



Solarcentury Africa's \$40m Loan from Standard Bank South Africa for Solar Plant Expansion in Zambia

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What is the context?

What are solar plants?

Solar power plants are facilities which convert solar radiation that is made up of light, heat and ultraviolet radiation, into electricity that is suitable for supply in homes and industries. The process is completely ecological and does not generate polluting elements for the environment, highlighting its efficiency in renewable energy.

This shows how solar power plants are a key tool for developing long-term sustainable energy production that is environmentally friendly in comparison to energy generated from fossil fuels or non-renewable energy sources which have negative consequences for the environment. These include the likes of global warming, price volatility (since fossil fuel prices heavily rely on supply and demand) and unsustainable production.

Who are the parties involved?

This loan agreement is between Solarcentury Africa Limited and Standard Bank South Africa. Solarcentury Africa is a UK-headquartered renewable energy specialist. They work with their clients to deliver smart, efficient and reliable clean energy solutions. Meanwhile, Standard Bank of South Africa (owned by Standard Bank) is South Africa's largest banking group and third largest life insurer in South Africa. SB (Standard Bank) employ over 49,000 staff and they operate in 18 countries yet still seeking to expand internationally.

What is the deal?

Solarcentury Africa has been advised by Simmons & Simmons on a \$40m loan from Standard Bank South Africa to support the expansion of a major solar plant in Zambia. This is to expand Mailo Solar Plant's capacity to 60 MWp, followed by a further expansion to full 118 MWp capacity. Mailo Solar Plant interestingly is the first dedicated merchant solar power plant in trading power through SAPP (which is the Southern African Power Pool) which has been recognised as a huge milestone in the renewable energy sector across the Southern African Development Community.

Moreover, the deal's positive impact for Southern Africa has been recognised by Joanne Elson, who is part of the ENRI (energy, natural resources, and infrastructure) group at Simmons & Simmons. She stated the expansion of the solar plant is a 'significant development for the merchant solar sector in the region'.

Additionally, the project illustrates a significant move by the Zambian government who are actively seeking to diversify the country's energy mix and improving their energy resilience.

The impact on law firms and businesses?

Seeking advice in obtaining loans for a solar plant (or its expansion) has an impact for both businesses and law firms. Deals like this demonstrate increasing investor confidence in renewable energy across Africa. This means law firms will likely expand their ENRI departments due to the likelihood of increasing demand. Importantly, law firms are also judged by their ESG (environmental, social and governance) metrics and given this deal relates to renewable energy, law firms will likely strengthen their advisory capabilities and ensure their clients are meeting international sustainability standards.

For businesses, especially those located in Africa, will see this deal as an incentive to move towards sustainable energy. Given Africa's climate, this could unlock billions in private capital for African clean energy locally and potentially a leading provider internationally. Additionally, this can also demand for engineering, constructing and logistics, which represents another incentive for businesses in these areas to take part in these projects.

Commercial word of the article

What is ESG?

ESG stands for environmental, social and governance. This is a framework used by companies to evaluate their sustainability and ethical impact on the environment. In relation to commercial law, law firms implement their ESG practises to analyse their own standards but also advising their clients to meet international standards and avoid any damage to their brand reputation.



Examples of ESG practises:

- Reducing energy waste by using renewable energy sources, as seen above.
- Switching to zero-waste products or sustainable packaging using biodegradable materials
- Ensuring business leaders and managers are accountable for risk and performance management.

Sources

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