



Eskom Power Investment Support Project Fact Sheet

This US\$ 3.75 billion project under consideration by the World Bank for IBRD financing, has three components that will be implemented by Eskom, South Africa's power utility:

1. US\$ 3 billion for the Medupi coal-fired power station (4,800 MW using clean coal super-critical technology). The estimated cost of the station is US\$ 15.4 Billion, of which IBRD will provide one-fifth. The loan will finance supply, erection, and civil construction contracts for the power plant and associated facilities.
2. US\$ 260 million for renewable energy (wind and concentrated solar power).
3. US\$ 490 million for low-carbon energy efficiency components comprising road to rail conversion for coal transportation and power plant efficiency improvements. This component will include a technical assistance program (about US\$ 20 million) for improving supply-side efficiencies.

The Project Development Objective is to enable South Africa to increase power supply and energy security in an efficient and sustainable manner to support economic growth objectives and achieve long-term carbon mitigation.

The South African energy crisis of December 2007—January 2008, coupled with the global financial crisis, exposed the country's vulnerability to an energy shock and the potential for severe economic consequences. Without energy, countries face very limited or no economic growth: factories and businesses cannot function efficiently; hospitals and schools cannot operate fully or safely; basic services that people in rich countries take for granted cannot be offered.

The Eskom project will help increase generation capacity and avoid an energy crisis across southern Africa, as well as serve as a down payment on a greener future.

The Eskom project meets the World Bank's criteria for supporting coal power projects, in line with *Development and Climate Change: A Strategic Framework for the World Bank Group*:

- Without increasing its energy supply, South Africa will face economic losses and hardship for the poor.
- A rigorous analysis of the alternatives to coal-fired power plants was conducted; domestic or regional alternatives cannot meet the required base load capacity (9600 MW over five years).
- The two Eskom power plants are the first in Africa to use the cleaner coal "supercritical" and "carbon capture storage ready" designs, the same technologies used in OECD countries.
- The project will finance new low carbon technologies, including wind and solar power.
- South Africa has developed robust Long-Term Mitigation Scenarios. By 2013 the Renewables Strategy aims to add 1,667 MW of energy led by the private sector.
- The railway line in this project will substantially reduce the GHG emissions from moving coal in trucks.
- After full consideration of viable alternatives, coal is still the least-cost and most viable option for meeting the base load required by Africa's largest economy.

By all analyses, all forms of energy will be needed, adapted to individual country circumstances, to help citizens get the energy they need.

The World Bank Group energy portfolio is increasingly oriented toward renewable energies and energy efficiency (RE/EE); total World Bank Group energy financing in FY09 was \$8.23 billion, of which 76% was for non-fossil fuels. In FY09, renewable and energy efficiency financing was at a record high of \$3.3 billion.