



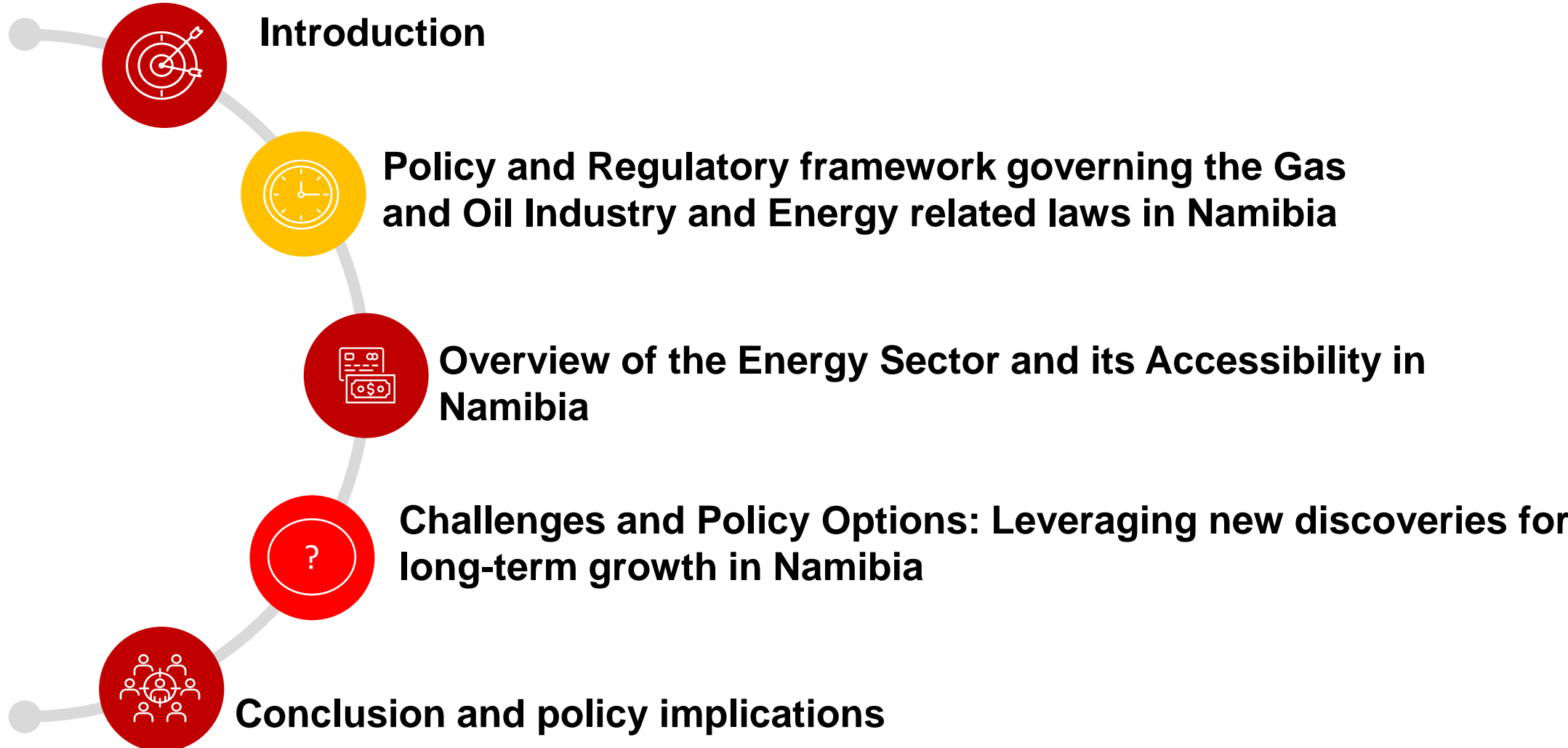
Bank of Namibia

Overview of the oil, gas and energy resources in
Namibia

Annual Symposium

Dr Emma Haiyambo 3 November 2022

OUTLINE



INTRODUCTION



- ✓ Oil discoveries



- ✓ Discovery of hydrogen



- ✓ Vision 2030, HPP2, NDP5 all point to the importance of energy in Namibia



- ✓ Review main legislation framework
- ✓ Assess process of EPL allocation
- ✓ Review investment climate and policies
- ✓ Review status of energy sector & its accessibility
- ✓ Offer policy options – leveraging discovery of new resources for economy

REGULATORY FRAMEWORK – OIL & GAS

01

Article 100 of the Constitution of the Republic of Namibia 1990

02

The Petroleum (Exploration and Production) Act 1991 (Act 2 of 1991)

03

The Petroleum (Taxation) Act 1991 (Act 3 of 1991)

04

The Water Act 54 of 1956.

05

The Atmospheric Pollution Prevention Ordinance 11 of 1976.

Regulatory Framework – Electricity

01

National Energy Policy of 2017 (NEP))

02

National Renewable Energy Policy (NREP) of 2017

Fiscal Regime For Petroleum Exploration & Production Activities



Petroleum income tax:

- Levied at 35% of taxable income &
- Additional profits tax levied on the after-tax net cash flows



Royalties are also charged &

- Is payable quarterly on or before the last day of each month
 - The rate at which royalties are charged depends on the licensing round
- ✓ 1st and 2nd 12.5 % of the market value of the license, 4th and 5th - 5%



Other tax laws that apply to the oil and gas industry

- The Income Tax Act 24 of 1981
- The Value Added Tax Act 10 of 2000
- The Stamp Duties Act 15 of 1993



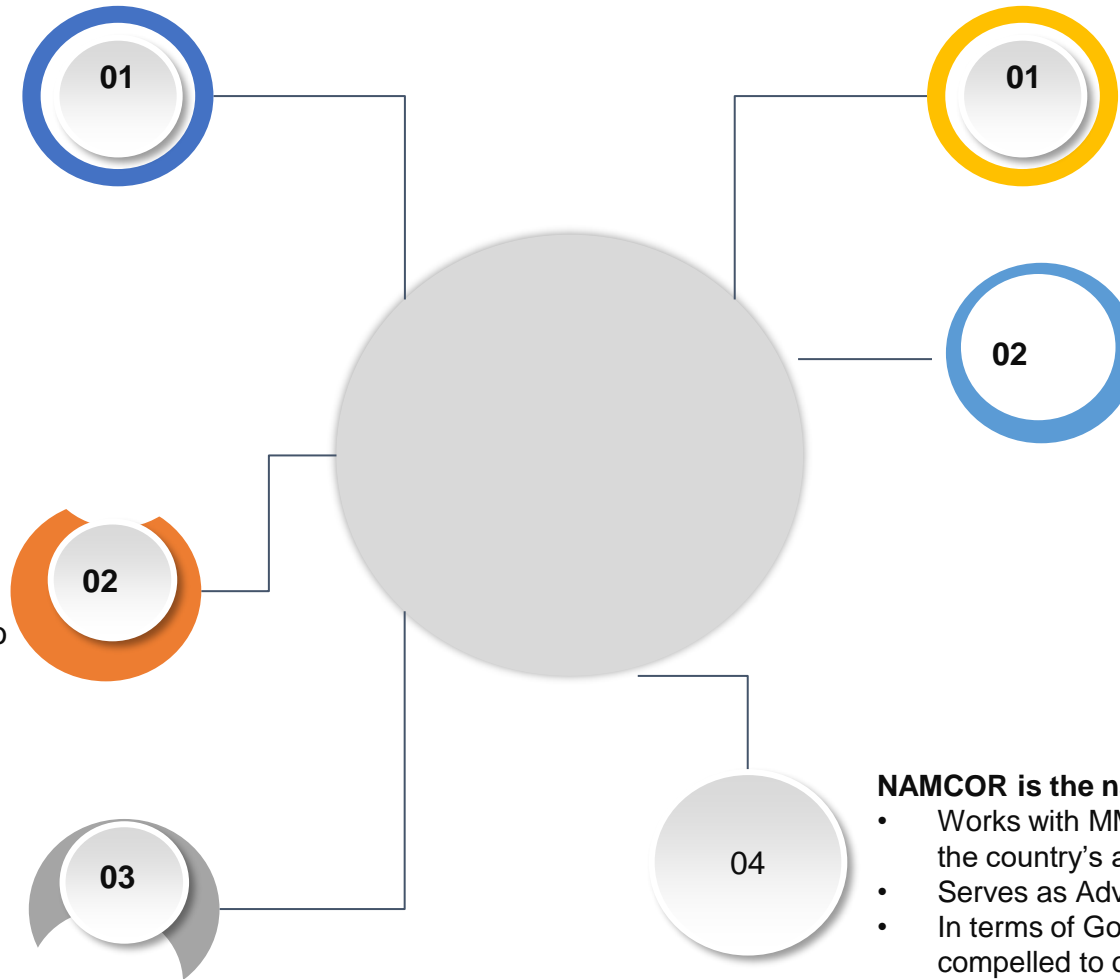
Oil and Gas industry

Application process

- Licenses for exploration of petroleum are granted by way of application.
- Application are done under the **Open Licensing System**.
- Interested Cos can apply any time for available unlicensed areas
- Section 13 of the Petroleum Act requires the Minister to enter into a **Petroleum Agreement** with applicant for exploration license before license is granted. A **Model Petroleum Agreement** is in place.
- The holder of an exploration license who makes a commercial discovery is entitled to apply for a **production license** & is entitled to granting a license if requirements of the Act are complied with.

Local incorporation not a requirement

- There is no statutory requirement for a company to be incorporated in Namibia - only lodging of documents with registrar of companies required – Currently a challenge - & being addressed.



Green hydrogen industry

Relatively new

- No laws governing the creation of green hydrogen
- Legal framework in the works

Global decarbonisation efforts

- Transforming the global energy industry by reducing its emissions

NAMCOR is the national oil company

- Works with MME (Regulator of industry) to promote the country's acreage
- Serves as Advisor on national petroleum policy
- In terms of Government participation, no applicant is compelled to offer NAMCOR a share in a license



- The country's investment climate is generally **positive**,
- **High transportation cost and energy prices** cited as key challenges in doing business in the country.
- Good transportation infrastructure:
 - *Namibia is upgrading its transportation infrastructure to facilitate investment & position itself as a regional logistics hub (e.g. expansion at Walvis Bay Port concluded in 2019, and plans to extend & rehabilitate the national rail line, including to neighbouring countries from the port are steps in the right direction)*
 - Has the best roads on the African continent (WEF),
- The **relatively small domestic market** and a **limited skilled labour pool** are among other challenges to investment in Namibia normally cited,
- The country has access to the SACU & SADC (& AfCFTA) and this should address the small market somehow,
- There **incentives for the oil and gas industry**, in the form of a customs rebate and import VAT exemption provisions – as laid down in the Customs and Excise Act, 1998 and Value-added Tax Act, 2000, respectively.
-
- Companies which have obtained a prospecting or drilling licence in any of the prospecting blocks identified by MME would be the prime beneficiary.
- Rebate or exemption provisions are not automatic but are subject to certain pre-approvals and conditions outlined in the Customs and Excise Act 20 of 1998 and Value Added Tax (VAT) Act 10 of 2000



lack of specific regulations to regulate high-risk occupational health



No requirements in the Petroleum Act for building the capacities of communities to understand the potential environment & socio-economic impacts presented in EIA processes



Lack of clear guidelines for local content requirements - (being worked on)



How to facilitate wider benefits through procurement and participation of local suppliers



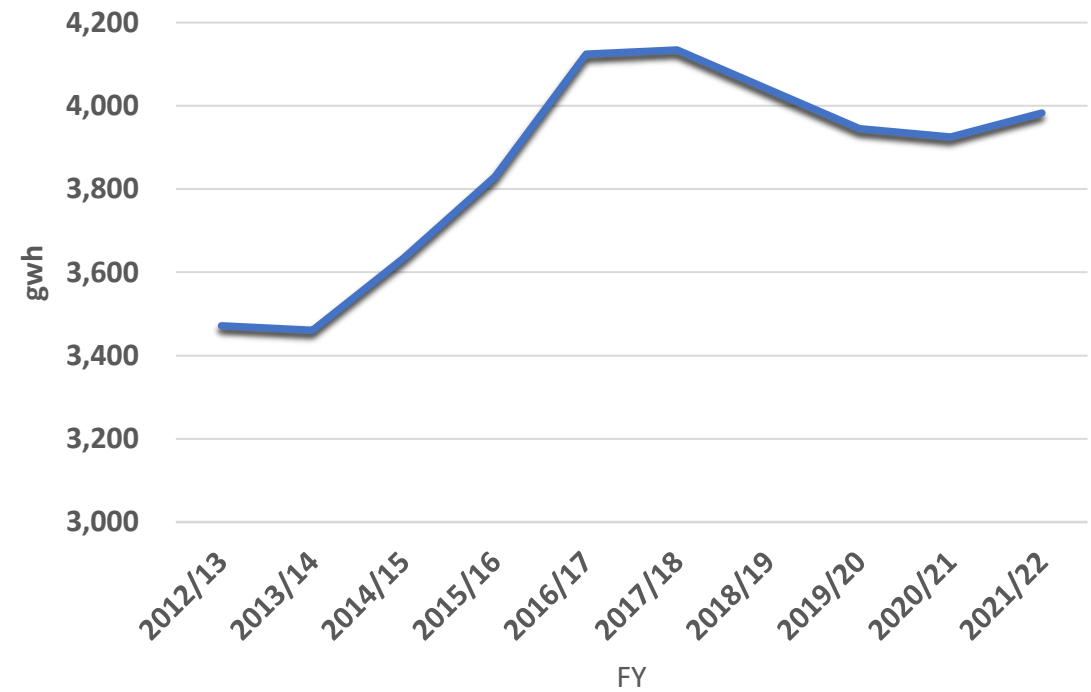
OVERVIEW OF THE ENERGY SECTOR & ITS ACCESSIBILITY

Power Station Name	Type	Installed Capacity (Potential Capacity) (MW)	Percentage share
Ruacana Power Station	Run-of-the-river Hydro (Renewable)	347	50.7%
Van Eck Power Station	Coal (Non-Renewable)	90 (previously 120)	13.2%
Anixas Power Station	Diesel/Heavy Fuel Oil (Non-Renewable)	22.5	3.43%
Omburu PV Plant	Solar (Renewable)	20	2.9%
Independent Power Producers	Solar (Renewable)	199.9	29.2%
Independent Power Producers	Wind (Renewable)	5	0.07%
Total		684.4	100.0%

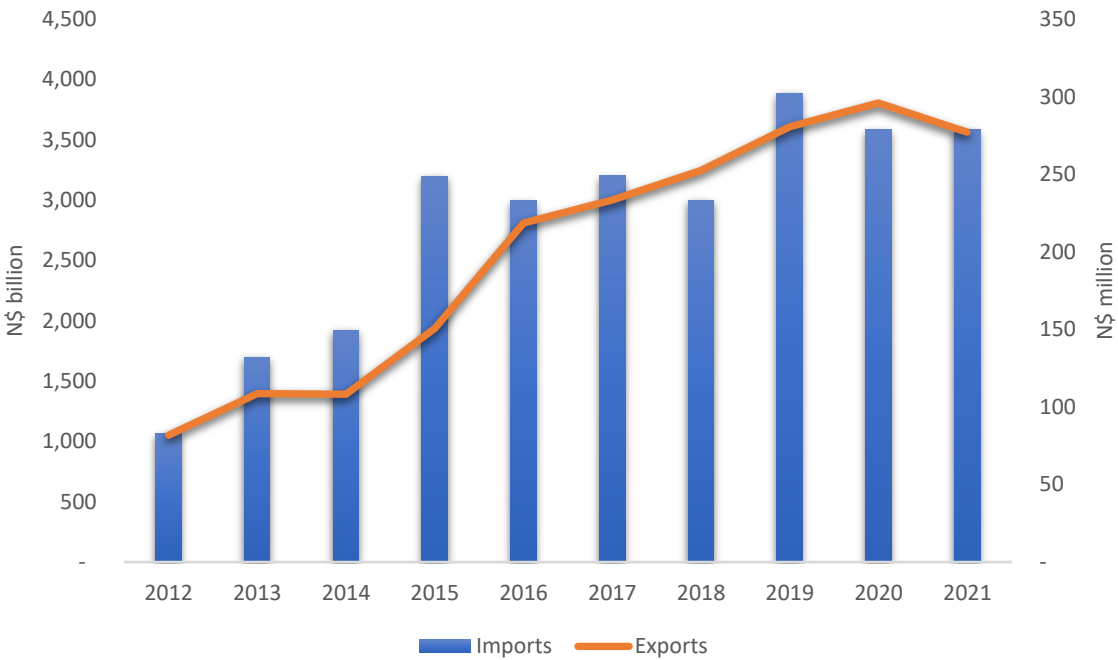
ENERGY DEMAND AND IMPORT



Energy Demand



Electricity imports and export

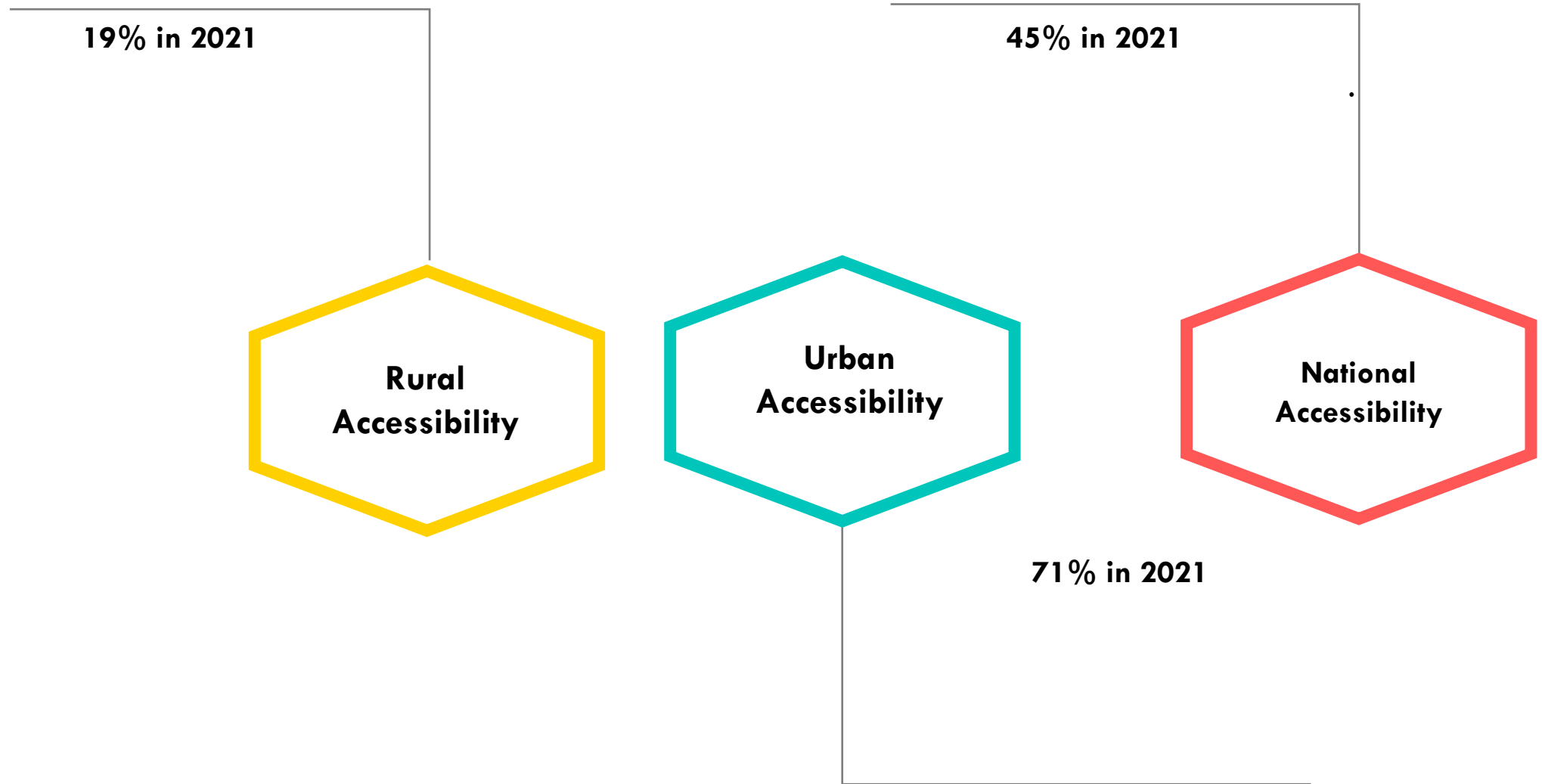


MINERAL FUEL IMPORTS

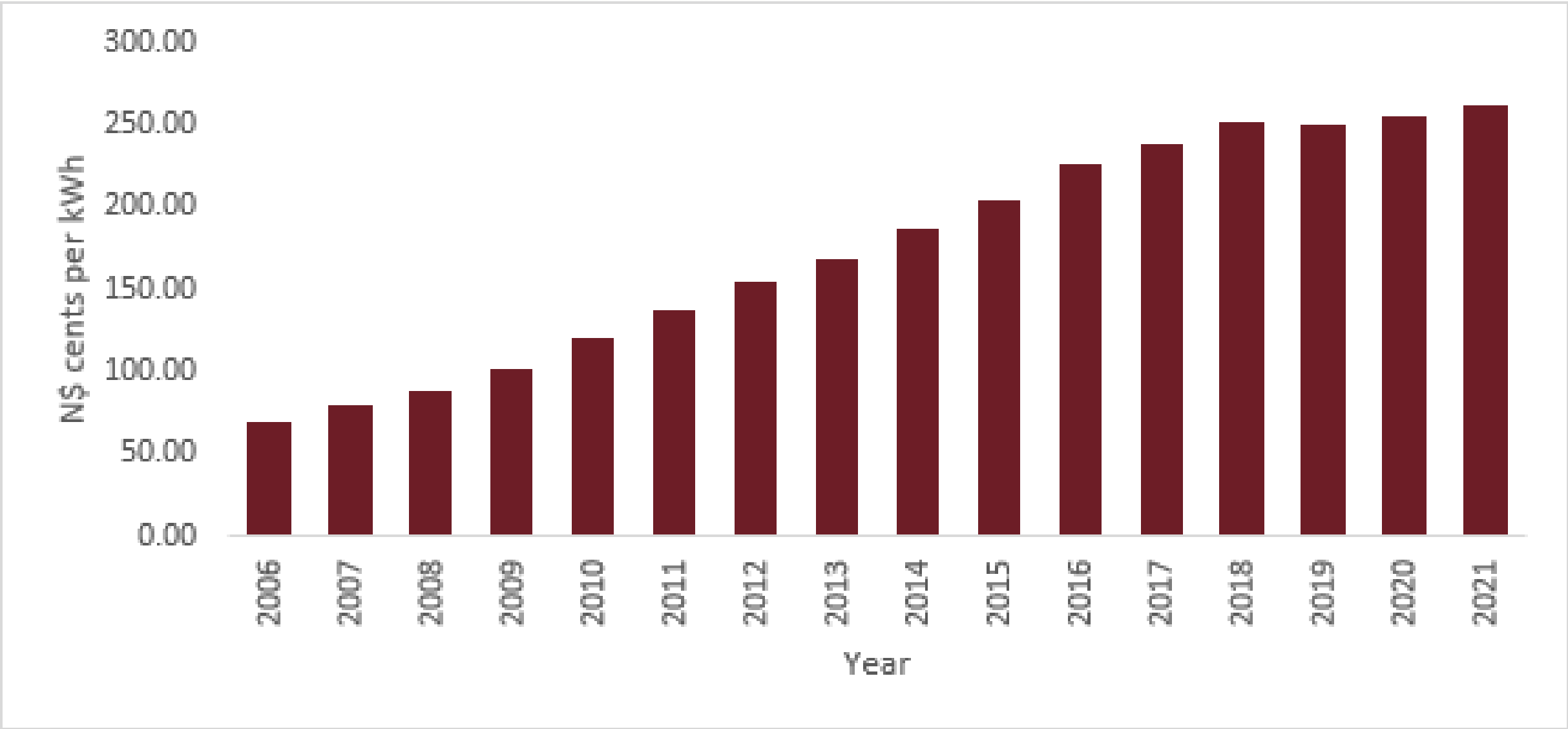


		2017	2018	2019	2020	2021
Distillate fuel (diesel)	Volumes	771	888	1,003	862	1,078
	Value	4,614	6,502	7,717	5,451	7,924
	Average price per litre	6	7	8	6	7
Petrol	Volumes	420	437	466	396	414
	Value	2,511	3,124	3,264	2,302	2,987
	Average price per litre	6	7	7	6	7
Aviation kerosene	Volumes	70	105	86	41	46
	Value	424	788	657	294	339
	Average price per litre	6	8	8	7	7

ENERGY ACCESSIBILITY AND COST



OVERALL TARIFFS



CHALLENGES AND POLICY OPTIONS



CONCLUSION



The discoveries of oil and gas resources in Namibia has breathed in optimism and has potential to assist the economy to recover from recent setbacks.



Energy is an essential pillar of any economy.



Namibia's energy sector has had limited private sector participation in the past and has been characteristically state-owned.



Namibia needs to ensure that the resources are managed appropriately and that the benefits transmit to the ordinary citizens.



The availability, affordability and security of energy supplies are necessary pre-requisites for development.



- Recent reforms and restructuring efforts are creating an increasingly attractive private operating environment and subsequent investment opportunities.
- Green hydrogen, produced through renewable resources such as solar and wind, holds significant promise in meeting the Namibia's & the world's future energy demands.

RECOMMENDATIONS



Consider proper appropriation of exploration licenses, through auctions and offer to high best bidders to improve the transparency of the EPLs allocation process in the country.

Namibia will need to review the current mineral royalties and taxes to ensure a balance between attracting investors and safeguarding optimal benefits for the country from the resources.

The issue of ensuring optimal local content in the exploitation of the resources must remain prominent.

There should be targeted incentive packages to reduce the investment risks faced by early adopters in the green hydrogen initiatives.

Cooperation on energy infrastructure development at a SADC regional level should be prioritized



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THANK YOU