

November 19, 2010

**Comments from Germany on the
Approval of CTF Funding for the AfDB/IBRD South Africa: Eskom Renewables Support
Project**

Dear Patricia,

Germany would like to submit the following conditions under which the South Africa: ESKOM Renewables Support Programme is to be approved.

We maintain that the current status of the project proposal including the answers to our questions and comments does not fulfill the standard quality requirements, regarding the level of information, reliability of data and general maturity, we usually expect from a CTF project proposal. We accept, nevertheless, that - given overarching political considerations, in particular our wish to support South Africa's transformation to a lower carbon development path seeking the achievement of their ambitious GHG emission goals - we should modify our process in this case, namely back-loading vital control mechanisms of the CTF to a later phase in the process. This is done in the mutual spirit of trust, as discussed in the CTF meeting in WashDC on Nov. 12.

We therefore stipulate the following conditions for the approval of the CTF contribution to the CSP Upington project proposal:

- 1) We understand and accept that South Africa would like to initiate a technology neutral bidding process. We are therefore looking forward to the completion of the technology review by end of December 2010, a prompt information about results and, subsequently, a joint preparation of the feasibility study by MDB's and other donors involved with strong leadership of ESKOM and appropriate South African institutions (demonstrated by respective financial contributions of the South African side).
- 2) Disclosure of financial viability of the project and appropriate adjustment of CTF contribution based on equipment contract tender results.
- 3) Strong coordination within the sector and during project implementation with all actors, in particular bilateral donors involved, under the leadership of South Africa.
- 4) A strong commitment of the South African government towards further progress of the energy sector reforms in South Africa and the ability of independent energy producers to invest in renewable energy and energy efficiency. An effective feed-in tariff is a precondition for the envisaged private-sector financed replication of renewable energy based power generation.

We would like to stress that our conditional approval does not set a precedent for further decisions of MDB's Board approval.

As ESKOM representatives unfortunately were unable to present the project proposal to the TFC we would much appreciate, if it was possible to be given a status up date by those ESKOM representatives responsible for the projects while meeting in Tunis for the partnership forum.

All the best
Annette