Building Energy’s first PV power plant in South Africa

Building Energy is currently developing and constructing more than 2,000 MW of solar and wind projects worldwide, and has directly and indirectly developed and constructed 150 MW of solar PV projects in Italy. In 2011, the Italian renewable energy IPP was selected as one of 28 bidders in the first round of the REIPPPP to construct an 81 MW solar PV plant in Kathu, Northern Cape. A year later, in 2012, the company opened an office in Cape Town.

In 2013, Building Energy was awarded a 14 MW biomass plant in Mkuze, the first in Africa, and in April 2015, it was awarded preferred bidder status in the REIPPPP round four for development of a 140 MW wind project and a 4.7 MW hydropower project.

“When we first entered South Africa, it was one of the most promising markets in the world and the REIPPPP programme was one of the best at that time. Today we can say that this was obviously true. We now have more than 20 projects in the country at different stages of development in four technologies – solar PV, wind, biomass and hydro,” said Matteo Brambilla, Managing Director for Africa at Building Energy.

According to him, one of the important considerations to take when bidding on projects in South Africa, and which differentiates the market from others, is the socio-economic development factor. “When you submit tenders, you need to commit to some level of local content, local job creation, and black ownership in the project. That’s something which is different from business in Europe and other parts of the world. You need to help the black economy to grow.”

About 35% of Kathu’s content was procured locally while the rest was procured from around the world – PV modules from China; inverters and
mounting structures from Europe. The project hired 800 people during construction and currently employs 70 people, mostly South Africans.

Commenting on the environmental impact assessment framework in the country, Brambilla describes it as quite developed and straightforward, especially when compared with a market like Italy’s. “It was quite easy for us to meet the environmental requirements here.”

Kathu reached financial close in November 2012, one year after it was awarded to Building Energy, and became operational in August 2014. The project brought together an investment consortium comprising African Infrastructure Investment Fund 2, the Infrastructural Development and Environmental Assets Managed Fund, BuiltAfrica Kathu 75 Solar, Building Energy Development Africa, and Kathu Solar Community Trust.

A total of $360 million was invested in the project, which according to Brambilla is delivering above 20% in annual return on investment. “We are still developing projects as there is plenty of room under this programme. South Africa has one of the most reliable and stable frameworks to develop renewable energy and we will continue operating here. We’re also developing projects for private offtakers and mines; it’s a very different market and I think it will pay off in the future.”