



Press Release

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Immediate Release

World Bank Supports South Africa's drive for scaling up energy efficiency market development

Recognising the power sector as strategically vital to South Africa's economic growth and environmental sustainability, the World Bank has partnered with the South African National Energy Development Institute (SANEDI) and the Department of Mineral Resources and Energy (DMRE) to drive opportunities in the large-scale demand-side energy efficiency market.

This is being done through a request for consultant's Expression of Interest (Eoi) to assist with an "Energy Service Company (ESCO) Market Development in South Africa" technical assistance, which was launched by the World Bank on 30 June 2021. "The appointed consultant will build upon international best practices to identify feasible paths for transformative development of the ESCO industry in South Africa that could effectively contribute to untapping the large-scale demand-side energy efficiency market," explains Barry Bredenkamp, General Manager, Energy Efficiency & Corporate Communications at SANEDI. Energy service companies, or ESCOs, are commercial companies that support the financing and implementation of energy efficiency projects. A typical full-service ESCO is a business that provides a broad range of clean energy solutions, including the design and implementation of energy savings projects, retrofitting, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management.

The appointed party will be tasked with assessing the South African ESCO market's potential and barriers across the various energy efficiency market ecosystems, covering different end-use segments (public, commercial, industry, and buildings sectors); identifying feasible solutions and tools based on global best practices and experiences with different types of ESCO solutions (public and private); and the development of building blocks like energy savings performance contracts and energy savings measurement and verification protocols that will contribute to scaling up ESCO-implemented Energy Efficiency investments in the country. The potential business models, feasible institutional and financing mechanisms and

skills gaps associated with the public and private sector ESCO-implemented delivery approaches will also be analysed and developed.

Scaling-up Energy Efficiency interventions in South Africa is considered one of the most promising solutions to ensure energy security in the country and achieve rapid, ambitious and cost-effective emission reductions. The development of the ESCO market in South Africa has suffered from a range of challenges, including regulatory, financing, procurement, technical and informational and awareness gaps. “We look forward to seeing where the consulting team takes this initiative, being cognisant that any power sector reform elements have large socio-economic impacts on employment and poverty and must be carefully managed within the wider reform engagement and political economy of the country. With 90% of our primary energy consumption coming from coal, the drive towards energy efficiency is crucial if we are to reduce the pressure on the national grid, and reduce our carbon footprint,” says Bredenkamp.

The World Bank seeks to understand the opportunities to develop the ESCO market in the country, with a focus on implementation, business and financing models for ESCO market transformation, that could contribute to the country’s global commitments for climate change mitigation, but also have the possibility of attracting more private sector participating and capital, and youth and women-owned businesses into the nascent ESCO market in South Africa. This task will be fully funded through a grant provided by the Public-Private Infrastructure Advisory Facility (PPIAF) at the World Bank. The PPIAF helps developing-country governments strengthen policies, regulations and institutions that enable sustainable infrastructure, with private-sector participation.

“SANEDI and the DMRE will work in close contact with the World Bank, consultant team and other relevant stakeholders to see this project through, which is expected to run for nine months, starting from August 2021 and which will build on another activity that the World Bank is currently funding through the PPIAF, relating to the development of sustainable financial mechanisms for multiple demand-side energy efficiency market sectors in South Africa. We look forward to the outcome of these exciting and potentially game-changing initiatives in the country,” concludes Bredenkamp.

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About SANEDI

The South African National Energy Development Institute (SANEDI), established by the Government, directs, monitors and conducts applied energy research to develop innovative, integrated solutions to catalyse growth and prosperity in the green economy. It drives scientific evidence-driven ventures that contribute to youth empowerment, gender equity, environmental sustainability and the 4th Industrial Revolution, within the National Development Plan (NDP), through consultative, sustainable energy projects. For more information, go to www.sanedi.org.za.