

Annexure C

1.1 Forward planning of Energy in South Africa

This annexure provides an overview of the policy and legislative context in which the development of renewable energy projects takes place in South Africa. The following policies and legislative context are described:

- Policies regarding greenhouse gas and carbon emissions;
- White Paper on the Energy Policy of the Republic of South Africa (1998);
- White Paper on Renewable Energy (2003);
- National Energy Act (No. 34 of 2008) and Electricity Regulation Act (ERA) (No. 4 of 2006);
- Integrated Energy Plan for the Republic of South Africa (2003);
- Integrated Resource Plan (2010); and
- Regional Methodology for Wind Energy Site Selection (Department of Environmental Affairs and Development Planning (DEA&DP), 2006 Guideline document).

1.1.1 Policies regarding greenhouse gas and carbon emissions

Gases that contribute to the greenhouse effect are known to include carbon dioxide (CO₂), methane, water vapour, nitrous oxide, chlorofluorocarbons, halons and peroxyacetylnitrate. All of these gasses are transparent to shortwave radiation reaching the earth's surface, but trap long-wave radiation leaving the earth's surface. This action leads to a warming of the earth's lower atmosphere, resulting in changes in the global and regional climates, rising sea levels and extended desertification. This in turn is expected to have severe ecological consequences and a suite of implications for mankind.

Electricity generation using carbon based fuels is responsible for a large proportion of CO₂ emissions worldwide. In Africa, the CO₂ emissions are primarily the result of fossil fuel burning and industrial processes, such as coal fired power stations. South Africa accounts for some 38 % of Africa's CO₂ emissions. The global per capita CO₂ average emission level is 1.23 metric tonnes. In South Africa however, the average emission rate is 2.68 metric tonnes per person per annum. The International Energy Agency (IEA) (2008) "*Renewables in global energy supply: An IEA facts sheet*" estimates that nearly 50% of global electricity supplies will need to come from renewable energy sources in order to halve carbon dioxide emissions by 2050 and minimise significant, irreversible climate change impacts.

The United Nations Framework Convention on Climate Change (UNFCCC) has initiated a process to develop a more specific and binding agreement on the reduction of greenhouse gas (GHG) emissions. This led to negotiations with a particular focus on the commitments of developed countries, and culminated in the adoption of the Kyoto Protocol in 1997, which came into effect in February 2005. Using the above framework to inform their approach, the Kyoto Protocol placed

specific legal obligations in the form of GHG reduction targets on developed countries and countries with 'Economies in Transition'. The developed countries listed in Annex 1 of the UNFCCC are required to reduce their overall emissions of six GHGs by at least 5 % below the 1990 levels between 2008 and 2012. While South Africa, as a developing country, was not obliged to make such reductions, the increase in greenhouse gas emissions must be viewed in light of global trends to reduce these emissions significantly. More recently under the Copenhagen Accord 2010, countries representing over 80 % of global emissions submitted pledges on emission reductions. South Africa commitment is to reduce GHG emissions by 34 % by 2020 and 42 % by 2025.

The Kyoto Protocol, to which South Africa is a signatory, was informed by the principles of sustainable development which resulted in related policies and measures being identified to promote energy efficiency while protecting and enhancing the 'sinks and reservoirs' of greenhouse gases (forests, ocean, etc.). Other methods/approaches included encouraging more sustainable forms of agriculture, in addition to increasing the use of new and renewable energy and the adoption/implementation of advanced and innovative environmentally sound technologies. South African policies are being informed by the Kyoto Protocol (which is valid until 2012) and its partial successor the Copenhagen Accord 2010 and associated sustainable development principles whereby emphasis is being placed on industries for 'cleaner' technology and production.

1.1.2 White Paper on the Energy Policy of the Republic of South Africa (1998)

As required by the Constitution of the Republic of South Africa (Act No. 108 of 1996), the White Paper on the Energy Policy of the Republic of South Africa (1998) was published by the Department of Minerals and Energy in response to the changing political climate and socio-economic outlook. Key objectives are identified in terms of energy supply and demand, as well as co-ordinated with other social sectors and between energy sub-sectors.

The White Paper commits to government's focused support for the development, demonstration and implementation of renewable energy sources for both small and large-scale applications. With the aim of drawing on international best practice, specific emphasis is given to solar and wind energy sources, particularly for rural, and often off-grid areas.

While considering the larger environmental implications of energy production and supply, the White Paper looks into the future to adopting an integrated resource planning approach, integrating the environmental costs into economic analysis. It is with this outlook that the renewable energy, including solar energy, is seen as a viable, attractive and sustainable option to be promoted as part of South Africa's energy policy towards energy diversification.

1.1.3 White Paper on Renewable Energy (2003)

Published by the Department of Minerals and Energy (DME) in 2003, the White Paper on renewable Energy supplements the above-mentioned Energy Policy which identified the medium- and long-term potential for renewable energy as significant. The White Paper sets out the vision, policy principles, strategic goals, and objectives in terms of renewable energy. At the outset the policy refers to the long term target of "10 000 GigaWatt hours (GWh) (0.8 Mtoe) renewable energy contribution to final energy consumption by 2013." The aim of this 10-year plan is to meet this goal via the production of mainly biomass, wind, solar, and small-scale hydro sources. It is estimated that this would constitute approximately 4 % of projected energy demand for 2013.

The White Paper presents South Africa's options in terms of renewable energy as extensive and a viable and sustainable alternative to fossil fuel options. A strategic programme of action to develop South Africa's renewable energy resources is proposed, particularly for power generation and reducing the need for coal-based power generation. The starting point will be a number of initial investments spread across both relatively low cost technologies, such as biomass-based

cogeneration, as well as technologies with larger-scale application, such as solar water heating, wind and small-scale hydro.

Addressing environmental impacts and the overarching threats and commitments to climate change, the White Paper provides the platform for further policy and strategy development in terms of renewable energy in the South African energy environment.

1.1.4 National Energy Act (No. 34 of 2008) and Electricity Regulation Act (No. 4 of 2006)

South Africa has two acts that direct the planning and development of the country's electricity sector:

- i. The National Energy Act (No. 34 of 2008); and
- ii. The Electricity Regulation Act (ERA) (No. 4 of 2006).

In May 2011, the Department of Energy (DoE) gazetted the Electricity Regulations on New Generation Capacity under the ERA. The New Generation Regulations establish rules and guidelines that are applicable to the undertaking of an IPP Bid Programme and the procurement of an IPP for new generation capacity. They also facilitate the fair treatment and non-discrimination between IPPs and the buyer of the energy¹.

In terms of the New Generation Regulations, the Integrated Resource Plan (IRP) (see **Section 1.1.7**) has been developed by the DoE and sets out the new generation capacity requirement per technology, taking energy efficiency and the demand-side management projects into account. This required, new generation capacity must be met through the technologies and projects listed in the IRP and all IPP procurement programmes will be undertaken in accordance with the specified capacities and technologies listed in the IRP².

1.1.5 IPP Procurement Process

South Africa aims to procure 3 725 MW capacity of renewable energy by 2016 (the first round of procurement). This 3 725 MW is broadly in accordance with the capacity allocated to renewable energy generation in IRP2010.

On 3 August 2011, DoE formally invited interested parties with relevant experience to submit proposals for the finance, operation and maintenance of renewable energy generation facilities adopting any of onshore wind, solar thermal, solar photovoltaic, biomass, biogas, landfill gas or small hydro technologies for the purpose of entering, *inter alia*, an Implementation Agreement with DoE and a Power Purchase Agreement with a buyer (Eskom)³ in terms of the ERA. This Request for Qualification and Proposals (RFP) for new generation capacity was issued under the IPP Procurement Programme. The IPP Procurement Programme has been designed to contribute towards the target of 3 725 MW and towards socio-economic and environmentally sustainable growth, and to start and stimulate the renewable industry in South Africa⁴.

In terms of this IPP Procurement Programme, Bidders will be required to bid on tariff and the identified socio-economic development objectives of DoE. The tariff will be payable by the Buyer should the project be selected. Although earlier information was that the 2009 Renewable Energy Feed In Tariff would act as an upper limit on price, the actual caps are set out in **Table 1**⁵. A bid will

¹ <http://www.eskom.co.za/c/73/ipp-processes/> (accessed 29/10/11)

² <http://www.eskom.co.za/c/73/ipp-processes/> (accessed 29/10/11)

³ http://www.ipp-renewables.co.za/wp-content/uploads/2011/08/Tender_Notice.png (accessed 30/10/11)

⁴ <http://www.ipp-renewables.co.za/> (accessed 30/10/11)

⁵ <http://www.nortonrose.com/knowledge/publications/54959/south-africa-renewable-energy-ipp-request-for-proposals> (accessed 30/10/11)

be 'non-compliant' and automatically rejected during the qualification phase if the price cap is exceeded. Bid Responses which are submitted must be accompanied by a Bid Guarantee in the form of a bank guarantee for an amount equal to R 100 000 per MW of the proposed installed capacity⁶.

The generation capacity allocated to each technology is set out in **Table 1**.

Table 1: Generation capacity and price cap per each technology

Technology	MW	Price cap (per MWh)
Onshore wind	1 850	R 1 150
Concentrated solar thermal	200	R 2850
Solar photovoltaic	1 450	R 2850
Biomass solid	12.5	R 1070
Biogas	12.5	R 800
Landfill gas	25	R 600
Small hydro	75	R 1 030
Small projects ⁷	100	As above
TOTAL	3 725	

Each project procured in terms of this IPP Procurement Programme will be required to achieve commercial operation by not later than end 2016.

The selection process to determine the preferred bidders will be based on both price and other economic development criteria in a 70 %/ 30 % ratio respectively (Creamer, T. 2011). If the maximum MW allowance for any particular technology has been allocated during any particular window, then the subsequent bidding opportunities will not be opened for that technology.

IPPs that wish to connect to Eskom's network will be required to apply for a connection, pay a connection charge and sign a connection and use-of-system agreement⁸. All IPPs will be provided non-discriminatory access to Eskom's network, subject to the IPP's obtaining its required approvals such as EIA's and a generating and trading licence from NERSA.

1.1.6 Integrated Energy Plan for the Republic of South Africa

Commissioned by DME in 2003, the Integrated Energy Plan (IEP) aims to provide a framework in which specific energy policies, development decisions and energy supply trade-offs can be made on a project-by-project basis. The framework is intended to create a balance in providing low cost electricity for social and economic developments, ensuring security of supply, and minimising the associated environmental impacts.

The IEP projected that the additional demand in electricity would necessitate an increase in electricity generation capacity in South Africa by 2007. Furthermore, the IEP concluded that, based on energy resources available in South Africa, coal would be the primary fuel source in the 20 year planning horizon, which was specified as the years 2000 to 2020, although other cleaner technologies continue to be investigated as alternatives in electricity generation options. Therefore, though the next two

⁶ http://www.ipp-renewables.co.za/wp-content/uploads/2011/08/Tender_Notice.png (accessed 30/10/11)

⁷ Small projects are less than 5 MW.

⁸ <http://www.eskom.co.za/c/article/150/independent-power-producers-ipp/> (accessed 30/10/11)

decades of energy generation are anticipated to remain coal-based, alternative technologies and approaches are available and need to be contextually considered.

1.1.7 Integrated Resource Plan

The Integrated Resource Plan (IRP) is a National Electricity Plan, which is a subset of the Integrated Energy Plan. The IRP is also not a short or medium-term operational plan but a plan that directs the expansion of the electricity supply over the given period.

The IRP, indicating the schedule for energy generation programmes, was first gazetted on 31 December 2009. A revised schedule was gazetted on 29 January 2010 and the schedule has once again been revised and the final IRP (IRP2010-2030) was gazetted on 6 May 2011.

Developed for the period of 2010 to 2030, the primary objective of the IRP2010, as with its predecessors, is to determine the long-term electricity demand and detail how this demand should be met in terms of generating capacity, type, timing, and cost. While promoting increased economic development through energy security, the IRP2010 aims to achieve a *“balance between an affordable electricity price to support a globally competitive economy, a more sustainable and efficient economy, the creation of local jobs, the demand on scarce resources such as water and the need to meet nationally appropriate emission targets in line with global commitments”*.

As can be seen by **Table 2** below the current final IRP provides for an additional 20 409 MW (shaded in grey) of renewable energy in the electricity mix in South Africa by 2030.

Table 2: Policy adjusted scenario of the IRP2010 as gazetted on 6 May 2011

Technology	Total generating capacity in 2030		Capacity added (including committed) from 2010-2030		New (uncommitted) capacity options from 2010-2030	
	MW	%	MW	%	MW	%
Coal	41 074	45.9	16 383	29.0	6 250	14.7
OCGT	7 330	8.2	4 930	8.7	3 910	9.2
CCGT	2 370	2.6	2 370	4.2	2 370	5.6
Pumped Storage	2 912	3.3	1 332	2.4	0	0
Nuclear	11 400	12.7	9 600	17.0	9 600	22.6
Hydro	4 759	5.3	2 659	4.7	2 609	6.1
Wind	9 200	10.3	9 200	16.3	8 400	19.7
CSP	1 200	1.3	1 200	2.1	1 000	2.4
PV	8 400	9.4	8 400	14.9	8 400	19.7
Other	890	1.0	465	0.8	0	0
Total	89 532	100	56 539	100	42 539	100

The final IRP2010 reflects both the consultation process on the draft IRP2010 currently being undertaken with stakeholders and the further technical work undertaken in this period. It is noted that *“given the rapid changes in generation technologies and pricing, especially for “clean” energy sources, the IRP will have to be reviewed on a regular basis, for instance every two years, in order to ensure that South Africa takes advantage of emerging technologies. This may result in adjustments in the energy mix set out in the balanced revised scenario within the target for total system capacity.”*

1.1.8 Regional Methodology for Wind Energy Site Selection- a DEA&DP Guideline document (2006)

In May 2006 DEA&DP published the *Strategic Initiative to Introduce Commercial Land Based Wind Energy Development to the Western Cape: Towards a Regional Methodology for Wind Energy Site Selection*. With the aim of paving the way for wind energy as a viable, clean, renewable energy development in the Western Cape the following vision was developed: “*The vision for the Western Cape is to establish a policy on the implementation of regional criteria for the identification of areas suitable for the establishment of wind energy projects. This will promote the implementation of wind energy projects while balancing national interests of promoting alternative energy generation with local strategic environmental objectives. This will also avoid conflict between local and national interests through a proactive environmental planning process.*”

Further to the above the Guideline aims to facilitate:

- Policy on the implementation of a methodology to be used for the identification of areas suitable for the establishment of wind energy projects;
- Alignment with the White Paper on Energy Policy for the Republic of South Africa;
- Coordinated implementation;
- Responsible and rational wind energy developments to benefit both developers as well as affected communities;
- Avoidance of unsuitable sites;
- Public awareness; and
- Guidance in terms of environmental assessments processes.

In a total of seven volumes two alternative assessment methodologies, a criteria based/quantitative method, and a landscape based/qualitative method are presented. The comparative assessment pointed towards restricted, negotiable, preferred areas as well as cumulative impacts. The methodology delineates areas appropriate for wind energy development including negative and positive thresholds (buffers), cumulative impacts as well as landscape character, value, sensitivity and capacity. The methodology stops short of addressing local level issues and indicates the need to address these on a site-specific level. The methodologies were tested on a large study area on the Cape West Coast.

The document is designed to guide planners and decision-makers to appropriate areas for wind farm development based on planning, infrastructure, environmental and landscape criteria. As many of these criteria are also applicable to other areas, outside the Cape West Coast, reference has been made to this guideline here. Note that it this document is still in draft format and is not necessarily in line with best practice. As such certain key requirements have been omitted from the Applicant's approach.