

Ka Xu Solar One CSP plant gets EUR 210 million European Investment Bank backing

The European Investment Bank has agreed to provide EUR 210 million (2.8 billion ZAR) for construction of the Ka Xu Solar One concentrated solar power plant north of Pofadder in the Northern Cape. This significant support will be provided through two South African partner banks. The first 20 year loan from Europe's long-term lending institution was signed by the European Investment Bank's Vice President responsible for South Africa, Pim van Ballekom and Andries du Toit, FirstRand Bank Group Treasurer. EUR 110 million will be on-lent by Rand Merchant Bank (RMB), a division of FirstRand Bank Limited, to the project and will help secure financing for one of the largest concentrated solar power projects in the South African government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).

The landmark 100 MW Ka Xu project is one of the first concentrated solar projects in sub-Saharan Africa and one of the first private sector renewable energy projects in South Africa. The new source of renewable energy will improve the supply of reliable, sustainable energy in South Africa and generate enough electricity to power more than 60,000 households during periods of peak consumption. When operational the Ka Xu Solar One project will help South Africa meet internationally agreed renewable energy targets by increasing the country's renewable energy output.

"Increased energy generation is essential for economic growth and daily life in South Africa. The European Investment Bank recognises the importance of renewable energy around the world and is pleased to continue its engagement to support solar power in South Africa. The Ka Xu Solar One project will not only create jobs during construction and operation, but also demonstrate the immense potential of harnessing solar energy to provide power to Africa and reduce greenhouse gas emissions. This benchmark initiative continues the drive for

green energy in South Africa reinvigorated at COP17 in Durban.” said Pim van Ballekom, European Investment Bank Vice President.

“We have had a collaboration with the EIB for many years which has benefitted all parties,” “By accessing EIB funding, we are able to offer long-term finance to our clients at competitive rates and EIB, as a development finance institution, gets to participate more broadly in the South African renewable energy market. RMB has already closed and committed over R14 billion to nine solar and wind projects in the first two rounds of the REIPPPP. As underwriter of senior and mezzanine finance, RMB is supporting a further 17 bids in the third round of the programme, the results of which are due to be announced at the end of the month.” said Hugh Hawarden, senior transactor for the deal at RMB.

“We have become a significant participant in the funding of renewable energy projects,” Hawarden says. “Renewable energy projects deliver clean energy to an energy-constrained country, they lower South Africa’s carbon footprint, bring energy online in a short period of time and stimulate the local manufacturing industry, thus creating much-needed local employment. As one of the region’s largest banks, we are committed to supporting the industry.”

The Ka Xu Solar One project uses innovative technology with storage capacity that allows energy to be dispatched in the evening peak hours and when overcast. The plant includes a field of pivoting concave mirrors to focus solar rays onto a small area in order to produce steam which drives a turbine and produces electricity.. The solar plant will generate energy that can be stored and used to complement more intermittent renewable energy sources such as wind.

Electricity generated by the Ka Xu Solar One project will be sold to South Africa’s state owned electricity utility, Eskom, for 20 years, agreed under a power purchase agreement, and

when completed will be jointly owned by Spanish renewable energy developer and contractor Abengoa, South Africa's state owned Industrial Development Corporation, and a community trust. The plant is scheduled to start operation in June 2014. It is expected that around 800 jobs will be created during construction, with around 100 permanent employees working at the plant or providing services to the plant.

In 2012 the European Investment Bank agreed to provide EUR 50 million to Africa's first solar tower project, the sister Khi Solar One plant in Upington.

The European Investment Bank is one of the world's largest lenders for renewable energy and in 2012 provided nearly EUR 2.2 billion for projects in a range of sectors across Africa.