



**BANK OF NAMIBIA:
OIL AND GAS REGULATORY FRAMEWORKS: STRATEGIES AND OPTIONS FOR
NAMIBIA**

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1. INTRODUCTION

Namibia's upstream petroleum sector is governed by a legal framework consisting of the Constitution, legislations, government policies and petroleum agreements. Collectively, these instruments regulate the allocation of petroleum rights, exploration and production activities, environmental protection, fiscal obligations, occupational health and safety, local participation and state oversight. Over a period of three decades, the petroleum legal framework has been undergoing amendments and has provided the legal certainty that has enabled Namibia to emerge as one of the world's most attractive frontier petroleum jurisdictions.

2. KEY LAWS, REGULATIONS, POLICIES AND CONTRACTUAL ARRANGEMENTS THAT GOVERN THE OIL AND GAS SECTOR

The constitutional foundation of Namibia's petroleum regime is found in Article 100 of the Constitution, which vests ownership of natural resources in the State unless otherwise lawfully owned.¹ Namibia's upstream petroleum sector is governed principally by the Petroleum (Exploration and Production) Act 2 of 1991, the Petroleum (Taxation) Act 3 of 1991 as amended, the Environmental Management Act 7 of 2007 and the contractual framework established through petroleum agreements.² These instruments regulate the granting of petroleum rights, exploration and production activities, taxation, environmental protection and the relationship between the State and petroleum licence holders.

The Petroleum (Exploration and Production) Act 2 of 1991, as amended, is the principal legislation governing upstream petroleum activities in Namibia. All rights in relation to reconnaissance, exploration, production and the disposal and exercise of control over petroleum vests in the State, notwithstanding any right of ownership of any person in relation to any land under which petroleum is found.³ No person may conduct reconnaissance, exploration or production operations except in accordance with a licence issued under the Act.⁴ The Act also provides for reconnaissance, exploration and production licences, minimum work and expenditure obligations, good oilfield practice, licence transfers and assignments, environmental and safety obligations and local participation requirements.⁵

The Petroleum (Taxation) Act 3 of 1991 establishes the fiscal regime applicable to upstream petroleum activities.⁶ It provides for petroleum income tax and additional profits tax on income derived from

¹ Article 100 of Namibian Constitution:

"Land, water and natural resources below and above the surface of the land and in the continental shelf and within the territorial waters and the exclusive economic zone of Namibia shall belong to the State if they are not otherwise lawfully owned."

² These petroleum agreements can include the Model Petroleum Agreement entered into between the Government and licence holders and Joint Operating Agreements entered into between partners.

³ See section 2 of the Petroleum (Exploration and Production) Act 2 of 1991

⁴ Section 2 of the Petroleum (Exploration and Production) Act 2 of 1991

⁵ See sections 22 – 53 of the Petroleum (Exploration and Production) Act 2 of 1991.

⁶ See Preamble of Petroleum (Taxation) Act 3 of 1991: *To provide for the levying and collection of a petroleum income tax and an additional profits tax in respect of certain income received by or accrued to or in favour of persons in connection*

exploration, development and production operations and contains rules dealing with the treatment of exploration and development expenditure. The wider fiscal framework is supplemented by legislation such as the Income Tax Act 24 of 1981, the Value-Added Tax Act 10 of 2000 and the Customs and Excise Act 20 of 1998.

Petroleum rights are also governed by petroleum agreements concluded between the Government of Namibia “Government” and successful applicants for petroleum blocks.⁷ In terms of section 13 of the Petroleum (Exploration and Production) Act,⁸ an agreement must be concluded before an exploration or production licence is issued. The Model Petroleum Agreement provides the standard contractual framework, subject to amendments and negotiated terms agreed between the Government Negotiation Team and the applicants. It addresses matters including work programmes, minimum expenditure, financial obligations, reporting, environmental compliance, State participation, training and local content, as well as dispute resolution and arbitration.

Environmental regulation is principally governed by the Environmental Management Act 7 of 2007 and its regulations. Petroleum exploration and production activities are subject to the environmental assessment and authorisation regime established under the Act and may not be undertaken where an environmental clearance certificate is required unless the requisite authorisation has been obtained.⁹ The framework provides for environmental assessments, public participation, mitigation measures and ongoing environmental oversight.

Other relevant laws applicable to the upstream petroleum sector include (to name but a few), Companies Act 28 of 2004, Currency and Exchange Act 9 of 1933, Immigration Act 7 of 1993, Exchange Control Regulations of 1961, Explosives Act 26 of 1956, Water Resources Management Act 11 of 2013, Atmospheric Pollution Prevention Ordinance 11 of 1976, Prevention and Combating of Pollution of the Sea by Oil Act 6 of 1981, Marine Act 27 of 2000, Import and Export Control Act 30 of 1994, Namibian Ports Authority Act 2 of 1994 and Atomic Energy and Radiation Protection Act 5 of 2005.

A further important development is the National Upstream Petroleum Local Content Policy. Following nationwide consultations, Cabinet approved the Policy at its 25th meeting held on 4 August 2026. The Policy is intended to establish a framework for increasing Namibian participation across the upstream petroleum value chain, including through employment creation, local procurement, enterprise

with exploration operations, development operations or production operations carried out in Namibia in relation to petroleum; and to provide for matters incidental thereto.

⁷ Model Petroleum Agreement 2007.

⁸ See Section 13 (1) of the Petroleum (Exploration and Production) Act 2 of 1991:

“The Minister shall, before an exploration licence or, in the case of a person who is not the holder of an exploration licence in respect of a block or blocks in the petroleum field for which a production licence is required, a production licence is issued by virtue of an application referred to in section 11, enter into an agreement, not inconsistent with the provisions of this Act, with the person concerned containing the terms and conditions agreed upon as provided in section 12(4) on which such licence is issued.”

⁹ See section 27 of the Environmental Management Act 7 of 2007.

development, technology and skills transfer, research and innovation and increased Namibian ownership and participation.

The Policy is intended to build on the local participation requirements already contained in the Petroleum (Exploration and Production) Act 2 of 1991 and petroleum agreements by providing a more structured approach to local content. The Policy should, however, be distinguished from primary legislation, its practical legal effect and enforceability will depend on the steps to be taken to implement and give effect to its provisions through the applicable legal and regulatory framework.

In addition to the legislative and contractual framework, the White Paper on Energy Policy of 1998,¹⁰ developed by the Energy Policy Committee of the then Ministry of Mines and Energy and released in May 1998, was Namibia's first comprehensive energy policy. Among its stated goals was effective sector governance and it resolved that Government would ensure that policymaking, regulatory oversight and industry operations are separated, so that institutions are not both players and referees in the sector.¹¹ The White Paper acknowledged, however, that the upstream sector was at the time relatively small and that there may be insufficient human resources to establish entirely separate institutions for each role and it recommended that the separation principle could be applied within different sections of the same government department.¹² This is how the Directorate (then Department) of Petroleum Affairs within the Ministry of Mines and Energy came to combine policymaking and regulatory functions.

The National Energy Policy of 2017¹³ was adopted to update the 1998 White Paper in light of developments in the sector over two decades. Building on the separation principle first articulated in 1998, the 2017 Policy, it was resolved in Policy Statement P14.b that an independent regulator for the upstream oil and gas industry be established.¹⁴ The Policy further resolved to strengthen regulatory institutions,¹⁵ establish an oil fund to ensure saving,¹⁶ manage oil and gas revenue in a transparent and accountable manner,¹⁷ manage revenues from oil and gas¹⁸ and promote local content and participation.¹⁹

¹⁰ White Paper on Energy Policy, Ministry of Mines and Energy, Energy Policy Committee. May 1998.

¹¹ White Paper on Energy Policy. May 1998. P29.

¹² White Paper on Energy Policy May 1998. P30.

¹³ National Energy Policy, Ministry of Mines and Energy. July 2017

¹⁴ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P14.b

¹⁵ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P10.c.

¹⁶ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P14.c.

¹⁷ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P14.a.

¹⁸ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P14.f.

¹⁹ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P13.

3. INSTITUTIONAL BODIES RESPONSIBLE FOR REGULATION, OVERSIGHT AND ENFORCEMENT INCLUDING CLARITY OF MANDATES AND COORDINATION MECHANISMS

Namibia's upstream petroleum sector is administered through a multi-institutional governance framework in which regulatory responsibilities are distributed among several public institutions with distinct, albeit interconnected, mandates. Rather than relying on a single petroleum regulator, Namibia has historically adopted a ministerial model under which licensing, regulation, environmental oversight, fiscal administration and commercial participation are allocated across different organs of State.

The Ministry of Industries, Mines and Energy, presently exercises primary responsibility for petroleum policy, licensing and sector administration under the Petroleum Act. Acting through the Minister, the Ministry is empowered to grant reconnaissance, exploration and production licences, approve transfers and assignments, supervise compliance with licence conditions and exercise the broader statutory powers conferred by the Act.²⁰ The Directorate of Petroleum Affairs serves as the Ministry's technical and administrative arm and is responsible for the day-to-day administration of the licensing regime, while the Petroleum Commissioner²¹ performs statutory functions relating to the administration of petroleum rights, technical oversight and regulatory compliance.

Commercial participation on behalf of the State is undertaken by the National Petroleum Corporation of Namibia (NAMCOR). Its functions are set out under section 8 of the Petroleum (Exploration and Production) Act 2 of 1991. NAMCOR performs the dual role of national oil company and technical adviser to Government.²² In practice, it commonly acquires a participating interest in petroleum licences while also supporting Government during technical evaluations and policy development. Although the Petroleum Act does not expressly require NAMCOR to hold an equity interest in every licence, such participation has become an established feature of Namibia's upstream petroleum licensing practice.

Environmental oversight is exercised principally by the Environmental Commissioner under the Environmental Management Act,²³ who administers the environmental clearance process and monitors compliance with approved environmental management plans. Fiscal administration is undertaken by NamRA,²⁴ while occupational health and safety responsibilities are shared between the Ministry responsible for labour and petroleum health and safety inspectors appointed under the petroleum legislation.²⁵ Offshore operations also involve the Directorate of Maritime Affairs and other specialised agencies responsible for maritime safety, pollution prevention and vessel regulation. These include the

²⁰ See Section 11 (2) of the Petroleum (Exploration and Production) Act 2 of 1991.

²¹ See Section 4 of the Petroleum (Exploration and Production) Act 2 of 1991.

²² See Section 8 of the Petroleum (Exploration and Production) Act 2 of 1991.

²³ See Section 17 (2) Environmental Management Act 7 of 2007.

²⁴ See Section 3 of the Namibia Revenue Agency Act 12 of 2017 Act 12 on the powers and functions of Revenue Agency

²⁵ See the Regulations relating to the health, safety and welfare of persons employed and protection of other persons, property, the environment and natural resources, in, at or in the vicinity of exploration and production areas No 190 of 1999 (1999 Regulations)

National Radiation Protection Authority (NRPA)²⁶ and the Namibian Police Force - Explosives Control Division, which is responsible the issuing of licences and permits for the use of the transportation, storage and use of explosives.²⁷ The result is a regulatory system where different institutions share responsibilities and must work closely together throughout the entire petroleum project lifecycle.

Following the inauguration of a new administration in March 2025, Government announced that the management of the country's emerging upstream oil and gas industries would fall under the Office of the President, with a view to maximising benefits for Namibians from these industries. This effectively placed the Directorate of Petroleum Affairs, which had until then operated under the Ministry of Industries, Mines and Energy, under the direct management of the Office of the President.

Special Advisors were subsequently appointed within the Presidency to establish the Upstream Petroleum Unit (UPU), which was tasked with overseeing oil and gas exploration and production activities in Namibia. Following the establishment of the UPU, a revised National Upstream Petroleum Local Content Policy, building on the 2024 draft, was approved by Cabinet.

Against this backdrop, Government is initiating institutional reforms. The Upstream Petroleum Unit, established within the Office of the President, albeit not yet legislated, has assumed an increasingly prominent coordinating role in petroleum governance. Its responsibilities have included leading the review of petroleum legislation, coordinating consultations on the proposed National Upstream Local Content Policy and supporting strategic policy development across Government.

The Petroleum (Exploration and Production) Amendment Bill was tabled in the National Assembly on 4 February 2026, the Bill seeks to formally establish the Upstream Petroleum Unit in the principal legislation and transfer several statutory powers presently exercised by the Minister of Industries, Mines and Energy to the Director-General of the Upstream Petroleum Unit. It further proposes transferring certain powers currently vested in the Petroleum Commissioner to the Deputy Director-General of the Unit. At present, discussions on the Bill remain ongoing in Parliament and the Directorate of Petroleum Affairs continues to administer the Petroleum Act under the authority of the Ministry pending the outcome of the legislative process.

4. IS NAMIBIA'S EXISTING LEGAL AND REGULATORY FRAMEWORK ROBUST, ENFORCEABLE AND FIT FOR PURPOSE?

The discovery of commercially viable petroleum resources marks a shift in the regulatory demands placed upon the State. During the exploration phase, the primary objectives of the legal framework are to facilitate investment, allocate petroleum rights efficiently and fairly, ensure responsible oil and gas exploration practices and manage exploration risk. Once a country enters the development and

²⁶ See Section 16 of the Atomic Energy and Radiation Protection Act 5 of 2005.

²⁷ See Section 7 of the Explosives Act 26 of 1956 and its Regulations.

production phase, the regulatory focus necessarily then broadens. The legal framework must now govern multi-billion-dollar development projects, production operations, petroleum revenue management, environmental protection, infrastructure development, decommissioning, local content implementation and the equitable distribution of economic benefits over several decades.

Accordingly, the question is not whether Namibia's legal framework has been successful. By most objective measures, it has. The Petroleum (Exploration and Production) Act 2 of 1991, together with the Model Petroleum Agreement and the accompanying fiscal regime, has provided the legal certainty and contractual stability that have attracted substantial international investment and contributed to the country's emergence as one of the world's leading frontier petroleum provinces.

The more pertinent question is whether a framework largely designed for exploration remains sufficiently robust, enforceable and institutionally equipped to regulate a new petroleum producing nation like Namibia.

Below we evaluate Namibia's framework against four interrelated principles of sound petroleum governance: regulatory certainty, institutional effectiveness, national participation and value addition and production phase readiness.

4.1. REGULATORY CERTAINTY AND LEGAL STABILITY

One of Namibia's greatest comparative advantages is the stability and predictability of its legal framework. Since the enactment of the Petroleum (Exploration and Production) Act in 1991, the core legislative piece governing upstream petroleum operations has remained largely consistent. Unlike several petroleum-producing jurisdictions that have undergone repeated legislative revisions or regulatory uncertainty, Namibia has maintained a stable legal environment that has enabled investors to make long-term investment decisions with confidence.

This stability has been reinforced by the contractual structure adopted under the Model Petroleum Agreement. By complementing statutory obligations with negotiated contractual commitments, Namibia has created a framework that provides certainty while retaining sufficient flexibility to accommodate project-specific commercial arrangements. Investors have consequently benefited from a predictable licensing regime, established fiscal terms and internationally recognised dispute resolution mechanisms. These characteristics have contributed significantly to Namibia's growing reputation as a preferred investment destination for offshore petroleum exploration.

Nevertheless, regulatory certainty should not be equated with regulatory stagnation. The emergence of world-class discoveries in the Orange Basin has fundamentally altered the scale and complexity of Namibia's petroleum sector. Legislative stability must therefore be accompanied by regulatory responsiveness. The challenge for policymakers is to modernise aspects of the legal framework where necessary while avoiding reforms that undermine the predictability upon which investor confidence depends. At the moment we do not have regulations and laws for the exploration, development and

production phase, development approvals, production monitoring, petroleum metering, reservoir management, petroleum revenue administration and infrastructure development, these are necessary as we move from exploration to development then production. We also do not have legislation on how to manage the revenue derived from the oil and gas proceeds. Additionally, we will have to enact legislation which will establish a regulator for the upstream oil and gas industry.

4.2. INSTITUTIONAL EFFECTIVENESS AND REGULATORY CAPACITY

The effectiveness of any regulatory framework depends not only on the quality of legislation but also on the institutions responsible for its implementation. During the exploration phase, Namibia's institutional set up has generally functioned effectively. The Ministry of Industries, Mines and Energy, the Directorate of Petroleum Affairs, NAMCOR, the Environmental Commissioner and other relevant institutions have collectively facilitated one of Africa's most active offshore exploration programmes while maintaining regulatory oversight and environmental compliance.

The transition to production, however, will require a significant expansion of institutional capacity. Production introduces regulatory functions that are either limited or largely absent during exploration, including field development approvals, production monitoring, reservoir management, infrastructure regulation, petroleum metering, decommissioning oversight, local content verification, petroleum revenue administration and long-term environmental monitoring. These functions require highly specialised technical expertise and close coordination among multiple regulatory institutions.

The establishment of the Upstream Petroleum Unit shows the Government's recognition that institutional arrangements suitable for exploration may require adaptation as the sector matures. Centralising technical expertise within a specialised institution may improve administrative efficiency and facilitate more coordinated decision-making.

However, institutional effectiveness is not determined solely by organisational structure. International experience has shown that successful petroleum regulators derive their credibility from clearly defined statutory mandates, operational independence, transparency in decision-making and accountability to established constitutional institutions.

To effectively implement and monitor local content provisions, we will need a local content development and monitoring Board to be established. We will also need a regulator for the upstream oil and gas industry.

4.3. NATIONAL PARTICIPATION AND ECONOMIC VALUE ADDITION

Perhaps the most significant policy challenge facing Namibia is ensuring that petroleum development translates into broad-based socio-economic benefits. International experience demonstrates that resource wealth alone does not guarantee economic transformation. Rather, sustainable development

depends on the extent to which petroleum activities generate employment, strengthen domestic industries, facilitate technology transfer and create opportunities for local enterprises.

Namibia's existing legal framework recognises these objectives. Section 14 of the Petroleum (Exploration and Production) Act²⁸ requires licence holders to give preference to Namibian goods, services and personnel where competitive, while the Model Petroleum Agreement incorporates complementary obligations relating to training and skills development.²⁹ These provisions have established an important legal foundation for local participation.

However, the current framework remains largely principles based. Unlike jurisdictions such as Nigeria, which codified detailed local content obligations through dedicated legislation,³⁰ Namibia presently relies on a combination of statutory provisions, contractual commitments and policy initiatives. The National Upstream Petroleum Local Content Policy represents a significant step towards a more coherent and structured local content framework. The policy has been approved it remains inadequate if it's not accompanied by local content regulations or an Act with evaluation, monitoring and enforcement mechanisms. We should also finalize the legal framework for the Sovereign wealth fund.

A further dimension of local content and one which Namibia's framework does not presently address, is its application to the divestment of interests in upstream petroleum assets, rather than only to the conduct of exploration and production operations themselves. Looking at Nigeria's approach to this, Section 1 of the Nigerian Oil and Gas Industry Content Development Act extends the application of the Act to all operations and transactions carried out in the Nigerian oil and gas industry, not merely to upstream operations narrowly defined.³¹ Section 3(1) further provides that Nigerian independent operators are to be given first consideration in the award of oil blocks, oil field licences and oil lifting licences, embedding local participation into the allocation of interests themselves.³² Section 6 extends this principle to transactions in existing interests, requiring that all subsequent arrangements, agreements, contracts or memoranda of understanding relating to any operation or transaction in the industry, including, by extension, the divestment or transfer of participating interests, conform to the requirements of the Act.³³ The effect is that local content obligations in Nigeria attach not only to a licence holder's ongoing operations, but follow the interest itself through subsequent divestments and assignments, so that a change in ownership cannot be used to circumvent local content commitments.

As Namibia's upstream petroleum sector grows, and interests in exploration and production licences are increasingly assigned, farmed out or otherwise divested between companies, consideration should be given to whether Namibia's local content framework, whether through the National Upstream Petroleum

²⁸ Petroleum (Exploration and Production) Act 2 of 1991.

²⁹ See Clause 22 and 23 of the Model Petroleum Agreement.

³⁰ Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

³¹ See section 1 of the Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

³² See section 3(1), Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

³³ See section 6, Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

Local Content Policy, accompanying regulations or dedicated legislation, should similarly extend to transactions and divestments of interests, rather than being confined to the conduct of operations under a licence still held by the original applicant.

4.4. PRODUCTION READINESS

Taken as a whole, Namibia's legal and regulatory framework provides a sound and credible foundation for the country's transition towards production. Its strengths lie in legislative stability, contractual certainty, investor confidence and a well-established licencing regime. These characteristics have been instrumental in attracting sustained exploration investment and continue to distinguish Namibia from many competing jurisdictions.

At the same time, the transition to production requires a regulatory framework capable of addressing challenges that were not contemplated when the principal legislation was enacted more than three decades ago. Institutional capacity, production-specific regulation, local content implementation and inter-agency coordination will become increasingly important as development projects progress towards first oil.

Accordingly, the principal challenge facing Namibia is not one of wholesale legislative reform but of regulatory evolution. The existing framework provides a strong foundation upon which production-phase governance can be built. As alluded above to ensure production readiness, we need to put in place laws or regulations governing production approvals, production monitoring, production metering, reservoir management and decommissioning.

We will also have to enact the Petroleum Revenue Management Act.

5. COMPARISON WITH INTERNATIONAL BEST PRACTICES AND EXPERIENCES FROM OTHER OIL AND GAS PRODUCING COUNTRIES

The regulation of petroleum resources has evolved considerably over the past five decades. Although no single governance model can be regarded as universally applicable, international experience have in practice shown that successful petroleum producing countries tend to share several common characteristics. These include stable and predictable legal frameworks, clearly defined institutional mandates, transparent licensing systems, effective environmental oversight, prudent fiscal management and deliberate policies that maximise long-term national benefits without undermining investor confidence.

At the same time, international experience illustrates that regulatory frameworks must be adapted to each country's constitutional structure, institutional capacity, economic priorities and stage of industry development. As a result, the objective of comparative analysis is not to identify a model that Namibia

should replicate, but rather to assess whether its existing framework adequately adheres to internationally recognised principles of good petroleum governance and to identify practical reforms capable of strengthening the country's transition from exploration to production.

5.1. NORWAY

Norway is widely regarded as the international benchmark for petroleum governance. Its success is attributable not only to the scale of its petroleum resources but, more importantly, to the institutional structures developed over several decades. From the outset, Norway deliberately separated policy formulation, regulatory oversight and commercial participation. The Ministry of Energy is responsible for policy development,³⁴ the Norwegian Offshore Directorate exercises independent technical regulation,³⁵ while Equinor operates as a commercial enterprise subject to the same regulatory framework as other market participants.

This institutional separation has strengthened transparency, reduced conflicts of interest and improved public confidence in petroleum governance. Regulatory decisions are made according to clearly defined statutory mandates, while commercial decisions remain insulated from political considerations. The Norwegian model is further characterised by transparent licencing procedures, rigorous environmental regulation, predictable fiscal policy and the prudent management of petroleum revenues through the Government Pension Fund Global.

Norway's development and production framework is itself instructive. The Petroleum Act of 1996 sets out the general legal basis for resource management, while more detailed rules governing each phase of petroleum activity are contained in a body of subsidiary regulations, principally the Regulations to the Act relating to Petroleum Activities of 1997.³⁶ Official approvals are required at every stage of a project's life, from the award of exploration and production licences through to development, production and eventual decommissioning, so that no phase of the petroleum lifecycle proceeds without a defined regulatory checkpoint.

The Government Pension Fund Global (GPFG), commonly known as the "Oil Fund." The idea was first proposed in 1983 by the Tempo Committee, a group of experts appointed to advise government on the long-term management of petroleum revenue, which recommended that the State save oil income rather than spend it as it was earned.³⁷ Parliament acted on this advice through the Government Petroleum Fund

³⁴ The Ministry of Energy (formerly named Ministry of Petroleum and Energy (MPE) until 1 January 2024) headed by a cabinet minister is the central upstream operations regulator in charge of petroleum resource management and upstream facilities operations.

³⁵ The Norwegian Offshore Directorate (NOD) (the Norwegian Petroleum Directorate (NPD) changed its name effective 1 January 2024) is the sector's technical adviser and reports to the Ministry of Energy.

³⁶ Regulations to the Act relating to Petroleum Activities of 1997 (Norway).

³⁷ The idea of a sovereign wealth fund to manage Norway's oil revenue was proposed by the Tempo Committee in 1983. Centre for Public Impact. "The Government Pension Fund Global (GPFG) in Norway." Accessible at <https://centreforpublicimpact.org/public-impact-fundamentals/the-government-pension-fund-global-gpfg-in-norway/>. Last accessed on 28 August 2026.

Act of 1990³⁸ and the fund received its first net capital transfer in 1996, once non-oil budget deficits could finally be covered without drawing down oil revenue. It was renamed the Government Pension Fund Global in 2006 and has since grown into the largest sovereign wealth fund in the world, with assets exceeding US\$ 2 trillion.³⁹

The fund was created to shield the Norwegian economy from the volatility of oil prices and to convert a depleting natural resource into a permanent financial one, so that both current and future generations benefit from the country's petroleum wealth. Structurally, the GPFG is not a separate legal entity but a deposit account held at Norway's central bank, Norges Bank, into which petroleum revenue is transferred. Its operational management is delegated to Norges Bank Investment Management (NBIM), a dedicated unit of the central bank established in 1998, which invests the fund internationally under a mandate set by the Ministry of Finance. Withdrawals are governed by a fiscal rule adopted in 2001, which limits annual transfers from the fund to the national budget to the fund's expected real rate of return, originally estimated at four percent and later revised down to three percent.⁴⁰

It is this rule, rather than any single institution, that has protected the fund from short-term political pressure and shielded the domestic economy from the "Dutch disease."

Namibia has already taken a comparable, if considerably more modest, step in this direction. Cabinet approved the establishment of a Namibian sovereign wealth fund in 2020, and the Welwitschia Fund was formally launched in May 2022, seeded with N\$260 million and structured,⁴¹ similarly to the Norwegian model, into a liquid stabilisation account and a longer-term intergenerational savings account. As with the GPFG, management and administration of the Welwitschia Fund has been delegated to the central bank, the Bank of Namibia, acting as custodian on behalf of the Minister of Finance as trustee, and the Fund's own reporting explicitly benchmarks its performance against the GPFG.

The distinction between the two funds is one of maturity and funding source, whereas the GPFG is funded almost entirely by petroleum revenue channelled through statute, the Welwitschia Fund's funding, once operational under the Bill, is structured around two accounts with distinct sources. The Intergenerational Account is to receive petroleum revenues, phased so that during the first five years of petroleum exploitation only a specified percentage is deposited into the Account while the remainder is channelled to the Annual Budget for debt redemption, critical infrastructure and social services, before the Account receives all petroleum revenues from the sixth year onward.⁴² The Intergenerational Account is further funded by all public revenue from other future non-renewable resource discoveries, a minimum of 15%

³⁸ Government Petroleum Fund Act 32 of 1990

³⁹ Norges Bank Investment Management. "Investments." Available at <https://www.nbim.no/en/investments/the-funds-value/>. Last accessed on 28 August 2026.

⁴⁰ Fiscal rule introduced in 2001, initially set at 4% and subsequently revised to 3%. Centre for Public Impact, "The Government Pension Fund Global (GPFG) in Norway". Accessible at <https://centreforpublicimpact.org/public-impact-fundamentals/the-government-pension-fund-global-gpfg-in-norway/>. Last accessed on 28 August 2026.

⁴¹ Sovereign Wealth Fund of Namibia Bill.

⁴² See section 12(1)(a)(i) and 3 of the Sovereign Wealth Fund of Namibia Bill.

of royalties from non-petroleum non-renewable minerals, and a minimum of 33% of proceeds from the divestiture of government assets, properties and entities.⁴³

The Stabilisation Account, by contrast, draws on the excess over the three-year moving average of SACU revenue as a ratio of GDP, the excess over the three-year moving average of non-petroleum mineral royalties, and a minimum of 10% of public revenue associated with renewable resources.⁴⁴ These deposit obligations are, in turn, subject to Government first achieving a public revenue ratio of 30.5% of GDP.⁴⁵ With petroleum production yet to commence, the Fund's actual inflows to date have accordingly come from non-petroleum sources, with petroleum revenue expected to become a significant funding source only once production from the Orange Basin discoveries commences.

The key lesson from Norway is therefore less about institutional form and more about fiscal discipline, Namibia will need a clear, statutory rule, similar to Norway's fiscal rule, governing how much petroleum revenue may be withdrawn from the Welwitschia Fund for current spending, if the country is to avoid the volatility that undisciplined resource revenue management has historically produced in oil producing countries.

5.2. GHANA

Among African petroleum producers, Ghana offers perhaps the most relevant comparison for Namibia. Following the discovery of the Jubilee Field in 2007,⁴⁶ Ghana transitioned rapidly from a frontier exploration jurisdiction to an offshore petroleum producer. Recognising that existing institutions were designed primarily for exploration, Ghana introduced a series of legislative and institutional reforms before production commenced.⁴⁷

These reforms included the establishment of the Petroleum Commission as an independent upstream regulator, the enactment of the Petroleum Revenue Management Act⁴⁸ to govern petroleum revenues, and the adoption of detailed local content regulations. Collectively, these measures clarified institutional responsibilities, strengthened regulatory oversight and enhanced public confidence in the governance of the sector.

⁴³ See section 12(1)(a)(ii – iv) of the Sovereign Wealth Fund of Namibia Bill.

⁴⁴ See section 12(1)(b) of the Sovereign Wealth Fund of Namibia Bill.

⁴⁵ See section 12(1) of the Sovereign Wealth Fund of Namibia Bill.

⁴⁶ The Jubilee field was discovered in 2007 through two successful exploration wells in the Gulf of Guinea's Tano Basin. The Jubilee Cretaceous turbidite reservoir straddled both licences; Deepwater Tano and West Cape Three Points. Wood Mackenzie Report, available at <https://www.woodmac.com/reports/upstream-oil-and-gas-jubilee-6958260/>. Last Accessed on 28 August 2026.

⁴⁷ This includes the Petroleum Revenue Management Act 815 of 2011, as amended by the Petroleum Revenue Management (Amendment) Act 893 of 2015 was further enacted to provide the framework for the management of petroleum revenues in Ghana. The Income Tax Act 896 of 2015 as amended provides a regime for the taxation of income of contractors and subcontractors. The Petroleum (Exploration and Production) Act 919 of 2016 was later enacted to replace Petroleum (Exploration and Production) Law of 1984 (PNDCL 84) as the primary legislation regulating petroleum activities in the upstream sector.

⁴⁸ Petroleum Revenue Management Act 815 of 2011

The Ministry of Energy retains responsibility for policy, the Petroleum Commission, established under the Petroleum Commission Act⁴⁹ assumed responsibility as the independent upstream regulator responsible for licensing, monitoring and enforcing compliance, taking over this function from the Minister and from the Ghana National Petroleum Corporation (GNPC). Ghana also has a dedicated local content framework.⁵⁰

GNPC itself was left to operate purely as the State's commercial arm, holding and managing the State's participating interests in petroleum agreements.⁵¹

Ghana's development and production framework is itself detailed and specific to the post-exploration phase. The Petroleum (Exploration and Production) Act 919 of 2016 of Ghana devotes an entire part specifically to development and production, requiring a contractor to develop and produce petroleum in a manner that ensures maximum long-term recovery, in accordance with best international practice and sound economic principles.⁵² Where a discovery is declared commercial, the contractor must submit a plan of development and operation to the Minister for approval, within a deadline set by the Minister, and Act 919 prescribes in considerable detail what that plan must contain, including the development strategy and concept, an economic assessment of the available development methods and their associated costs, phased development plans where development is proposed in stages, an assessment of the potential for further recovery within the contract area, arrangements for tie-ins with other fields, and an approved environmental report.⁵³

The Petroleum Revenue Management Act 815 of 2011, later amended by the Petroleum Revenue Management (Amendment) Act 893 of 2015 (Act 893), requires that all petroleum revenue due to the State be paid into the Petroleum Holding Fund, a designated public fund held at the Bank of Ghana.⁵⁴ From there, a portion is transferred to the Consolidated Fund as the Annual Budget Funding Amount to support the national budget, while any surplus is channelled into the Ghana Petroleum Funds, comprising the Ghana Stabilisation Fund, which cushions the budget against unanticipated revenue shortfalls and the Ghana Heritage Fund, which preserves value as an endowment for future generations once petroleum reserves are depleted.⁵⁵ The Act further imposes detailed accountability mechanisms, including oversight by an Investment Advisory Committee, mandatory public and semi-annual reporting on the Ghana Petroleum Funds and independent audit requirements, all aimed at protecting petroleum revenue management from ad hoc political interference and extra-budgetary spending.⁵⁶

⁴⁹ Petroleum Commission Act 821 of 2011.

⁵⁰ See the Petroleum (Local Content and Local Participation) Regulations, 2013 (L.I. 2204)

⁵¹ Ghana National Petroleum Corporation Act 1983 (P.N.D.C.L.64).

⁵² Section 26 of the Petroleum (Exploration and Production) Act 919 of 2016.

⁵³ See section 27 of the Petroleum (Exploration and Production) Act 919 of 2016.

⁵⁴ See section 2 and 3 of the Petroleum Revenue Management Act 815 of 2011.

⁵⁵ See section 9 – 11 of the Petroleum Revenue Management Act 815 of 2011.

⁵⁶ See section 38 – 40 of the Petroleum Revenue Management Act 815 of 2011.

The Ghanaian experience indicates the importance of institutional preparedness. Regulatory and revenue management institutions require time to develop technical expertise, establish administrative systems and build public credibility. Waiting until production has commenced to implement reforms risks creating governance gaps at precisely the stage when regulatory demands become most complicated. Ghana also has a comprehensive local content legal framework.

5.3. NIGERIA

Nigeria's petroleum sector has long been known for both the opportunities and challenges associated with resource rich economies. While governance challenges have attracted international attention, Nigeria has also developed one of the most comprehensive local content regimes in the global petroleum industry.

The Petroleum Industry Act 2021⁵⁷ restructured Nigeria's institutional landscape along lines similar to Ghana's, separating policy, regulatory and commercial functions that had previously been concentrated within a single entity. The Ministry of Petroleum Resources retains responsibility for policy formulation, while the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), established under the Act, assumed responsibility as the independent upstream regulator, taking over licensing, monitoring and enforcement functions previously exercised by the Department of Petroleum Resources.⁵⁸ The Nigerian National Petroleum Corporation was reconstituted as NNPC Limited, a commercial entity operating on a fully commercial basis without regulatory or policymaking functions.⁵⁹

Nigeria's development and production framework is correspondingly detailed. Upon a commercial discovery, section 79 of the Petroleum Industry Act 2021 requires the licensee or lessee to submit a field development plan to the NUPRC for approval, and the Commission is empowered both to approve field development plans and to monitor their execution throughout the life of the field.⁶⁰ The Commission's regulatory functions extend to the technical and commercial aspects of upstream operations more broadly, including reviewing and approving the commercial aspects of field development plans, developing cost benchmarks for the evaluation of upstream operations, issuing permits for drilling and facility construction, and computing, assessing and ensuring payment of royalties, rents and fees.⁶¹

The Nigerian Oil and Gas Industry Content Development Act⁶² transformed local content from a broad policy objective into a legally enforceable regulatory framework. The legislation establishes detailed requirements concerning employment, procurement, supplier development, technology transfer, fabrication and capacity building, supported by dedicated institutions responsible for monitoring

⁵⁷ Petroleum Industry Act 6 of 2021.

⁵⁸ See Chapter 2, Part I of the Petroleum Industry Act 6 of 2021, establishing the Nigerian Upstream Petroleum Regulatory Commission.

⁵⁹ See Chapter Four of the Petroleum Industry Act 2021, providing for the incorporation of NNPC Limited as a commercial entity.

⁶⁰ See section 79 of the Petroleum Industry Act 6 of 2021.

⁶¹ See section 8 of the Petroleum Industry Act 6 of 2021.

⁶² Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

compliance and measuring outcomes. Section 3(1) of the Act embeds this preference into the allocation of interests themselves, requiring that Nigerian independent operators be given first consideration in the award of oil blocks, oil field licences, oil lifting licences and all contracts awarded in the industry, subject to conditions specified by the Minister.⁶³ Section 3(2) goes further in respect of certain operating areas, requiring exclusive consideration to be given to Nigerian indigenous service companies that can demonstrate ownership of equipment, Nigerian personnel and the capacity to execute work, in bidding for contracts and services within land and swamp operating areas specified in the Schedule to the Act.⁶⁴ This preference is reinforced by section 6 of the Act,⁶⁵ which requires that all subsequent arrangements, agreements, contracts or memoranda of understanding relating to any operation or transaction in the Nigerian oil and gas industry conform to the provisions of the Act, so that local content obligations cannot be contracted around through the form of a later transaction.

The lesson here is not that Namibia should replicate Nigeria's legislative model, rather, Nigeria shows the importance of providing regulatory clarity regarding local content expectations and of anchoring the development and production phases in binding, enforceable regulatory instruments such as an approved field development plan, while ensuring that compliance obligations remain commercially realistic and proportionate to domestic capacity. International experience suggests that successful local content frameworks are those that encourage sustainable capability development rather than imposing unrealistic procurement or employment requirements that cannot be achieved in practice.

5.4. ANGOLA

Our neighbour Angola also offers a useful comparator as a mature African offshore producer that has, over the past decade, built out a detailed body of law specifically governing the development and production phases of petroleum activities, rather than relying on exploration phase rules to carry the industry through to production. The overarching framework remains the Petroleum Activities Law (Law 10/04, of 12 November 2004, as amended)⁶⁶ and its accompanying Regulations for Onshore and Offshore Petroleum Operations,⁶⁷ which set out the principles governing petroleum operations from prospecting through to abandonment, including the State's ownership of petroleum resources and the exclusive-concessionaire regime under which all operators must associate with the National Concessionaire.

Angola's institutional arrangements have themselves evolved to separate regulatory and commercial functions. Sonangol, the national oil company, previously performed the dual role of National Concessionaire, exercising regulatory and concession granting authority, while simultaneously holding commercial participating interests. In 2019, this arrangement was restructured through the creation of the *Agência Nacional de Petróleo, Gás e Biocombustíveis* (ANPG), which assumed the regulatory and

⁶³ See section 3(1), Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

⁶⁴ See Section 3(2), Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

⁶⁵ See Section 6, Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

⁶⁶ Petroleum Activities Law (Law 10/04, of 12 November 2004, as amended).

⁶⁷ Regulations for Onshore and Offshore Petroleum Operations (Decree 1/09, of 27 January 2009).

concessionaire functions previously exercised by Sonangol. Sonangol was thereby left to operate purely as the State's commercial arm.

On top of this foundation, Angola has enacted a series of laws targeted specifically at development and production. Presidential Legislative Decree 5/18 of 18 May 2018, establishes the legal regime for additional exploration activities within existing petroleum concession development areas, regulating matters such as cost recovery, production sharing and the applicable tax, foreign exchange and customs treatment once a discovery moves toward development.⁶⁸ Presidential Decree 6/18, introduced a dedicated fiscal regime for marginal field development, covering fields below 300 million barrels of reserves or otherwise uneconomic for lack of infrastructure, reducing petroleum production tax from 20 to 10 percent and petroleum income tax from 50 to 25 percent in order to bring stalled discoveries into production.⁶⁹

Production-phase obligations continue through to field abandonment. Presidential Decree 91/18, of 10 April 2018, establishes the rules and procedures for well abandonment and the decommissioning of oil and gas facilities, requiring operators to submit an approved abandonment plan to the National Concessionaire at least one year before termination of a concession or abandonment of an area, and to obtain a formal release from liability once decommissioning is complete.⁷⁰

For Namibia, now moving from exploration toward the development of the Venus discovery, the Angolan experience is instructive precisely because it addresses the phase Namibia is approaching rather than the one it is leaving. Namibia's current legal framework, concentrated in the Petroleum (Exploration and Production) Act 2 of 1991 and the Model Petroleum Agreement, is comparatively silent on development and production specific matters such as marginal field incentives, gas monetisation, and detailed decommissioning and abandonment-fund rules. As development activity in Namibia accelerates, Angola's staged, law by law approach, building targeted decrees (law) for each aspect of the development and production lifecycle onto a stable overarching law, offers a useful model for the kind of secondary legislation Namibia may still need to enact.

6. COMPARATIVE ASSESSMENT AND ANALYSIS

Viewed against international experience, Namibia's petroleum governance framework compares favourably with many emerging petroleum jurisdictions. The legal framework has remained stable, licensing arrangements are transparent, contractual relationships are well developed, and environmental oversight is integrated into the broader regulatory regime. These characteristics provide a strong foundation for investment and compare positively with recognised international practice.

⁶⁸ Presidential Legislative Decree 5/18 of 18 May 2018.

⁶⁹ Presidential Decree 6/18 of 18 May 2018.

⁷⁰ Presidential Decree 91/18, of 10 April 2018

Nevertheless, there are still areas requiring continued development. Development and production phase regulation is not the same as exploration and demands greater institutional and agency coordination, specialised technical expertise and more sophisticated monitoring systems, as Angola's staged development of dedicated instruments for marginal fields, gas monetisation and decommissioning shows above. While Namibia has already initiated reforms through the proposed Petroleum Amendment Bill and the National Upstream Petroleum Local Content Policy, these reforms should be viewed as part of a broader process of regulatory development rather than isolated legislative initiatives, one that will also need to extend to Namibia's still growing Welwitschia Fund and its revenue-management rules as the industry matures.

Importantly, none of the jurisdictions considered in this assessment adopted their present governance arrangements overnight. Norway's Government Pension Fund Global took nearly two decades to move from proposal to a fully governed, rules-based institution and continues to be refined through its fiscal rule. Ghana built its regulatory institutions and revenue-management framework, the Petroleum Commission and the Petroleum Revenue Management Act, in the years immediately preceding first production rather than afterwards, precisely so that governance gaps would not open once production began. Nigeria's local content regime has undergone continual revision since 2010, most recently through the ring-fenced Nigerian Content Development Fund and its accompanying compliance mechanisms. Angola, for its part, has continued to add targeted development and production phase regulations and laws, covering marginal fields, gas monetisation, decommissioning and abandonment funding, well over a decade after its Petroleum Activities Law was first enacted. The common lesson is that effective petroleum governance is an active process requiring continuous adaptation as the industry evolves.

For Namibia, the objective should therefore not be to copy any single jurisdiction, but to develop a regulatory framework that incorporates international best practice, transparent institutional separation as in Norway and Ghana, disciplined and rules-based management of petroleum revenue as in Norway and Ghana, a credible and adequately funded local content regime as in Nigeria and detailed development and production phase regulation as in Angola, while remaining responsive to the country's constitutional framework, institutional capacity and long-term development priorities. In this respect, Namibia enters the production phase from a position of considerable strength. The challenge is to ensure that the legal and regulatory framework and the institutions and funds that stand behind it, develop at the same pace as the industry they are intended to govern.

7. RECOMMENDATIONS

Namibia's upstream petroleum legal and regulatory framework has provided a stable and credible foundation for exploration. The framework has facilitated one of the most significant offshore exploration

campaigns globally while maintaining investor confidence through legal certainty and contractual stability. These strengths should not be understated. They establish a strategic asset that should be preserved as Namibia enters the production phase.

Nevertheless, international experience indicates that the transition from exploration to production invariably places new demands upon regulatory institutions and legal frameworks. Production introduces greater commercial complexity, heightened environmental risks, expanded fiscal responsibilities, increased public expectations and more intensive regulatory oversight. Consequently, the challenge facing Namibia is not one of replacing its existing framework but rather ensuring that it evolves in a measured and coherent manner while preserving the certainty that has underpinned investment to date.

Against this background, this chapter proposes a phased programme of legal, institutional and policy reforms.

7.1. IMMEDIATE PRIORITIES (TO BE DONE WITHIN THE NEXT TWO YEARS)

7.1.1. Finalise the Petroleum (Exploration and Production) Amendment Bill

The ongoing legislative reform process presents an important opportunity to modernise Namibia's petroleum governance framework before production commences. The proposed Amendment Bill addresses several institutional issues that have emerged during the exploration phase, particularly the formal establishment of the Upstream Petroleum Unit and the redistribution of statutory functions presently exercised by the Minister and Petroleum Commissioner.

Irrespective of the final institutional model adopted by Parliament, the legislation should provide absolute clarity regarding the respective powers, responsibilities and accountability of each institution involved in petroleum governance. Regulatory certainty depends not only upon substantive legal rules but also upon institutional certainty. Investors, regulators and the public must clearly understand which institution exercises regulatory authority and the legal basis upon which decisions are made.

Equally important, the legislation should preserve appropriate constitutional oversight and transparency. Efficient administration and investor confidence are not mutually exclusive with strong governance, indeed, international experience demonstrates that both are mutually reinforcing.

The government should finalise and pass the Bill to provide clarity to both investors and Namibians in general.

7.1.2. Finalise review of the Upstream Petroleum Legal framework

Beyond the Amendment Bill, Namibia should complete the wider review of its upstream petroleum legal framework before the sector moves from exploration to production. This review should cover the Petroleum (Exploration and Production) Act, the Petroleum (Taxation) Act, the Model Petroleum Agreement and the relevant regulations. Much of this framework was developed when Namibia's

petroleum sector was focused mainly on exploration and has not been fully updated to address the needs of a producing petroleum industry, including the role now played by the UPU.

The review should address gaps identified to enhance exploration, development and production phases. These include rules on exploration, development, production, decommissioning, the unitisation of fields that extend across boundaries, gas-specific arrangements and mechanisms for enforcing local content requirements. These matters were not comprehensively addressed in the 1991 legislation.

Completing the review as one coordinated process, rather than through separate and piecemeal amendments, will help ensure consistency between the main legislation, the Amendment Bill and sector-specific policies such as the National Upstream Petroleum Local Content Policy. It will also provide greater legal certainty as Namibia moves into the production phase.

The government should finalise the review to position the legal framework to provide stronger institutional clarity, regulatory certainty and investor confidence ahead of the transition to production.

7.1.3. Review of Petroleum (Taxation) Act of 1991

The Petroleum (Taxation) Act 3 of 1991 has, for the most part, remained unchanged since its enactment over three decades ago, despite significant developments in the global petroleum fiscal landscape and Namibia's own transition from a purely exploration to a development and production jurisdiction. Several aspects of the fiscal regime will need to be reviewed to ensure that Namibia's tax framework remains both competitive and responsive to actual market conditions.

The royalty rate is presently fixed at 5%, irrespective of prevailing oil prices. A flat royalty of this kind does not respond to price volatility, meaning that Government's royalty take remains constant whether oil trades at USD 40 or USD 100 a barrel. Many petroleum producing jurisdictions have moved towards sliding-scale or price-linked royalty structures, which allow the State to capture a greater share of revenue during periods of high prices while easing the burden on operators when prices fall. Consideration should be given to whether a similar approach would better serve Namibia's interests as production approaches.

Rental fees payable per acreage under existing licences are, similarly, outdated and comparatively low, and no longer reflect the current value of acreage held under exploration and production licences. A review of rental fees would ensure that licence holders contribute an amount proportionate with the acreage retained and would also serve as an incentive against the unnecessary retention of large tracts of unexplored acreage.

Training obligations under the Model Petroleum Agreement similarly require greater specificity. At present, licence holders are required to contribute towards training, but no clear minimum amount is prescribed for either the exploration or the production stage. A defined minimum training contribution, set separately for exploration and production, would provide licence holders with certainty as to their

obligations and would ensure that training contributions scale appropriately as a project moves from exploration into a considerably more capital-intensive production phase.

The current model for Additional Profits Tax (APT) should also be assessed to determine whether it continues to achieve its intended purpose of allowing the State to share appropriately in windfall profits once a project has recovered its costs and achieved a specified rate of return, without discouraging investment in marginal or higher-risk developments.

A related question and one of the more technically contested aspects of Namibia's petroleum fiscal regime, is whether taxable income for purposes of Petroleum Income Tax (PIT) and APT is ring-fenced at the level of the licence-holding entity or at the level of the licence itself. Ring-fencing, as a general tax principle, prevents losses incurred in one part of a business from being used to reduce taxable income earned in another, more profitable part of that business, ensuring that each activity is taxed according to its own actual profitability rather than allowing losses to be used to cover unrelated profits from tax. In the Namibian context, a Petroleum Exploration Licence (PEL) is frequently issued to more than one company, typically as an unincorporated joint venture of, on average, three companies.

The effect is that taxable income is ring-fenced at the level of the licence holding entity, meaning that a taxpayer may not offset a loss incurred under one exploration licence against taxable income earned under another. This position, however, changes once a licence progresses to production. Section 9A of the Act⁷¹ allows the holder of a production licence to deduct exploration expenditure incurred prior to the year of production and further permits the deduction, in that production year, of exploration expenditure incurred in respect of any other exploration licence held by that same licence holder under which no gross income from exploration operations was received. Ring-fencing between licences is, in this narrow respect, relaxed only at the production stage, allowing cross-licence relief that is otherwise unavailable during exploration. The drafting of section 9A is, however, ambiguous and would benefit from clarification as to its precise scope and application. The Government should decide whether they want to allow ring fencing or not.

Government should accordingly review the Petroleum (Taxation) Act 3 of 1991, including the royalty rate, acreage rental fees, minimum training contributions and the operation of Additional Profits Tax, and should clarify the drafting of section 9A to remove ambiguity regarding the scope of cross-licence relief available at the production stage.

7.1.4. Finalise the National Upstream Petroleum Local Content Policy and enact Regulations or Act

The National Upstream Petroleum Local Content Policy represents one of the most significant policy initiatives currently underway within Namibia's petroleum sector. The extensive consultations conducted

⁷¹ See Section 9(1)(a) of the Petroleum (Taxation) Act 3 1991.

across all fourteen regions during 2025 show Government's commitment to developing a policy informed by industry, communities and local businesses.

Implementation should prioritise measurable outcomes rather than purely aspirational objectives. Clear guidance regarding procurement expectations, supplier registration, workforce development, reporting obligations and monitoring mechanisms will assist both investors and Namibian businesses in understanding their respective roles and responsibilities.

Most importantly, local content should be viewed as an economic development strategy rather than solely as a regulatory compliance requirement. Policies that strengthen domestic competitiveness, technical capability and enterprise development are more likely to produce sustainable economic benefits than approaches focused exclusively on mandatory quotas.

Nigeria's experience under the Nigerian Oil and Gas Industry Content Development Act 2 of 2010 is instructive in this regard. The Act embeds preference for Nigerian participation directly into the allocation of interests and contracts, requiring that Nigerian independent operators be given first consideration in the award of oil blocks, oil field licences and oil lifting licences,⁷² and that exclusive consideration be given to Nigerian indigenous service companies capable of demonstrating ownership of equipment, personnel and capacity to execute work in specified operating areas.⁷³ While this model shows how a local content framework can be made binding and enforceable rather than aspirational, Namibia's own policy and any accompanying regulations should apply this lesson selectively, prioritising the development of genuine domestic competitiveness and technical capability over rigid preferences that indigenous companies may not yet have the capacity to meet.

Therefore, Government should proceed to enact regulations or an Act on Local Content giving binding effect to the Local Content Policy, thereby anchoring its implementation in enforceable law rather than policy statements alone.

7.1.5. Strengthen Regulatory Capacity

No legal framework can be more effective than the institutions responsible for its implementation.

As Namibia approaches first production, Government should continue investing in specialised regulatory expertise and training, particularly in reservoir engineering, petroleum economics, offshore environmental management, production regulation, decommissioning, digital petroleum data management and petroleum fiscal administration.

Capacity building should extend beyond the petroleum regulator itself. Environmental regulators, revenue authorities, maritime authorities, labour inspectorates and other institutions involved in petroleum governance should likewise receive sustained technical support and training.

⁷² See Section 3(1), Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

⁷³ See Section 3(2), Nigerian Oil and Gas Industry Content Development Act 2 of 2010.

7.2. MEDIUM-TERM PRIORITIES (BEFORE FIRST OIL)

7.2.1. Develop Regulations for exploration, development and production

Although the Petroleum (Exploration and Production) Act 2 of 1991 establishes the legal basis for production licencing, many aspects of modern offshore production are governed internationally through detailed subsidiary legislation and technical regulations.

As Namibia progresses towards production, consideration should be given to developing additional regulations addressing matters such as field development plans, petroleum measurement, production reporting, reservoir management, offshore infrastructure, abandonment and decommissioning, emergency response, carbon management and digital reporting requirements.

Detailed regulations provide greater certainty for operators while allowing technical standards to evolve without requiring frequent amendments to primary legislation.

Government should prioritise the development of comprehensive exploration, development and production regulations to provide the technical and operational certainty required to support Namibia's transition into a producing petroleum jurisdiction.

7.2.2. Enhance Institutional Coordination

Production will require closer coordination among the Ministry responsible for petroleum, the Upstream Petroleum Unit (should the proposed reforms be enacted), NAMCOR, NamRA, the Environmental Commissioner, maritime authorities, labour regulators and other public institutions.

While each institution has a distinct statutory mandate, petroleum projects increasingly involve overlapping regulatory responsibilities. Efficient governance therefore depends upon clearly defined coordination mechanisms, shared information systems and timely administrative decision-making.

Government should consider formal inter-agency coordination protocols or standing technical committees to facilitate integrated decision-making while avoiding unnecessary duplication of regulatory processes.

7.2.3. Strengthen Environmental Governance

Namibia has established an integrated environmental approval system under the Environmental Management Act.⁷⁴ However, once petroleum production begins, environmental protection will require ongoing monitoring and enforcement, not just approvals before projects start.

As the industry develops, Namibia should strengthen its ability to monitor offshore activities, conduct inspections, assess the combined environmental impacts of multiple projects, prepare for oil spills, protect marine biodiversity and oversee the safe decommissioning of petroleum facilities.

⁷⁴ Environmental Management Act No. 7 of 2007.

Strong environmental governance can also make Namibia more attractive to investors. As environmental, social and governance (ESG) standards become increasingly important in international energy finance, effective environmental regulation can help build investor confidence while supporting sustainable petroleum development.

Government should strengthen its environmental monitoring and enforcement capacity beyond the initial approval stage to ensure that environmental governance keeps pace with the operational realities of a producing petroleum industry, while reinforcing Namibia's attractiveness as an ESG-conscious investment destination.

7.2.4. Resource Revenue Governance

i. Welwitschia Sovereign Wealth Fund

Experience from established petroleum producing countries shows that the benefits of oil and gas depend not only on resource extraction but also on how the revenue is managed. Transparent revenue collection, sound fiscal management, parliamentary oversight and accountability are essential to ensure that petroleum wealth benefits both current and future generations.

Namibia has taken an important step through the establishment of the Welwitschia Sovereign Wealth Fund, which is intended to support long-term economic stability and preserve national wealth for future generations. A useful international example is Norway's Government Pension Fund Global, which invests petroleum revenues for future generations under a framework known for its transparency, strong governance and fiscal discipline. As Namibia approaches production, these principles will be important to ensure that petroleum revenues contribute to sustainable economic development and diversification.

The Fund's long-term success will, however, depend on the strength of its governing legal framework. Matters such as the rules for revenue inflows, permissible investments, withdrawal limits, reporting obligations and independent oversight are typically addressed through dedicated subsidiary legislation, rather than left to administrative discretion, so as to insulate the Fund from short-term political and fiscal pressures.

Government should accordingly enact and develop legislative framework for the management of the Welwitschia Sovereign Wealth Fund, anchoring its governance, investment and reporting framework in enforceable law to safeguard the Fund's transparency, accountability and long-term integrity.

ii. Enact a Revenue Management Act

While the Welwitschia Sovereign Wealth Fund addresses the management of accumulated petroleum wealth, it does not, on its own, provide a comprehensive framework for how petroleum revenue is collected, allocated and spent across Government more broadly. Experience from other resource-rich jurisdictions shows that without a dedicated legal framework governing the full revenue chain, from collection through the fiscal system to allocation between the national budget, savings and future

generations, petroleum wealth can be vulnerable to volatility, mismanagement and a lack of accountability.

Tanzania offers a useful regional example of this approach. Alongside its Petroleum Act 2015, Tanzania enacted the Oil and Gas Revenue Management Act 2015, a dedicated statute establishing the legal framework for managing oil and gas revenue, including the establishment of an Oil and Gas Fund tasked with receiving and disbursing oil and gas revenues, maintaining fiscal and macroeconomic stability, financing investment in the sector, supporting social and economic development and safeguarding resources for future generations.⁷⁵ The Act sets out fiscal rules governing the collection, allocation and spending of petroleum revenue, addressing volatility and the exhaustible nature of petroleum wealth and works alongside Tanzania's separate transparency legislation, which imposes disclosure obligations on revenue, contracts and local content to enable public and parliamentary oversight of how that revenue is managed.⁷⁶ By legislating the revenue chain and the transparency mechanisms that accompany it as a single, dedicated framework, rather than leaving revenue management to be inferred from the fund-establishing instrument alone, Tanzania illustrates the kind of comprehensive statutory architecture Namibia would benefit from adopting alongside the Welwitschia Fund.

A dedicated Revenue Management Act would complement the Fund by establishing clear rules on the collection and consolidation of petroleum revenues, the formula or mechanism for allocating revenue between the national budget and the Fund, fiscal rules to manage revenue volatility, and reporting and audit obligations to Parliament and the public. This would ensure that petroleum revenue management is governed by a coherent and transparent legal framework, rather than being addressed piecemeal across different pieces of legislation and policy.

Government should accordingly enact a Revenue Management Act to provide a comprehensive and transparent legal framework for the collection, allocation and oversight of petroleum revenue across Government, ensuring consistency with the governance framework established for the Welwitschia Sovereign Wealth Fund.

7.2.5. Establish Petroleum Data Governance and Collection

Modern petroleum regulation increasingly depends upon accurate, accessible and secure data.

Government should continue strengthening systems for geological information, production reporting, petroleum measurement, licencing information and environmental monitoring. Integrated digital information systems improve regulatory efficiency, facilitate transparency and support evidence-based policymaking.

Government should establish a integrated petroleum data governance framework for geological, production and licencing data, to ensure that this information remains accurate, secure and accessible

⁷⁵ See Tanzania's Oil and Gas Revenue Management Act 2015 (Chapter 328).

⁷⁶ See Tanzania Extractive Industries (Transparency and Accountability) Act 2025 (Chapter 447).

in support of transparent and evidence-based regulatory decision-making. This was already resolved in the Policy Statement P11 of the National Energy Policy of 2017, which advocates for Geoscience data collection and management.⁷⁷

7.3. LONG-TERM STRATEGIC PRIORITIES

7.3.1. Maintain Fiscal Stability

As production expands and petroleum revenues increase, policymakers should continue to preserve fiscal predictability while ensuring that the State receives an equitable share of petroleum wealth. Frequent or retrospective changes to fiscal terms should generally be avoided unless necessary, as international experience has shown that regulatory stability remains one of the most important determinants of long-term investment.

7.3.2. Continuous Review of Decommissioning Mechanisms

Decommissioning is often seen as a concern for the later stages of petroleum operations. However, the financial and environmental responsibilities linked to decommissioning arise from the beginning of petroleum activities. Experience from other petroleum-producing countries shows that if these responsibilities are not addressed early and regularly reviewed, they can create major financial costs for the State. They can also result in abandoned infrastructure and sites that have not been properly rehabilitated, especially if an operator becomes insolvent or leaves the country without meeting its obligations.

As Namibia's petroleum industry develops, the Government should regularly review and strengthen its decommissioning requirements. This should include requirements for financial security, decommissioning funds, methods for estimating decommissioning costs and rules on how any remaining liability is shared between operators, joint venture partners and the State. These requirements should not be treated as fixed once they are established. They should be reviewed throughout the life of a petroleum project. This is particularly important because Namibia's emerging petroleum industry includes both offshore and onshore projects, which have different decommissioning challenges.

Special attention should be given to the rehabilitation of wells, particularly for onshore exploration and production projects. Onshore well sites are closer to communities, agricultural land and groundwater resources. Poor rehabilitation can therefore have direct environmental and social impacts. The decommissioning framework for onshore operations should include clear requirements for well plugging, site rehabilitation and monitoring after closure.

The Government should therefore continue to review and strengthen Namibia's decommissioning framework, including specific requirements for the rehabilitation of wells in onshore projects. This will

⁷⁷ National Energy Policy, Ministry of Mines and Energy. July 2017. Policy Statement P11.

help ensure that decommissioning obligations are properly funded, secured and enforceable throughout the life of petroleum operations.

7.3.3. Periodic Review of Petroleum Legislation

The petroleum industry continues to evolve in response to geopolitics tensions, technological innovation, changing environmental standards and the global energy transition.

Rather than undertaking legislative reform only when issues arise, Namibia should adopt a culture of periodic regulatory review. Scheduled reviews allow legislation to evolve incrementally while preserving the legal certainty valued by investors.

Such an approach would enable Namibia to remain internationally competitive without sacrificing regulatory stability.

7.3.4. Preparing for economic diversification and energy transition

Although petroleum is expected to play an important role in Namibia's economic development for decades to come, long term policy planning should recognise economic diversification by using revenue from oil and gas. Policy Statement P14.d of the National Energy Policy of 2017 speaks to this. We should also use the revenues from oil and gas to invest new energies to accelerate transition towards lower-carbon energy systems.

This does not diminish the importance of petroleum development. Rather, it stresses the need to ensure that petroleum revenues are strategically invested in economic diversification, infrastructure, education, industrial development and renewable energy.

International experience shows that the most successful petroleum-producing countries view hydrocarbons not as an end in themselves, but as a catalyst for broader structural transformation.

8. CONCLUSION

The country's recent offshore petroleum discoveries have created an opportunity to transform its economy, strengthen fiscal resilience and fast track industrial development. Whether these opportunities translate into sustained national prosperity will depend not only on the size of its petroleum resources, but also on the quality of the institutions and legal frameworks responsible for governing them.

With the next phase in the country's petroleum journey, Namibia should enter the development and production phase from a position of considerable strength. Its current legal and fiscal framework has provided regulatory certainty, attracted substantial international investment and established a transparent licencing regime that compares favourably with many emerging petroleum jurisdictions.

These achievements should be recognised as competitive advantages and preserved as the sector continues to develop.

At the same time, the transition from exploration to production requires a corresponding evolution in regulatory governance. Strengthening institutional capacity, clarifying regulatory mandates, implementing a coherent local content framework, further enhancing environmental oversight and modernising exploration, development and production regulation to ensure that the legal framework remains fit for purpose in an increasingly complicated operating environment.

Experiences and lessons from Norway, Ghana, Angola, Tanzania and Nigeria show that successful petroleum governance is neither static nor uniform. Rather, it requires continuous learning, measured legal reform and a durable commitment to transparency, accountability and sound resource management. Namibia's ongoing regulatory reforms, including the proposed amendments to the Petroleum (Exploration and Production) Act and the development of the National Upstream Petroleum Local Content Policy, indicate that the legislators and policy makers are learning and evolving alongside the industry they regulate.

Ultimately, Namibia's objective should not be to replicate the institutional model of any other petroleum producing country. Instead, it should continue to build a governance framework that better reflect its own needs, vision and long-term developmental goals. If the immediate priorities, medium term and long-term priorities identified are implemented and supported by sustained investment in regulatory capability, Namibia will be well positioned not only to achieve successful first production but also to establish itself as a globally respected model of responsible petroleum governance.

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