

Richards Bay 3000MW Gas-to-Power Project

Transaction Advisor RFP/ITT, MWP2781CX Clarification Meeting

Presentation Date: 13 November 2024

Allocated Time: 10:00 – 12:30



- ☐ Tender Clarification Process
- ☐ Project Overview
- ☐ Key Project Milestones/Achievements
- ☐ Transaction Advisor Role
- ☐ Key Compliance, Governance Requirements
- ☐ Project Look Ahead
- ☐ Closing Remarks

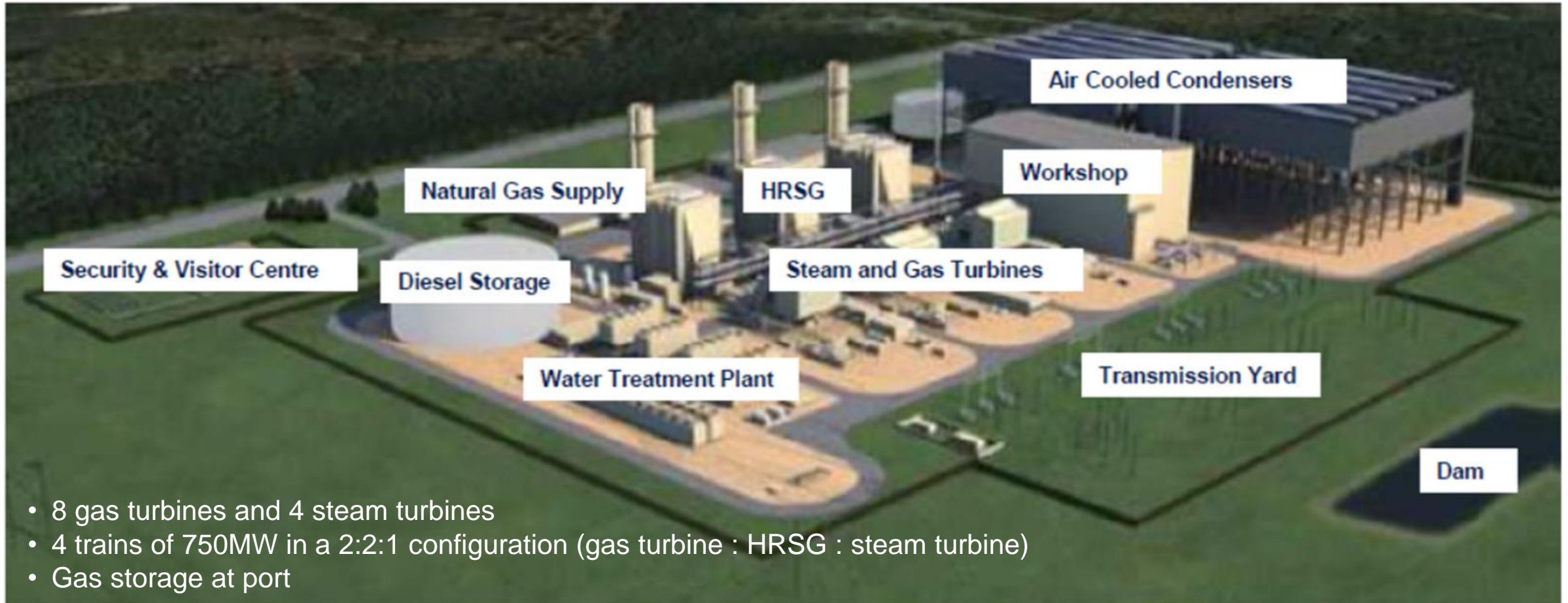
- Meeting, with consent of all attendees, will be **recorded**, for governance and audit trail purposes.
- **Attendance register** needed, for governance and audit trail.
- Focus on **strategic, tactical** project issues.
- Provide an overview of the Project and its **national importance**
- Provide **high level clarity** of the Eskom tendering requirements.
- **All questions** relating on tender administrative, compliance and procurement matters should be submitted to in writing to Eskom to provide tenderers with written responses. This will assist in audit trails and enable consistent response to questions.

- The Richards Bay **3000 MW** Gas-Fired Combined Cycle Power Plant (CCPP) is envisaged to be constructed in the Richards Bay Industrial Development Zone (RBIDZ), in KZN.
- The Project constitutes a key part of the **critical interventions identified by the National Government and Eskom**, to:
 - ✓ Mitigate **energy security** constraints (critical reserve margin to national grid);
 - ✓ Diversify the country's energy mix (transition energy source);
 - ✓ Mitigate the country's impending gas cliff (supply shortfall), whilst stimulating the national gas economy; and
 - ✓ Improve environmental performance of the overall plant fleet.
- The Project is registered as a **Strategic Infrastructure Project (SIP)** of the National Government.
- The Project is currently in an **advanced development phase**.

- The importance of the Project lies in its ability to mitigate the impending **gas cliff crisis** in the country whilst providing a **national energy solution**.
- South Africa consumes about 185 PJ/A natural gas, of which nearly **90%** (produced from the Pande-Temane gas fields, South of Mozambique) is projected to decline in the next 24 months (2026 – 2028).
- Furthermore, Sasol has confirmed that it may not continue to sustain the natural gas supply to the market.
- **Risk:** gas cliff (supply shortfall) will have a severe **detrimental impact on the South African economy**.
- **Impact:** jobs (about 100,000), 5% of GDP (R400bn), 300 industrial gas users (i.e., hotels, restaurants, factories, homes, etc).

- Importation of LNG is the only option, provided that firm demand of 75 to 100PJ/A (minimum) is created, to unlock the broader investment business case for LNG infrastructure and value chain development.
- Execution of the Project, using LNG, **within the accelerated schedule**, is the most prudent and viable national solution.
- Project LNG consumption: **95PJ/Annum** (~2 MTA)
- Mid-merit operating regime: run 16 hours/day, 5 days/week
- Annual load factor: 48%
- Main fuel: LNG (diesel as back-up fuel)
- Lifecycle design of gas plant: 25 years, with an option to extend

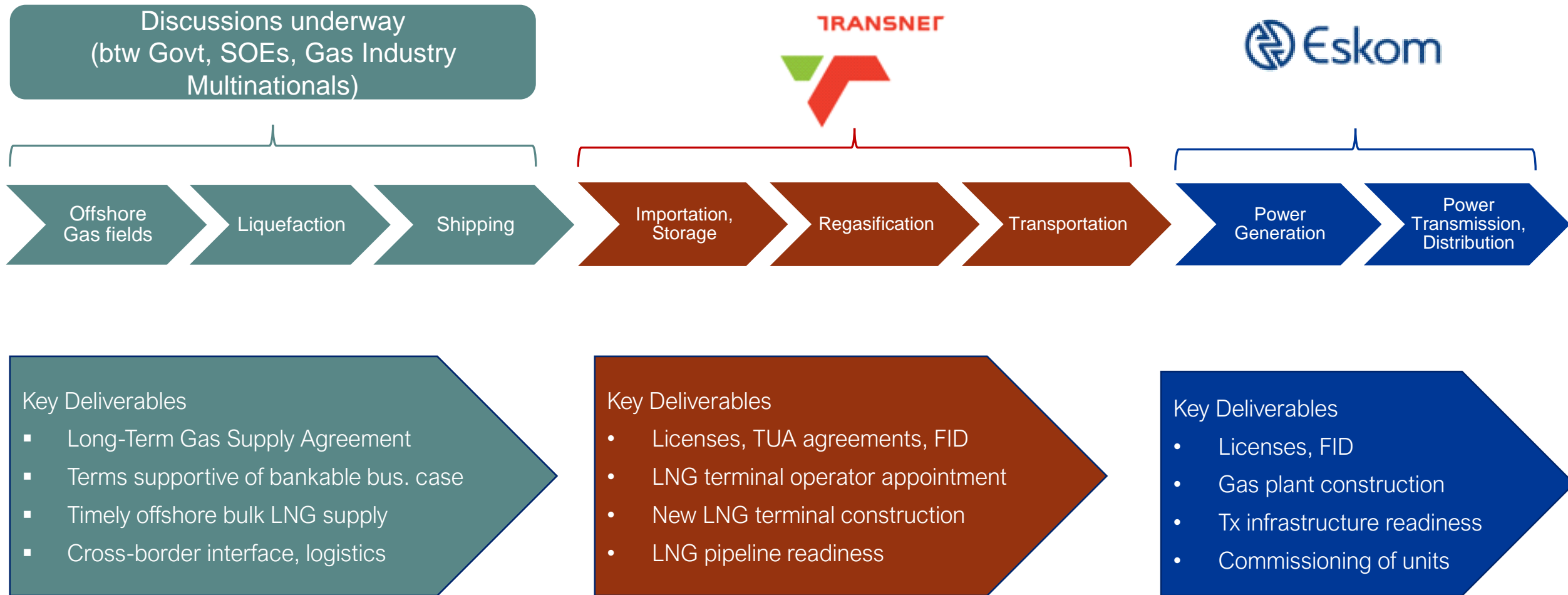
LNG Volume and
Accelerated Schedule
support the urgently
needed gas solution



Project Overview: Gas Power Plant: Pictorial, LNG Terminal / Pipeline

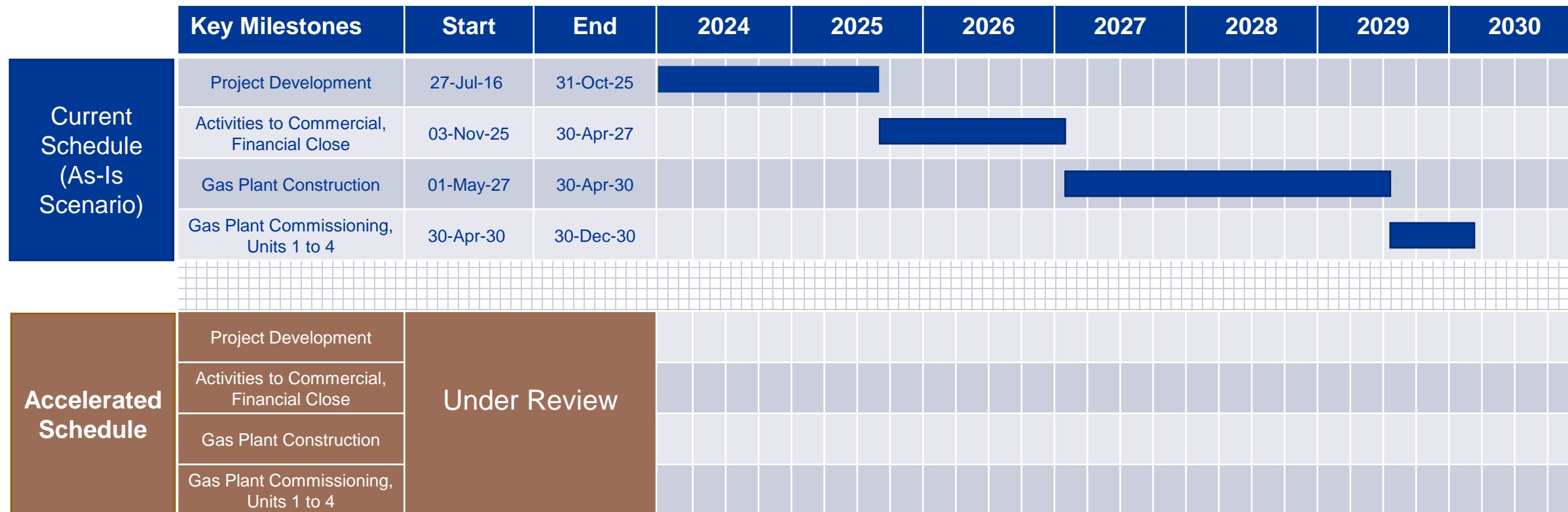


Project Overview: LNG Value Chain



- The Project is endorsed by Eskom and NT for **off-balance sheet financing**, execution via Private Sector Participation (per NT debt-relief equity conditions of April 2023).
- The Project **Accelerated Schedule** is endorsed by Eskom Exco to drive the required urgency.
- Accelerated Schedule discussed with all LNG Partners (Transnet, RBIDZ, 6GW Gas Workgroup).
- Schedule is continually **stress tested** to review and mitigate risks.
- **Project Float** is allocated as contingency in view of the size, and scale of complexities.

Project Overview: Accelerated Schedule, High Level



Key Strategic and Schedule Assumptions:

- All the project key interim milestones shall be systemically coordinated, expedited and completed to align to the gas plant construction/commissioning timeline
- Tx servitude acquisition starts soon. Tx network infrastructure detail design and construction/commissioning completion to align to the gas plant construction timeline.
- All the LNG value chain milestones, upstream and midstream, shall be systemically coordinated, expedited and completed to align to the gas plant construction timeline.
- Executive project decisions and support shall be expedited to support achievement of the accelerated schedule.

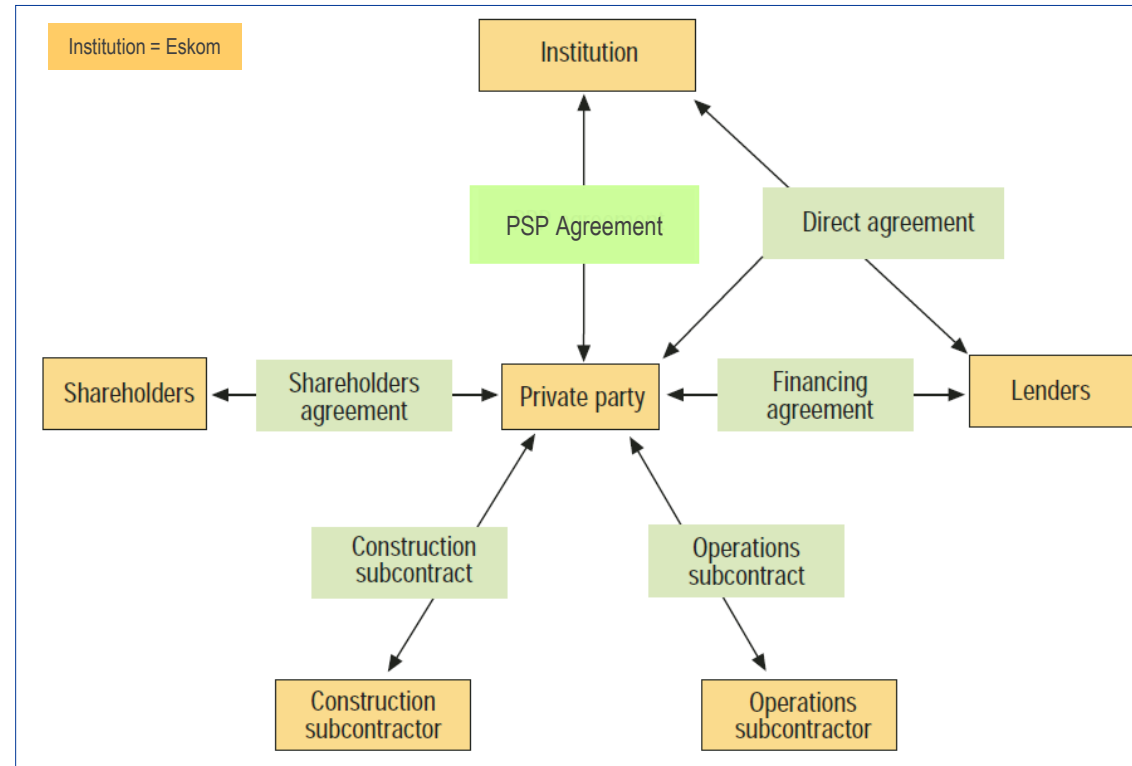
Total Project Float: Provision for unmitigated significant risks in Gas Supply Agreement, Financial and Commercial Close, Gas Machine Procurement, Commissioning

- Site selection complete (10km from Richards Bay port)
- Project gas strategy approved
- Prefeasibility study complete
- Gx and Tx (NTCSA) Environmental Authorisation granted by DFFE
- Gx and Tx concept designs complete
- Section 34 Determination is envisaged
- Response to gas demand EoI* by Zululand Energy Terminal (ZET)* complete
- Land lease agreement at final stage, readiness for signoff with RBIDZ*

** EoI: Expression of Interest ZET: joint venture between Transnet TPL and Vopak RBIDZ: Richards Bay Industrial Development Zone*

- **Gx EIA extended to 2029** granted by DFFE, on 24 Oct '24
- Transaction Advisor RFP issued to market, on 30 Oct '24
- Eskom response to gas demand RFP by ZET* in progress
- Participation in the 6GW Gas Strategic Workgroup, by all LNG Partners in progress, to assure alignment to National policy, IRP and Gas Master Plan.
- NTCSA conducting gas plant modelling for grid access
- **LNG Partner Integration Workshops** are currently being held to foster commitment and drive successful achievement of the Project's accelerated schedule.

** Eol: Expression of Interest ZET: joint venture between Transnet TPL and Vopak RBIDZ: Richards Bay Industrial Development Zone*



Indicative commercial structure

The TA's Scope of Work will comprise the following parts and phases:

Part 1

Phase 1: PSP Screening, Structuring and Project Due Diligence

Phase 2: Bankable Business Case Development and Approval including Detailed Feasibility Study Development

Part 2

Phase 3: Procurement and Contracting Strategy.

Phase 4: PSP Procurement and Contract Award.

Phase 5: Financial Close

*The total duration of the appointment of the TA is **24 Months**

Phase 1 – PSP Screening, Structuring and Project Due Diligence

Duration: 3 Months

Work Packages, Tasks and Deliverables

- Undertake a financial, technical and legal due diligence assessment of the Project including inter alia reviewing: (i) existing pre-feasibility and feasibility work undertaken by or on behalf of Eskom to date and (ii) all Project activities undertaken by Eskom to date including a property due diligence of the proposed Project site.
- Identify and advise on suitable LNG availability and sourcing (including pricing and indexation including currency fluctuations) - options analysis.
- Advise on the optimal PSP Structure.
- Identify Project contracts and all necessary Project consents (licences, authorisation, approvals and permits) required for the Project. .
- Consider other commercial and legal aspects of the Project including guarantees that may be required.
- Develop high level business case (Overnight cost, Nominal cost, LCOE, Benchmarks (value-for-money assessment)).
- Undertake an Affordability assessment for Eskom and the electricity customer.
- Consider other commercial and legal aspects of the Project including guarantees that may be required.
- Prepare and submit a Phase 1 Report setting out the outputs of the tasks described above.

Phase 2 – Bankable Business Case Development and Approval including Detailed Feasibility Study Development

Duration: 6 Months

Work Packages, Tasks and Deliverables

- Undertake a detailed Risk transfer analysis and develop a Project risk matrix.
- Develop an electricity tariff structure incorporating necessary and appropriate cost pass through mechanisms for LNG pricing and currency fluctuations.
- Develop a detailed financial model.
- Assess and advise on funding options and requirements.
- Develop a detailed business plan.
- Assess and advise whether the Project is bankable (with or without recourse).
- Identify potential private parties based on proposed PSP structures.
- Prepare and submit a Phase 2 Report setting out the outputs of the tasks described above including a business case and bankability assessment.

Phase 3 – Procurement and Contracting Strategy.

Duration: 3 Months

Work Packages, Tasks and Deliverables

- Design a fair, equitable, transparent, competitive, cost-effective procurement process and an associated procurement implementation plan.
- Prepare tender documents, including a draft PSP Agreement.
- Prepare and submit a Phase 3 Report setting out the outputs of the tasks described above including a procurement strategy plan.

Phase 4 – PSP Procurement and Contract Award

Duration: 11 Months

Work Packages, Tasks and Deliverables

- Develop and issue the Request for Qualification (RFQ).
- Receive and evaluate tenders.
- Select pre-qualified tenderers.
- Develop and issue Request for Proposals (RFPs) to pre-qualified tenderers together with a draft PSP Agreement.
- Receive tenders, assess and compare tenders inter alia with reference to the Business Case.
- Select a preferred tenderer (and a possible reserve tenderer).
- Prepare a value-for-money report.
- Negotiate with the preferred tenderer.
- Develop and finalise the PSP Agreement and contract management plan.
- Assist with the signing of the PSP Agreement

Phase 5 – Financial Close.

Duration: 1 Month

Work Packages, Tasks and Deliverables

- The TA will be required to prepare a consolidated pack, based on the outcome of the TA work in Phases 1 to 4, that will be provided to Eskom for internal approval as part of the Financial Close process.
- The TA will not be required to take the Project to financial close as this will be undertaken internally within Eskom.

Experts will be required from the following sectors:

- Project Management
- Finance
- Legal
- ESG
- Economic Analysis, including global expertise in Petroleum, Gas and Commodity Sourcing
- Technical

*Experts are required to have experience in providing advice in respect of project development and project finance transactions within the **Gas-to-Power** and **LNG** sector.

Eskom as a **State-Owned Company** is fully regulated and expected to **comply fully** with all Government laws, policies, procedures, and directives, including-the following functional areas:

- Commercial and Finance
- Technical and Engineering
- Legal
- SHEQR (Safety, Health, Environmental, Quality, Risk)
- Social, Economic and Community Development

Compliance by tenderers is necessary in respect of the following requirements:

- Procurement legislation including the PPPFA (Preferential Procurement Policy Framework Act 5 of 2000) and other relevant South African legal requirements.
- Tender Pricing and Payment
- Contracting Criteria (NEC3 Professional Services Contract)
- Exchange Rate, Credit Rating and Tax Compliance
- Technical, Engineering, Safety, Health, Quality Specifications
- Environmental Specifications

Governance Requirements

- Skills Development (Professional, Suppliers, Enterprise)
- Knowledge and Expertise Development (Localisation)
- Social Transformation (Broad-Based Black Economic Empowerment)

- Drive successful execution of the Project within the accelerated schedule.
- Continuous stress testing of the accelerated schedule for LNG opportunities.
- Timely appointment of the Transaction Advisor.
- Timely interventions to conclude off-shore LNG gas supply agreement.
- Timely conclusion of gas transportation agreement with Transnet.
- Timely conclusion of a terminal use agreement with the Terminal Operator (ZET).
- Explore market options (local and global) to secure new readily available CCPP machines to offset long lead manufacturing timelines.
- Implement global lessons of Gas-to-Power projects and lessons learnt from of Eskom New Build projects.

- Closing remarks
- Acknowledgements and end of session

The End