

# NDC Partnership Request for Proposals: Support for South Africa's Just Energy Transition

Socio-economic assessment for the shutdown, repowering and repurposing of coal fired power stations

## SUMMARY OF PROCUREMENT

The NDC Partnership received a request for support from South Africa, through its focal points in the Department of Fisheries, Forestry and Environment, for socio-economic impact studies of the shutdown of seven coal power stations within the portfolio of the national utility, Eskom Holdings.

In partnership with Eskom, the NDC Partnership through its host, the World Resources Institute (WRI), intends to award a contract to develop social plans for the seven selected coal power stations identified for shutdown in the coming years. This work will support South Africa's Just Energy Transition as part of its commitments to the Paris Agreement.

#### **About the World Resources Institute**

Founded in 1982, the WRI is a global environmental think tank that goes beyond research to put ideas into action. We work with governments, companies, and civil society to build solutions to urgent environmental challenges. WRI's transformative ideas protect the earth and promote development because sustainability is essential to meeting human needs and fulfilling human aspirations in the future.

## **About the NDC Partnership**

The NDC Partnership is a global coalition of countries and institutions working to mobilize support and achieve ambitious climate goals while enhancing sustainable development. Through the Partnership, country members leverage their resources and expertise to provide countries with the tools they need to implement their NDCs and combat climate change to build a better future. Hosted by WRI and the UNFCCC Secretariat, the NDC Partnership has members in all regions of the world, with staff in Washington, DC and Bonn, Germany.

## **DETAILS OF WORK, TIMELINE AND BUDGET**

## Scope of Work

The specific background, activities and Scope of Work (SOW) for this assignment are elaborated in the Annex attached to this Request For Proposal (RFP) announcement.

## **Deliverables**

- a) Inception report
- b) Social plan integration framework and stakeholder engagement plan
- c) Draft socio-economic impact assessment study
- d) Draft socio-economic management implementation plan
- e) Final socio-economic impact study with monitoring and evaluation plan
- f) Final report integrating the HR plan, the stakeholder engagement feedback, and the recommendations from the socio-economic impact assessment (c, d and e above).

#### **Timeline**

The work is to be completed in 15 months, starting in October 2021 and finalizing by the end of December 2022.

## **Budget**

The budget for this assignment is: USD300,000 per coal power station for a total contract estimate of USD2,100,000.

## **GUIDELINES FOR PROPOSAL SUBMISSION**

## Requirements

The selected vendor will be able to demonstrate capacity in similar work, particularly:

- Extensive expertise and experience in socio-economic impact assessment, social impact analysis especially in the power or mining sectors, socio-economic studies and risk management, development financing and applying innovative development funding mechanisms and models, exit strategies and socio-economic recovery.
- Extensive experience with socio-economic mitigation options.
- Experience in collaborative and partnership approaches with government and industries, local economic development, community development, and socio-economic upliftment projects.
- Ability to identify linkages and synergies with large, complex development projects.
- Project management experience and client recommendations.
- A not-to-exceed cost estimate.
- Access to local expertise, particularly related to socio-economic studies, South African development finance, applying innovative development funding mechanisms and models in South Africa, and community development, knowledge of the local area, stakeholder engagement processes, and facilitation.
- Managing sub-contracts and multiple entities to deliver on the separate studies simultaneously within short project window.

The selected vendor will lead a consortium of expert international and local consultant firms to conduct the study. Due to COVID-19 travel restrictions, it is important that the consortium comprises strong

local expertise related to assignment aspects listed above. Applicants must propose a consortium team which has demonstrated its capability to successfully carry out all tasks in the ToR over this time period based on the Scope of Work provided below.

## **Proposal content**

Prospective vendors should submit:

- A statement of interest describing the proposed team and how it meets the above requirements.
- Description of proposed project management structure (lead team/project manager, subcontracted organizations, local experts, etc.).
- CVs of team members and profiles of companies within the consortium.
- Examples of and references for similar previous work (with URLs and contact details).
- Proposed implementation approach/project monitoring plan.
- An outline of the proposed methodology and workplan.
- A proposed budget with a breakdown of costs sufficient to assess reasonableness and compliance with our funder requirements.
- An account of how the work and/or organization is sustainable.
- Schedule for deliverables.

## **Expression of Interest, Deadline for Questions, and Proposal**

All expressions of interest and questions about this RFP must be received via email to the contacts below by **5:00pm EDT on 17 September 2021**. Answers to the questions will be shared with all parties who have asked questions or otherwise expressed interest and posted in this <u>online folder</u>.

A Bidders Conference will be held on Monday, September 20 at 9:00am EDT/1500pm SAT. Interested parties are encouraged to <u>register for the conference here</u>.

To submit expressions of interest and proposal documents, please send relevant materials to:

- Margaret Barihaihi, Regional Manager for Anglophone Africa, NDC Partnership Support Unit: margaret.barihaihi@ndcpartnership.org
- John Heermans, Senior Country Engagement Specialist, NDC Partnership Support Unit: john.heermans@ndcpartnership.org

All proposals must be sent by **5:00pm EDT on 30 September** in electronic format to the same contacts listed above.

Award of a contract with this advertised Scope of Work is contingent upon WRI receipt of funding from the funder for this project. WRI may, at its discretion and without explanation to the prospective vendors choose to discontinue this RFP without obligation to such prospective vendors, or make multiple awards under this RFP.

<sup>\*</sup>A contract template is provided here.

## **EVALUATION AND SELECTION**

## **Evaluation Criteria**

The following elements will be the primary considerations in evaluating all proposals submitted in response to this RFP:

- Completion of all required elements
- The extent to which the vendor's proposal fulfills WRI's stated requirements as set out in the RFP
- Experience with similar projects
- Sustainability—WRI values sustainability and all other factors being equal, will favor a proposal
  to more sustainably perform the work
- Overall cost and proposed timeline of the vendor's proposal

Additional evaluation criteria are elaborated in the Scope of Work below.

The bidder offering the best overall value will be selected. For this procurement, non-price aspects are considered to be of equal importance. No proposal development costs shall be charged to WRI. All expenses are to be borne by the prospective vendors. WRI may award to the prospective vendor offering the best value without discussions. However, WRI reserves the right to seek vendor clarifications and to negotiate with those vendors deemed to be within a competitive range.



## **ANNEX: SCOPE OF WORK**

## Socio-economic assessment for the shutdown, repowering, and repurposing of coal fired power stations

#### 1. Introduction

In accordance with the Integrated Resource Plan (2019) Eskom will be decommissioning coal-fired power stations as they approach their 50-year life, this amounts to approximately 25,000 MW by 2040. Given the concentrated geographical nature of these plants, Eskom is undertaking various studies to determine the socio-economic impact of shutting\* down power stations located in Mpumalanga. This is expected to inform decision 4 of the IRP 2019 which proposes "coherent policy development in support of the development of a just transition plan".

The purpose of this study is to undertake a socio-economic impact assessment for the future shutdown of seven power stations by 2040, namely Camden, Arnot, Kriel, Matla, Duvha, Tutuka and Kendal with separate reports for Arnot, Camden, Duvha, Tuktuka and Kendal stations and a combined report for Kriel and Matla power stations (due to geographic proximity). (Maps of power station locations are provided below this Scope of Work.) These are largely according to the 50-year life assumptions utilised in Eskom's. Pre-existing studies are already being concluded for the more imminent shutdown of Komati, Grootvlei and Hendrina power stations. Five of the power stations are in the Nkangala district (including. Arnot in the Steve Tshwete Local Municipality and Kriel, Matla, Duvha and Kendal power stations in EMalahleni Local Municipality). Two of the power stations are in the Gert Sibande district (including Camden power station in the Musukalijwa Local Municipality and Tutuka in the Lekwa Local Municipality). The locations of these power stations are provided in the maps below this Scope of Work. These power stations were commissioned between 1974 and 1995.

The output should be separate reports:

- Social plans for Arnot, Duvha and Kendal power stations in Nkangala District Municipality with district municipality summary
- Social plan for the Kriel and Matla power stations in Nkangala District Municipality
- Social plans for the Camden and Tutuka power stations in Gert Nsibande District Municipality with district municipality summary

The three previously mentioned stations (Komati, Grootvlei and Hendrina power stations) are closely co-located with the above in the Steve Tshwete and Dipaleseng local municipalities.

The older coal-fired power stations that are approaching 50 years are nearing their end of life and would require significant refurbishment to continue operation. Studies show that attempting to extend the life of such old stations is both uneconomical and inconsistent with South Africa's plans for a low carbon energy transition. Detailed planning for a shutdown is integral to ensuring that local communities and municipalities receive the necessary information and support to cope with the changes. When these fifty-year old stations reach the end of their economic useful life, they have to be shut down and eventually decommissioned according to operational and regulatory standards.

\*Shutdown refers to "power station units being available to operate, but not electrically connected to the transmission system for capacity or economic reasons for a period greater than twelve (12) months". This is not decommissioning. Decommissioning refers to "Dismantle all equipment, demolish all buildings and structures, clean up the entire site, including wet and dry disposal areas, coal yards – all as per standards." The two terms, shutdown and decommissioning, cannot be used interchangeably.

#### 1.1. Background

South Africa has initiated a just transition to a more sustainable development pathway. This notably involves moving towards a low-carbon economy. Just transition discussions in South Africa have been primarily focused on the coal value chain, coal-fired power generation and associated coal mining. Eskom supports this national development pathway to lower carbon, socially inclusive future and has established a comprehensive Just Energy Transition roadmap. The goal is to stimulate a "just" and "inclusive" energy transition through stimulating economic development and growth for the protection of workers, local communities, and vulnerable groups.

The socio-economic impact assessment studies are being conducted to quantify the effects of the shut down and address such socio-economic factors, which will significantly guide the protection of workers, local communities, and their interests to ensure that the energy transition is inclusive and just.

In parallel, Eskom is also undertaking studies on repurposing and repowering of these power plants which are assessing the use of the sites for other industry or repowering with alternative fuels which are at various stages of development.

Eskom has an extensive footprint in Mpumalanga. Twelve (12) of Eskom's fifteen (15) coal-fired power stations are in Mpumalanga. Communities in the vicinity of the power stations are intricately linked to Eskom's power stations due to the local employment and economic activity (and sometimes service delivery and/or corporate social investment) associated with the stations' operations.

The power station shutdown is a complex issue of national concern in terms of the effect on local livelihoods and the Mpumalanga region and that is part of the just energy transition in South Africa. Due to underlying social challenges, Mpumalanga is prone to unrest and violent protests, which are risks to social stability. These studies will also inform detailed planning, decision-making, the timing and execution of the planned shutdown.

While Eskom is a key industry player in the geographical area of operation, collaboration and partnership with industry, government, organised labour and other stakeholders from different sectors is essential to allow for the minimisation of the socio-economic impact of the shutdown in the host area and region.

#### 1.2. Aim / Objective

The aim of the socio-economic study is to identify impacts, risks, and opportunities to mitigate the economic and societal impacts from the shut down and to create a basis for continued, sustainable livelihoods for the affected communities and local and district municipalities and support a just energy transition. In order to do this, the potential social and socio-economic impacts will be identified and the appropriate mitigation measures that enable inclusive participation and social and economic renewal will be determined at a sufficient level of detail to enable further investment decision-making and implementation.

## 1.3. Approach to the study

It is important that a holistic integrated approach is employed in the assessment of the power stations in the same feeder area. A local and regional view must be applied in the study. It is crucial that a cumulative approach is to be applied in considering impacts from shutdown of various power stations in Mpumalanga. Cumulative impacts in the local area and Mpumalanga region have to be assessed and quantified as part of the study. Likewise, the proposed socio-economic mitigation measures must be aggregated to maximise impact and achieve quantities of scale for regional programmes.

- Zone of influence for each power station identified
- Local and regional view applied to assess impacts
- Cumulative approach to the impact assessment based on other power stations being shut down
- Aggregated approach to the mitigation measure to maximise impact and identify regional programmes
- Integrated socio-economic implementation plan that has a regional view and deep dives to the local area.

Impacts must be accumulated and measures to mitigate impacts and maximise opportunities for sustained livelihood aggregated.

The focus should be on addressing the socio-economic impacts and transitioning the host area and region, socio-economic recovery and creating opportunities through economic development, creation of jobs, skills development, social upliftment and community development to ensure a Just Energy Transition. Opportunities related to the transition are to be clearly identified and implementation plans developed to manage socio-economic impacts and risks for both Eskom and the communities.

The socio-economic study is expected to consist of an overall framework and five pillars as shown in figure 1. The pillars are (i) a human resources plan with a skilling/reskilling framework, (ii) a stakeholder engagement and communication plan, (iii) a socio-economic impact assessment that also identifies risks and opportunities (iv) a socio-economic management and implementation plan and (v) a monitoring and evaluation plan. Eskom will lead the development of the Human resources plan for employees the division of labour is indicated in the detailed scope.

#### 1.4. Related studies

Eskom had undertaken prior social and economic studies at the power stations and the impacted region. Socio-economic impact studies for the shutdown of Komati, Hendrina and Grootvlei power stations are presently being completed. These studies can be used as a base for this work, however with further improvement on areas highlighted in this scope of work. The successful service provider will have access to and may use this information in formulating prospective plans.

## 2. Scope

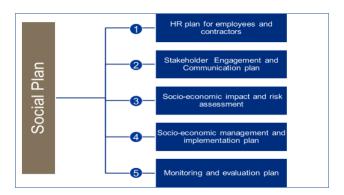
## 2.1. Scope of Work

The general scope of work for the socio-economic impact assessment includes:

- 1. Conducting a socio-economic impact assessment at local and regional level for the shutdown and repurposing of Camden, Arnot, Kriel, Matla, Duvha, Tutuka and Kendal power stations located in Mpumalanga.
- 2. Conducting socio-economic risk assessments to identify social and economic risks, opportunities and benefits for the impacted communities and municipalities.
- 3. Consult and engage with affected communities and stakeholders to ensure they receive the necessary information and participate in identifying possible solutions
- 4. Formulating a list of possible mitigation interventions with indicative costs, employment and localisation opportunities
- 5. Developing a socio-economic management and implementation plan with project profiles
- 6. Compiling the final social plan(s) accompanied by a monitoring and evaluation plan

The socio-economic assessment should include potential impacts on adjacent communities, municipalities, provincial and national government, businesses and service providers, among others.

Figure 1: Social plan pillars



The framework for a social plan incorporates a detailed level of work integrating the pillars in a comprehensive manner. The detailed scope of work is as below.

## 2.1.1. Human resources plan

Human capital development is a critical component of the socio-economic impact assessment. The human resource development will consist of two components

HR plan for Employees

Skills/Reskilling framework for the local communities.

## 2.1.1.1. HR plan for employees

The HR plan for employees is an important component of the socioeconomic impact assessment. The Labour Relations Act (LRA) 95 of 1995, Eskom's social plan procedures, and other relevant HR policies and procedures regulate the Human Resources (HR) plan for employees. This strategy deals with employees directly affected by the shutdown. Elements covered include the following:

- Employee and skills profile for employees, social protection, relocation and redeployment options each power station\*
- Labour engagement with trade unions and employees in accordance to recognition agreement and Eskom procedures.\*

## 2.1.1.2. Skills development and reskilling framework

The skilling and reskilling framework must:

- Assess skills for the local area, areas for diversification of skills and capacity building for people and SMME's based on potential economic activities and repurposing opportunities, new technology and markets aligned to JET and other opportunities.
- Develop a skilling, upskilling and reskilling framework for employees\* and local community to participate in identified sectors/ underpinned by proposed job creation and localisation initiatives.

#### 2.1.2. Stakeholder engagement and public participation

This pillar entails a stakeholder analysis that identifies key and extended stakeholders as well as the best approach of engaging them using a planned and structured approach. Public participation is to be conducted as part of this study. A participatory approach will be followed to ensure that directly affected employees, stakeholders and communities are involved. The successful service provider will be required to support Eskom in this process and undertake the following:

- Develop a comprehensive stakeholder and community engagement plan
- Undertake stakeholder engagement and consultation with stakeholders at the National, Provincial, District levels, local municipalities, communities and potential partners
- Develop a high-level communication strategy and share the mitigation and implementation plan with selected stakeholder and potential partners.
- Public participation and engagement on the outcomes of the study.

<sup>\*</sup>Eskom responsibility, service provider will develop framework for the local area and region based on the power plants in the same local municipality or district.

<sup>\*</sup>Stakeholder management experience and knowledge of the local area are key prerequisites.

## 2.1.3. Socio-economic impact assessment

This component will assess the potential socio-economic impacts and risks associated with the shutdown and repurposing at both local and regional levels with proposed mitigation measures and management strategies. This should include among others an analysis of the potential socio-economic impacts and possible risks on indirect activities related to the power station such as service providers, down-stream supply chain and adjacent communities. Whilst there should be deep dives into the local areas, the regional integrated picture has to be created for a maximization of opportunities and effective mitigation.

#### 2.1.3.1. Zone of influence

The zone of influence has to be determined for each power station. This refers to the area to be directly affected by the shutdown.

#### 2.1.3.2. Baseline assessment

- Assess available socio-economic information related to the area and the power station, community, including: demographics, local household level socio-economic aspects, education, ethnic groups, surrounding land use, access to infrastructure and social services, labour and skills availability from the project area, community health indicators, livelihoods, local and regional migration and establish a socio-economic baseline of the sites and regional area;
- Information for Steve Tshwete LM; Gert Nsibande and Nkangala Districts are available in recent Eskom socio-economic assessment reports. Information for EMalahleni, Musukalijwa and Lekwa local municipalities is publicly available.
- Identify predominant cultural and heritage aspects for consideration, up- and downstream activities that may be affected, opportunities to diversity the economy, industry and sector-specific programmes and interventions, other socio-economic opportunities that lie within the local and district municipality, (i.e. agriculture, mining, tourism and infrastructure),
- Establish planned and ongoing development programmes existing links and integration of settlements with other regional communities and services provided by local companies.
- Assess vulnerabilities of the local communities to the shutdown and repurposing, level of self-sustenance and resilience of communities to avoid distressed towns and communities, socio-economic impacts of COVID-19 and COVID-19 recovery and Eskom Corporate Social Investment (CSI) interventions in the affected areas and neighbouring power stations.

#### 2.1.3.3. Detailed impact assessment

- Identify and assess socio-economic impacts direct, indirect and cumulative impacts at (community, local, and regional) levels
- Identify and assess the impact on families (including family structures) and communities including neighbouring farmers and other stakeholders.

- Determine the significance, probability, and magnitude of assessed impacts. Determine Eskom's socioeconomic contribution from each power station and cumulatively
- Highlight potential legal ramifications that need to be addressed in terms of the different types of contracts that currently exist between the power stations and related parties.

## 2.1.3.4. Economic impact assessment

- Assess economic impact based on the contribution made by the power station operations (direct, indirect and cumulative economic impacts)
- Undertake economic modelling to assess economic impacts at local, regional and national level in terms of (local level, Production, GDP, Employment, Earned income and Government revenue)\*
- Consolidate Eskom's socio-economic contribution per power station and cumulatively.
- \* A dynamic, not static, model is to be used.

## 2.1.3.5. Mitigation

The focus of mitigation should be on transition, socio-economic recovery and empowering local communities and individuals to promote sustainable development. Opportunities where risk and investment can be shared must be supported – either through partnerships or as efforts owned by others. This translates to Eskom not driving all mitigation efforts alone. Local and regional integrated mitigation programmes are to be developed. Activities include but are not limited to:

- Identify and assess mitigation measures/opportunities for addressing socio-economic impacts through industrialisation, local manufacturing, job creation and skills development for sustainable development
- Identify opportunities for greening the economy and introducing a circular economy as part of the low carbon development pathways and measures to support employees and communities
- Identify other stakeholders that could or would remain in the community that could continue with development projects in the absence of Eskom
- Investigate options to ensure continuing basic service provision in cases where Eskom currently plays a role
  and the possible re-use and repurposing of some of the existing Eskom infrastructure for economic activities
  including Eskom's repurposing programee for each of the power stations.
- Formulating a list of possible mitigation interventions with indicative costs, employment and localisation opportunities
- Aggregate mitigation plan of power stations to maximise impact and create high value regional programmes through economies of scale.

#### 2.1.4. Socio-economic risk assessment

Socio-economic risk assessment and opportunities including stability aspects\* with appropriate management measures for the local area and the region. The aim of the assessment is to minimise and manage business and socio-economic risks associated with the shutdown. The risk assessment will include political, economic, social, technological, legal and reputational risks. Eskom Integrated Risk Assessment Methodology (IRM) is to be applied for the assessment. Activities include but are not limited to:

- Determine and evaluate downside and upside risks and opportunities associated with the shutdown of the power stations and long-term socio-economic risks to be monitored
- Identify measures to stabilise the local area and the region
- Highlight external risks emanating from the local area and region posed by the social impacts of the shutdown and those that will impact on the security of the national key points
- Align and integrate these with HR, stakeholder management and communication risks indicating linkages and action plans to implement mitigation measures.
- \* The stability aspects will include measures to ensure continuity of operations at power stations till shutdown date, manage civil unrest and potential vandalism, ensure peace in the region and avoid reputational damage to Eskom.

## 2.1.5. Integrated socio-economic management implementation plan

This entails a detailed socio-economic management implementation plan for a just energy transition through inclusive growth and socio-economic recovery in the local area/region and stability\*. An alternative economy must be created for the affected regions. The plan should be integrated with a regional view and deep dives into the local area. Activities include but are not limited to:

- Identify opportunities to stimulate the economy in the local area and region; and grow the local value chain through manufacturing, industrialisation and localisation.
- Identify and assess opportunities for job creation, alternative employment and business growth and SMME development, entrepreneurship linked to various sectors that address socio-economic impacts and enable inclusive participation in the energy transition.
- Assess and quantify opportunities for economic growth, employment and socio-economic benefits from repowering and repurposing programme for the power stations
- Leverage government, industry, sector-specific programmes and mitigation interventions for neighbouring power stations – aggregated view.
- Clearly define robust community development programmes and projects to transition the economy of the area.
   These should focus on development at grass root level. The plan must focus on these aspects:
  - 1. Job creation
  - 2. Local manufacture
  - 3. Industrialisation
  - 4. Enterprise development and social enterprises
  - 5. Youth empowerment programme

- 6. Community livelihood
- 7. Opportunities from the energy transition
- Identify project profiles including investment, finance ready (or near ready) projects with accompanying employment gain and cost of implementation plan

The socio-economic management implementation plan is a detailed mitigation plan comprised of:

- Projects, timelines and resource requirements. The cost of implementation of the social plan would be quantified for both the short (1-2 years), medium (2-5 years) and long-term (> 5 years), including investment, finance ready (or near ready) projects with accompanying employment and development gains.
- Partnerships and collaboration development partners and collaborators; strategic partnerships at a national, provincial, local government, industrial and local development levels; levers and linkages to other socioeconomic development programmes, projects and platforms that can be used for an all-inclusive approach and maximum impact.
- Funding mechanisms potential funding mechanisms and public private partnership ideally leveraging existing
  programmes/opportunities. These will include development finance institutions, government programmes and
  support, industry and the private sector.
- Roles and responsibilities Clearly defined roles and responsibilities among Eskom, partners, government and other stakeholders based on legislative requirements and/or best practice.

The socio-economic management and implementation plan is to be enabled by alignment with the national development policy framework (NDP, NGP, etc.) and programmes by the Department of Trade and Industry (DTI), the Economic Development Department (EDD), and other government departments as well as with local and provincial plans and growth strategies.

#### 2.1.6. Integrated monitoring and evaluation plan

A short and long-term monitoring and evaluation process will be developed as part of the social plan, measured against approved plans and objectives. The monitoring and evaluation plan with SMART indicators to monitor, measure, evaluate and report on the progress made by the programmes.

#### 2.1.7. Integration

The final social plan(s) will show the interlinkages and dependencies among the five pillars of the social plan.

