

EnerKey Projects

Presentation to EGB (June 2008)

EnerKey Solutions (Pty) Ltd



Matters accepted, this week, for presentation to EGB

- The need to operationalise EnerKey activities
- The appropriate legal format-PBO
- Constitution to be presented to EGB
- Mandate sought
- Resolutions presented for approval and adoption



Operationalisation

Building on what has already been achieved by EnerKey Consortium

Excellent network of intellectual capital....but what now?

Legal entity-raise finance, enter into contracts, distinct and accountable corporate governance structures

Leveraging skills and expertise to:

- implement world class projects

- improve on what is already being implemented-re-defining “best practice”

- deliver maximum impact of IP



Main purpose of ES



To **develop, design** and **implement** energy efficiency products and services, as an **implementing** agent, including but not limited to solar water heaters

Service/product offered must go way beyond SWH's-what about ripple control? Could be a significant part of solution

Implement Free Basic Alternative Energy solutions

Implement energy efficiency solutions in support of Eskom, NERSA and DME

To **develop** financial models and mechanisms to **facilitate** the above objectives

Main deliverable-

Kwh's removed from the grid, totally or partially, especially during peak hours, measured in tonnes of emissions reduced

Why a Public Benefit Organisation?

PBO's conduct "public benefit activities", as defined by the Income Tax Act

Includes "environmental and educational" activities

In PBO's hands, donations are "tax exempt"

In donor's hands, donations are "tax deductible"

Strategically, the least "threatening" form of legal entity-fewer complications, no "profit motive", easier for both public and private sector entities to engage with a PBO

Ownership?



PBO's have no share capital, cannot distribute dividends to "owners"

Have no "owners" in the usual sense

Fully accountable to EGB

Operates in terms of overriding mandate from EGB

Effectively, EGB is the "owner"

What are the barriers to a mass roll out?

- Price of SWH's is too high-customer resistance
- Eskom subsidy is too slow, too bureaucratic....or too low to reduce price resistance
- Technology not proven (“mature” but not “proven”)- some market resistance, suspicion, poor public perception-reputational issues
- Too few suppliers-SABS approval constraints
- Accredited suppliers lack capacity for mass roll out
- Skills shortage for mass installation

Solutions....



- How do we unlock price advantages of critical mass-economies of scale?
- Make it as cheap as possible for homeowner-only pay savings portion, postpone CAPEX
- Massive increase in production capacity
- Large scale training programmes-youth oriented, installation
- Target “high density” applications-townhouse-residential, new housing developments, mining villages etc

Business model-What will ES actually do?

- Use FDI as wholesale finance to buy large quantity of SWH's from accredited suppliers
- Keep stock available to suppliers on JIT basis so that they can concentrate on marketing and installation
- Use wholesale finance to pay suppliers immediately after installation
- Homeowner only pays savings portion into bond account, subsidy also paid into bond
- With banks as customer, all payments are collected by bank through their normal channels
- In year 5, bank refunds implementing agent (ES) the full value of the SWH



Who is the customer?



- Not-individual homeowner, on face to face sales approach-too slow to facilitate a mass roll out
- Banks “own” the housing stock
- Banks also have environmental commitments-want to participate in, encourage, sustainability
- Insurance claims-electrical geyser replacements-insurance companies

Roll out phase 1



- Give Eskom Finance first mover advantage—hold bonds on 23 000 homes (their own employees)
- This approach offers opportunity to roll programme out with customer base that can be reached easily—mass marketing programme by Eskom
- Gives Eskom employees an opportunity to enjoy advantage of SWH and EE products and services (and be “guinea pigs” for the programme)

Credible corporate governance

- Compliance with King Report
- Transparent and credible governance
- Checks and balances
- Credibility of EnerKey, generally, and proposed ES-dependent on EGB
- Some form of EnerKey Charter-point form agreement on oversight procedures?
- Leadership attendance and strategic guidance

Mandate-what are we asking the EGB to allow?

- The right to establish a public benefit organisation, to pursue the aims and objectives described in the draft constitution, in the name of EnerKey Solutions (ES)
- To take all necessary legal, accounting and planning steps required to secure grant funding for the initial operating period of ES (12 months)

Resolutions required from EGB...

- It is resolved to establish a public benefit organisation, to be known as EnerKey Solutions, the name will be subject to written approval by German partners.
- The proposed draft constitution of EnerKey Solutions is approved and accepted.
- Andre Botha is authorised to take all necessary legal steps to register ES as a PBO, including the appointment of the following parties, as directors “the National Office Bearers”, with the roles and responsibilities described in the approved draft constitution...

Resolutions cont'd



National Office Bearers: (8)

Chairperson-	Joe Matsau
Dep Chair-	Jerry Mafereka
Secretary-	Harold Annegarn
Dep sec-	Philip Goyns
Treasurer-	Aart Boessenkool
Executive director-	Andre Botha (FT)
Additional director-	Andrew Janisch
Additional director-	Motsamai Senyako
Non-executive-	Ludger Eltrop

Resolutions cont'd



- The Directors are authorised to appoint auditors and to open a bank account in the name of EnerKey Solutions and to determine appropriate bank account administration procedures.
- The Directors are authorised to prepare, or cause to be prepared, a business plan and budget for the operation of ES and an application, to relevant funding organisations, for **grant** funding for the establishment and operation of ES for the next 12 months
- Define project specific mandate, as per main objectives of broader EnerKey Project

Conclusion

- Thank you