



South Africa welcomes the decision by the World Bank

The government of the Republic of South Africa welcomes the decision by the World Bank to grant a US \$3.75 billion project loan to Eskom, South Africa's power utility. The rate is at 6 month LIBOR + 0.5% fixed margin and a variable spread of 0.24%, which is reset semiannually. The maturity is 28.5 years with a grace period of 7 years.

The loan will co-finance the Medupi power station and the country's first large wind and concentrated solar power (CSP) projects. Medupi's cleaner coal supercritical technology together with the country's first renewable energy projects, are a critical part of South Africa's responsible approach to planning for our future energy needs.

The construction of the Medupi power station will provide much needed base-load capacity, which will be commissioned from 2012 onwards. This will ensure that the country's economic development objectives remain on track and that security of electricity supply is restored. Investment in energy remains a cornerstone of government's economic strategy.

In making the decision, an overwhelming majority of the Executive Directors voted in favour of the loan with only three abstentions. South Africa was applauded on its commitment to the climate change agenda and the pace set on renewable energy.

Government will continue to engage with the World Bank and all stakeholders in a transparent and constructive manner.

South Africa is committed to meeting its long term climate change mitigation objectives, and is pursuing an energy strategy compatible with commitments made in Copenhagen and the economic development plans. The Medupi power plant for example, is the first in Africa to use the cleaner coal supercritical technology, the same technology used in developed countries for new coal power generation. The generation technologies that Eskom has chosen to use are fully embedded in and informed by the Long Term Mitigation Scenarios (LTMS) adopted by the Government in 2008. The intention is to ensure that carbon emissions peak during 2020-2025, reaching a plateau for a decade and begin declining thereafter. Since the adoption of the LTMS and its outcomes, there has been sound assurance among various stakeholders within government, civil society and the private sector, of implementation actions that are required to meet its objectives.

The investments will create space for participation by the private sector and civil society to further boost initiatives already underway, as we move towards creating green jobs and a cleaner environment for future generations. The country will intensify its focus on energy efficiency to maintain a healthy reserve margin, which will provide time to make decisions on new capacity in a consultative and informed manner. The success of the initiatives contained in the loan (both projects and technical assistance) could defer the need to build by 2017, and allow for the introduction of other cleaner technologies.

We would like to thank all role players who were involved in the loan negotiations for their tireless efforts and for a job well done.

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