JOINT MEDIA STATEMENT BETWEEN DBSA AND ESKOM HOLDINGS LTD

Attention: News Editors and Journalists
Date: 4 November 2010

DBSA SUPPORTS ESKOM’S BUILD PROGRAMME WITH A R15 billion LOAN

The Development Bank of Southern Africa (DBSA) has approved a R15bn loan facility that will support Eskom’s capacity expansion programme.

The loan which is a structured facility, will be drawn over five years and does not utilise guarantees from the South African government.

Eskom’s capacity expansion projects will add 12 300 megawatts of additional generating and transmission capacity to the national grid by 2017, enabling Eskom to keep up with South Africa’s growing demand for electricity. The projects include the Medupi and Kusile coal-fired power stations as well as the Ingula Pump Storage scheme and associated transmission infrastructure.

Speaking at the media briefing, the Chief Executive of DBSA, Mr Paul Baloyi said, “This (Eskom) deal signifies a major step change aimed at ensuring that South Africa’s long term electricity supply meets demand to ensure the economy can thrive”.

The DBSA’s support to Eskom has to be seen within the broader energy scheme. The DBSA is working in partnership with government (Departments of Energy and Treasury) to support Renewable Energy initiative across the board. The bank also has a significant energy investment footprint in the rest of the SADC region.
He added that, currently the municipal sector constitutes 50% of the DBSA’s loan book. “Electricity is a major component of municipal revenue and it is only logical for the Bank to contribute to the funding of projects that will help to ensure a secure supply of energy for South Africa,” Mr Baloyi said.

The Chief Executive of Eskom, Mr Brian Dames, welcomed the recognition by the DBSA of the critical role that Eskom and its capacity expansion programme have to play in supporting South Africa’s growth and development.

“Our new build programme is essential to provide the security of supply that South Africa needs if it is to grow its economy and improve the quality of life for all of its people,” Mr Dames said. “The loan is a vote of confidence by the DBSA in Eskom. It will help us to provide South Africa with the power stations and transmission infrastructure it needs while ensuring that Eskom remains financially sustainable.”

Eskom’s capacity expansion programme is expected to have large spin-off effects, creating 40 000 new jobs, stimulating the creation of new industries and new suppliers and adding almost 1% a year to the economic growth rate. It also has a significant impact on the economies and communities of the towns in which the new power stations are located.

Paul O’Flaherty, Eskom’s Finance Director, noted that “the loan forms a critical part of Eskom’s funding programme to 2017 and should be seen in light of all the initiatives that we are currently putting in place in this regard.”

Like any other transaction, the Eskom loan was subjected to the DBSA’s environmental appraisal guidelines. After a thorough environmental analysis the Bank’s environmental appraisal report concluded that fossil fuels would remain dominant in South Africa’s energy mix for some time, but technologies to reduce greenhouse gas (GHG) emissions are being developed globally and Eskom’s projects will use some of these technologies to reduce GHG emissions. The DBSA appraisal also found that Eskom has the institutional capacity to address current and future climate change related risks.

"Building a sustainable and secure energy supply is one of many priority areas that the DBSA will aggressively pursue to complement the government development agenda to address key development and socio-economic issues faced by the country," Mr Baloyi said.
NOTES TO EDITORS:

Eskom is tapping four sources of finance to fund its build programme

1. Equity: The government had already agreed to inject R60n in equity capital into Eskom over three years, of which R50bn has already been drawn. In addition, Eskom uses its own retained earnings.

2. Capital Markets: Eskom issues bonds and commercial paper on the domestic market – last year it issued R17bn of new bonds and this year it will issue at least R12bn. It is also looking at the possibility of an international bond issue next year.

3. Development Finance Institutions: Eskom raised a $3,75 bn (R28bn) loan from the World Bank earlier this year. It also has a EUR1.86bn and a $500m loan from the African Development Bank and a EUR186m loan from the European Investment Bank. The DBSA loan will be the first from a domestic DFI.

4. Export credit agency facilities: Eskom has approximately R31bn in facilities from various export credit agencies namely Coface (France) and Hermes (Germany) and JBIC (Japan).