

Industrial Development Corporation

Bankability of Organic Waste Treatment: Investment Criteria and Lessons Learned

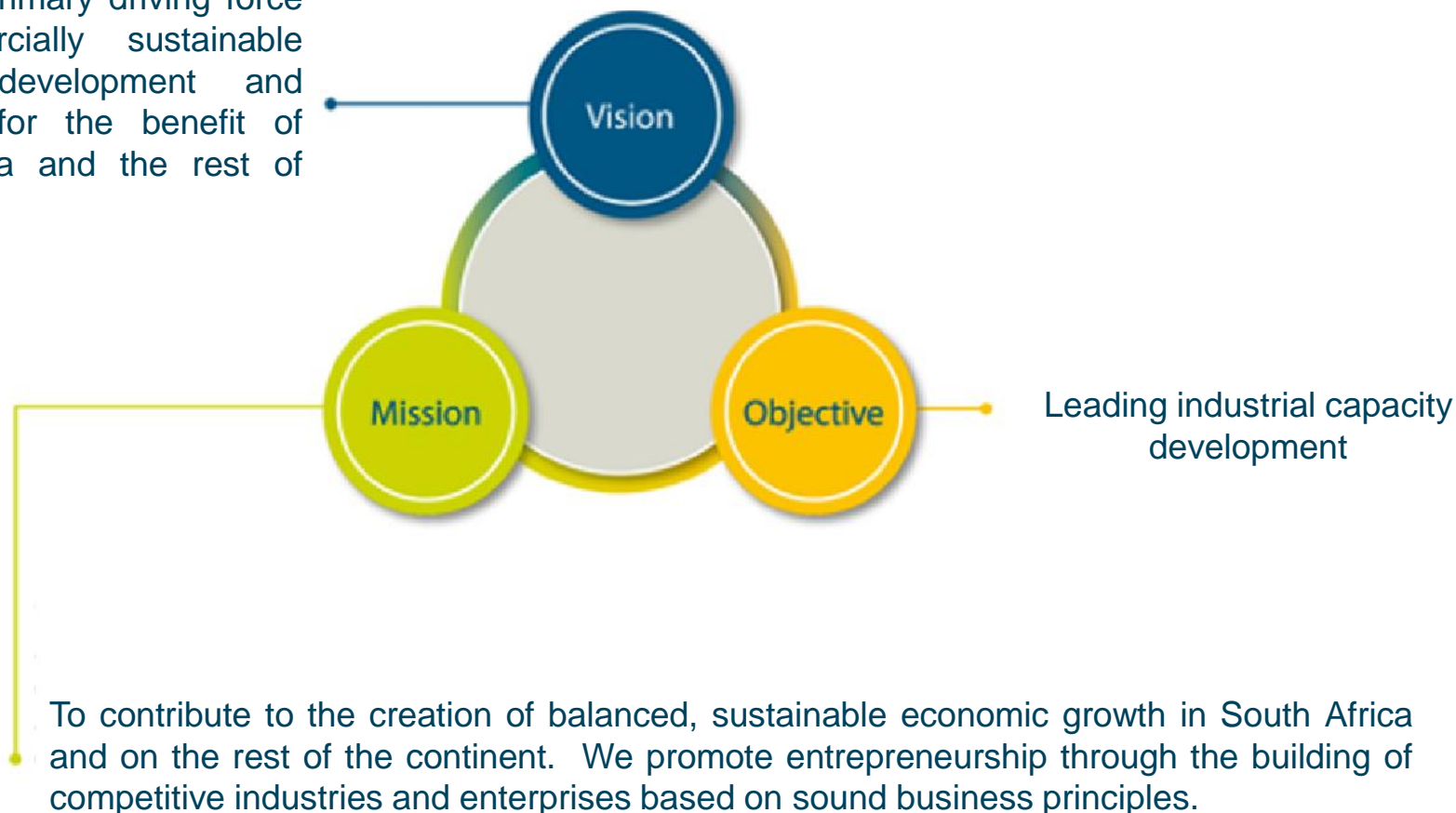
Presented at GreenCape Networking Event

23 August 2016



Promoting economic growth and industrial development

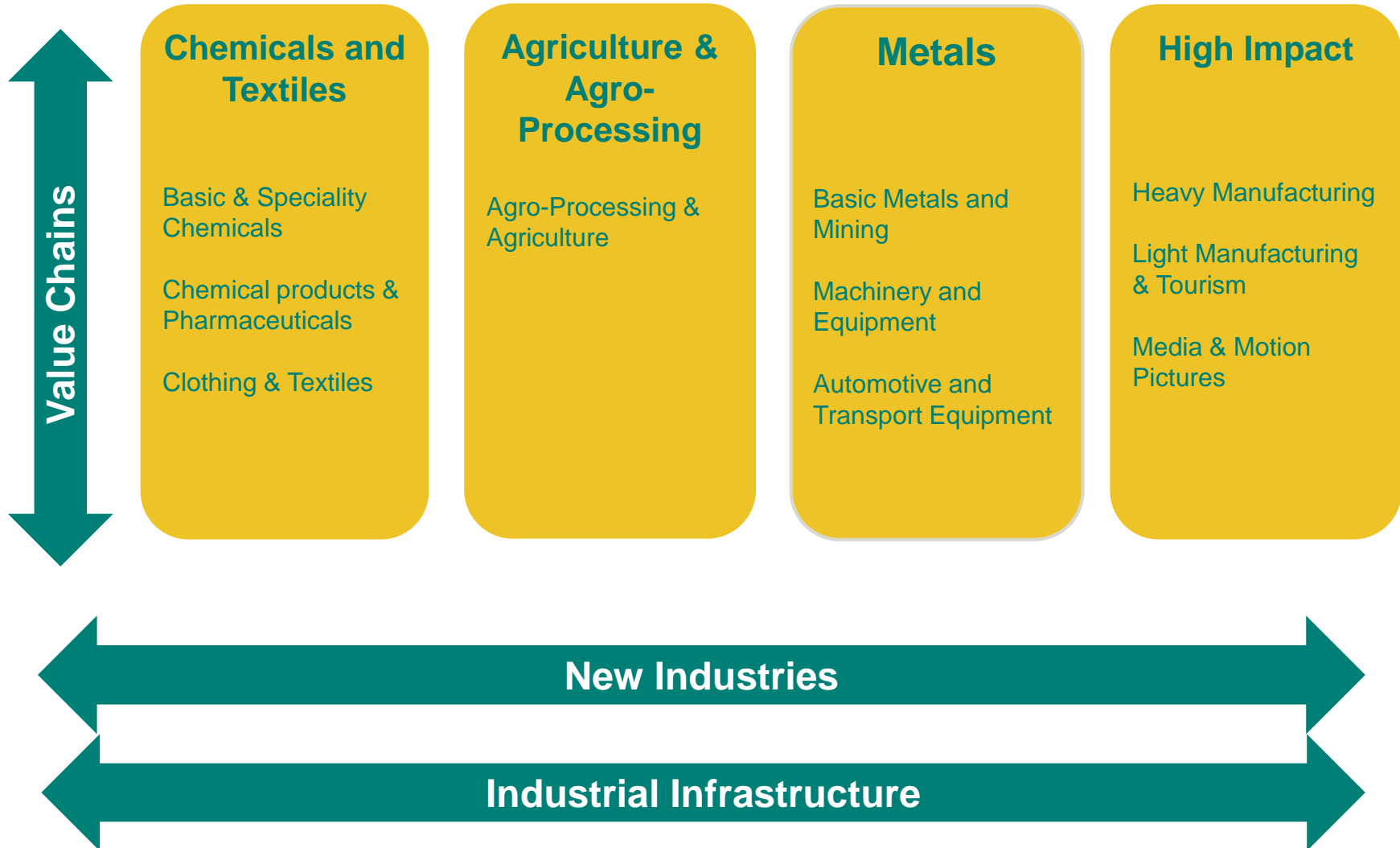
To be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of Africa



Summary of IDC's main activities

Activities	Customers	Business Lifecycle	Funding Products	Regional Involvement
<ul style="list-style-type: none"> • Provision of development finance • Project development • Research and policy inputs • Fund management • Non-financial forms of business support • Capacity building 	<ul style="list-style-type: none"> • Business • Government • Other DFIs 	<ul style="list-style-type: none"> • Conceptual • Pre-feasibility • Feasibility • Product commercialisation • Establishment • Expansion • Mature 	<ul style="list-style-type: none"> • General debt • Quasi-equity • Equity • Export/import finance • Short-term trade finance • Bridging finance • Guarantees 	<ul style="list-style-type: none"> • South Africa • Rest of Africa

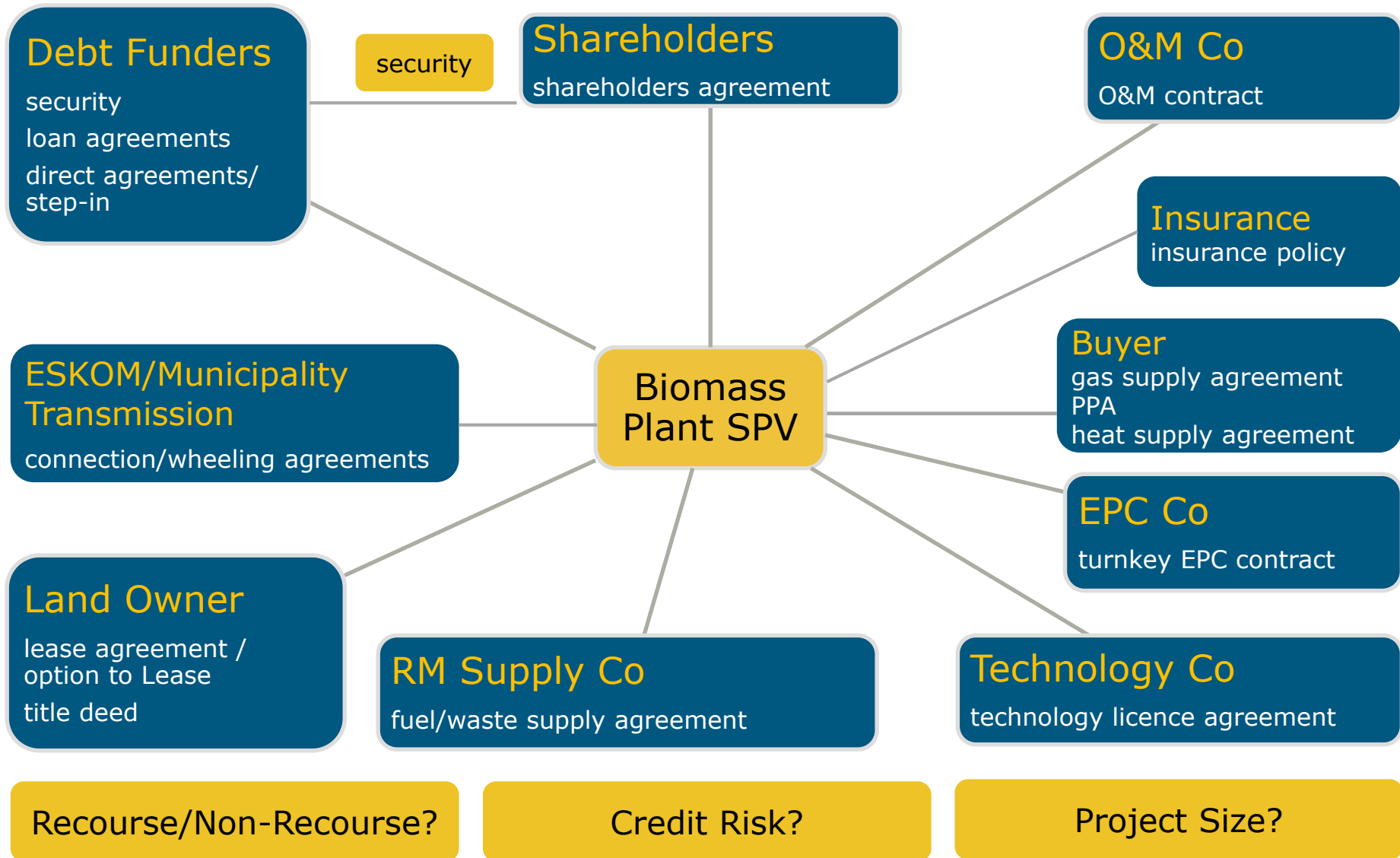
Sectors supported by the IDC



- fixed assets and working capital
- new projects, expansions and rehabilitations
- relatively sizeable projects
 - (note: smaller projects considered in the rural and priority provinces)
- projects that exhibit sustainable economic merit
- projects with significant developmental impact

- job creation potential
- broad-based black economic empowerment
- regional development
- black industrialists/women and youth ownership
- foreign revenue potential/export
- local content in capital expenditure: more than 50% of capital expenditure should be sourced locally

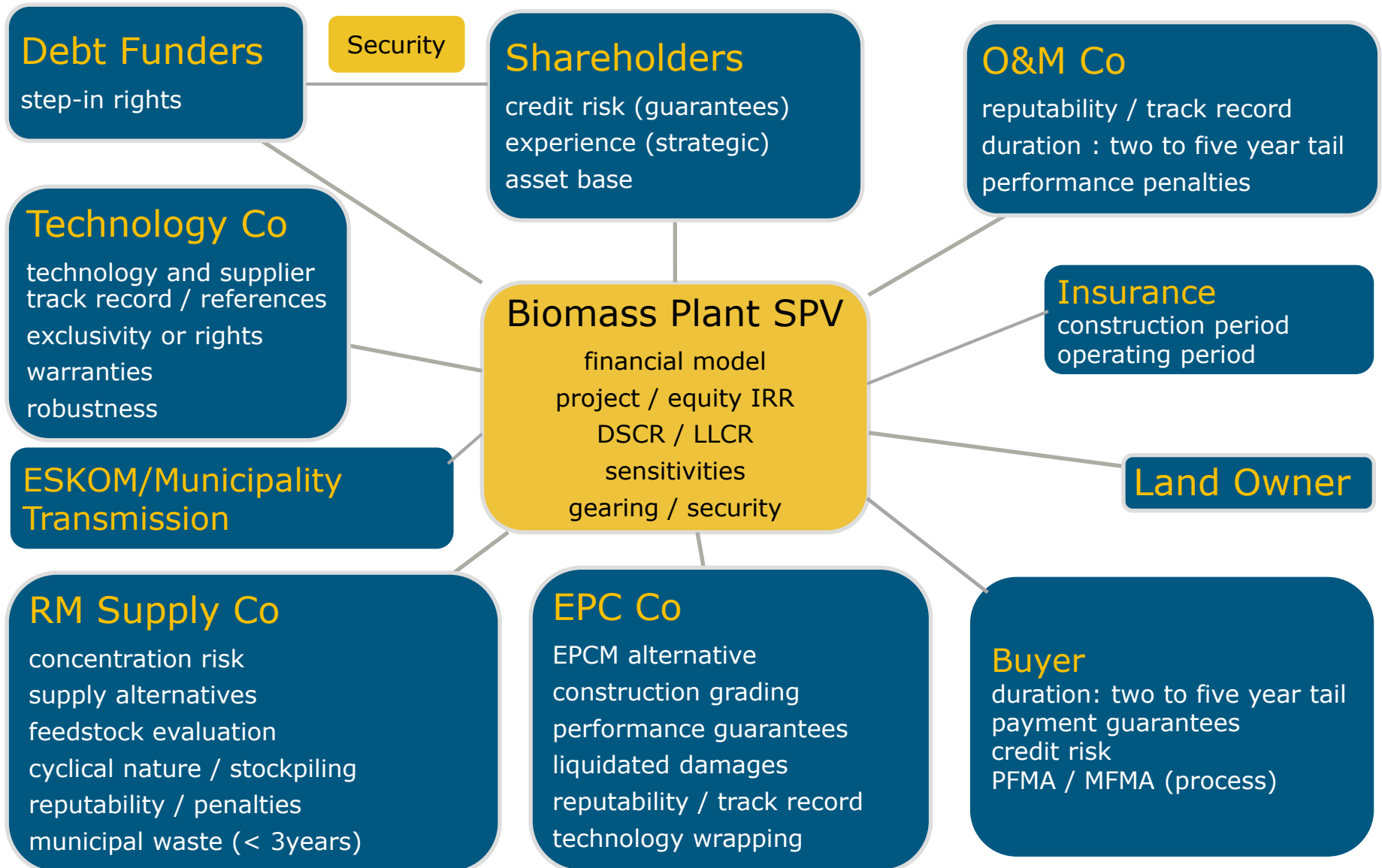
Typical Contractual Structure



- re-zoning certificate
- water use licence (if required)
- emissions licence (if required)
- notarial lease / subdivision ministerial approval
- EIA record of decision
- waste disposal licence (if required)
- generation licence (if required)
- registration of servitudes, etc.

- lenders technical advisor (depending on project size)
- environmental advisor
- town planner (re-zoning)
- insurance advisor
- lenders legal advisor (depending on the project size)
- other

Key Considerations



- relatively cheap tipping cost at landfills
- difficult to find market for heat produced
- securing off-take for electricity challenging due to grid local access/integration
- challenges in dealing with municipalities (capacity, MFMA, MSA)
- inadequate raw material supply contract duration
- project developers: limited resources, experience and own funding
- biogas industry in SA not as developed as in Europe
- project site generally on off-taker land requiring notarial lease agreement or subdivision, both of which requires ministerial approval

- lack of appreciation for local conditions leading to design faults
- inadequate project implementation controls resulting in cost overruns
- low electricity rates during off-peak periods
- feedstock inconsistency in terms of quality and quantity
- scarcity of appropriately skilled people to manage plant during operating period
- excessive project development cost associated with smaller projects resulting in unattractive project returns

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***Thank You
Questions?***

