

November 20, 2013

Comments from Germany on the Update of CTF Investment Plan for South Africa

GER appreciates the progress that has been made under the two projects (wind and CSP) IBRD and AfDB are implementing with Eskom.

We further note that AfDB and IFC dropped the two sub-components for energy efficiency. The difficulties experienced by both MDBs are disappointing, however also in-line with our own experience in implementing projects in this sub-sectors in South Africa.

Furthermore and despite the limited information provided at this point in time, we support the development of any of the three new projects ideas presented in the revised investment plan in principle. Due to the fact that those three project ideas are currently only very rough sketches we are expecting more substantial and detailed project proposals in order to make a final decision. Please see more detailed comments below.

Specific comments/questions

Programm 1: The Sustainable Energy Generation Programmes (SEG)

a. Funding for capital intensive CSP projects under future phases of REIPPP

We do believe that further concessional funding support for CSP projects is justified to further develop and improve CSP solutions with energy-storage capacity for baseload-qualification, thereby bringing down investment cost and provide a better entry level for commercial investors.

b. Small-Scale IPP

We are in general supportive of the development of smaller scale renewable energy projects in South Africa and concessional funding can be justified for this program. However, we have doubts that this programme can be implemented in a reasonable period of time.

The actual Small-Scale IPP Tender that was announced by DoE/ PPP unit some years back is significantly delayed, and thus far we have not received any reliable indications that implementation of the tender can be expected in the near term. Instead, DoE is prioritizing other tenders (including a baseload tender for conventional sources of energy).

Programm 2: Public sector vehicle efficiency program

We consider CTF support to the transformation of the South African Transport Sector worthwhile to explore further. From our point of view there are two major challenges to be taken into account. This is

a) the set-up of an appropriate legal and institutional framework to set the right incentives to make use of dual fuel technology engines, which are obviously more expensive than conventional engines (and we have noted that progress has been made in this regard recently) and

b) the development of a network of filling stations for CNG (and later on possibly also biogas).

KfW has been working on such a project approach jointly with IDC for the last two years and will be happy to share experiences with AfDB as needed.

Kind regards
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