

INFRASTRUCTURE ACTIVITY GATHERS MOMENTUM ACROSS AFRICA

Private equity funds are responding to a new wave of energy and other infrastructure projects in Africa.



— Angela Simpson

A significant uptick in activity in infrastructure investment has become evident across Africa in the past two years. Opportunities have emerged in the face of growing urbanisation and a demand for power, water, housing and telecommunications.

The first is electricity self-generation, where the regulatory environment is opening up. For example, South Africa recently amended its Electricity Regulation Act to allow private offtakers to build power generation capacity or purchase up to 100MW without a generation licence from the National Energy Regulator of South Africa. The number of companies procuring private power generation capacity, either onsite or wheeled from another site, has grown rapidly, with a corresponding need for capital and finance. We have seen several rounds of follow-on investments, capital raising and M&A activity as private equity investors support this growing industry and build platforms that can roll out solutions across the continent.



— Nicole Paige

Apart from security of supply, two other factors are driving the appetite for renewable energy: ESG considerations and a reduction in carbon emissions to help address climate change.

The interest in “green” forms of energy also extends to some exciting innovations, such as efforts in South Africa to produce and use green hydrogen and green ammonia, using renewable energy. Green hydrogen has many industrial applications, and as conducive regulatory frameworks develop, it could have a significant and positive economic development multiplier effect in the region. There are also innovations in battery storage to complement renewable energy generation and guard against grid instability.



— Carey-Anne Jennings

The South African government has launched the fifth bidding window in the Renewable Energy Independent Power Producers Programme (REIPPP) and the Risk Mitigation IPP. The Department of Mineral Resources and Energy has indicated it wants to move ahead with bid windows 6 and 7 of the REIPPP as well as gas-to-power and coal baseload procurement in rapid succession and nuclear capacity procurement in the next two years.



— Jason van der Poel

The fifth round of the REIPPP has attracted a lot of interest, with 102 projects bidding over 10,000 MW in pursuit of a 2,600 MW allocation. The successful bidders should be announced in October.

There are also opportunities for investors in the 36 Strategic Integrated Projects listed as priority projects under the South African Infrastructure Development Act. These range from water and sanitation to energy, transport, agriculture and digital infrastructure.

Bidding documents have been made available for investments in extensions at the Durban port and there has been discussion around partial privatisation of South Africa’s rail system. Various government departments and the private sector are looking at solutions to address the country’s intensifying water crisis, particularly maintenance backlogs and retreatment of wastewater.

While financial returns are important, many investors in these projects are also concerned about their environmental and social impact, particularly if they or their investors are development finance institutions (DFIs) or pension funds. Private equity investors may also have specific mandates to invest in Pan-African infrastructure. This is often achieved by deploying in-house expertise in ESG practices and transferring knowledge and skills in the various aspects of ESG, including reporting on compliance.

In digital infrastructure, Webber Wentzel has advised on at least four transactions in the past 18 months. These investments are aimed at expanding access to telecommunications and the internet, enabling a broader range of services such as retail, financial services and education.

Social housing is also still an attractive proposition. Our firm has recently advised on a multi-million dollar investment focusing on regenerating cities with affordable housing and associated services.

There is reason for private equity investors in the South African and southern African regional infrastructure and energy markets to be optimistic about the quantity and quality of investment opportunities in the pipeline.

The scale of human need for such investment is enormous. The increased emphasis on positive environmental, social and governance outcomes through these investments is to be commended.

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