

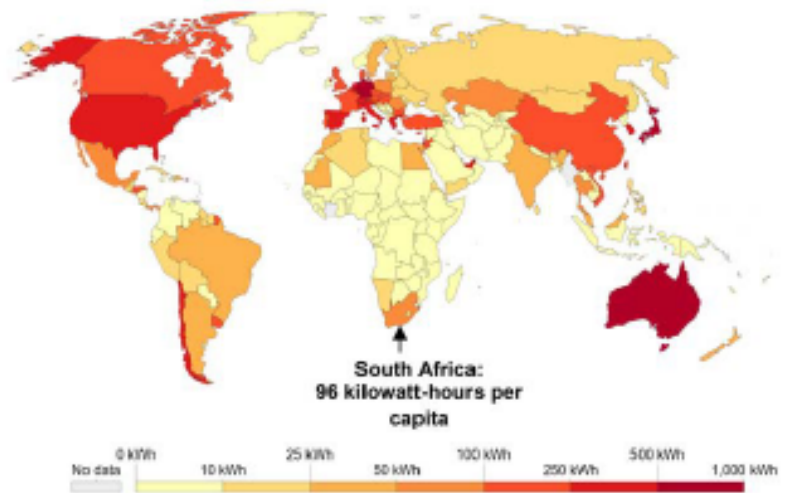
ENERGY

Strategic focus areas to drive long-term growth

- A just transition to a low-carbon economy forms an integral part of South Africa's global commitments to address climate change.
- The transition is imperative as it will drive long-term sustainability, resilience and competitiveness.
- The Economic Reconstruction and Recovery Plan calls for a "new energy paradigm" to support the economy's long-term growth and development potential.
- The Integrated Resource Plan (IRP 2019) outlines South Africa's strategic plan and roadmap for future electricity generation capacity as well as demand.
- The IRP 2019 emphasises the urgency of diversifying the country's energy basket, focusing on the development of new renewable energy generation capacity.
- South Africa's large renewable energy project development capabilities have garnered significant momentum in recent years.
- Renewable electricity generation capacity is set to increase substantially towards 31.2GW, or 37.7% of overall installed capacity (83GW) by 2030, compared to 11.2% in 2018.
- A policy framework that leverages private sector capital, operational participation and capital market depth has accelerated and de-risked renewable energy related capital investments.
- The country has developed a multi-billion rand pipeline of renewable energy projects, mainly based on wind and solar technologies, as well as energy storage solutions.

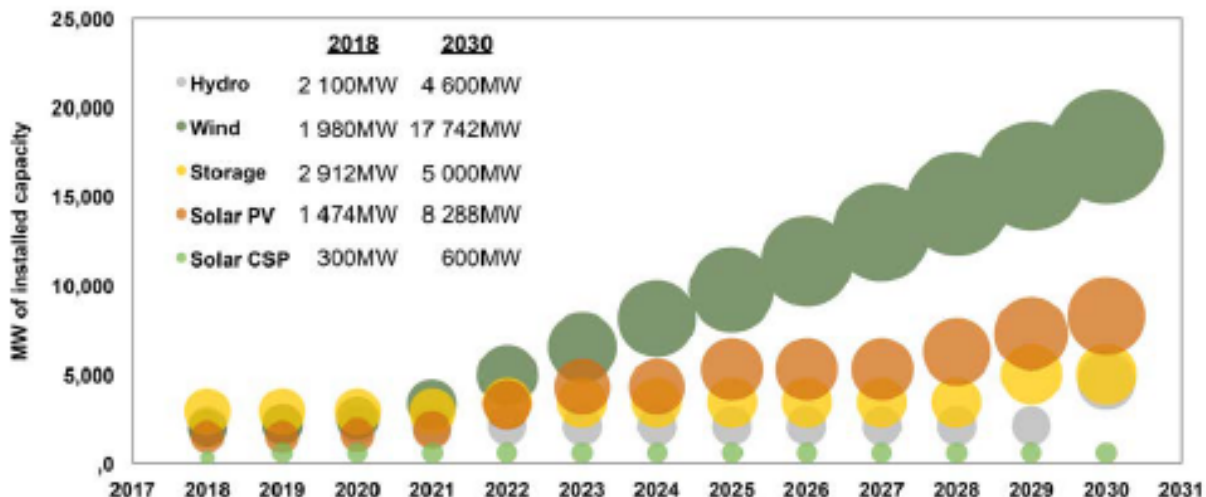
Blessed with high solar irradiation, South Africa is becoming a leading generator of solar energy

Per capita electricity generation from solar power across the world in 2020



South Africa's renewable electricity generation capacity is set to increase substantially

IRP 2019 planned roll-out of renewable electricity generation by source and energy storage



Sources: (map) Our World in Data based on BP Statistical Review of World Energy and Ember, OurWorldInData.org/energy; (chart) IDC, using IRP 2019 data.

ENERGY

Energy transition: Regulatory reforms unlock lucrative investment opportunities

- Efforts are under way to unlock efficiencies at Eskom, the state power utility, to enable sufficient, reliable and affordable energy to support the economy's long-term growth trajectory.
- A policy framework to enable self-generation and unbundle Eskom will significantly enhance industrial capacity and competitiveness within the energy value chain as well as related industrial sectors.
- The crowding-in of private sector capital and its operational participation in the energy sector are indispensable, especially in a constrained fiscal environment.



Enhanced value proposition of investment opportunities

IRP 2019 provides policy framework for additional energy generation capacity

Prioritising expanded generation capacity

Attracting private sector capital and operational participation

Opportunities associated with Eskom's unbundling

Governance framework for gas-to-power projects

- IRP 2019 implementation will provide substantial opportunities for private sector participation in the large-scale roll-out of renewable energy generation capacity, particularly wind- and solar-powered.
- 11 318MW of electricity capacity has already been promulgated, comprising of renewable energy, gas, storage and coal technologies. Bid window 5 of the Renewable Energy Independent Power Producer Procurement programme was launched in March 2021, aiming to procure 1 600MW of onshore wind and 1 000MW of solar PV.
- The energy infrastructure roll-out will unlock a wide range of green economy supply chain investment opportunities.
- Energy policy reforms have increased the generation licence exemption limit for self-generation projects from 1MW previously to 100MW. This will reduce the energy supply risk for investment projects, enhance industrial capacity and competitiveness.
- Major opportunities for private sector participation are likely to emerge from the unbundling of Eskom, the power utility, as outlined in the Eskom Roadmap.
- Investment opportunities are expected to arise in efficient power transmission and distribution, in the repurposing Eskom's fleet of coal generation plants that are approaching their end-of-life, as well as in services supplied to Eskom for its enhanced maintenance programme.
- Operational stabilisation of Eskom will significantly reduce energy project finance risks and boost investor confidence.
- The conclusion of the framework for the governance of the gas-to-power industry and the construction of liquid gas terminals present attractive investment opportunities.

Some of the investment opportunities

- South Africa's growing energy requirements provide lucrative investment opportunities across numerous energy value chains. Additional electricity generation capacity from 2021 to 2030 by technology:

| | |
|-----------------------|---|
| - Wind: 15 218MW | - Grid-scale electricity storage: 2 088MW |
| - Solar PV: 6 700MW | - Small-scale embedded generation for own use: 4 000 MW |
| - Gas/diesel: 3 000MW | |
- Self-generation energy projects up to 100MW.
- Opportunities associated with Eskom's unbundling and repurposing of coal power plants reaching their end-of-life.