

Media Release

18 February 2019

The founder and chairman of African Rainbow Energy and Power (AREP), Dr Patrice Motsepe today held a media conference to discuss the allegations and suspicions of improper plans and strategies which implicates AREP and relates to Eskom and the alleged roles by the Minister of Energy, Mr. Jeff Radebe and President Cyril Ramaphosa who are both his brothers-in-law.

AREP was formed in 2012 and one of its main objectives was to utilize modern technology and renewable energy technologies to provide affordable electricity in South Africa and on the African continent.

In the context of South Africa's high unemployment rate, AREP's commitment is to use technology to create new jobs and to participate and contribute to creating transitional plans and strategies, to provide new skills for employees and particularly coal miners so that no workers will lose their jobs because of the new technology and renewable energy plants.

AREP's holding company is the only African company that is a partner in the Breakthrough Energy Ventures (BEV) which was started in 2016 by Bill Gates after the 2015 Paris Climate Change Talks and includes several globally respected business leaders like Jeff Bezos, Richard Branson, Jack Ma, Mukesh Ambani and others. The goal of BEV is to use technology and innovation to provide clean energy that does not contribute to climate change.

Brian Dames was appointed as CEO in 2014. After evaluating and pursuing various renewable energy projects, AREP and its partner Jinko Solar submitted an offer in April 2016, to SunEdison, an American company, to acquire the 6 solar photovoltaic projects which SunEdison was awarded by the Department of Energy in April / June 2015. AREP was not successful as SunEdison decided to sell to Old Mutual.

Old Mutual thereafter invited BEE bidders to acquire 30 – 35% of the equity in each of the 6 SunEdison solar photovoltaic projects which Old Mutual had acquired.

In October 2017 AREP was informed by Old Mutual that it was one of three BEE partners who were selected to each purchase 15% equity in the SunEdison solar photovoltaic projects. The other two BEE partners who each acquired 15% are Phakwe Solar and Reatile Solar Power. 6 Local community trusts also acquired equity.

The value of AREP's agreement with Old Mutual was approximately R462 million and AREP committed R139 million from its own resources. Approximately 398 MW power will be produced by these 6 projects.

In October 2016 AREP, through a private sector bidding process acquired 30% equity in the Ngodwana Biomass Project from Fusion Energy. The other shareholders in this project are Sappi, KC Africa (from Korea), a community trust and an employee trust. The value of AREP's equity in this project is R153.4 million.

In November 2017 AREP submitted a bid to Mainstream Renewable Power, an Irish company, to acquire a 22.50% equity stake in each of Kangnas (140 MW) and Perdekraal East (110 MW).

These wind projects were awarded to Mainstream by the Department of Energy in April / June 2015. AREP did not succeed in acquiring the 22.50% equity that it bid for, as Mainstream made 11.25% equity available to AREP in each of Kangnas and Perdekraal East. Another BEE company, H1 also acquired 11.25% equity in each of Kangnas and Perdekraal East. The value of AREP's equity in these wind projects is R188.3 million.

The total equity value of AREP's current renewable energy projects is approximately R800 million or 3.9% of the total equity value of the Department of Energy's Round 4, Renewable Energy Independent Power Producer (REIPP) programme which is R20.6 billion¹. The total BEE equity value of all the projects under the Department of Energy's REIPP's Round 4 is R 8.6 billion¹ and AREP's share is R 800 million which is less than 10%.

AREP did not participate in the Department of Energy's REIPP projects relating to the provision of electricity to Eskom under Rounds 1, 2, 3 and 3.5 whose total equity value is R47.2 billion¹.

It is patently clear that every single one of the 9 REIPP projects that AREP is currently participating in and has a minority shareholding, were acquired from privately owned companies and not from the Department of Energy.

Any transfer of equity or shares under the REIPP programme has to be approved by the Department of Energy and is based on certain qualification and evaluation criteria for preferred bidders.

These qualification criteria include:

1. Structure of the Project; 2. Legal Criteria; 3. Land Acquisition and Land Use Criteria; 4. Environmental Criteria; 5. Financial Criteria; 6. Technical Criteria; 7. Economic Development Criteria; and 8. Value for Money.

The evaluation criteria include:

1. Price (the Government usually prefers the lowest electricity price) and 2. Economic Development (which includes, inter alia, black economic empowerment, local content procurement and job creation).

At a recent meeting with some of the leaders of workers in South Africa Dr Patrice Motsepe said:

"I have over the years reiterated my support for the developmental role that Eskom has to play and to provide affordable electricity to all South Africans and in particular to the poor, unemployed and marginalized. Eskom should always be run by a world class management team with proper governance structures and a zero tolerance of corruption. Technology partnerships and in particular Fourth Industrial Revolution technology partnerships with the private sector should be utilized to ensure that Eskom is efficient, as well as cost-competitive and globally competitive.

¹ Source: [Department of Energy, Presentation on the Independent Power Producer Procurement Programme, 06 March 2018]

I however have never supported the privatization of Eskom or the sale of any of its entities or assets. AREP or any company that I am associated with, will therefore not participate or be part of any sale or disposal of any entities or assets of Eskom.”

Dr Patrice Motsepe is also of the view that:

“Having relatives in very high positions in government justifiably raises perceptions of favouritism or improper conduct particularly in the context of the REIPP programmes where there is a relationship with the Minister of Energy. When the Minister of Energy was appointed I told Brian Dames that “we now have a major and serious perception problem. AREP has to fundamentally strengthen its governance and ethical requirements and procedures.” We have a duty in all our businesses to be transparent and accountable for all our business and commercial activities. AREP has introduced additional governance and ethical rules and will engage with all stakeholders to discuss and seek advice as to what additional measures can be put in place in this regard.

We have, over the past 25-30 years built and invested in world class companies that do business in many countries and are successful and globally competitive. We have done so based on proper governance and ethical behaviour. That is the way in which we do business and are committed to continue doing so.”

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