

CLIMATE INVESTMENT FUNDS

CTF INVESTMENT PLAN

South Africa

The South African Clean Technology Fund (CTF) Investment Plan is a “business plan” jointly shared by the Government of South Africa, International Bank for Reconstruction and Development (IBRD), African Development Bank (AfDB), and International Finance Corporation (IFC). It supports the low-carbon objectives and priorities outlined in South Africa’s Long Term Mitigation Scenarios (LTMS), and other national energy and development strategies.

The 15 years since the end of apartheid have witnessed South Africa’s transformation into a stable and robust economy, with a four percent average annual economic growth rate over the past ten years. This strong economic performance has resulted in a 60 percent increase in demand for electricity by industry and households since 1994, with coal accounting for 75 percent of total energy consumption.



The Clean Technology Fund Investment Plan for South Africa is designed to use \$500 million in CTF co-financing and mobilize financing of more than \$1.8 billion from bilateral and multilateral financiers as well as private sector financing. It will support a program of grid-connected solar thermal power, utility-scale wind power development, solar water heaters, and energy efficiency, particularly in the commercial and industrial sectors.

South Africa’s Clean Energy Goals

South Africa’s Long-Term Mitigation Scenarios (LTMS) have allowed for the development of national climate policy based on what is required by science to limit temperature increase to two degrees Celsius above pre-industrial levels. In response to the LTMS, the Government has adopted strategies to accelerate energy efficiency across all sectors; invest in low carbon technology research and development, new clean energy resources and behavioral change; and pursue economic instruments. South Africa has set a national goal of generating four percent of its electricity requirements from renewable energy by 2013 and improving energy efficiency by 12 percent by 2015.

South Africa CTF INVESTMENT PLAN

CTF financing: **\$500 million**

Co-financing: **\$1.85 billion**

PROJECT APPROVALS

Energy Efficiency Program

CTF Approval Date: 5 Oct ‘10

CTF financing: **\$15 million**

Co-financing: **\$109 million**

Partner MDBs: **AfDB, IFC**

Sustainable Energy Acceleration Program

CTF Approval Date: 5 Oct ‘10

CTF financing: **\$85 million**

Co-financing: **\$490 million**

Partner MDBs: **AfDB, IFC**

ESKOM Wind

CTF Approval Date: 12 Nov ‘10

CTF financing: **\$100 million**

Co-financing: **\$395 million**

Partner MDBs: **AfDB, WB**

ESKOM Concentrated Solar Power

CTF Approval Date: 12 Nov ‘10

CTF financing: **\$250 million**

Co-financing: **\$395 million**

Partner MDBs: **AfDB, WB**

September 2011

The Investment Plan identifies four priority investment areas:

- Conversion of a half million households from electric to solar water heating (SWH) over the next five years, by providing support to municipalities and the private sector to deploy solar water heaters. This helps move the country half-way to the Government's ambitious goal of converting 1 million households from electric to solar water heating over the next five years. CTF support would accelerate SWH market penetration and development of a domestic SWH industry by buying down high installed cost, market development, and demonstrating business models.
- An Eskom (South African electricity public utility) 100 MW-capacity Upington Concentrated Solar Power (CSP) plant, the first-ever commercial scale CSP plant in Sub-Saharan Africa. The IP will include final design and risk mitigation review followed by plant construction and operation, promoting CSP deployment particularly in the private sector by proving the technology in operation and establishing cost and performance benchmarks. The promise of CSP is as a realistic alternative to coal power plants for base load capacity.
- Eskom's Western Cape Province Wind Energy Facility (Phase I, 100 MW wind farm), which will be the first utility-scale wind power plant. CTF support would transform the nascent wind sector with a robust pipeline of large-scale wind power projects, along with an increased understanding of the bankability of wind development projects. Investments in transmission capacity to connect Independent Power Producers to the grid would catalyze substantial private sector investment in wind power.
- Increasing potential energy efficiency investments through expansion of bank lending to commercial and industrial sectors through lines of credit to commer-



cial banks, contingent financing to foster energy service companies (ESCOs), and financial incentives or risk products to market leaders. The CTF-funded IP will address barriers to energy efficiency investments, such as high preparation and other transaction costs and perceived risk of energy efficiency projects on the part of commercial lenders.

What is the CTF?

The Clean Technology Fund (CTF) is a multi-donor trust fund created in 2008 as part of the Climate Investment Funds (CIF) to provide scaled-up financing for the demonstration, deployment and transfer of low carbon technologies that have a significant potential for long-term greenhouse gas (GHG) emissions savings. CTF resources amount to approximately \$4.5 billion (based on exchange rates on the initial CIF pledging date of September 25, 2008) pledged by contributors (Australia, France, Germany, Japan, Spain, Sweden, United Kingdom, United States). The CTF supports a selected series of investment plans that meet the criteria of significant GHG emissions savings, demonstration potential at scale, development impact and implementation readiness.

