

Sappi NGX energy project

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Sappi welcomes the selection as preferred bidder of the Ngodwana Energy Biomass Project for the South African Government Renewable Energy Independent Power Producer Programme

- **25MW biomass project to be erected at Sappi Ngodwana Mill in Mpumalanga, South Africa**
- **Biomass to be supplied from local plantations**
- **Project partners are Sappi Southern Africa, KC Africa and Fusion Energy**
- **Broad-based participation assured through the Ngodwana Energy Employees Trust and the Ngodwana Energy Community Trust which will each hold a 5% stake in the project**
- **Project selected in the 4th window of the Department of Energy's Renewable Independent Power Producers Procurement Programme (REIPPPP)**
- **ELB Engineering Services appointed as EPC contractor**

Sappi Southern Africa CEO Alex Thiel welcomed the announcement made on Friday 10 April 2015 that Ngodwana Energy has been chosen as a preferred bidder in the Department of Energy's 4th window Renewable Independent Power Producers Procurement Programme (REIPPPP).

The Ngodwana Energy project is situated 50km west of Mbombela in the Mpumalanga Province on the Sappi Ngodwana Mill Site and will feed electricity into the national grid near its location within Elands Valley, between Emgwenya (formally Waterval Boven) and Mbombela (formerly Nelspruit).

The Project will contribute to the growth and development objectives of the National Government, Mpumalanga province, the communities and businesses in the vicinity as well as Eskom and the citizens of South Africa. The value added by Ngodwana Energy to the Mpumalanga region and National Government over the term of the PPA is significantly higher than alternate renewable energy technologies due to the extent and impact of value creation. Significant ongoing value is created due to the nature of biomass projects and the monetary and job creation spend across the project value chain; from collecting biomass in the plantations, through plant and equipment contracts, to community impact through the Trusts and the economic development and socio-economic development spend as well as shareholder returns.

"Sappi is pleased to be able to contribute to the increased availability of renewable energy in South Africa" commented Alex Thiel. "Sappi will continue to focus on extracting maximum value from the renewable and sustainable wood fibre that we grow. This project builds on our earlier R3bn investment at Ngodwana Mill and further strengthens our presence in Mpumalanga province".

Globally Sappi has developed and constructed five hydro, two gas and 31 steam turbines which generates around 800MW of renewable power on 14 sites across seven countries.

In addition to Sappi Southern Africa and its project partners Fusion Energy and KC Africa, an Ngodwana Energy Employees Trust and an Ngodwana Energy Community Trust will each hold a 5% stake in the project.

"This announcement is an affirmation of what we are doing as Fusion Energy and the opportunities that lie ahead for the company," said Wendy Green, CEO of Fusion Energy.

KC Africa's President, Ki Kyeong Kim's commented: "This successful bid for Ngodwana Energy is a big achievement and a

giant step for KC Africa and for our parent company, KC Green Holdings in South Korea. It is an honour to be able to jointly cooperate and develop with Sappi and Fusion on such an important project and to be able to contribute to the building of sustainable renewable energy in South Africa. It is a mark of our belief and confidence in the project, in all the parties involved and especially in the country and government."

Kim further added that "We wish to show Africa what Korean industry can contribute to this great Continent and together with JSC's Creative Power Division (listed on the KOSDAQ under 'JSC', Issue Code: A080220) collaborating with KC Cottrell on the technology side, this project will further enhance confidence."

"ELB Engineering Services is honoured to have been appointed the EPC contract to supply the power plant for this project, which we believe will become a reference Biomass plant for Africa. With our international technology partners we will supply a power plant aligned with the specific requirements of Ngodwana Energy for the South African environment" said ELB CEO, Dr Stephen Meijers.

Only a small number of biomass projects are currently operating within the South African renewable energy market.

The benefits of using biomass fuel for electricity generation are clear:

- Biomass power has a high load factor (Base Load) in the region of 200 000MwH per annum (90 % in comparison to other technologies which have 30 - 40% availability factors);
- The value chain creates higher employment in operations;
- This is technology proven over many years;
- The forestry industry is not as affected by seasonality and climatic conditions in contrast with annual crop supply chains; and
- Unlike coal the forestry industry can reinvest in raw material supply by replanting trees for future use as an energy source.

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