

IPP projects may miss extended funding deadline

By [Promit Mukherje](#)

1 Nov 2023

South Africa's hopes for a raft of new power projects to help it out of a crippling energy crisis are fading, with investment still elusive as an already extended funding deadline looms says government officials, companies and bankers.



A man walks beneath electricity pylons during frequent power outages from South African utility Eskom, caused by its ageing coal-fired plants, in Orlando, Soweto. Source: Reuters/Siphiwe Sibeko

Africa's most developed economy is facing daily power cuts due to regular breakdowns at state power utility Eskom's ageing coal-fired plants and needs an extra 4-6GW of generating capacity, officials say, to end rolling blackouts.

But of the 11 power projects selected to deliver nearly 2GW of new capacity by mid 2023 during a fast-tracked 2020 emergency auction, eight, representing more than 90% of the anticipated capacity, have yet to even secure investment.

Following the COVID-19 pandemic, the projects, a mix of solar, wind, battery storage and natural gas, have faced rising interest rates and higher costs for everything from solar panels and wind turbines to labour.



Eskom reports R24bn net loss in 2022/23 fiscal

Anait Miridzhanian 31 Oct 2023



That has made it tougher for them to secure the investment they need from banks.

"When they were bid, I do think (the projects) were feasible," said Sherrill Byrne, a banker at Standard Bank who has worked with some of the companies. "But the market moved against them, and now they are struggling."

Only the three smallest, all from Norway's Scatec, have made considerable progress, with one, of 50MW capacity, coming online last month.

"The other two are likely to start before the end of the year," said Zaid Moola, head of investment banking at Standard Bank, the lead financier to Scatec's projects.

Underdeliver

The other successful bidders who sources say have yet to secure funding - South Africa's Mulilo, France's EDF and Engie, Turkish floating LNG firm Karpowership and Saudi Arabia's Acwa Power - have already had several extensions on an original mid-2022 deadline to reach financial close.

A possibly final year-end deadline for funding is now looming, the sources said, raising doubts over whether some of the projects will be built.

Delays in emergency power procurement will continue to hurt state utility Eskom's financial performance this year, its acting CEO Calib Cassim said on Tuesday.

Other planned power projects in the country also look set to underdeliver. A source said in July that the government now expects only half the anticipated 2.6GW in capacity from a 2021 bidding round for wind and solar projects to come online.

A top official in President Cyril Ramaphosa's office, who asked not to be named as he was not authorised to speak publicly on the matter, said it is unlikely further extensions to the 2020 projects beyond the coming December fundraising deadline will be permitted.

Beyond then, companies may be forced to relinquish their allotted grid capacity, he said, adding that decisions on deadline extensions are ultimately up to the Department of Mineral Resources and Energy. The DMRE has said that it weighs requests on a case-by-case basis.

Karpowership has go-ahead

Neither Acwa Power, which is building one 150MW plant, nor Mulilo, which is meant to build two projects, responded to emailed questions.

A Mulilo executive, however, who asked not to be named as he was not authorised to speak to the press, said it had scrapped one of its projects after failing to secure approval for its location, while the other is still seeking to raise funds.

Mohamed Hoosen, Engie's managing director for renewables in Asia, Middle East and Africa, said it plans to reach financial close on its 128MW Oya Energy project by early December and launch it by October 2025.

EDF Renewables CEO Tristan De Drouas said his group signed power purchase agreements with Eskom in August and is arranging funds for its 75MW Umoyilanga plant.

Karpowership, which is planning three plants with combined capacity of 1.22GW, did not respond to questions on funding, but said South Africa's environmental ministry has given it port access for one of its projects.

For more, visit: <https://www.bizcommunity.com>