Energy Sector Workshop

The Role of Trade and Investment
KwaZulu-Natal including Financing of
Energy Projects
Types of Renewable Energy

A number of technologies are available:

Biomass: Incineration and anaerobic digestion including landfill methane collection

Bio fuels: The manufacture of ethanol and diesel from organic material

Cogeneration: The use of waste heat to generate power.

Solar: Power generation from the sun’s energy (photovoltaic, including roof top, and concentrated solar)

Wind: Power generation from wind turbines

Hydro: Power generation from water gravitational flow

In future, small players will be able to sell power to the national grid. E.g. from roof top solar panels
Green Fields Energy Projects: Stages in Development

Readying a project for investment: Once the concept for a venture has been formulated a number of stages follow. The more preparatory work one has undertaken the more likely finance will be attained.

Site Selection: A suitable site needs to be selected

Application to relevant authorities (among others):

- Department of Energy
- Water Affairs
- Rural Development/Ingonyama Trust Board
- Environmental Affairs
- Municipality
- Eskom

Negotiations with all relevant parties i.e.

- Off take agreements
- Supplier agreements
Seeking a site

The choice of site needs to be well considered.

- An EIA is always required. However certain zones such as industrial parks have already had preliminary EIAs completed
- Private land – Government land. Dependent on technology. Government owned land can be cheaper to lease
- Proximity to resources
- Proximity to market
The Role of Trade and Investment KZN

The role of TIKZN is encourage the establishment of business enterprise within the province and to be actively involved in the facilitation of this.

TIKZN’s activities inter alia include:

- Brokering and facilitation between parties
- Liaising with government departments and agencies
- Assistance in approaching DFIs and commercial financial institutions
- Assistance with site seeking
- Provision of information (data base)
- Packaging investment projects
- Assistance with product export
Trade and Investment TIZN’s Technical Assistance Fund

**Document Preparation.** Investors and lenders will be more likely to advance funding or take equity if certain documents have been completed. These include Environmental Impact Assessments, bankable feasibility studies. Typically one needs to engage a consultant to undertake these.

**TIKZN’s TAF.** TIKZN has a matching fund available to finance these studies up to the value of R500 000. The applicant needs to obtain funding to match on a Rand-for-Rand basis the amount contributed by TIKZN.

**Summary of Conditions:** Applicants must show that:
- They have sufficient access to finance to fund half of the study.
- A positive study outcome will lead to an investment and job creation.
- The project will be located in KZN.
Financial Institutions

All the major domestic banks have renewable energy divisions and are prepared to loan money to projects that meet their lending criteria. Commercial financial institutions will charge higher interest rates than development finance institutions and will be much more risk averse.

Big Four Commercial Banks
ABSA Bank: www.absa.co.za
First National Bank: www.fnb.co.za
Nedbank: www.nedbank.co.za
Standard Bank: www.standardbank.co.za

Business Partners.
E-mail: enquiries@businesspartners.co.za
Web: www.businesspartners.co.za
Tel: Cape Town: 021 464 3600
Durban: 031 240 7700
Johannesburg: 011 470 3111

Khula Enterprise Finance
E-Mail: helpline@khula.org.za
Web: www.khula.org.za
Identity Development Fund (IDF)
This non sector – specific fund is a partnership between Khula and Identity Development Fund (Pty).
Tel: (011) 351 2900
Fax: (011) 351 8900

Industrial Development Corporation - (IDC) in particular The Green Energy fund
Email: callcentre@idc.co.za.
Website: www.idc.co.za.
Call Centre: 0860 693 888
Small Business Growth Trust Fund

This non-sector specific fund is a partnership between Khula and Fabvest Investment Holdings (FABCOS).

It provides:
• Finance start-ups, expansions, bridging finance and asset based finance to qualifying SMEs
• Qualifying SMEs with the necessary infrastructural support and resources
• Fosters entrepreneurship within the SME sector and
• Reaches out to SMEs in priority provinces of South Africa
• Migrates Black businesses from the informal sector to formal sector

Loans range between R10 000 and R3 million per portfolio entity with a repayment period not exceeding 5 years.

Contact Details
Tel: (011) 421 2939
Cell: 082 901 2813
Email: info@sisonkefund.co.za
Khula Enterprise Finance

Khula Enterprise Finance Limited is an agency of the Department of Trade and Industry (DTI) established in 1996 to facilitate access to finance for SMMEs

E-Mail:  helpline@khula.org.za
Web:    www.khula.org.za

The Izibulo SME Fund

The Izibulo SME Fund is a partnership between Khula and Metropolitan Life Limited and The Median Fund (Pty) Ltd.

Its purpose is to:
• Provide early-stage funding to SMEs (improve access to finance);
• Provide SMEs with necessary infrastructural support and resources;
• Foster entrepreneurship for men and women in the SME sector;
• Reach out to SMEs in far-flung areas of South Africa;
• Encourage meaningful economic participation of historically disadvantaged South Africans;
• Invest in equity and debt, loans, loans convertible into shares (ordinary or preference shares);
• Purchase shares (ordinary or preference shares);
• Purchase debentures or convertible debentures (convertible into ordinary or preference shares);
• Purchase warrants, options and other securities of, or relating to portfolio companies;
• Provide consulting services, skills facilitation and development to portfolio companies;
• Provide working capital, expansion capital, the purchase of capital assets, refinancing of existing debt obligations

• info@medianfund.com
Website:  www.medianfund.com;
12I Tax Allowance Incentive (12I TAI)

The 12I Tax Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

Note that this is a tax allowance incentive and not a grant or loan. Funds to purchase equipment etc. must be expended first and then claimed back in the form of reduced tax payments or refunds.
Sale of Equity

• Projects can be sold fully or partially to investors.

• As in the case of lenders, Investors require as much information as possible to make a decision. Hence the need to acquire all necessary documentation: licences, permits, EIA, feasibility study, off take and supplier agreements, pro forma invoices and quotes.
Contact Details

For assistance with KZN based energy projects, please contact:

**Mr Nicholas Coleman**, Project Manager: Renewable Energy
Trade and Investment KwaZulu-Natal

083 644 2557 / 031 368 9608
nicholas@tikzn.co.za