

Financial close brings certainty for IPP preferred bidders

Energy Minister Dipuo Peters announced on 5 November 2012 that the Department of Energy had worked closely with the 28 preferred bidders of Round 1 of the Renewable Energy Independent Power Producers Procurement Programme and that financial close had been attained.



Kieran Whyte, director and national head of the Projects and Infrastructure Practice at Cliffe Dekker Hofmeyr said it was a very large procurement process even by international terms; 28 projects trying to get to financial close in a short time frame is unprecedented in this country.

"Everyone has been eagerly awaiting the financial close announcement because now there is certainty, and one of the pillars of a successful project is certainty. South African Department of Energy's Renewable Energy IPP Procurement Programme is currently seeking to procure 3 725 MW of renewable energy capacity from independent power producers (IPPs) - including wind energy producers - between 2012 and 2016," Whyte said.

SA institutions are the lenders

Cliffe Dekker Hofmeyr is currently advising preferred bidders under Round 1 and Round 2 and is under mandate for Round 3 of the programme. The mandates are spread amongst acting for developers, lenders and contractors. The developers and sponsors are both South African and international, and the lenders are South African financial institutions. Financial close for Round 2 of the programme is expected in March next year.

Whyte said the IPP programme was well put together and managed, although fairly rigid and as a result people had to adopt commercial positions based on rigidity, which was new for foreign developers as they were usually able to negotiate agreements.

"The latest and most advanced renewable energy technology had been introduced in South Africa because of the IPP programme, which was great news for the country. A long-term sustainable renewable energy procurement programme will also stimulate job creation and localisation opportunities," he explained.

Enhancing market competition

"A continued rolling renewable energy bid programme would also enhance market competition amongst developers. The successful roll-out of bid phases 1 and 2 would further reduce perceived programme risk. In the past, some major equipment and EPC contractors were concerned about South African risk. Because of this programme we are seeing new developers and investors coming in to the country," Whyte said.

"Another positive is direct foreign investment and the continued commitment to the IPP programme shown by South African financial institutions. We have acted on photovoltaic, concentrated solar power, wind, hydro, biomass and landfill gas projects. Both our Cape Town and Johannesburg offices were involved in the projects across many practice areas from projects and infrastructure, project finance, environmental, corporate and commercial, intellectual property, BEE, construction and engineering, employment including immigration, tax including foreign exchange as well as customs and excise, competition, public procurement and administrative law," said Whyte.

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