

**RED ROCKET ENERGY**  
READY FOR LAUNCH



**RED ROCKET**



WE LEARN HOW A UNIQUELY AFRICAN COMPANY IS HELPING TO DRIVE THE RENEWABLES REVOLUTION.

# READY FOR LAUNCH

PROJECT MANAGED BY: TREVOR GRETSINGER

**Red Rocket Energy is a young company, born just over a year ago from the management buyout of the African platform of Building Energy, an Italian IPP.**

“I was originally one of the founders of Building Energy,” says Matteo Brambilla, the CEO of Red Rocket Energy, “but in the context of a global reorganisation of the business there was an opportunity last year to submit a proposal for a management buyout and now Red Rocket is a fully integrated Independent Power Producer; African by nature, where management and employees of the company are shareholders in the company, too.”

While the buyout has fundamentally changed the identity of the company, in terms of business model and structure nothing has changed. Red Rocket Energy remains a fully independent, integrated IPP on the back end of an integrated developer. The company carries out every stage of development, takes on responsive roles in setting up deals, carries out the construction, and even operates and controls its own projects once they are up and running.

“We provide the full lifecycle for all renewable technologies, solar, wind, biomass, and hydro,” Brambilla tells us. “In total, we have a team of 166-170 people. The core team of the company work in our office in Cape Town. The rest of the people are in operations and maintenance for the plants we operate. We have three assets currently in operation, including a new hydro plant launched in late March and a wind farm currently under construction. Between assets in operation and construction, and projects ready to reach financial close, we have close to 377MW and we have a huge pipeline in projects under development mainly wind and solar.”

That new hydro plant is the perfect demonstration of Red Rocket Energy’s attitudes and capabilities.

## THE KRUISVALLEI HYDROPOWER PLANT

The Kruisvallei Hydropower Plant reached commercial operations on the 25th of February this year, only two years after construction began on the project on the 26th of March 2019. Kruisvallei Hydro is the third hydropower project

to come online after being procured under South Africa’s Renewable Energy Independent Power Producer’s Procurement Programme (REIPPPP).

The plant’s innovative construction is a unique design-first for South Africa. The plant has been divided into two run-of-river hydropower plants which combine to supply 4MW of hydro-electric power through two turbines to generate approximately 24GWh per annum.

Fully operational, the plant will provide power to 1916 households. It is a landmark achievement for Red Rocket, which not only constructed the 4MW hydropower project but also manage, operate and maintain the plant through its Red Rocket Asset Management business unit. The project is not only a huge achievement in itself; it is also the first project in Red Rocket Energy’s greater portfolio undertaken through the company’s fully integrated business model.

Red Rocket Energy has been actively participating in the full lifecycle of the project. The company was there at its earliest developmental stages, was there for the design and >>



⤴ Matteo Brambilla, CEO of Red Rocket Energy.





Lower Kruisvallei overhead view from downstream vantage point.

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Founded in 2013 artINGEGNERIA is an engineering boutique, professional in the design of hydroelectric plants.

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artINGEGNERIA has authorized more than 600 electric vehicle charging stations throughout Italy and designed more than 1 GigaWatt of hydroelectric, photovoltaic, and wind power plants around the world.

With a specialized group of engineers and architects, it also invests outside the renewable market by financing innovative ideas and participating in IT, communication, and industrial research companies.

It also owns and is developing a patent for the production of electricity from marine sources.

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construction of the plant and will remain to operate and maintain it.

R235 million in funding for the £370 million project was provided by specialised debt fund, Facility for Investments in Renewable Small Transactions (FIRST), which the German Government established to provide simple, accessible, and efficient funding for renewable energy projects in South Africa.

At the completion of the project, Greg Ansermino, Principal Fund Manager of FIRST commented, "The Kruisvallei project is a testament to the Red Rocket team who managed to deliver a successful project during uncertain times and a demonstration of the role, and potential, for renewable energy projects in South Africa."

Red Rocket Energy is able to provide this one-stop-shop, full lifecycle support for

the full range of renewable energy technologies thanks to its unique reservoir of technological know-how.

"We are amongst the few ones that can provide all the technological expertise necessary from the development and construction phase, through to operating and owning the assets," explains Brambilla. "We can do any technology."

As is often the case, necessity has been the mother of invention.

"We've been forced to develop our business along these lines as we've noticed over the years that if you aren't integrated you can't be competitive on tariff, making it difficult to achieve at the same time profitability," Brambilla admits. "But controlling the projects means we can manage risks. We take development fees, margins, and our blended returns let us bid tariffs that are lower, but which let us make the projects profitable."

## NAVIGATING POLITICAL UNCERTAINTY

While Red Rocket Energy is easily able to overcome the practical and technological challenges its projects can face, building infrastructural power projects is a task that often encounters other obstacles.

"The main challenge is that in Africa there are delays, there is politics, things happen that we cannot control," Brambilla tells us.

What you cannot control, you need to adapt to, as Brambilla explains.

"That also forces us to have a business model that will allow us to keep the ship in good shape, but the main challenges are the delays and the uncertainty," he says. "Even when you win a project, and you've designed and built it

and started selling electricity. Political and economic factors can put pressure on development costs, making it harder to raise development capital, and so that timelines are delayed."

Red Rocket Energy's primary defence against such uncertainty is to build up a pipeline of projects to mitigate the impact of anything that affects any one operation.

"We have a business model that allows us to be cash positive even in the face of long delays," Brambilla says. "The projects we bid for in August 2014 were awarded in May 2015 and financial close ended up being in April 2018. So that's three years of being in development with the associated costs, consultants, lawyers. It's expensive, so we built our business model in a way that protects our core financials during development even if there are delays."

Red Rocket Energy is able to achieve these results thanks to the strong team it has in place working on every stage of its projects.

"We invest a lot of time and money into the people in our organisation. We have a strategy whereby preferably we hire people straight from university

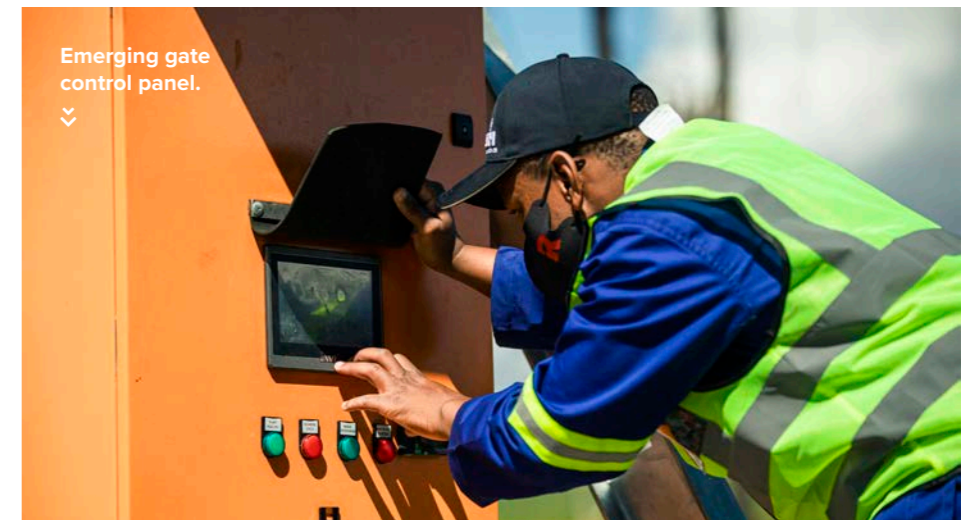
and show them the Red Rocket way," Brambilla says.

This does not just mean hiring the right people in-house but also being very selective in terms of our contractors.

As Brambilla tells us, "We are very specific in how we run our business, and when we reach the regional construction stage, we hire top tier consultants, project and construction managers, site and electrical engineers specifically for the project."

Moving forward, Red Rocket Energy has set its sights high.

"We want to establish ourselves as one of the largest independent power producers on the continent," Brambilla insists. "We are hoping to grow and develop and set up business everywhere on the continent, but for now we're focusing on South Africa where we have a well-developed market. We have developments in progress, especially on wind and solar, and we hope that all our efforts, strategy and financial engineering will be successful in the next round of South Africa's renewable energy procurement programme. After that, we are already working on new developments for the following rounds in this country. Our objective is to reach two gigawatts of projects by 2025." ↻



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