

## Energy Trust Information Sharing Event Report

15 March 2011 – East London Golf Club

### .1. Present:

See attached attendance register.

### .2. Introduction

Renewable energy is emerging as an important sector in South Africa. Many international and local investors, funders and developers are looking at South Africa as a place to invest in large scale renewable energy projects from wind power, concentrated solar, biogas and bio-fuel projects to name just a few.

This provides us as a country with a unique opportunity to ensure that the (economic, social and environmental) benefits from this investment are of benefit, in a sustainable manner, to poorer rural and urban communities.

The purpose of the Energy Trust Information Sharing event is to learn from the views and experiences of different role-players from government, developers, financiers and communities, on how community development can be promoted in the renewable energy sector.

This learning event and rapid appraisal conducted by Afesis-corplan has been made possible with funding received from the British High Commission.

### .3. Presentations

#### .3.1. Energy trusts - Ronald Eglin (Afesis-corplan)

See attached PowerPoint presentation.

#### Discussion

Question (Q) 1: Who sits on the trust? Are they rural or urban?

Answer (A) 1: The type of trustees depends on the specific context. They can be drawn from the community or from broader society. The key is that trustees do not benefit from the trust and they act on behalf of the beneficiaries.

Q2: How does the trust proposed by Afesis-corplan differ from other trusts?

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A2: The presentation refers to all forms of trusts. Afesis-corplan is however considering setting up a trust. No decision has been made yet as to the details of this trust, but it is likely to have a broadly defined set of beneficiaries. It will also likely get more involved in support activities (like capacity building and advocacy).

Q3: How onerous is it to set up a trust and be a trustee?

A3: It is not too difficult to set up a trust. Trustees have oversight responsibility. The trustees can appoint people to run the trust.

Q4: Do trustees get incentives to be trustees?

A4: Trustees do not benefit from the trust of being trustees. They are volunteers. They can get compensated for out of pocket expenses.

Q5: Is a trust non-profit if it gets income/ dividends and invests this income in projects?

A5: The trust cannot distribute benefits to trustees, but the trustees can decide how to utilise any income/ asset that the trust has.

Comment (C) 1: For trusts to work you need commercially viable projects.

### **.3.2. United kingdom Climate change overview - Catherine Pye (United Kingdom High Commission to South Africa)**

See attached PowerPoint presentation.

#### Discussion

Q1: Is there a fit between the UK mandate for development cooperation and the developmental mandate of the country in which the UK is operating, and what happens if there are differences of emphasis between the two countries?

A1: When operating in another country one needs to adapt to the local circumstances. The UK government generally looks to support what is already occurring in a particular country. Generally you find that the UK government and host countries are dealing with similar issues like green jobs.

Q2: South Africa is battling to get skilled people to maintain renewable energy projects how can UK help?

A2: The UK high commission can consider specific request from people who come to them with needs and proposals. There is a possibility of skills exchanges between the countries. Twinning and knowledge sharing opportunities can be considered.

### **.3.3. Status of Renewable energy in South Africa – Davin Chown (Mainstream Renewable Power)**

There was no PowerPoint presentation or report.

#### Discussion

Q1: What risks are involved for trusts in the model of trusts and community development discussed today?

A1: There is always a risk in setting up commercial ventures like wind farms, and it is important to be careful not to expose communities to too much of this risk (e.g. find they lose their land if the project fails). Government needs to see how they can protect trusts and communities from this commercial risk. Trusts need to consider linking to many different commercially viable projects so as to spread their risks in case some of these projects fail.

Q2: What happens if commercially viable projects are unsustainable?

A2: This is a big risk. It is important that commercially viable projects are able to sell their energy. The REFIT scheme of government should help a lot in this regard. Local businesses should also look to purchasing green energy. Municipalities can also support green energy.

Q3: How do you balance the need for communities to have information and companies to have trade secrets?

A3: Trusts and communities must make sure they have all the information relating to a project to see if it is viable. But sometimes commercially viable projects may be reluctant to engage with trusts if they are forced to make public their private business plan (they could be scared the competition will benefit from this information). We need to be careful not to put too much burden on commercially viable projects to have to deal with a host of issues like BBEEE and community development targets.

C1: Trusts need to monitor the renewable energy sector as it is changing all the time. For example government is likely to procure energy from independent power producers through a rolling procurement process testing out a few projects at a time. Community trusts can work with the renewable energy private sector to lobby government to make a more enabling environment for renewable energy. Trusts will benefit from a successful and profitable renewable energy sector. The world's attention will be on South Africa at the COP 17 conference in Durban at the end of 2011 so trusts can position themselves to benefit from renewable energy.

Q4: The eastern cape is characterised by a well resourced western area and a poorly resourced eastern area. How do we prevent perpetuating this divide in the renewable energy sector?

A4: Provinces may need to find ways to redistribute and/or shift investment away from the west and centre of the province where the main electricity grids exist more towards the east where there are no large electricity grids and people are living without electricity. Trusts can play a role in this by investing in commercially viable projects in the west but using their income in community development projects to the east. Consideration can be given to the establishment of mini grids in the eastern part of the province.

Q5: How do we deal with the challenge of cheap coal based electricity in South Africa?

A5: We need to look at long term trends. With increased requirements on coal fired stations to mitigate against climate change, coal based energy costs are going to rise. Some people estimate that within 3 years time some forms of renewable energy will cost the same as coal based energy. Even now many companies see renewable energy, as a backup option, being cheaper than diesel generated electricity backup.

### **. 3.4. Clean development mechanisms and community development - Alistair McMaster (Pure Carbon)**

See attached PowerPoint presentation.

#### Discussions

Q1: With South Africa's REFIT in place, will we still be able to obtain carbon credits, as some may argue that we do not need extra funding as the REFIT funding now makes renewable energy viable?

A1: There are three tests to determine if a project is eligible for carbon credits:

- a) financial test – the project would not have been feasible without the carbon credits;
- b) technical tests – the area does not have the technical capacity to establish the project without the carbon credits; and
- c) common practice test - the renewable energy technology is not known and used a lot so needs carbon credits to encourage people to establish such projects.

Wind energy, for example, may only be able to apply for carbon credits based on the common practice test, as given that renewable energy is new and the procedures etc. for its establishment are untested it needs additional carbon credit funding. There are many uncertainties in the renewable energy sector in SA so it

still needs carbon credits. Consideration could be given for communities to motivate that carbon credits accruing to commercially viable projects (that are viable despite the carbon credits) should be used to further the community development aspects within the renewable energy sector.

### **.3.5. East London Industrial Development Zone and Renewable energy – Chris Ettmayr (ELIDZ)**

See attached PowerPoint presentation.

#### Discussion

Q1: Will the new Joule electric car be manufactured in ELIDZ?

A1: The ELIDZ is the preferred location of the company manufacturing the Joule. There are still however many stages to go through before the car will start to be commercially produced. Owners of eclectic cars will want to use renewable energy so this will stimulate demand for renewable energy. Electric car batteries could be used to store renewable energy.

Q2: What is the job potential of renewable energy projects?

A2: There are studies that are being done looking into this at the moment.

Q3: Why are there fewer solar projects compared to wind projects?

A3: Many wind projects are also starting to look at solar projects. It's quicker to get a solar project off the ground than a wind project (less environmental studies etc.).

### **.3.6. Eastern Cape climate change response strategy – Lyndon Mardon (Provincial department of Economic Affairs and Environment)**

See attached power point presentation.

#### Discussion

Q1: How can we attract renewable energy projects to the east of the province where there is no electricity grid?

A1: The forestry sector is likely to grow in the east, and crops can be used as a form of renewable energy. The forestry industry also needs electricity so renewable energy can be linked to this. The government is considering some form of development zone on the wild coast that will require connection to the national electricity grid. This will then open up some areas to larger scale commercially viable renewable energy. It will be difficult to address the electricity energy needs of everyone across the whole province through the national grid. There will need to be some form of prioritisation and clustering. This opens up opportunities for off the grid and mini grid solutions in other areas.

### **.3.7. Trusts and community development - Tendani Nelwamondo (Industrial Development Corporation)**

See attached PowerPoint presentation.

#### Discussion

Q1: Does IDC also consider peri-urban communities and not just rural?

A1: The IDC community section also looks at marginalised communities, that includes marginalised peri urban and urban communities.

Q2: How can you ensure economic sustainability of community trusts / projects?

A2: The IDC encourages partnerships so that different skills are drawn into projects. The IDC community development sections does not fund the primary project (i.e. the commercially viable wind farm) there are other sections within IDC that look at this.

Q3: What is the maximum amount that the IDC can provide for communities to buy shares in commercially viable projects?

A3: The community fund makes provision for up to R10 million. There are other funds within IDC that can also be considered.

### **.3.8. Trusts - Leonard Tebbutt ( Leonard Tebbutt chartered accountants)**

See attached report.

#### Discussion

Q1: Who is the founder of a trust?

A1: The founder is the person that gets the trust going. The founder does not have to be the same as the trustees or beneficiaries.

Q2: How can the trust be structured so as to make the trustees more accountable to the community?

A2: The perception of the community as to what the trust is doing for them is very important. The establishments of renewable energy projects is a long process, so it is important that the community understand what they can realistically expect the trust to do for them. There is no clear answer to how to make trusts accountable to communities. Each project will be unique.

C1: it is difficult for developers to do renewable energy projects in communally owned land areas, as its very difficult to sort out the issue of who gives responsibility for the use of the land. There are many challenges for operating trusts within communities – It is not easy and many projects fail. There are however some projects that are starting to show success (e.g. the Wind farm project near Bedford being organised by the Blue Crane Development Agency, and the Macadamia nut project in Amathlati municipal area), and we need to gain inspiration from and start learning from these experiences.

### **.4. Conclusions**

Participants indicated that the information sharing event succeeded in its objective of sharing information between a wide variety of role-players.

It was good to see that all role-players were generally thinking along similar lines when it comes to using trusts for community development purposes.

Participants indicated that they supported the idea of energy trusts. It provided a good and useful way for community development to be supported in the renewable energy sector.

Afesis-corplan would put the presentations onto its website and inform participants when it is available.

It is hoped that organisations would take information away from the workshop and use it in their own circumstances.

Afesis-corplan will continue with its plans to establish a renewable energy trust.