

Impact of Rand devaluation on existing and planned REIPPPP Projects

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Outside of these critical elements, several other factors exist that have a bearing on the bankability of a utility scale renewable energy project. Among the most important of these are the financial risks that respective parties are exposed to in structuring finance for utility scale renewable energy projects. Financial risks are related to the stability of future cash flows available to service debt as a result of capital intensiveness of the investment. The most common among these is interest rate risk and currency risk. These two may be linked to some extent but the focus of this text will be on local currency devaluation since inception of the REIPPPP and the impact this potentially has on projects already implemented. An attempt will also be made to understand how currency risks and the possibility of further local currency depreciation may affect future projects. A general overview is given in Figure 1 for the parties assuming currency risk at various stages of the renewable energy project development process under the REIPPPP.