

Young South Africans investing in lucrative renewable energy sector

By [Tsidi Bishop](#)

23 Jun 2017

Fumani Mthembi, who runs a renewable energy producing company in South Africa, has no regrets about leaving her secure job in the middle of an economic recession to start her own business in 2009.



Fumani Mthembi, one of the founders of Pele Energy Group. Photo by Tsidi Bishop

Mthembi and four of her friends, barely in their thirties at the time, left the banking industry to start a development project to help less privileged youth in the country. However, they were forced to change their plans when they struggled to raise funds to run the programme. They opted for renewable energy.

In an interview with Africa Renewal, Mthembi, the only woman among the five founders (the others being Gqi Raoleka, Obakeng Moloabi, Boipelo Moloabi and Thapelo Motlogeloa), said that while they were battling to keep their dreams alive with the youth project, another opportunity presented itself, which led to the creation in 2009 of the Pele Energy Group (PEG), based in Sandton, Johannesburg.

REIPP programme

South Africa's Energy Department was searching for independent power producers for renewable energy. Companies had to meet a few criteria to be considered. First, they were required to have the financial muscle and expertise to run a business and also have a solid social development strategy for communities where they would be constructing energy plants. Of importance also were the company's plans to raise capital and its technical expertise in producing energy. The department was also looking for technical expertise and hence worked with independent power producers that had that expertise.

“This was actually representing an opportunity for us because we had skill sets that we gained from our days in the banking sector that would enable us to make sense of what was required by the Energy Department,” said Mthembi.

“So it was clear that, as someone with an economics and development background and as an economist, I could plug in. We had community development skills, we had a plan on job creation and on how we were going to raise capital to finance our equity positions in these projects,” said Mthembi, who was just 25 at the time, with a bachelor’s degree in economics and politics and a master’s in politics and development from the University of Sussex in the UK.

Big break

Pele Energy Group’s first break came in November 2011 when it successfully bid to become one of the independent power producers.

One of its first big projects was a power plant producing 36MW of solar CPV (concentrator photovoltaics) in the Eastern Cape Province.

However, the company’s good fortune was short lived. In 2012 all its bids failed, so the company generated income through consulting. It did research on the townships and rural areas where there was a need for development, and then used that information to advise clients on where to invest their money. Among other things, Pele would help companies assess the best size for a project in a given community.

“We were doing everything to get noticed. We were willing to get our hands dirty,” said Mthembi, adding, “We did hard ground work which involved printing reams of paper for procurement submissions, finding information, talking to banks about the funding, interfacing with law firms to negotiate contracts. Our business even today is not funded by anyone but us; everything we have is from our sweat.”

This was a difficult period for the group. The founders had put all their savings in the company and had gone for months without pay. It was also imperative to find foreign partners with a winning formula. In South Africa the law encourages foreign companies to partner with local firms in this sector. Outsiders may hold majority stakes.

“The quality of the people on the other side is important because they own 60% of the project, so we had to figure out our own value and start to tailor things according to our intrinsic attributes. But 2012 was a tough year because all of a sudden, all that momentum that we had gained felt like it was slipping away,” she says.

Improved fortunes

The group’s fortunes began to improve in 2013 after the founders made some strategic changes to the business structure. They divided it into three specialised entities — Pele Green Energy (an independent producer of renewable energy), Pele Natural Energy (which produces conventional fuels) and Knowledge Pele (a research and development implementation firm).

Soon after the changes, the group won a number of government procurement bids. Pele Green Energy, together with an Italian contractor, currently owns and operates generation facilities for 884MW of solar and wind power. These include the Tom Burke Solar Park and Paleshuiwel photovoltaic power plant in Limpopo Province. Some of Pele’s wind and solar plants are in the Western and Northern Cape provinces.

Pele soon expanded beyond South Africa. Pele Natural Energy is co-owner of a natural gas-fired power plant in

Mozambique. The expansion helped the company increase its staff from five to 25 young permanent employees.

Firms like Mthembi's have helped the country through difficult times. South Africa's energy monopoly Eskom was forced to implement scheduled blackouts — also known as load shedding — in 2008 as demand for electricity grew. Numerous outages since then have cost the economy dearly, forcing Eskom to ration electricity.

Mthembi believes the reason there was no load shedding or electricity rationing in 2016 was that renewable energy was brought into the grid. The entire sector now has 92 projects providing power to 110 rural and township communities around the country.

Last year the energy ministry announced that it had added 4,322MW of renewable energy capacity to the national grid in less than four years.

Meanwhile, Pele's five founders are determined not to become just another black-owned investment holding company. "We want to develop, own and fully operate our plants," fellow founder Gqi Raoleka avers, though he acknowledges that Pele still has some way to go to achieve that aspiration.

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