

Press release for FIRST

FIRST opens its account with funding for Building Energy's Kruisvallei Hydro Project

FIRST (Facility for Investments in Small Renewable Transactions) has announced that it has settled the financing documents for a ZAR245m facility to finance Building Energy's Kruisvallei Hydroelectric Project. FIRST will provide senior and mezzanine facilities to maximise the amount of funding that it can offer Kruisvallei.

The 3,8MW project will be built using two existing weirs on the Ash River in the foothills of the Maluti Mountains near the South African border with Lesotho. As the Ash River forms part of the Lesotho Highlands water transfer scheme, hydroelectric plants on the river benefit from unusually stable hydrology. Kruisvallei will be the fourth mini-hydro built on this section of the river.

Building Energy bid Kruisvallei under Bid Window 4 of the South African Renewable Energy Independent Power Program (REIPPP). Building Energy had been successful in developing both solar and wind projects under REIPPP and they had identified Kruisvallei as the perfect opportunity to diversify their operations in South Africa. While the company has been successful at delivering projects as the EPC contractor elsewhere in the world, Kruisvallei will be the first time that Building Energy acts as the EPC contractor in South Africa.

Building Energy's ambition to develop its EPC offering in South Africa provided the perfect opportunity to partner with FIRST which has a specific mandate to facilitate new entrants that wish to participate in the small-scale renewable energy sector in South Africa. A key part of the success of the financing has been the process around settling the EPC terms. This has been characterized by a strong focus on the team that will deliver the EPC contract. Both parties are now confident that this team will be able to deliver the project.

"The Kruisvallei project demonstrates that, with appropriate structuring and the borrower and lender working as a team that funding for smaller renewable energy projects can be done as a cashflow lend in the South African market" said Dr Jan Martin Witte, executive director of FIRST.

Witte's sentiments are echoed by Greg Ansermino of EWF Partners, who manages FIRST: "We are delighted to support Kruisvallei and Building Energy. This hydro project demonstrates our ability to structure and provide funding across all technology types. The rest of the portfolio will be heavily focused on the commercial and industrial sector with our other projects including a portfolio of rooftop solar installations using bespoke funding structures. FIRST will also close its first biogas plant within the next few months. With the support of our partners KfW and RMB, we have achieved our objective of providing funding solutions to small and mid scale renewable energy projects that traditionally have been unable to achieve bankability."

FIRST is a specialised lender initiated and funded by KfW Development Bank with additional senior facilities provided by Rand Merchant Bank. FIRST is mandated to fund small-scale renewable energy projects but, as its primary goal is to assist in the reduction of carbon

intensity, this mandate is being continuously re-evaluated in a dynamic market. By way of example, FIRST is currently in advanced discussions to fund industrial-scale energy efficiency projects.

ENDS.

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