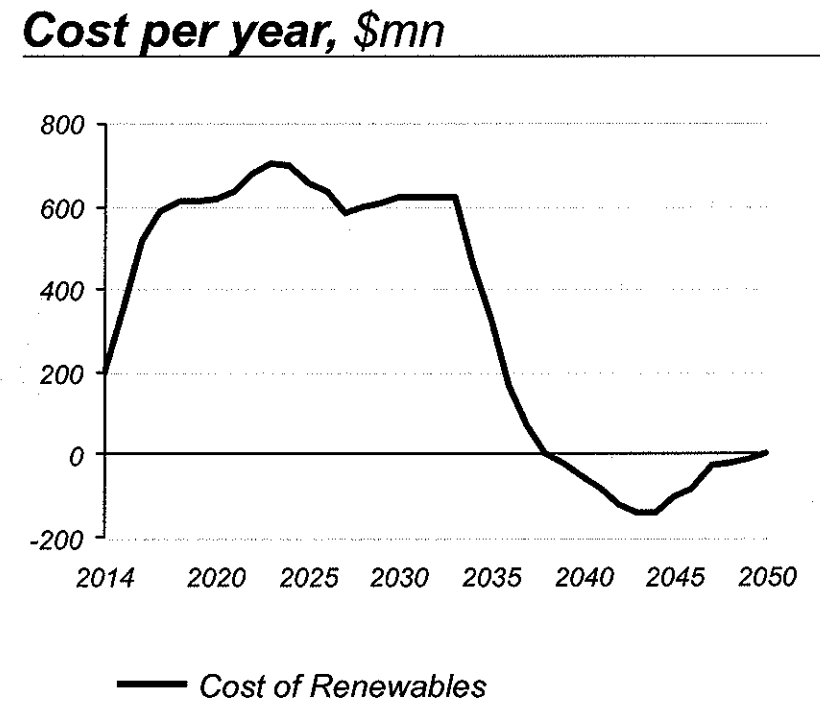
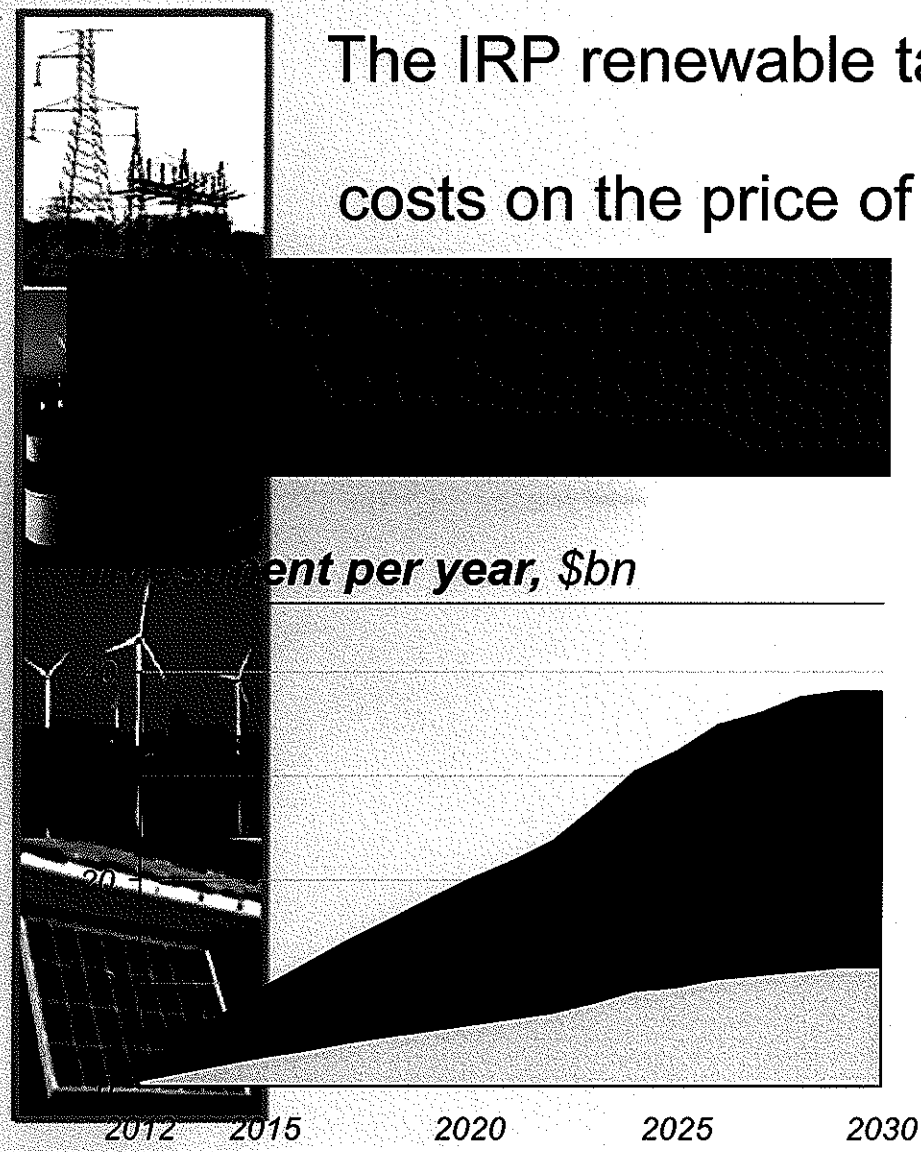


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The IRP renewable targets will impose incremental costs on the price of energy over and above coal.

*US\$6.8 billion incremental energy cost (present value) will be passed on if this is purely commercially financed.*

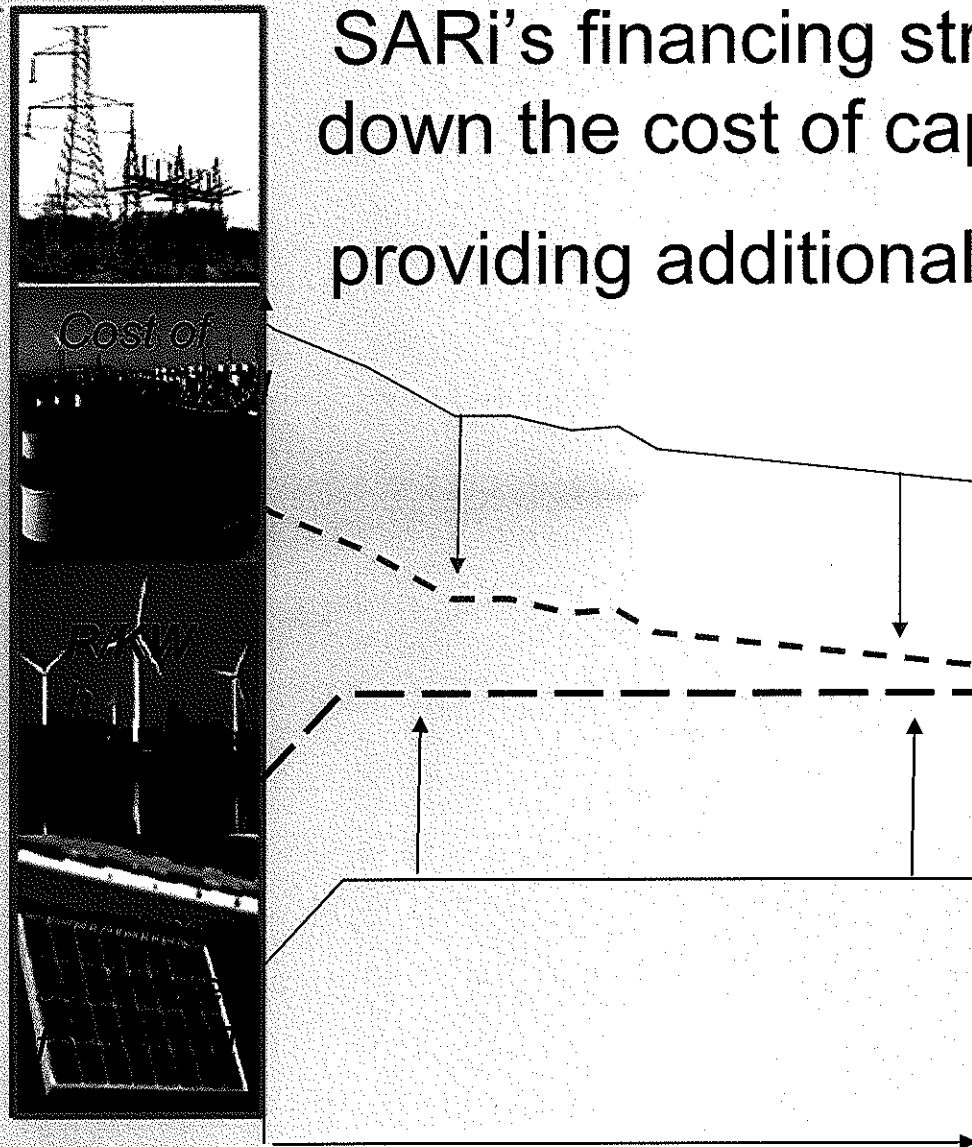


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— Cost of Renewables



SARi's financing strategy involves bringing down the cost of capital for renewables and providing additional funding for the REFIT.



1



**Decrease the cost of renewables through international concessional debt and guarantees**



**Increase funding available for renewable energy through planned increase in South Africa's general electricity tariff, domestic contribution to REFIT and possible international grant.**



**Increase funding available for renewable energy through planned increase in South Africa's general electricity tariff, domestic contribution to REFIT and possible international grant.**

Time

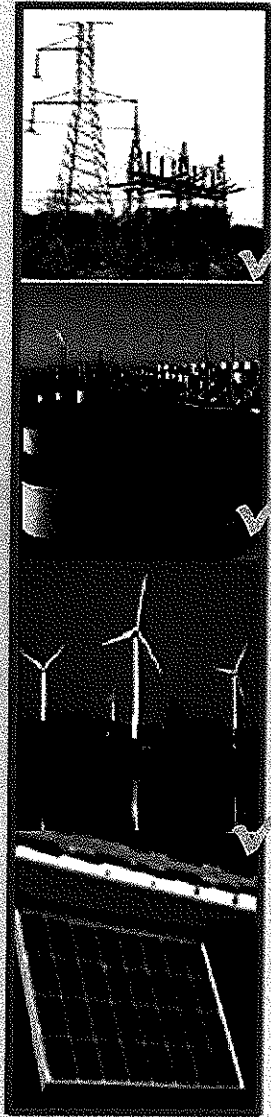


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Source: SARi model v10.1 team analysis

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## Summary: There are a range of benefits associated with SARI

**Enhanced energy security.** Embarking on an ambitious renewables development pathway would improve South Africa's reserve margin.

**Industrial development opportunity.** Sustained installation demand can drive high levels of localisation. This is an economic opportunity to create jobs and attract investments in the energy sector.

**Achievement of Copenhagen commitments.** Significant contribution to reducing carbon GHG emissions growth.



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# Progress to date of SARI



International  
Engagement

International  
cooperation

- Support by international research team is on hold currently
- International review process will commence soon
- Further work will be done after approval by PSC

- Emerging group of founding partners who signed Declaration of Intent are UK, Denmark, Norway, Germany and the European Union Investment Bank in Dec 2012.
- Discussions are progressing with other interested parties such as Switzerland.



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## Progress to date of SARi



### Current initiatives

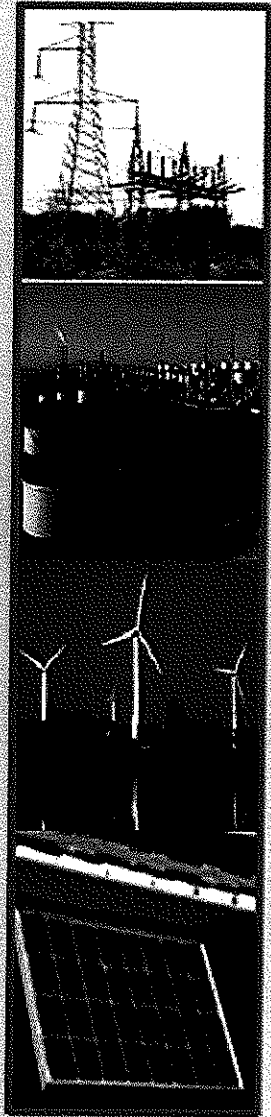
- SARi mandated by cabinet. & adopted as part of IPAP and Climate Response Strategy
- NT is working on the financial model to enable rolling out of SARi funding
- The DOE is working on the institutional architecture of SARi - funding of the structure and employment of personnel
- PSC was set up and active & will map the implementation strategy for SARi
- NB Need for strong ongoing cooperation between Treasury, DTI and DOE. And other Departments.



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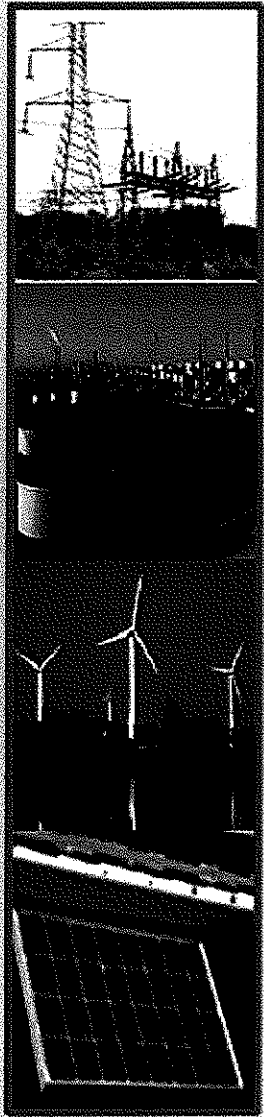
## Progress to date of SARi

- The dti has handed over the initiative to the Minister of Energy February 2012
- A submission has been done and recommendation is
  - The Minister accepts the handover of SARi to the Department of Energy
  - Project team has submitted a report
  - The transfer has financial implications to operationalising SARi,
  - the DTI offered to fund SARi secretariat services for a period not exceeding six months
  - The International stakeholders are being consulted to support funding of the SARi secretariat
  - The DOE to appoint a secretariat to manage the project
  - NT to provide funding for SARi secretariat in the long-run.



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Thank you



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