

# Interest in energy, water infrastructure to intensify in 2018

 By Siyabonga Mbanjwa

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Energy is one of the sectors of our economy most closely watched by local and international investors. This heightened interest is unlikely to let up in 2018, thanks to plans by the government to invest R234bn in energy infrastructure over the next three years.



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Energy industry players will take their cue in investment decision-making from the Integrated Resource Plan (IRP), which has been updated by the Department of Energy (DoE) and was approved by Cabinet in December 2017 but has not been released to the public yet.

The announcement of the approved IRP is going to be one of the highlights of 2018, as it is expected to determine our country's energy mix. It is expected that government will set the tone for continuation of the policy to reduce reliance on coal-generated power in favour of cleaner energy and the decarbonisation of our economy. The IRP should clarify investment opportunities and open up the energy sector to investment.

In the context of infrastructure more broadly, the resolution of the scarcity of safe, drinkable water and the backlog in the provision of sanitation services also presents prospects for investors. The investors, contractors, and water industry-focused suppliers will be scouting for opportunities to participate in the rollout of water infrastructure across the country over the next three years. The rollout is estimated to cost about R125bn.

## Gas IPP programme

The eagerly awaited announcement of the IRP will provide direction to investors on plans by government to establish a natural gas market in South Africa. The process will involve the invitation to independent power producers (IPPs) by the DoE to submit bids for the development and operation of gas-fired power stations, which will feed 3,126MW of electricity into Eskom's national grid.

The gas procurement programme will be similar to the Renewable Energy Power Producer Procurement Programme (REPPPP), whereby gas IPPs will produce and sell gas-generated electricity to power parastatal Eskom through long term power purchase agreements (PPAs).

The elevation of natural gas and liquefied natural gas (LNG) as key sources of power generation will also involve the rolling out of production and distribution infrastructure that is necessary for the establishment of the gas market. In the short term, LNG will be brought by ships to terminal facilities at the ports of Ngqura, near Port Elizabeth in the Eastern Cape, and Richards Bay, north of Durban in KwaZulu-Natal. LNG-related infrastructure will encompass on-shore regasification terminals, floating storage regasification units (FSRUs) and virtual pipelines. In the medium to long term, natural gas will also be transported from gas fields in Mozambique into inland terminals and production facilities in South Africa.

## Renewable energy

With South Africa having stated its plans to reduce carbon emissions by 30% by 2030 as part of its commitment to the Paris Agreement, the industry is responding by playing its role in promoting energy efficiency through investing in research and development (R&D) to bring to market new technologies.

My company, Sener, is working to combine concentrated solar power (CSP) technology and photovoltaic (PV) solar technology into a single technology platform.

CSP is very effective in producing solar energy throughout the day and during the night when the sun is down. On the other hand, solar PV energy is cheaper to produce and PV plants are known for being effective in producing electricity during the day. We have combined the best of both worlds by maximising on CSP's night production capabilities and PV's cost effectiveness to bring down the levelised cost of energy while boosting production.

## Water infrastructure

Safe, drinkable water is increasingly a scarce resource in South Africa and investors are keen to get involved to find a solution to the problem, in partnership with the government.

Severe water shortages - due to drought and ageing infrastructure - in places like the Western Cape, Gauteng, and the Eastern Cape will give impetus in 2018 to the need to provide reliable water supply to communities and businesses.

The government has indicated that the money will be used to develop and rehabilitate water infrastructure, including dams, canals, water treatment works, reservoirs and pipelines to connect households.

## ABOUT SIYABONGA MBANJWA

Siyabonga Mbanjwa is the regional managing director of Sener Southern Africa, a global engineering and technology group operating in the power, oil and gas sector.

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