

# Investors put R82bn into wind and solar renewable energy plants

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BLACK-owned specialist fund manager Mergence Investment Managers said on Thursday total investment in wind and solar renewable energy plants was R82bn, with the banking sector, insurance companies, pension funds and international investors as major funders.

The roll-out of renewable energy projects has heightened

the importance of finance to get them off the ground, with many early projects mired in funding constraints and high costs.

But evidence is emerging that asset managers are willing to allocate more money to support the government-driven renewable energy independent power producer procurement programme, which has now been through three rounds of bidding.

As an "impact" investor looking for projects that have both

economic benefits and are socially responsible, Mergence has invested R852m in 10 renewable energy projects, which is just over 10% of the total amount of power allocated to date. Expected solar and wind energy costs are now expected to be lower than what Eskom will charge on its Medupi and Kusile projects.

"It is a myth that renewable energy is expensive," said Mergence portfolio manager Mark van Wyk on Thursday.

The latest round of the bidding programme has culminated in an average wind energy tariff of R0.65/kilowatt hour (kWh) and an average solar energy tariff of R0.80/kWh. Though this compares well with Eskom's current average electricity generation cost of R0.64/kWh, Eskom tariffs are expected to increase more than inflation with the new-generation capacity from the Medupi and Kusile power plants, each with an average expected

generation cost of about R0.97/kWh, said Mergence.

Mr van Wyk said it was possible to get social and economic benefits at the same time. Projects he invests in have 3%-10% local community trust ownership, with 1%-1.5% of revenue for socioeconomic development and 0.6% on enterprise development to target education and skills.

"You wouldn't have seen a reduction in tariffs without the capital injection, which brings

competition and helps bring tariffs down," he said.

Mergence MD Masimo Magerman said that as a socially responsible investor, the company wanted to maximise returns, but looked to shift money to investment projects that addressed social needs.

"We are concerned about the high level of inequality within South African society," he said.

In the pipeline, spanning rounds one, two and three of the

renewable energy procurement programmes, Mergence has identified renewable energy projects, in addition to smaller independent power producer projects, where it can invest more than R1.5bn. By April this year it had invested in 10 renewable energy projects approved in round 1.

The projects are largely in rural areas where job creation and infrastructure development are needed.

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