June 4, 2015

Approval by mail: Amendment to the CTF Investment Plan for South Africa (IFC) / Expansion of the Approved South Africa Sustainable Energy Acceleration Program (SEAP) (IFC) CTF

Comments from the UK

Dear Mafalda,

Please see below some comments and questions from the UK on this amendment and proposal for the South Africa CTF Investment Plan.

Additionality

We note that the revised plan does not contain any updates to the market analysis on self-supply RE since the original 2010 project proposal and does not give any information on the current state of the regulatory environment.

As the first four rounds of REIPPPP have been oversubscribed with significant tariff drops for CSP and PV, and a small-scale government support program is about to be introduced, we need to see how the CTF finance will be targeted to ensure clear additionality and prevent the crowding out of private sector actors. This should include an update on the current regulatory and government support environment for self-supply RE and reasons why the existing DFIs and SA commercial banks are not financing small scale RE based on IFC's updated market analysis.

Results Measurement Frameworks

- Could you please clarify what split is foreseen between CSP and distributed PV installations within the sub-project mix and how the weighted average capacity factor of 55% was derived?

- On page 5 of the Amendment of the CTF Investment Plan and pg. 10 of the PAD it is indicated that the expected GHG emission avoided from the original SEAP is 0.86Mt/year and 17.2Mt overall, based on the installation of 250MW capacity. How does this figure relate to the IFC-SEAP GHG emission savings target of 13Mt, and annual 0.72Mt/y published in the 2014 Results Report?

- The PAD contains no details on how the co-financing figure of USD 700m was estimated for the SEAP expansion. Could IFC please clarify the technology cost assumptions used and the classification of co-investors (private versus DFI finance)?

Energy access

There is no mention in the proposal on the programme's impact on energy access. Even though the programme is aimed at industrial off-takers, one could still expect that there might be an increase in energy access because the additional power generated would make power somewhere else on the grid available – it would be useful to get clarity on whether this is indeed expected to be the case.

Thanks,

Lawrence