

MEDIA STATEMENT

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TCTA Secures R22 250 000 000 Funding for MCWAP-2A and Commences with Project Implementation

The Trans-Caledon Tunnel Authority (“TCTA”) has secured a total funding portfolio of ZAR22 250 000 000 for the implementation of the Mokolo Crocodile River Water Augmentation Project Phase 2A (MCWAP-2A). The financing was obtained from seven different lenders, comprising five local commercial banks and two local development finance institutions: Absa, FirstRand Bank (acting through its Rand Merchant Bank division), Investec Bank, , Nedbank, Standard Bank of South Africa (“SBSA”), Investec Bank, Development Bank of Southern Africa (“DBSA”), and Industrial Development Bank (“IDC”).

The CEO of TCTA, Percy Sechemane, stated that the funding portfolio consists of seven long-term loans and two revolving credit facilities, one of which is a sustainability loan. “It should be a source of national pride that TCTA, as a State-Owned Entity (“SOE”), has not only been able to source funding for this project, but that the portfolio was oversubscribed by the market, in an environment where some SOEs struggle to source funding,” he said.

The Mokolo Crocodile River Water Augmentation Project (“MCWAP”) recently received a national scale credit rating of Ba3 stable from Moody’s, following the Government of South Africa’s Ba2 stable rating.

TCTA is a 100% state-owned entity mandated with financing and implementing bulk raw water infrastructure projects of national importance, doubling as an implementing and funding agent on behalf of the Department of Water and Sanitation (“DWS”). The organisation acts on the mandates issued by the shareholder, as represented by the Minister of Water and Sanitation.

The project has a blended funding portfolio, encompassing an allocation from the fiscus for the component set aside for social needs, a commitment from commercial users repaying for individual off-takes, and the Government standing in for the future off-takers, to enable future economic development, which is to be repaid by such future users to the fiscus. “MCWAP is the first TCTA-implemented project to successfully incorporate such a blended funding solution,” said Sechemane.

The MCWAP (Phase 1) of the project, commissioned in June 2015, comprises a scheme to convey water 43km from the Mokolo Dam to the Lephalale Local Municipality and surrounding areas, Eskom’s Matimba and Medupi power stations, and Exxaro’s Grootegeluk mine. The

MCWAP-1 currently delivers approximately 40 million m³/a to Eskom (including 3 of the 6 Medupi flue-gas desulphurisation (“FGD”) units), Exxaro, farmers in the Lephalale area, and the Lephalale Local Municipality.

The expansion of the project, through MCWAP-2A, when completed by 2030, will consist of a water transfer scheme to augment the existing water supply in the project area by 75 million m³/a from the Crocodile River some 160km away, supporting strategic power generation in the Waterberg area, expansion of the FGD technology to limit air pollution of coal-fired power stations, and catalysing economic development in the Lephalale area.

MCWAP-2A includes the construction of the Vlieëpoort Abstraction Works on the Crocodile River (West), low and high lift pumping stations, de-silting works, balancing storage facilities, a 160km bulk raw water pipeline to the Steenbokpan and Lephalale areas, and a river abstraction and flow monitoring and management system on the part of the Crocodile River downstream of the Hartbeespoort dam.

“The MCWAP-2A will augment the water scheme yield to 105 million m³ per annum, excluding allocation to surrounding farmers. The second phase of the scheme is pivotal in creating a second major source of water supply to the Waterberg area, which will assist in addressing increasing municipal water demands due to population growth, back industrial development, support energy security, help to unlock the mineral wealth in the Waterberg area, and contribute to socio-economic growth in the area of Lephalale,” said Sechemane.

The additional water supply also plays a key role in limiting the potential negative environmental impacts related to the Medupi and Matimba Power Stations, by allowing for the commissioning and operation of the outstanding FGD units (an additional 3 FGD at Medupi and 6 FGD at Matimba), which could not be supplied previously due to limited water supply in the implementation of the first phase of the project. FGD technology is a climate change mitigant technology aimed at limiting the release of harmful flue gases, like sulphur dioxide and nitrogen oxide, from the exhaust emissions of fossil fuel power stations produced by boilers, to prevent acid rain and air pollution.

Sechemane said that MCWAP project is pivotal to South Africa’s water and energy security. “Not only will it enable the Lephalale Local Municipality to cater for additional growth and development as well as meet the needs of its growing population, but it will also help ensure the country’s energy security through Eskom’s Matimba and Medupi Power Stations. In addition, it creates an enabling environment for economic growth in the area to support job creation, socio-economic and industrial development,” Sechemane concluded.

A request for bids for construction was issued to the market in January 2024 and is expected to be concluded in July 2024. The appointment of the main construction contractor is to be finalised by December 2024, and the expected completion of the project is August 2030. TCTA closed on the ZAR22,250,000,000 financing for the implementation of the MCWAP-2A on 10 May 2024.

Ends.

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