Tronox solar generation deal shows the way for private sector generation in SA

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The increase in the licensing threshold for embedded energy generation projects in South Africa, from 1 MW to 100 MW, unlocked significant opportunities for investment into private sector generation capacity. Not only will such investment enable private sector organisations to secure their own energy supply, or at least supplement their grid-based energy offtake, it has the potential to significantly augment the renewable energy contribution anticipated from the country's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).

Given the potential of renewables to contribute to South Africa's energy security and energy transition, and the success of the REIPPPP, this new wave of large-scale utility renewable energy projects supplying power to corporate offtakers is welcomed.

But a year after the announcement of the licensing threshold increase, we are encouraged by the progress of corporate South Africa in purchasing renewable energy directly from independent Power Producers (IPP). As a Bank, we have seen numerous Renewable Energy Projects coming to the market.

A case in point is the recent successful financial close of an investment transaction by world-leading titanium dioxide pigment producer, Tronox, which will see the construction of two 100MW solar PV plants in the North West Province. Nedbank CIB acted as joint mandated lead arranger of the deals, and also contributed R827m of the R3,1bn debt portion of the total funding. As the first utility scale renewable energy captive power projects in South Africa, the Tronox deal is a significant step forward for private sector energy generation in the country.

The projects comprise a total of 387,000 solar panels, mounted on trackers that change position as the sun moves. Tronox will be the sole energy offtaker, and it is projected that the two plants will deliver up to 40 percent of the company's South African power requirements via a wheeling arrangement with Eskom. The projects will also be amongst the first to feed directly into Eskom's high-voltage transmission network.

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Like many mining and production operations, Tronox's processes are energy intensive. At the same time, the firm has significant sustainability commitments, and these renewable energy projects will not only underpin the group's security and affordability of energy supply, but it will also reduce Tronox's global carbon emissions by an estimated 13 percent, compared to its 2019 baseline. Tronox has also secured a competitive energy tariff trough the offtake signed, and this will contribute significantly towards their energy cost savings.

The solar PV projects were developed by the SOLA Group and African Rainbow Energy and Power (AREP). They are 100 percent South African-owned and financed. Given the benefits that will accrue to Tronox as the end user, the hope is that these projects set an example of what can be achieved in terms of unlocking the value of corporate and industrial (C&I) generation, not only for the businesses that invest in it, but also for the country and its energy transition ambitions.