



Mergence sets up R5bn renewable energy debt fund

by [Siseko Njobeni](#), 30 August 2012, 08:15



Picture: THINKSTOCK

ASSET management company Mergence Investment Managers has set up a R5bn renewable energy debt fund to provide project finance for local renewable energy projects.

The Department of Energy is rolling out the independent power producer (IPP) procurement programme, which makes provision for procurement of 3,725MW of "clean" electricity from IPPs by 2016.

The roll-out of renewable energy projects as part of the government-driven IPP procurement programme will heighten the importance of renewable energy finance.

Mergence said on Wednesday that the debt fund targeted a select number of institutional investors and had so far raised R500m.

It will invest in renewable energy developments and operations of IPPs that have entered into power purchase deals with Eskom and the department.

Key areas for investment would be wind and solar power, Mergence portfolio manager Mark van Wyk said on Wednesday.

The department has allocated a total of 2,459.4MW in the first two rounds of the IPP programme. The government must still allocate approximately 1,165MW in the remaining rounds of the programme.

Mr van Wyk said the fund would appeal to investors' need to diversify investment exposure and earn a commensurate fair yield at low risk, while contributing to rural economic and infrastructure development.

He said the fund would invest alongside banks and other institutional investors.

Mr van Wyk said the banking sector might be constrained for long-term capital to finance renewable energy projects for the entire procurement programme. Some banks had gone to the capital markets to syndicate funding projects.

He said the fund would facilitate liquidity for the first, second and third rounds of the IPP procurement programme. The funding relationship with the banks would be regulated by common terms agreements.

The fund would prefer projects that scored high on local content and social economic development. It supported local procurement and local economic development, he said.

The department has said the IPP programme should encourage the growth of local manufacturing capacity.

Mr van Wyk said the fund had to date identified eight of the 49 preferred bidders during the first two rounds of the IPP procurement programme.

Energy Minister Dipuo Peters this month alluded to allocations in addition to the 3,725MW. A "rolling" renewable energy programme would provide sustainable employment via local manufacturing, she said.