

DealMakers[®]

RENEWABLE ENERGY

2022



FOREWORD



MARYLOU GREIG

Over the next two weeks, global leaders will gather in Sharm el Sheikh, Egypt, to discuss climate-related topics, as countries address the struggle to cut greenhouse gas emissions amid a global energy crisis, war in Europe and rising inflation.

Africa is home to some 17% of the world's population, but contributes only 2% to 3% of its carbon emissions, and according to the Energy Democracy Initiative, there are three key drivers for a global energy transition away from fossil fuels. The first is the imperative for all governments and non-state actors to take urgent action to address climate change. The second is the need for energy security. The third is the massive advances made in the past few years, in terms of technology, innovation and affordability by the renewable energy sector. The key challenge for such a transition in South Africa is that the shift away from the dependence on coal is managed in a manner that addresses the most pressing socio-economic challenges, namely poverty and inequality.

Last year, South Africa, the continent's most industrialised economy, secured \$8.5 billion in loans and grants from a group of rich countries. However, President Ramaphosa told Parliament days before flying out to Egypt to attend COP27 that the money was not enough, with the release of a just transition investment plan suggesting that South Africa would need \$83bn over the next five years for its plans to cut carbon emissions, harness economic opportunities from the energy transition, and support affected communities. Earlier, the World

Bank indicated that South Africa would need around \$500bn by 2050 to achieve carbon neutrality.

The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) was announced in August 2011, and has since allocated projects to over 92 Power Producers, injecting over 6,300MW of power into the power grid, mainly from solar and wind generation. These sources currently make up about 8% of South Africa's energy mix, but a target of 50% electricity from renewables is perfectly feasible and is the minimum that the country should aspire to.

In South Africa, companies are using M&A to accelerate shifts in their portfolios. Fluid M&A market dynamics will continue to provide a myriad of opportunities for resilient companies to transform their portfolios and reposition themselves for the great energy transition, which will involve both divestments of high-carbon assets and investments in the energy transition.

Articles carried in this feature give insightful information on this topical issue, and the "Meet the Specialists" section introduces some of those individuals who have made dealmaking in the energy space their passion. ♻️



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The magazine is available for download - www.dealmakersdigital.co.za

Editor:

Marylou Greig

Sub-editor:

Lee Robinson

Research:

Vanessa Aitken

Marketing:

Cathy Coyle

Design & Layout:

Suzie Assenmacher

DealMakers ENERGY is published by the proprietor Gleason Publications (Pty) Ltd, reg no: 1996/010505/07 from its offices at 31 Tudor Park, 61 Hillcrest Avenue, Blairgowrie, Randburg 2194.

Tel: +27 (0)11 886 6446

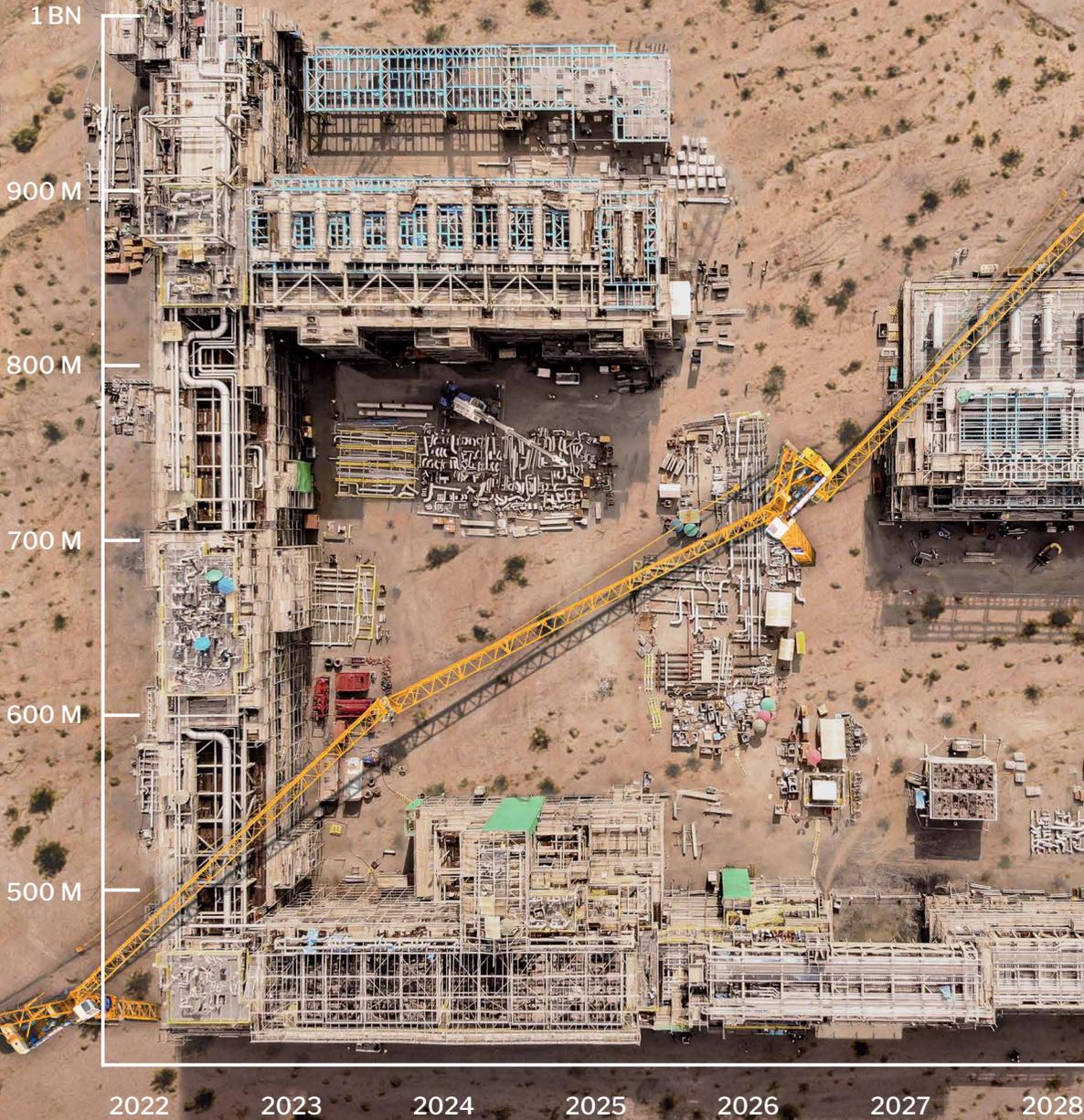
e-mail: marylou@gleason.co.za

www.dealmakerssouthafrica.com



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



AMITH SINGH, HEAD OF ENERGY FINANCE AT NEDBANK CIB

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.

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 through 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. ♻️



SINGH



Arvana Singh NEDBANK CIB

Head sustainable finance solutions



Q *How did you come to specialise in sustainable finance – did your career or the needs of the market take you in this direction or was it a personal choice?*

A My career started off in 2009 as a credit analyst in investment banking. After gaining a good grounding, I subsequently moved into a front line structured solutions role and then into a debt capital markets environment where I spent a vast majority of my career. During my time in debt capital markets I was exposed to, and was at the forefront of, macro development factors (of which climate change was quickly evolving as one), capital flows and investor trends and had the platform to develop financial instruments. Combining this knowledge and platform with an innovation mindset, structuring expertise and strong collaboration with key stakeholders enabled the creation of the green bond instruments which found huge deal success in the market and importantly achieves positive impact. Building on this momentum I was provided the opportunity to create a Sustainable Finance Solutions business within the Corporate and Investment Bank in November 2020, with a focus on developing and delivering innovative sustainability focused products covering lending, arranging, co-ordinating and advisory services. Since establishing the business we have concluded a number of significant deals which includes having structured a R1bn sustainability linked debt financing facility for Imperial Logistics, which represents a first for the company, and having structured and co-ordinated a R10bn currency equivalent debt financing package for Harmony Gold consisting of a green loan and multi-currency sustainability linked loan facilities, marking one of the largest sustainable finance transactions to have been concluded in South Africa.

Q *Do you have any unusual hobbies / do you participate in any leisure activities?*

A I enjoy yoga practice during down time. My favourite yoga pose is “birds of paradise pose” as it is a challenging pose, which tests both physical and mental strength requiring focus, strength and balance, it provides a feeling that anything is possible and symbolises aspiring to a higher level. This resonates with me and the desire that I have to be challenged, to rise above and to remain curious about possibilities.

I also enjoy different genres of music, reading motivational books, spending time in nature and spending quality time with family and friends.

Q *Do you think this area of expertise requires any special attributes and if so, what would you say they are?*

A Yes. Ability to employ systems value thinking, perform qualitative and quantitative value assessments, be able to employ an opportunities and risk mindset and be able to identify levers to enhance value creation across various dimensions. In addition you should be able to think creatively and structure robust solutions and, have the courage and tenacity to lead, pioneer, develop, test and land solutions in the market.

You need to maintain a good read of the market, foster networks and relationships, and be able to effectively collaborate with key players in the ecosystem to develop and execute on ideas.

Q *Do you find this area of expertise to be an exciting field and if so, why?*

A Yes, sustainable finance is transforming the way that mainstream finance is being offered to clients. This area of finance has valuable attributes attached to it which aim to make positive impacts in the environmental, social and governance dimensions. These are desperately needed to assist in mitigating against systematic and unsystematic risks and to be able to support societal and economic resilience and growth. ♻️





Bruce Stewart
NEDBANK CIB

Head of Debt Capital
Markets Advisory



Q *What is the biggest energy deal you have worked on?*

A Nedbank's Debt Capital Markets Team has raised R2,662 billion senior unsecured debt, specifically for funding the development of four renewable-energy projects, namely a wind and three solar projects. We have also raised R910 million of green tier 1 capital for Nedbank, with the proceeds of the issue being allocated to additional renewable-energy projects.

Q *How did you come to specialise in your field? Was it a personal choice or have market needs led you in this direction?*

A As a specialist debt capital markets transactor, and not restricted to capital raising in any specific sector, I am able to direct the allocation of capital to where it best delivers a commercial return and contributes positively to sustainability.

Q *Do you have any hobbies or participate in certain sports activities?*

A I enjoy extreme multi-stage mountain biking...along beaches and through game reserves.

Q *Do you think this area of expertise requires any special attributes and, if so, what are they?*

A Raising capital for renewable-energy projects requires a passion for using one's financial expertise to do good. In addition to having a

comprehensive understanding of the Sustainable Development Goals in the context of the environmental, sustainability and governance frameworks, you must be able to structure and deliver use of proceeds or sustainability-linked, fixed-income bond assets of unquestionable integrity to investors, as they provide the investment capital.

Q *Do you find this area of expertise to be an exciting field and, if so, why?*

A It is indeed exciting to be involved in the re-allocation of capital to sectors and projects that will contribute to the reduction of greenhouse gas emissions. I think every

person has an inherent desire to contribute to the longevity and sustainability of society. Raising capital for the investment and development of renewable energy creates an opportunity to do so. 

I think every person has an inherent desire to contribute to the longevity and sustainability of society and raising capital for the investment and development of renewable energy creates an opportunity to do so.





Roy Richardson
NEDBANK CIB

Principal - Advisory



Q *What are the biggest energy deals you have worked on?*

A I acted as Corporate Advisor to Patrice Motsepe’s Renewable Energy investment company, African Rainbow Energy and Power (AREP) for its investment in 9 REIPPPP Round 4 projects totalling 740MW which also included raising the requisite acquisition funding for such investment. Total deal size was R1.1bn. The deal was a landmark deal for the entity and represented its first investment into the renewable energy sector.

I also acted as Corporate advisor to Reatile Group on the take private of Hulisani Limited. Originated by Nedbank, the deal represented a significant investment into the renewable energy sector by a 100% black-owned and operated entity, embodying the important role that historically disadvantaged South Africans must play in supporting government’s economic transformation and green economy agenda.

Q *How did you come to specialise in the energy field – did your career or the needs of the market take you in this direction or was it perhaps a personal choice?*

A I think it was both my career and a personal choice. I joined Nedbank in 2015 and was very quickly exposed to the enormous

opportunity that the Renewable Energy sector presented, particularly for Nedbank who has and continues to play a leading role in funding the vast amounts of capital required by our country to solve its energy requirements in a sustainable manner.

Q *Do you think this area of expertise requires any special attributes and if so, what would you say they are?*

A Aside from the obvious investment banking skills, I think patience and resilience are probably the two biggest attributes needed as a corporate advisor in the South African energy sector.

Q *Do you find this area of expertise to be an exciting field and if so, why?*

A There is no more exciting sector in South Africa than Renewable Energy.

Power is arguably the single most critical sector in South Africa and is currently the topic of concern for all South Africans.

Power is arguably the single most critical sector in South Africa and is currently the topic of concern for all South Africans. Playing a role in finding a solution to this problem is very rewarding, particularly in light of the fact that a transition to renewable energy sources is a global imperative for the long term sustainability of our planet. ♻️

