



Left: Celebrations for the sod-turning of the Dorper Wind Farm took place recently between Molteno and Sterkstroom. The wind farm is a partnership between a South African company, Rainmaker Energy, and the Japanese company Sumitomo Corporation. Ready for the winds of opportunity for the rural area are, from the left to the right, Minister Ken Okaïwa of the Embassy of Japan in Pretoria, Dr Wolsey Barnard, deputy director-general for energy programmes and projects, and Luke Callcott-Stevens, executive director at Rainmaker Energy.

In a major coup for the Eastern Cape, a tract of rural land is being transformed into the site of one South Africa's first large-scale renewable energy wind farm projects.

Wind in Dorper's sails as ground-breaking signals project onset

The Dorper Wind Farm, between the towns of Molteno and Sterkstroom in the Inkwanca Local Municipality, is a pioneering project that will see 100MW of energy harnessed from the wind pumping through the region. The area, situated in the northern parts of the Eastern Cape, is characterised by excellent wind conditions, particularly during winter months.

A high-level delegation from Japan and Germany, as well as national, provincial and local government, attended the sod-turning event on 19 February. Community members and local farmers also joined in the celebrations.

A JOINT VENTURE

"This marks the onset of a definitive new era for both South Africa and the Eastern Cape, and we are immensely excited to be at the forefront," said Gavin James, executive director of Rainmaker Energy, one of the companies involved in the joint project, which has seen South African business linking with Japanese counterparts to develop a partnership that embraces both local economic development and foreign direct investment.

A RENEWABLE GROWTH PATH

Rainmaker Energy's executive director, Luke Callcott-Stevens, added: "Power and access to this incredible resource will define the growth path of South Africa for years to come. The significance of government's focus on diversifying the power base through moving from reliance on traditional power sources to emergent and renewable

energy will ensure that the power grid is supplemented by solar and wind energy, which will in turn cut costs and enable our country's socio-economic and industrial development."

The sod-turning followed two major achievements for the consortium led by Rainmaker Energy through its subsidiary Dorper Wind Development (Pty) Ltd and Sumitomo Corporation of Japan.

The first was its triumph of selection when it gained preferred bidder status as one of eight wind energy independent power producers (IPPs) in the first round of the Department of Energy's Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) in December 2011. Secondly, the project was recently named *Project Finance Magazine's* African Wind Deal of the Year 2012.

THE PROJECT

The Dorper Wind Farm is an onshore wind energy facility that will consist of 40 wind turbines, each with a generating capacity of 2,5MW. The turbines will be supplied by Nordex Energy South Africa (Pty) Ltd, which is a wholly-owned subsidiary of the German manufacturer, Nordex SE.

Late last year, in November 2012, the Dorper project company entered into a 20-year power purchase agreement (PPA) with the state-owned energy provider Eskom and an associated implementation agreement with the Department of Energy, enabling it to break ground. Construction on this project commenced in March, with completion and commercial operation expected in July 2014.

CAPITAL INVESTMENT

A total of approximately R2,2 billion will be collectively invested to construct the Dorper Wind Farm. Hideki Yamano, general manager of the wind power and water infrastructure business department at Sumitomo Corporation, said: "Sumitomo Corporation regards renewable energy as one of our core business areas and is proactively fostering its wind, biomass and solar photovoltaic power generation businesses both within and outside Japan." The Japanese firm is in line to claim itself as a strategic investor in several wind projects in the United States, China and Japan. These include the 845MW Caithness Shepherds Flat wind farm project in the United States, which is one of the world's largest wind farms.

Kyo Onojima, general manager of Sumitomo Corporation's Johannesburg branch, said: "We will see our entrenchment in the African market through Dorper and plan to make a high impact in an area beset with power problems which hamper development."

DEBT FINANCING

Debt financing for the project, totalling approximately R1,6 billion, was arranged through Absa Capital, Nedbank Capital and Sumitomo Mitsui Banking Corporation Europe. A portion of the debt, used to fund the German and European-based components, is being guaranteed by a German export credit agency, Euler Hermes.

OWNERSHIP STRUCTURE

The project is housed in a ring-fenced special-purpose vehicle, the Dorper Wind Farm (RF) (Pty) Ltd, whose ownership structure is as follows:

- 60% Summit Wind Power South Africa (Pty) Ltd (Sumitomo Corporation's wholly-owned local subsidiary).
- 15% Dorper Wind Development (Pty) Ltd (Rainmaker Energy's subsidiary).
- 12,8% Dorper Wind Farm BBBEE Holdings (Pty) Ltd (housing the broad-based BEE participants).
- 12,2% Dorper Wind Farm BEE Holdings (Pty) Ltd (housing the narrow-based BEE participants).

Rainmaker Energy has environmental approval for over 500MW of wind power, and the Dorper Wind Farm shall constitute the first 100MW phase of this greater "Stormberg" wind project.

Query: Who is Jenman? We must specify his first name, job title and company. Jenman said: "Dorper shall provide a much-needed boost to the region, and the development has a number of interventions planned to promote local employment, local content, skills development and sustainable job creation. We are working with the surrounding communities to ensure that the benefits roll into their lives."

"The Trust aims to address social, enterprise and economic development through a variety of initiatives," said Callcott-Stevens.

ADVANTAGES FOR LOCAL COMMUNITIES

Local communities in the vicinity of the wind farm will gain advantage through the Molteno and Sterkstroom Community Development Trust, which was set up by the Dorper Wind Farm. The Trust holds a 10,2% equity stake in the project via its 80% equity stake in Dorper Wind Farm BBBEE Holdings (Pty) Ltd. "The Trust aims to address social, enterprise and economic development through a variety of initiatives which will be funded by income derived from its ownership stake in the project," said Callcott-Stevens.

TACKLING LOCAL CHALLENGES

The mayor of the Inkwanca Municipality, Mtandazo Qamngwana, said this project will play an important role in dealing with the triple challenges of South Africa. "Dorper will have a huge impact in terms of social and economic development," said Qamngwana, who emphasised the role that the wind project could play in education, infrastructure upgrading and small, micro and medium enterprise development in the municipality and district.

MANY SPIN-OFFS

Dr Wolsey Barnard, deputy director-general for energy programmes and projects, who was responsible for drafting the country's energy policy 15 years ago and was representing the Minister of Energy, Dipuo Peters, said there were many spin-offs of the government's renewable energy programme, including secondary economic development in the logistics, manufacturing and construction industries.

He said: "We as government are as excited as the locals about what is happening in their backyard and we are committed to broad-based economic development. Renewable energy projects are focused in 28 areas, which are mostly rural, throughout the Eastern Cape, Northern Cape and Western Cape, where previously there has been very little industrial development."

A FUTURE ENERGY HUB

The Eastern Cape is set to become a leading wind and renewable energy hub in an effort to help the Department of Energy meeting its procurement objectives of 3 725MW of renewable energy. Major wind farm developments in the province include, amongst others, the Jeffreys Bay Wind Farm, which also recently launched construction, and three major projects planned for the Coega Industrial Development Zone.