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Renewable energy tariffs cheaper than Eskom

Breaking News | Carbon and Finance News — 30 May 2014



It is more attractive for the government to procure new energy from renewable energy sources given the current trend of Eskom electricity generation costs and the competitiveness within the Renewable Energy Independent Power Producer (REIPP) procurement programme.

Speaking at a media presentation in Johannesburg Mark van Wyk, head of impact investing at Mergence Investment Managers,

said that the tariffs at which renewable energy independent power producers are supplying energy into the grid has decreased significantly over the three successive bidding rounds of the REIPP.

This is partly as a result of efficient project installation costs and technology enhancements.

"The latest round three of the bidding programme has culminated in an average wind energy tariff of R0.65/Kwh and an average solar energy tariff of R0.80/Kwh."

"While this compares favourably with Eskom's current average electricity generation cost of R0.64/Kwh, Eskom tariffs are expected to increase higher than inflation with the new generation capacity from the Medupi and Kusile power plants, each with an average expected generation cost in the region of R0,97Kwh," said Mr van Wyk.

According to Mergence research, total investment into wind and solar renewable energy plants currently amounts to R82 billion, with the banking sector, insurance companies, pension funds and international investors as major funders.

Currently more than 85% of South Africa's generation capacity comes from coal-fired power plants.

In terms of government's 2010 integrated resource plan (IRP) the objective is to reduce carbon intensive coal energy to 50% of the mix by 2030, with renewable energy sources contributing at least 26% of the energy mix.

The benefits of renewable energy include "green" savings. For each kilowatt hour of coal-based energy generation, Eskom emits approximately 0.96 kg of carbon dioxide and uses approximately 1 litre of water.

The current procurement of 3468 MW renewable energy sources into the energy mix instead of coal-fired power plants will reduce South Africa's annual carbon emission by 6 million tonnes.

Source: ITI News



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