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Dear Sirs

RELEVANT INFORMATION CONCERNING THE COAL IPPS – A STUDY BY THE ENERGY RESEARCH CENTRE

1. We address you as 350.org¹ and the Life After Coal/Impilo Ngaphandle Kwamalahle Campaign (made up of the Centre for Environmental Rights (CER), groundWork, and Earthlife Africa ("Earthlife")).²

¹ <https://350africa.org/>

² <https://lifeaftercoal.org.za/>

2. We refer to the CER's correspondence of 6 September 2017 and to the subsequent meeting held between the Development Bank of South Africa (DBSA) and a delegation of civil society representatives (including 350.org and Life After Coal members) on 8 February 2018. Both the CER letter and the meeting were in relation to the DBSA's role as a financier of the proposed Thabametsi independent power producer (IPP) coal-fired power station ("Thabametsi"). We also refer to subsequent correspondence on this issue from 350.org, dated 22 May 2018, and a meeting between the DBSA and 350.org on 25 May 2018.
3. We wish to bring to your attention a recent study by the University of Cape Town's Energy Research Centre (ERC), entitled "*An assessment of new coal plants in South Africa's electricity future: the cost, emissions and supply security implications of the coal IPP programme*" ("the **ERC report**"). A copy of this report is attached.
4. The ERC report models several scenarios for an assessment of the effects of building the two coal IPP preferred bidders – Thabametsi (at 557MW) and Khanyisa (at 300MW) - compared to a future electricity build plan that excludes them. The modelling investigates: supply security; the cost implications of the inclusion of the coal IPPs on the system relative to cheaper alternatives; and the emission 'lock-in' from the plants and the effects this has on South Africa meeting its long-term climate change commitments. According to the report, since a least-cost electricity build plan for South Africa **does not include new coal plants**, in each scenario the coal IPPs had to be forced into the model in order to compare the effects on the system.
5. The findings of the ERC report are, *inter alia*, that:
 - 5.1. the proposed Thabametsi and Khanyisa coal-fired power stations will cost South Africa an additional **R19.68 billion** in comparison to a least-cost energy system;
 - 5.2. the coal IPPs are not needed to meet South Africa's medium-term electricity demand, as alternate electricity sources i.e. wind, solar, and flexible gas generation are more economical; and
 - 5.3. the coal IPPs will increase greenhouse gas (GHG) emissions by **205,7Mt CO₂eq** over the 30 year period of the power purchase agreements. This would negate the government's GHG emission mitigation plans and efforts, including the expected savings of the entire Energy Efficiency Strategy to 2050. Even in a best case scenario for the coal IPPs (with GHG emissions curtailed as far as possible), the two coal IPPs would still negate the emissions saved under the carbon tax and frustrate South Africa's commitments under the Paris Agreement, through raising the costs of mitigation technology and requiring significant GHG emission reductions in the power and other sectors.
6. In short, the ERC report finds that the inclusion of the coal IPPs in South Africa's electricity build plan raises the total system costs compared to a scenario without the coal IPPs. Similarly, in all scenarios, the coal IPPs increase GHG emissions. These increases, both in costs and in GHG emissions, are significant.
7. ERC concludes that "*the implications of these findings are clear. South Africa is currently facing a large surplus in generation capacity, in particular inflexible base supply capacity. Eskom is facing a financial crisis and rising electricity prices will drive consumers away from the utility. Investments that unnecessarily increase costs in the electricity sector should be avoided.*"

8. The ERC report is further evidence of the position held by 350.org and the Life After Coal Campaign – that Thabametsi is a highly risky, harmful project, financially, socially, and environmentally.
9. We urge you to carefully consider the findings of the ERC report, and to factor those findings into your decision-making process with regard to the financing of Thabametsi. We understand that you share many of our concerns, and reiterate that real leadership is now required to take a clear position not to fund this power station. We would be happy to discuss these findings in further detail, or to provide any additional information that you may require in relation to this report.

Yours faithfully

LIFE AFTER COAL CAMPAIGN

per:



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