

# SA's green power push falters as projects fail

By [Promit Mukherjee](#)

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Nearly half of the projects awarded under the re-launch of South Africa's renewable power purchase programme have failed, two government sources told Reuters, undermining plans to use wind and solar to ease the nation's power crisis.



Source: Reuters/Mike Hutchings

Regular breakdowns at Eskom's ageing coal-fired plants mean the country faces daily planned power cuts. President Cyril Ramaphosa has said the country needs to fill a 4,000 to 6,000-megawatt (MW) electricity production deficit.

Following a six-year hiatus, South Africa held a bidding round in 2021 for wind and solar projects that attracted aggressive proposals from more than 100 firms and consortia.

"We had celebrated when the tariffs in the fifth renewable round were announced," said one top government official directly involved in the renewables programme. "It would have been the cheapest renewable programme ever if all projects reached financial close."

But he said the government now expects only half of the 2,583MW in capacity anticipated following the auction to come online.

Of the six entities that won the bidding round, one - the Ikamva Consortium - secured 12 of the 25 projects on offer.

It is those projects, which Ikamva was awarded on the basis of record-low tariff bids, that have fallen through, the source and a second senior government official told Reuters.

"The problem with bid window five was that we put all our eggs in one basket," the second official said. "You can't do (projects) at such low tariffs. It's stupid."

Both sources asked not to be named as they were not authorised to comment publicly on the matter.

South Africa's energy department, which oversees the renewable rounds, did not respond to an email seeking comment.



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## Various issues inflated construction costs

The Ikamva Consortium includes Oslo-listed Aker Horizon's Mainstream, South African billionaire Patrice Motsepe's Africa Rainbow Energy & Power, local firm H1 Holdings and Globeleq, which the development finance institutions of Britain and Norway own.

Ikamva's six wind power projects never signed legal agreements following successful bids, the two sources said, while six solar projects failed to achieve financial close before a June 30 deadline.

Responding to Reuters questions, Ikamva said higher interest rates, the increased cost of energy and other commodities, as well as the slower production of equipment post-pandemic had impacted its calculations.

These issues "have inflated the construction costs beyond what the Ikamva Consortium ... is able to absorb in the Round 5 bid tariff," it wrote in response to emailed questions.

Other companies have found similar obstacles complicated fundraising, and to date, just nine of the total 25 projects have reached financial close.

Four more projects - three belonging to France's Engie and one from South Africa's Mulilo - have a financial closure deadline of 30 September.

Engie and Mulilo did not respond to email requests for comment, although the second government official said he expected them to raise the funds needed to start construction.



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Ikamva told Reuters that its projects were "construction-ready" and it was in talks with the government to find "an agreed way forward".

As private investors move to back projects aimed at boosting power production, scarcity of transmission capacity has emerged as a major constraint on South Africa's efforts to end the energy crisis.

The consortium did not directly address a question about what it expected would happen to the grid transmission capacity allotted for its projects.

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