



Date: 1 August 2024

TO: **Minister of Electricity and Energy**

Honourable Kgosientsho Ramokgopa

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Our ref: BLC/KPRB/005

Dear Minister Ramakogopa

**RE: KARPOWERSHIP SA (PTY) LIMITED | CLARIFICATION REGARDING STATUS OF KARPOWERSHIP PROJECTS**

1. The Biodiversity Law Centre (**BLC**) is a non-profit organisation and law clinic, registered in 2021. Our vision is flourishing indigenous species and ecosystems that support sustainable livelihoods in South African and our mission is to use the law to protect, restore and preserve indigenous ecosystems and species in Southern Africa. In furtherance of our mission, we have particular interest in the proper implementation of the legislation, policies and guidelines through which South Africa's international, national and provincial biodiversity commitments are implemented and in the lawful application of relevant biodiversity instruments by the State, as a whole, in furtherance of its constitutional, statutory and international obligations.
2. To this end, we have been engaging with the Department of Fisheries, Forestry and the Environment (**DFFE**) in relation to the application for an environmental authorisation by Karpowership SA (Pty) Limited (**Karpowership**) relevant to its Richard's Bay project. We would, however, appreciate confirmation from your office as to the status of the Karpowership projects, given the various media reports and developments as set out below.

**DIRECTORS**  
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3. We are aware that Eskom published a media statement on 6 January 2024 indicating that Karpowership was one of a number of preferred bidders under Risk Mitigation Independent Power Producer Procurement Programme (**RMIPPPP**) which had failed to reach commercial close. In this regard, the media statement indicated that the relevant “*budget quotes for grid integration*” had expired on 31 December 2023 and would not be extended further. We attach the media release marked “**1**”.
4. Eskom’s media statement did not specify whether this failure entirely invalidated the bids in question – including that of Karpowership. However, a series of media reports in January 2024, suggested that Karpowership had in fact lost its preferred bidder status and that the Karpowership projects were no longer part of the RMIPPPP. We attach two examples of such reports as “**2**” (published in the *Cape Times* on 8 January 2024) and “**3**” (published in *Engineering News* on 9 January 2024).
5. The second of these media articles suggests that your office was no longer considering Karpowership as a viable option – with the clear implication that the Karpowership projects were no longer being considered as part of the energy mix.
6. There is further indication that Karpowership may not be pursuing all licences / permissions necessary to implement its projects. This is most evident from the interlocutory proceedings from which it has recently withdrawn in relation to both its environmental authorisation, and its generation licence:
  - 6.1. During the course of March 2024, we understand that Karpowership’s “section 43(9)” application (filed on 28 November 2023) to have the automatic consequences of various appeals against its Richard Bay’s Environmental Authorisation suspended was withdrawn.
  - 6.2. Similarly, we understand that on 20 May 2024, Karpowership withdrew its opposition to the compelling proceedings launched by the Organisation Undoing Tax Abuse NPCE under case no. 23017/2022 in the Gauteng Division of the High Court of South Africa in respect of NERSA’s licencing decision.
7. Most recently, the press again suggested that your office was no longer considering Karpowership as a viable part of the energy mix. We attach this report, published by the *Sunday Times* on 7 July 2024 marked “**4**”.
8. In the circumstances, we would very much appreciate confirmation from your office as to:
  - 8.1. Whether Karpowership’s existing applications as energy supplier remain under consideration, alternatively, whether they have lapsed or been withdrawn;
  - 8.2. Whether Karpowership has been issued a letter of refusal to proceed with its projects under the RMIPPPP;
  - 8.3. Whether Karpowership’s preferred bidder status has been formally withdrawn;

- 8.4. Whether Karpowership may be permitted to apply in terms of a future round of energy procurement; and
  - 8.5. Whether your department is currently pursuing Karpowership as an energy supplier.
9. As you will appreciate, clarity from your office would be enormously welcome given the apparent confusion in the press, and given the interests of civil society engaged in the various permit / approval processes.

Yours faithfully,



**BIODIVERSITY LAW CENTRE NPC**  
**Per Nina Braude**

**MEDIA STATEMENTS****Five budget quotes for four emergency procurement energy projects reached expiry date on 31 December 2023**

January 5, 2024

**Friday, 05 January 2024:** The Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) was launched by the Department of Mineral Resources and Energy (DMRE) in 2020 as an emergency energy procurement programme aimed at addressing the country's current energy challenges. The Independent Power Producer Office (IPPO) is the designated procurer for the RMIPPPP and Eskom Holdings SOC Ltd the designated buyer in line with the ministerial determination promulgated in 2020 by the Minister of Mineral Resources and Energy in terms of Section 34 of the Electricity Regulation Act.

The programme aimed to procure a total of 2 000MW from a range of dispatchable (mid-merit) technologies and energy sources including gas, solar photovoltaic (PV), wind, battery energy storage systems (BESS) and/or hybrid technologies. A total of eleven (11) preferred bidders were announced by the IPPO in 2021 and Eskom issued budget quotes for all eleven projects. Seven of those projects have since reached commercial close with the projects moving to the construction phase. The remaining four projects were issued with five budget quotes with one of the projects consisting of two gas and PV facilities located in the Eastern Cape and Northern Cape respectively.

Eskom wishes to inform the public that five budget quotes for the grid integration of the remaining four projects in the RMIPPPP expired on 31 December 2023 and will not be extended further. This is after several budget quote validity period extensions were requested and granted by Eskom in an effort to assist in ensuring the success of these projects.

Eskom finds the expiration of the budget quotes regrettable as these projects were aimed at bringing much-needed additional generation capacity to the grid to alleviate pressure on the power system and minimise the impact of loadshedding.

The four projects were expected to reach commercial close at the end of July 2021. However, over time, following the issuing of the original budget quotes in 2021, the IPP Office announced several postponements of the scheduled commercial close dates. Consequently, several budget quote validity period extensions were requested by customers and Eskom duly considered these requests and granted extensions.

In July 2023, the IPP Office indicated that the projects' long stop date for commercial close was fixed at 31 December 2023 and budget quotes' validity periods were further extended to 31 December

2023 to enable these projects to reach commercial close. Eskom subsequently advised all affected customers on 31 July 2023 that no further extensions would be granted beyond the 31 December 2023 date. All affected applicants signed an acknowledgement that no further extensions of budget quotes' validity periods would be granted.

Eskom's governance process requires projects to be delivered expeditiously within approved timelines, scope and costs. The affected budget quotes have been extended for periods ranging between 20 months and 30 months. Furthermore, the costs, timelines and scope of work(s) indicated in the budget quotes are no longer valid beyond 31 December 2023.

The table below summarises the affected projects, which include four gas-to-power facilities and a solar photovoltaic (PV) facility with a total export capacity of 1 600MW (and contracted dispatchable capacity of 1 400MW).

Province	IPP Project Name	BQ Expiry Date	Technology	Capacity(MW)
Eastern Cape	Coega Powership	31 December 2023	Gas	450
	Mulilo Coega Gas to Power Plant	31 December 2023	Gas	200
Western Cape	Saldanha Powership	31 December 2023	Gas	320
Northern Cape	Gemsbok PV (Nieuwehoop)	31 December 2023	Solar PV	180
KwaZulu-Natal	Richards Bay Powership	31 December 2023	Gas	450
			<b>Total</b>	<b>1 600</b>

Kindly note that: Gemsbok PV and Mulilo Coega Gas to Power Plant are from a single preferred bidder project and have a combined dispatchable capacity of 200MW. The effective total contracted dispatchable capacity for all affected projects is therefore 1 400MW.

The grid connection capacity that was provisionally reserved for these projects will revert to the pool of available capacity and will be allocated in accordance with the Interim Grid Capacity Allocation Rules to other projects that are ready to connect and generate much-needed electricity required by South Africa.

All affected customers have been duly informed of this decision and advised to apply for new budget quotes which Eskom will process accordingly.

**ENDS**

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As previously communicated, Stage 2 loadshedding will be implemented at 16:00 – 24:00 this afternoon and at the same time on Thursday afternoon

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Stage 4 loadshedding will remain in force until 05:00 on Friday as Eskom works on returning units to service

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CAPETIMES NEWS

## Karpowership faces uncertain future in South Africa



*The future of the controversial Karpowership project in South Africa hangs in the balance after Eskom announced its decision not to extend the budget quotes for the grid integration projects.*

| Published Jan 8, 2024

The future of the controversial Karpowership project in South Africa hangs in the balance after Eskom announced its decision not to extend the budget quotes for the grid integration projects following their expiry.

The affected projects in the Western Cape, Eastern Cape, Northern Cape and Kwazulu-Natal include four gas-to-power facilities and a solar photovoltaic (PV) facility with a total export capacity of 1 600MW, and contracted dispatchable capacity of 1 400MW.

It was part of the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) launched by the Department of Mineral Resources and Energy (DMRE) in 2020 as an emergency energy procurement programme aimed at addressing the country's current energy challenges.

The programme aimed to procure a total of 2 000MW from a range of dispatchable (mid-merit) technologies and energy sources including gas, solar photovoltaic (PV), wind, battery energy storage systems (BESS) and/or hybrid technologies.

Türkiye's Karpowership were last year granted access to the three ports of Durban, Ngqura and Saldanha Bay for a period of 20 years as part of the solution to the country's energy crisis.



In relation to the RMIPPPP, according to Eskom, 11 preferred bidders were announced by the Independent Power Producer Office (IPPO) in 2021 and Eskom issued budget quotes for all of them.

“Seven of those projects have since reached commercial close with the projects moving to the construction phase.

The remaining four projects were issued with five budget quotes with one of the projects consisting of two gas and PV facilities located in the Eastern Cape and Northern Cape respectively.

“Eskom wishes to inform the public that five budget quotes for the grid integration of the remaining four projects in the RMIPPPP expired on December 31, 2023 and will not be extended further.

This is after several budget quote validity period extensions were requested and granted by Eskom in an effort to assist in ensuring the success of these projects.

“The four projects were expected to reach commercial close at the end of July 2021. However, over time, following the issuing of the original budget quotes in 2021, the IPP office announced several postponements of the scheduled commercial close dates.

“Eskom finds the expiration of the budget quotes regrettable as these projects were aimed at bringing much-needed additional generation capacity to the grid to alleviate pressure on the power system and minimise the impact of load shedding.

“Eskom’s governance process requires projects to be delivered expeditiously within approved timelines, scope and costs. The affected budget quotes have been extended for periods ranging between 20 months and 30 months. Furthermore, the costs, timelines and scope of work(s) indicated in the budget quotes are no longer valid beyond December 31, 2023.”

Eskom said the grid connection capacity that had been provisionally reserved for these projects would revert to the pool of available capacity and will be allocated in accordance with the Interim Grid Capacity Allocation Rules to other projects that were ready to connect and generate electricity.

“All affected customers have been duly informed of this decision and advised to apply for new budget quotes which Eskom will process accordingly,” said Eskom.

However, Karpowership told the “Cape Times” on Sunday that it hadn't received any information from the IPP office yet and would therefore not be commenting on the matter.

Engineer Hügo Krüger, who has worked on a variety of energy related infrastructure projects, said: “If there was any corruption with the Karpower deal, then it is best to cancel it. The tariffs that Karpower offered were not out of the ordinary.





“It’s also worth noting that Richards Bay is the best location for offshore wind in Africa, so everyone is going to fight over the leftover grid space at Richards Bay.

“We should prioritise natural gas, GTP and establish an import facility at Richards Bay; it will reduce poverty in KZN and help decarbonise all of Africa. Mozambique gas is set to come online by September this year.

LNG at Richards Bay, under the right conditions, is a goldmine.”

Green Connection strategic lead Liz McDaid said they were pleased with Eskom’s decision.

“Karpowerships has been a costly, controversial project which is more than a year delayed. We now hope that with the grid freed up, more power projects will be connected quickly and our load shedding will be reduced.

“We also note that GC and others have appealed the latest environmental approvals and we and the Organisation Undoing Tax Abuse have challenged the electricity generation licence awarded by Nersa,” McDaid said.

Technical project development manager at BTE Renewables Vuyolwethu Matiwane said: “This means the projects could still be in the pipeline and can reapply for a new BQ following IGCAR that have been introduced by Eskom.

“The withdrawal of capacity from these projects opens the grid to other projects that have been in the queue awaiting capacity allocation. I foresee it being taken up very quickly by private players especially in the grid constrained areas.

“This is good news for the industry, giving shovel ready projects a chance and priority to grid access.”

## Cape Times

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<https://www.engineeringnews.co.za/article/back-to-the-drawing-board-for-govt-as-karpowership-sa-others-lose-grid-access---ramokgopa-2024-01-09>

## 'Back to the drawing board' for govt as Karpowership SA, others lose grid access - Ramokgopa

9TH JANUARY 2024 BY: NEWS24WIRE



Electricity Minister Kgosientsho Ramokgopa

**G**overnment has to "go back to the drawing board" now that Karpowership SA and two other emergency power projects lost their grid access, says Electricity Minister **Kgosientsho Ramokgopa**.

The minister was speaking on Tuesday at a briefing on the progress of government's Energy Action Plan.

Last week, Eskom issued a statement indicating that Karpowership SA's three gas-to-power plants proposed for Saldanha Bay, Coega, and Richards Bay were among the projects that had their grid access expire after failing to reach financial close by a 31 December 2023 deadline.

The other two projects are the Mulilo Coega Gas to Power plant and the Gemsbok PV plant – with a combined dispatchable capacity of 200MW.

All of the projects were named preferred bidders in the state's Risk Mitigation Independent Power Producer Procurement Programme of 2020, which sought to speedily add 2 000MW to the grid to cut down on loadshedding. Karpowership SA was to provide the bulk (1 220MW) of this installed capacity.

Given that the validity period for their grid access expired on 31 December 2023, the country will lose out on 1 400MW of potential dispatchable power. This is electricity that would have been added to the grid if the projects had reached completion.

The development adds to South Africa's energy security challenges, signalling the likelihood of more loadshedding in the future.

"Of course, the downside of it is that we have lost out on the opportunity. We can't get those megawatts. So we need to go back to the drawing board and that is the work we are doing," said Ramokgopa.

"What it does is really undermine our ability to resolve this problem in the shortest possible space of time," Ramokgopa added.

He also emphasised that government would not be "tampering" with the decision that Eskom and the Independent Power Producer Procurement Programme Office have reached. He said there were clear procurement rules that had to be followed – such as financial close being reached by a certain period.

Ramokgopa said that government would arrange an engagement with the Eskom board on the matter to determine how best to procure emergency power.

### **Who's shovel ready?**

Eskom last week that it is "regrettable" that the projects had lost their grid access because they were meant to bring "much-needed" additional generation capacity to the country's power system that would have minimised loadshedding.

The grid connection capacity that was reserved for the projects will now revert to a pool of available capacity, which Eskom will allocate to shovel-ready projects in terms of its interim grid access rules.

The power utility told News24 that it was still in the process of assessing whether there were any projects that could quickly be added to the grid before it reallocated access. For now, the projects that lost their grid access have not indicated whether they would reapply for it.

Civil society organisation, the Green Connection, which has previously challenged the environmental authorisation granted for the Karpowership SA projects, welcomed the news that the grid access for the projects expired.

On the overall performance of existing generation units, Ramokgopa noted that some units faced unplanned breakdowns at the start of the year that warranted load shedding, but there has since been a recovery.

"We will have days of no loadshedding. And there will be days of loadshedding," said Ramokgopa. 🇿🇦

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## South Africa's nuke power plan hots up

New GNU has set its sights on building a new nuclear plant to end the country's energy woes

07 July 2024 - 00:01 By Isaac Mahlangu and Sabelo Skiti



**STILL IN CHARGE** Minister of energy and electricity Kgosientsho Ramokgopa.

*Image: Masi Losi*

With the controversial R200bn Karpowership energy deal increasingly unlikely, the new government of national unity (GNU) has doubled down on its nuclear plan and aims to secure approval from the Treasury by next month for a 2,500MW power plant.

Energy & electricity minister Kgosientsho Ramokgopa told the Sunday Times a team working on the deal is “finalising the procurement structure” of the new build project. He said work was at an advanced stage.

“The procurement structure ... will require National Treasury approvals on the financing, you can imagine the magnitude of that deal,” he said.

In January, the government announced plans through the then department of mineral resources & energy to implement a new nuclear build initiative, which it billed as a “strategic national project” to “ensure security of energy supply and contribute to the government’s economic reconstruction and recovery plan”.

Ramokgopa said some of the internal conversations relate to what type of nuclear technology should be considered. “There’s latest [nuclear] technology that is very rapid to deploy, relatively cheaper and more efficient. We must resolve the issues of who will operate the plant, but I think I can say before we even conclude that it will be Eskom, as Eskom has the experience, having done that at Koeberg,” he said.

**Separation of energy and minerals portfolios welcomed**

President Cyril Ramaphosa’s decision to restructure the energy, electricity and mining portfolios has been broadly welcomed by analysts.

Business Times

3 weeks ago

The new build will be larger than Koeberg, South Africa’s only nuclear power plant so far, which generates 1,940MW. Generation of 2,500MW equates to 2½ stages of load-shedding.

A preferred site for the plant and is still to be confirmed. A nuclear power plant generally takes between five and eight years to build.

The department has previously indicated that Thyspunt near Jeffreys Bay in the Eastern Cape was among the sites being considered for the project. This was the proposed site for a nuclear power station more than a decade ago. Ramokgopa said the team was still crunching numbers, looking at the possible cost implications, and that the public would be briefed once conversations had been concluded and approval granted by the Treasury.

“Before the end of August, we will come out and say this is how we want to do it,” he said.

The National Energy Regulator of South Africa (Nersa) has already approved the process to secure additional generating capacity from nuclear.

Ramokgopa was appointed by President Cyril Ramaphosa in March last year to oversee electricity generation amid worsening load-shedding. This week his portfolio was expanded to include energy. He will now deal with independent power producers and has already taken over work to procure 2,500MW of nuclear power.

He has been widely credited as playing a crucial role in keeping the lights on. This week South Africa celebrated 100 days of no load-shedding.

The renewed nuclear focus follows the collapse of the Karpowership deal due to delays and legal battles between its holding company and South African partners, which led to it missing deadlines to obtain access to the grid.

**[Business upbeat as SA's improved energy generation shows 'good sign', enhances confidence](#)**

[South Africa's vastly improved energy supply is proving a major boost for business confidence — but an energy expert believes now is the ideal time ...](#)

[Business Times](#)

[3 weeks ago](#)

Ramokgopa confirmed that the deal for ship-based power plants was off the table. “That has collapsed, they have lost their rights to the grid because they had three years to conclude the deal,” Ramokgopa said.

He said the government could not create a “special dispensation for [Karpowership] otherwise you are going to open a can of worms because there are many others that lost [bids for the deal].”

Karpowership South Africa (KPSA) was awarded a 20-year contract worth more than R200bn to provide a little over 1,200MW of electricity from five power ships that would have been docked at Saldanha, Coega and Richards Bay.

While KPSA could still bid for the renewable energy IPP programme bid window 7, the deadline for which has been extended from May 30 to August 15, this is unlikely to happen as the impasse between the Turkish company and its local partners is still to be resolved.

In December retired Constitutional Court justice Sandile Ngcobo, who presided over arbitration between the two parties, reversed the Turkish company’s decision to take back its 49% stake from its local partners, whom it accused of failing to contribute financially to the deal. In a scathing judgment Ngcobo castigated the company over an “oppressive” and “biased” shareholder agreement governing its relationship with Powergroup South Africa — the local partner.

**From a personal experience, you also had to navigate a number of hurdles [due to] the fact that the parameters of the ministry were not clearly articulated**

*Kgosientsho Ramokgopa, energy & electricity minister*

Powergroup was kicked out after failing to contribute to an initial sum of \$5m (R90m) that was required to fund early aspects of the deal. Karadeniz Holdings, the Turkish owners of power ships, cannot submit a bid without first reaching agreement with the local partners due to a restraint-of-trade clause, the Sunday Times understands.

The deal is also being challenged by environmental justice group The Green Connection and lobby group Organisation Undoing Tax Abuse (Outa), who want Nersa to provide a complete, unredacted record of its decision to grant Karpowership generation licences.

The collapse of the Karpowership project means Ramokgopa has to now look for other much-needed “emergency solutions”.

He said the advantages of the Karpowership project would have been “its rapid deployment”. There was now an urgent need for an emergency solution; if just four Eskom energy generating units tripped simultaneously, South Africans could face load-shedding again.

Ramokgopa also spoke of the need for government intervention to deal with “energy poverty” — where millions of households go for days without electricity as they have to choose between buying electricity or food.

But he said his immediate priority was dealing with distribution challenges that have seen some communities left in the dark, despite the suspension of load-shedding.

City Power in Johannesburg has been forced to implement load reduction in parts of the city where infrastructure is struggling to cope with high energy usage areas.

**[Pause in load-shedding is great for the economy](#)**

[Eskom's improved performance is good news for an economy that has been severely hamstrung by unreliable power supply.](#)

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Speaking frankly about his appointment as electricity minister last year, Ramokgopa admitted he had not got off to a smooth start. He found himself having to tread carefully to avoid overlap with the then minister of mineral resources & energy, Gwede Mantashe and former public enterprises minister Pravin Gordhan.

“First, it was a bold decision on the part of the president to introduce a ministry that has a more focused responsibility... From a personal experience, you also had to navigate a number of hurdles [due to] the fact that the parameters of the ministry were not clearly articulated,” Ramokgopa said.

This meant Ramakgopa could not hit the ground running as he had to first ensure that his department knew where its responsibilities started and ended.

Ramakgopa said “by its very nature it [new ministry] elicited some degree of tension because it could be interpreted or misinterpreted as overreach”.

He said the overlap into Mantashe and Gordhan’s departments required them to have a talk and came up with solutions.

“So we had to negotiate; myself and my counterparts and we even found each other outside of the president. We are the ones who went back to the president and said, 'We think the powers could be best configured this way,'” he said.

Ramakgopa said they drew up the parameters in “the best interest of the country and it was less about our own selfish interests”.

He said Eskom’s generation team, including general workers, indicated during his initial meetings with them that they had what it would take to resolve the problems and spelt out what support they required.

“We started there and then the rest is history, of course we are not out of the woods yet. I cannot make a false claim and say we’ve resolved load-shedding but towards the end of the year we should be much closer to be making that statement,” Ramokgopa said.