

Fension funds ideal for long-term investment into infrastructure

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Mark van Wyk, Mergence Investment Managers,

Attention is being drawn to the pension fund and insurance sectors as a way of mobilising funds for long-term investment into infrastructure.

Mark van Wyk, head of impact investing at institutional fund manager Mergence Investment Managers, said: "There is a place for fund managers in the wider infrastructure story. Projects can no longer be funded by traditional sources of bank funding alone because of stricter regulations and liquidity constraints post financial crisis.

"With yields on inflation-linked government bonds at low levels, investors are interested in income generating assets that could offer similar long-term, inflation-linked sustainable returns. The infrastructure debt asset class is attractive, being a productive fixed asset with a government-supported income stream taking into account the variability of the sun and the wind."

Mr van Wyk was part of a delegation at a ceremony today near Caledon in the Western Cape to connect the 27 megawatt Klipheuvel-Dassiesfontein Wind Energy Facility to the energy grid. The power purchase agreement was awarded to the Dassiesfontein wind farm in Round 1 of the Renewable Energy Independent Power Producers (REIPP) programme. Biotherm Energy (Pty) Ltd is the private equity investor into the project and Mergence has invested in the project development debt alongside other lenders, Standard Bank and the Industrial Development Corporation.

To date Mergence has invested in 10 Round 1 renewable energy projects on behalf of its clients with a total investment in excess of R1 billion. In the pipeline, spanning rounds one, two and three of the REIPP programme, Mergence has identified renewable energy projects, in addition to smaller IPP projects, where it can invest in excess of R1,5 billion.

Commenting on the social aspects of renewable energy projects, Mr van Wyk said that Mergence aims to invest in projects that are structured to deliver socio-economic targets in excess of the minimum thresholds, taking into account local content, local procurement and local ownership.

The Dassiesfontein project is structured such that the community located within a 50 km radius of the facility will benefit through a trust that has been established for community upliftment and support. A total of 1 212 jobs were sourced locally during the construction period from May 2013 to January 2014, with more indirect jobs created or sustained at local manufacturers and suppliers. During the 20-year operational period of the wind farm, there will also be operation and maintenance, security and engineering control jobs created.



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Dassiesfontein wind farm.



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