

Miga guarantees solar PV investments

Guarantees covering 90% of investments made by Scatec Solar ASA for constructing, ownership, operation and maintenance of six solar photovoltaic (PV) power plants in South Africa, have been issued by Miga, a member of the World Bank Group. They cover against the risks of breach of contract and transfer restrictions and convertibility for up to 15 years.



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Three of the plants (Kalkbult, Dreunberg and Linde) have been in operation since 2013 and 2014, while the others (Sirius, Dyason's Klip 1 and Dyason's Klip 3) are currently under construction. The six plants are expected to generate a combined 1,000GWh of power that will be sold to Eskom, South Africa's state-owned utility, under 20-year PPAs.

"By covering not only greenfield, but also brownfield projects, we are encouraging additional investments in renewable power," said Keiko Honda, Miga EVP & CEO. "We are helping decrease perceived levels of risk and increasing capacity for sponsors."

Climate-related shocks are expected to constrain South Africa's aspirations for inclusive development, with the rural poor already suffering disproportionately from droughts and water shortages.

Miga has had a longstanding commitment to helping South Africa transition towards becoming a low-carbon economy. It has previously provided credit enhancement in support of adding new transmission lines to provide basic electricity

connections for customers, as well as guarantees for three wind farms.

These plants will contribute to the diversification of South Africa's energy mix, helping avoid 17m tons of GHG emissions.

REIPPP

The six projects were selected as part of the South African Renewable Energy Independent Power Procurement Program (REIPPP). The REIPPP has successfully channelled substantial private sector expertise and investment through multiple rounds of bidding into grid-connected renewable energy at competitive prices. Prices have dropped over four rounds of bidding, with average solar PV costs dropping by 75% in nominal terms, and making renewables the most price-competitive power source in South Africa. Miga's support for the plants highlights the demonstration effects of earlier rounds of bidding.

The REIPPP requires that independent power producers (IPPs) undertake economic development obligations in addition to proposing competitive tariffs. In this context, Scatec Solar is contributing a fixed percentage of its IPP revenues to develop stakeholder engagement plans and implement local community development initiatives within education, health and infrastructure. Moreover, at least 5% of the shares of each of the Scatec Solar IPPs are owned by broad based trusts with a sole purpose to finance such initiatives for the benefit of local communities.

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