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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 3841

Mr A Nchabeleng (MK) to ask the Minister of Trade, Industry and Competition:

(1) With reference to reports that H1 Holdings received billions of Rand in funding from the Industrial Development Corporation (IDC), what (a) due diligence processes were undertaken prior to approval of such funding and (b) assessments were conducted regarding the entity’s ownership structure, beneficial shareholders and governance arrangements;

(2) whether any deficiencies and/or failures in due diligence have since been identified; if not, what is the position in this regard; if so, what corrective measures have been implemented to (a) strengthen oversight, (b) ensure transparency and (c) safeguard public funds in future financing decisions by development finance institutions;

(3) in light of reports concerning the ownership structure of H1 Holdings, where the Reyburn Hendricks Investment Trust reportedly holds a 74% stake, and noting public commentary about a personal association between certain persons (names and details furnished), what due diligence processes does the IDC apply to identify and manage potential conflicts of interest in companies engaging with the State;

(4) whether the National Treasury has conducted any review of procurement, funding and/or regulatory decisions involving H1 Holdings to ensure compliance with governance standards; if not, why not; if so, what are the relevant details? NW4061E

REPLY:

Background to the Scatec Kenhardt projects and H1 Holdings’ involvement

The IDC confirms that it provided funding to a subsidiary of H1 Holdings as part of South Africa’s Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP).

Through IDC funding it facilitated the 49% equity participation of H1 Kenhardt (H1K; 100% subsidiary of H1 Holdings) in the Scatec Kenhardt 1, 2 and 3 RMIPPPP projects. The IDC approved a BEE mezzanine loan facility of R690 million (not R2bn) to H1K in September 2022 for this purpose.

This was the only IDC funding provided to H1 Holdings-related entities. The BEE mezzanine loan facilities were fully repaid in September 2025 following a refinancing of the projects, and the IDC does not currently have any exposure to H1 Holdings.

The Kenhardt projects are located near Kenhardt in the Northern Cape and comprise three solar photovoltaic projects with Battery Energy Storage Systems of 50MW each, amounting to 150MW in aggregate. The projects were awarded in June 2021 under the RMIPPPP, the primary objective of which was to mitigate loadshedding. Construction commenced in mid-2022, and the projects were completed on time and within budget, achieving Commercial Operation Date in December 2023.

Through the IDC funding it played a key role in ensuring that the SK projects (with total project costs of R16.4bn) reach Financial Close and that the balance of the funding for the SK projects is unlocked. It further facilitated the addition of 150MW of green generation capacity to the SA grid, the creation of 259 annualized jobs, as well as regional development. IDC derisked the H1K funding to the point where it was later exited by a commercial funder. This consequently enabled IDC to recycle the proceeds into other development funding activities.

(1) (a) Due diligence processes undertaken prior to approval

All IDC funding approvals are subject to due diligence processes, including FICA, KYC, ownership-structure and ultimate-beneficial-ownership verification.

The funding was provided in the context of a project-financed renewable energy transaction under the RMIPPPP.

(1) (b) Assessment of ownership structure, beneficial shareholders and governance arrangements

As noted in response to paragraph (1)(a), the IDC assessed the ownership structure and ultimate beneficial ownership as part of its standard due diligence and approval processes.

The IDC has also clarified that H1 Holdings has never been presented by the IDC as a broad-based black economic empowerment entity. The requirements for black economic empowerment under the RMIPPP program were satisfied, and consequently the projects in which Scatec (the main sponsor) had partnered with H1 Holdings were able to secure preferred bidder status from the Independent Power Producer (IPP) Office.

In this transaction, the transformation objective was achieved through meaningful black ownership of 49%, aligned with the qualification criteria set by the then Department of Mineral Resources and Energy for the RMIPPPP. In line with its mandate to support government's renewable energy projects, the IDC plays a key role of providing funding support to projects (and the BEE parties therein) that have received bid award under government's energy procurement programmes. The IDC is not involved in the formulation of the qualification criteria and/or the selection of preferred bidders under these government programmes. The IDC's empowerment objectives extend beyond broad-based ownership models and include the targeted support and growth of black industrialists across priority sectors, including energy.

The IDC continues to support transactions that include worker and community ownership structures where appropriate; however, no worker or community ownership structure was contemplated or required as a condition to the RMIPPPP or of the funding for this transaction. The IDC has and continues to also support other BEE parties' equity participation in utility-scale renewable energy projects in line with the procurement requirements stipulated in government procurement programmes such as the REIPPPP.

(2) (a),(b)&(c) Whether any deficiencies or failures in due diligence have since been identified, and corrective measures

The IDC has not identified any due-diligence failure or conflict of interest in relation to this transaction.

The IDC will continue to apply its established investment approval, governance, risk assessment and monitoring processes to safeguard public funds.

Furthermore, the BEE mezzanine loan facilities have since been fully repaid, inclusive of all interest and fees, following refinancing of the projects. H1 Holdings is thus no longer a client of the IDC.

(3) Due diligence processes applied to identify and manage potential conflicts of interest

The IDC applies governance and due diligence processes to identify and assess potential conflicts of interest in transactions submitted for funding approval. In this matter, references were made to an individual employed at H1 Holdings who had previously worked within development finance institutions. The individual concerned was not employed by H1 Holdings at the time the funding was approved and had left the IDC's employ more than ten years earlier, therefore there was no conflict of interest and no additional conflicts of interest were identified during the IDC's due diligence and approval processes.

These due diligence steps included the checks described in response to paragraph (1)(a) and (b).

No approvals or strategic directives relating to the H1 funding were required from, or issued by, the Executive Authority.

(4) Whether National Treasury has conducted any review of procurement, funding and/or regulatory decisions involving H1 Holdings

The IDC is not the appropriate authority to confirm whether the National Treasury has conducted a separate review of procurement, funding and/or regulatory decisions involving H1 Holdings. That aspect should be confirmed with National Treasury.

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