

Namibia: Africa's new Oil & Gas Frontier; Business & Legal Scrunity Aspects

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Introduction

1. Namibia's Energy Approach

- Energy Mix Approach (National Energy Policy of 2017)

1 Promote the efficient use of all forms of energy

2 Ensure the security of all relevant energy supplies to the country

3 To incentivize the discovery development and productive use of the country's diverse energy resources

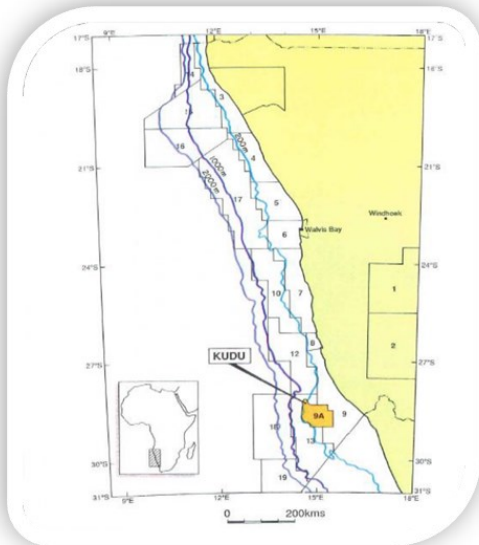
4 All forms of energy sources are promoted as it is

2. Petroleum Licensing History

Significant increase in offshore and onshore exploration licenses issued over 55 years

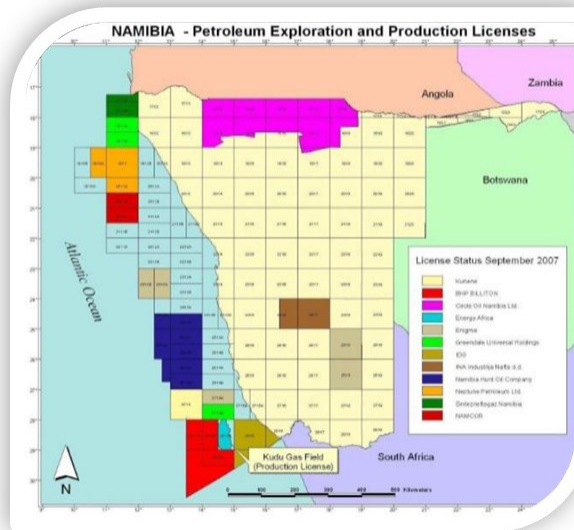
1970's

Initial offshore exploration phase
1 Petroleum Exploration Licenses
1 Discovery by Chevron



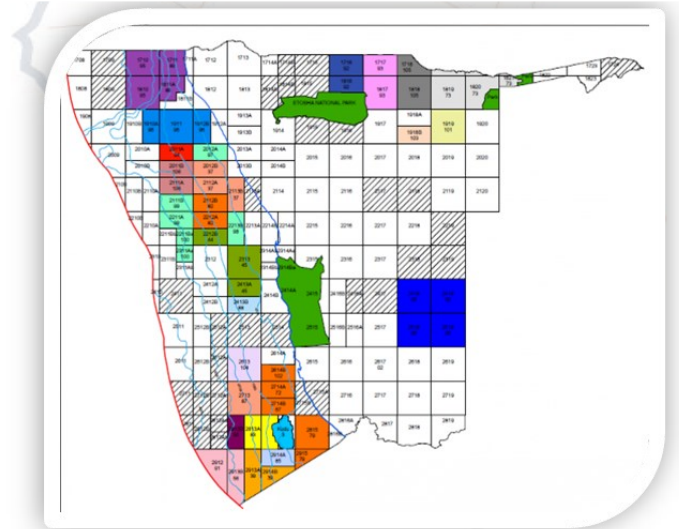
2007

Offshore and Onshore operations
14 Petroleum Exploration Licenses
1 Production License



2024

Significant increase both offshore and onshore
32 Petroleum Exploration Licenses (~20 Operators)
1 Reconnaissance License
1 Production License
Unprecedented number of applications for Petroleum Exploration Licences offshore

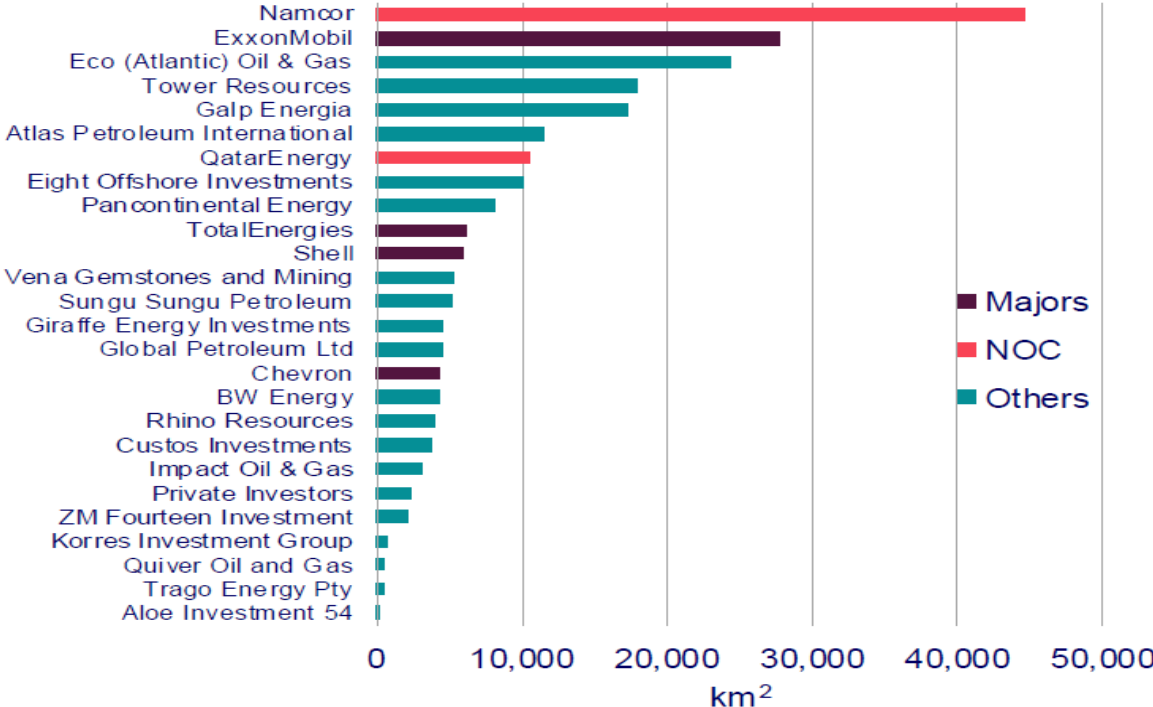


Namibia's Acreage

3. Offshore Acreage Namibia

230,000 km² licenced acreage offshore Namibia

Net offshore acreage



Source: Wood Mackenzie



4. Recent Offshore Discoveries

Shell

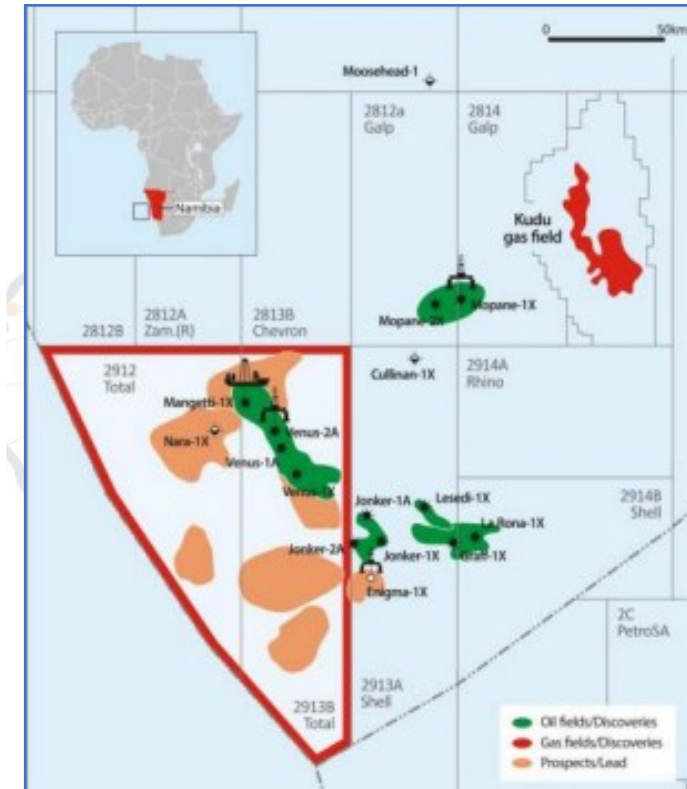
- On 4 February 2022, Shell Namibia Upstream BV, alongside its JV partners Qatar Energy, and NAMCOR announced that it had made a discovery of light oil in both primary and secondary on the Graff-1 prospect located in Block 2913A, PEL 39.
- Further multiple discoveries were announced by Shell and the JV Partners in April 2022 in the La Rona-1 prospect, in March 2023 in the Jonker-1X, and in July 2023 in the Lesedi-1X prospect
- The most recent exploration well drilled by Shell and its consortium partners (Shell 45%, QatarEnergy 45%, NAMCOR 10%) in the Enigma prospect revealed additional hydrocarbons within the PEL 39 license area.

TotalEnergies

- On 24 February 2022, TotalEnergies, alongside Qatar Energy, Impact Oil and Gas and NAMCOR announced that they had made a significant discovery of light oil with associated gas on the Venus-1X prospect, located in Block 2913B, PEL 56 in the Orange Basin.
- Early estimates suggest more than 3 billion barrels of oil equivalent (boe) recoverable.
- Venus-1A appraisal well was drilled in the third quarter of 2023, followed by multiple exploration and appraisal wells in 2023 and 2024.
- Although the Nara-1 exploration well did not yield results, the subsequent Mangetti-1X well was successful.
- Total targeting the first phase of its huge Venus project offshore Namibia in late 2025, targeting production of as much as 180,000 barrels per day.
- Total Energies acquired an additional 10.5% participating interest in PEL 56 and an additional and 9.39% participating interest in PEL 91 from Impact Oil and Gas Namibia (Pty) Ltd.

Galp Energia

- On 10 January 2024, Galp confirmed that the Mopane-1X exploration well encountered a substantial light oil column. Then, on 14th February 2024, Galp announced that Mopane-2X also discovered a light oil column, followed by a successful appraisal of Mopane-1X on 21st April 2024.
- The company confirmed that the flow test of Mopane-1X was successful, estimating an in-place volume of 10 billion barrels of oil equivalent (boe). Galp, in its 2Q24 results, also revealed plans to begin drilling its next well in Q4 in 2024. The company intends to drill four exploration and appraisal wells in Q4 in 2024 within the Mopane complex.
- The company is utilizing the Hercules semi-submersible rig, operated by SFL Corp.



Source: Wood Mackenzie, Africa Oil, Standard Bank

5. Overview of Discoveries and Timelines

Overview of Discoveries

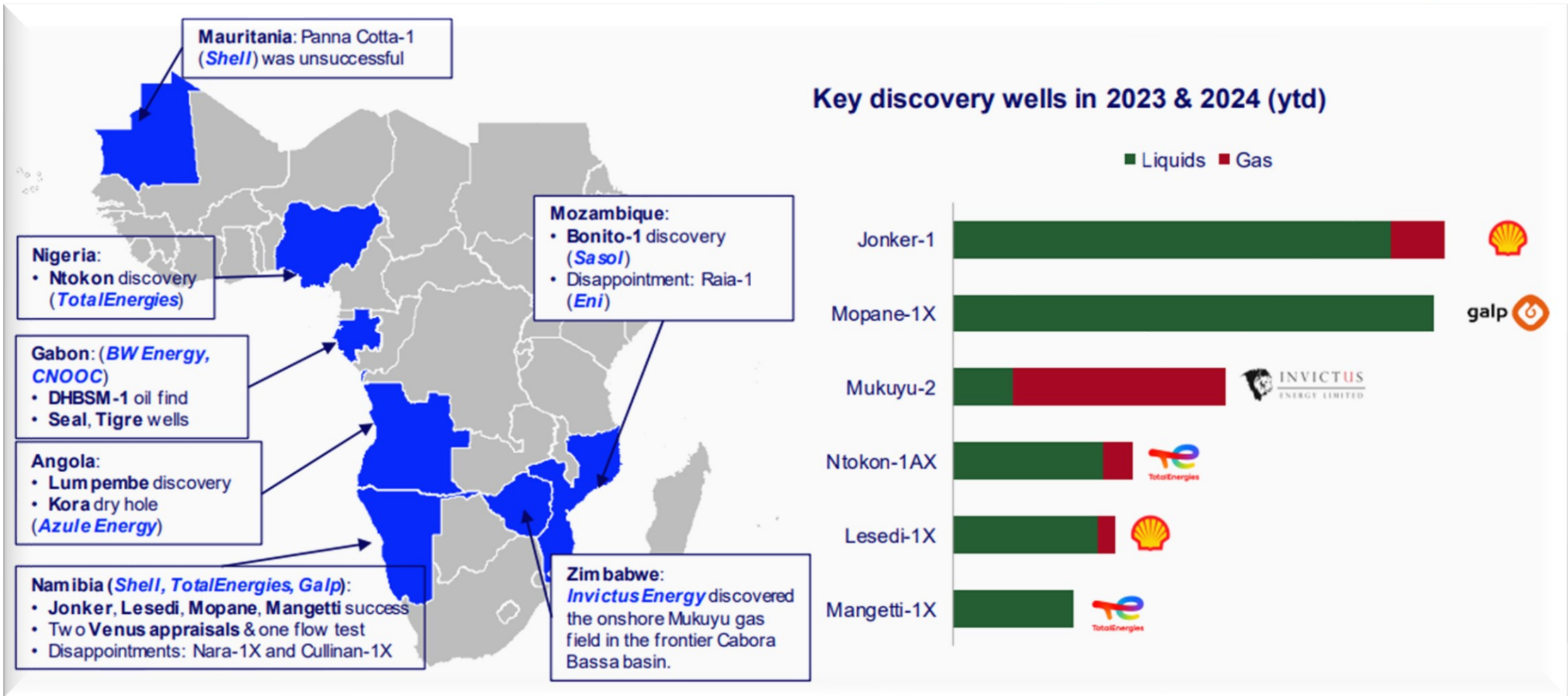
- Namibia is undergoing multiple exploration and appraisal/flow test / DST wells that will: - Materially affect country’s potential oil production; and determine each block’s individual Oil-to-Gas ratio, and thus provide an indication of volumes of associated gas that can be produced and sold.
- According to Wood Mackenzie, at July 2024 around **9 bn BOE** has been discovered by **Shell, Total and Galp** (including contingent resources).
- Wood Mackenzie assume an FPSO development for each field, with national production peaking at 778 KBPD in 2035 (Woodmac Jul’24).

Timelines

WELL	OPERATOR	STAGE
Graff-1X	Shell	Appraised
La Rona	Shell	Discovery
Jonker-1A	Shell	Appraised
Jonker-2A	Shell	Appraised
Lesedi-1X	Shell	Discovery
Enigma	Shell	Discovery
Venus-1X	TotalEnergies	Appraised
Venus-1A	TotalEnergies	Appraised
Venus-2A	TotalEnergies	In Exploration
Mangetti-1X	TotalEnergies	Discovery
Mopane-2X	Galp	Discovery
Mopane-1X	Galp	Appraised
TBA	Galp	4Q 2024
Sagittarius	Rhino	November 2024
TBA	Chevron	4Q 2024 – 1Q 2025
TBA	BW Offshore	1H 2025
Kudu FID	BW Energy	Mid 2025

Source: WoodMackenzie, Africa Oil, Standard Bank

6. Namibia Dominates Exploration and Appraisal in Africa



Source: Wood Mackenzie Lens upstream

7. Recent Notable Deals in Namibian Petroleum Industry

Legal Considerations

8. Stabilization Clauses in the Namibian Energy Sector

- Stability and predictability in the legal and regulatory frameworks are critical to attracting and retaining foreign investment in these industries.
- Stabilization clauses, which offer protection against political risks and legislative changes, are crucial for the investors.
- At the moment in Namibia the stabilisation clause is not provided for in the Model Petroleum Agreement
- Question: Are these clauses afforded to other investors in Namibia? i.e. mining, green hydrogen, power sector etc. If so, fair and equal treatment of investors across all sectors in Namibia.

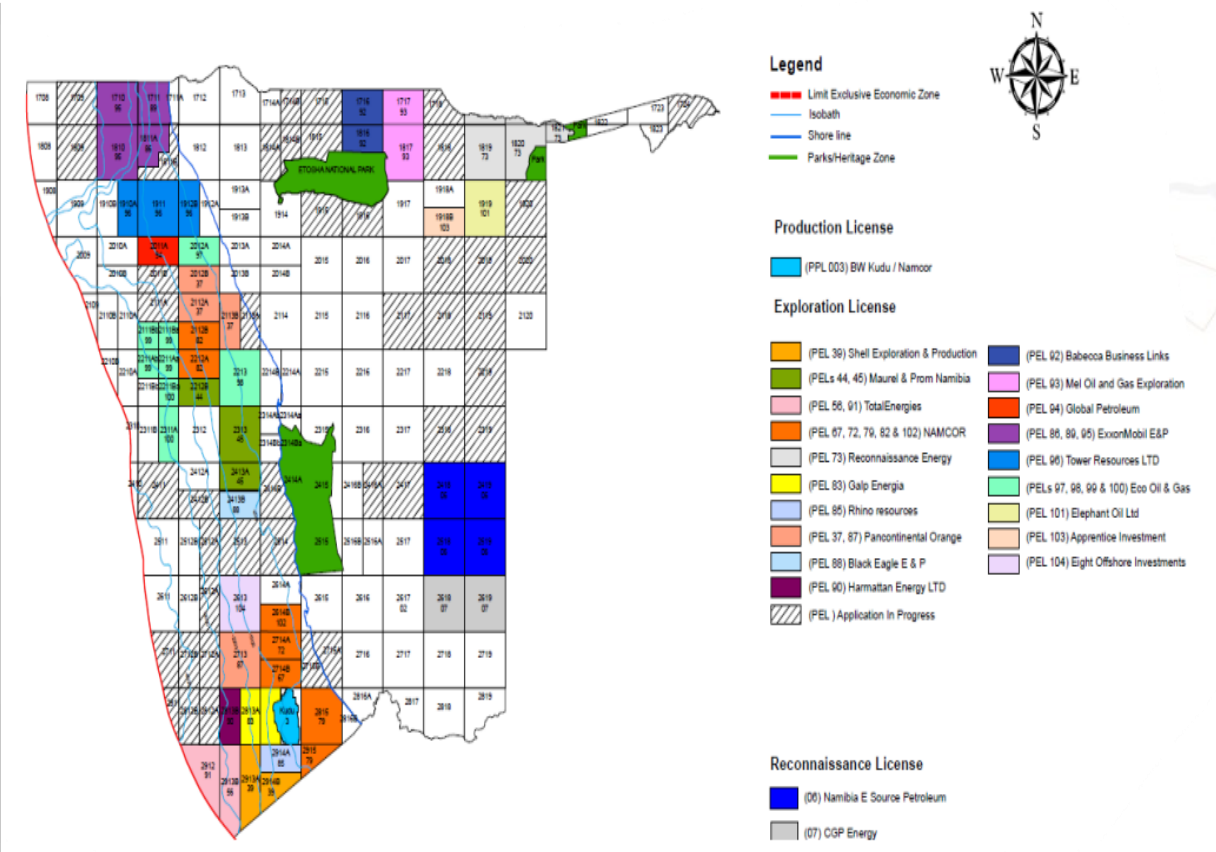
Types of Stabilization Clauses

Freezing Clauses	Economic Equilibrium Clauses	Hybrid Clauses
These clauses can either freeze the law as of a specific date or prohibit the state from unilaterally altering the terms of the investment contract without mutual consent.	Economic equilibrium clauses seek to maintain the economic balance of the investment despite changes in legislation or regulations. (Common clause)	Hybrid clauses combine elements of both freezing and economic equilibrium clauses, offering a tailored approach to protect investors from both legislative changes and economic disruptions.

9. Consideration for Licence Bid Rounds for some acreages

Namibia is currently using a licensing bidding system

- For purposes of transparency and accountability there will be a need to introduce license bid rounds for some acreages.
- Also consider using open licensing system together with a licensing bidding system.
- Transparency limits the opportunity for corruption.
- Accountability ensures the intrusted are held accountable for their actions or inactions.



10. Local Content

- ❏ Current local content provisions in the Petroleum (Exploration & Production) Act of 1991 & Model Petroleum Agreement
- ❏ Need for detailed Local content identified in National Energy Policy of 2017 (**Policy Statements P13**). Local Content Policy in final stages, it will provide:
 - ❏ A clear and stable regulatory framework for Local Content requirements
 - ❏ Identify specific sectors for the development of local capacity
 - ❏ Maximize employment and development of Namibians
 - ❏ Maximize the participation of local suppliers along the value chain
 - ❏ Promote Namibian ownership and financing at all levels of the sector



11. Independent Regulator for Upstream Oil & Gas Sector

Need to establish a Regulator identified by The White Paper on Energy Policy of 1998 and the National Energy Policy of 2017 (**Policy Statements P14.b**)

Differentiate Roles	Administer supporting regulations' i.e. (local content)	Independent entity
<p>Government & legislature to establish policy, while role of regulator is to administer the regulations arising from those policies</p>	<p>Local content framework will require monitoring, evaluation and enforcement for it to work</p> <p>An independent regulator will be able to ensure the full implementation of the local content framework</p>	<p>Regulator should therefore ideally be independent of the policy making process</p>

Angola

National Agency for Petroleum Gas and Biofuels (ANPG)

www.snclawgroup.com

Tanzania

Petroleum Upstream Regulatory Authority (**Upstream**)
&
Energy and Water Utilities Regulatory Authority (**Mid & Downstream**)

Ghana

Petroleum Commission

Business Considerations

12. Business and Intellectual Property Authority

The Role of BIPA and its influence -

- regulate and administer the registration and deregistration of businesses in Namibia;
- maintain accurate, current and relevant information concerning business.
- Can fastrack local content implementation if it keeps up to date records of companies.
- BIPA is an important stakeholder and will highly benefit the oil and gas sector if its systems operates at optimal levels.

Challenges

- Delays in registration of companies, takes longer as compared to other jurisdictions such as South Africa and Botswana
- Obtaining up-to-date information - Delays in obtaining information when conducting due diligence on local companies.



**BUSINESS AND INTELLECTUAL
PROPERTY AUTHORITY**

Protecting Entrepreneurship and Innovation



13. Namibia Competition Commission

- Most of the M&A in the oil and gas sector requires approval from the Namibia Competition Commission (NaCC).
- The NaCC is an important stakeholder, hence regulator such as MME should ensure that NaCC is aligned and understand the magnitude of the oil and gas sector.

Challenges

- Delays in approval of merger filing.
- May slows down the immediate commencement of oil and gas activities because conditions precedent must be met.
- Frustrates the investors in the oil and gas sector involved.



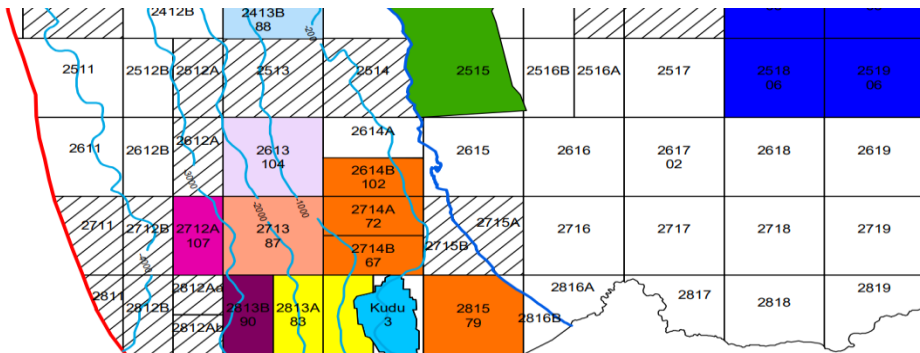
14. Incentive for Deep Water Exploration

Ultra Deepwater Exploration

- Blocks at 4000m water depth
- Challenges in drilling
- More advanced technical know-how to needed
- Companies shying from these deeper blocks because of many challenges

Challenges

- High Exploration and Production Costs
- Complex Logistics and Infrastructure
- Harsh Environmental Conditions
- Technical Complexity and Advanced Technologies
- Environmental Risks and Regulations
- Security and Safety Concerns



Incentives

- To attract more companies to acquire these blocks we should consider incentivizing them
- Reduce royalty & tax rate for those drilling in deeper water, relax work programs

Brazil

- In Brazil they have REPETRO & REPETRO-SPED (Decree No. 9,128 and Law No. 13,586), amongst others which provide for:
 - Reduced Corporate Tax Rates for Deep Water Projects (Pre-Salt)
 - Tax Exemptions on Imported Equipment
 - Local Content waivers
 - Royalty reduction on the incremental production

Angola

- Presidential Decree No. 282/20, of October 27, 2020, approved Angola's Hydrocarbon Exploration Strategy 2020–2025, Some of the key tax benefits include:
 - Reduced Corporate Tax Rates
 - Accelerated Depreciation Allowances
 - Tax Exemption on Imported Equipment
 - Reimbursement of Exploration Costs

15. Market Opportunities



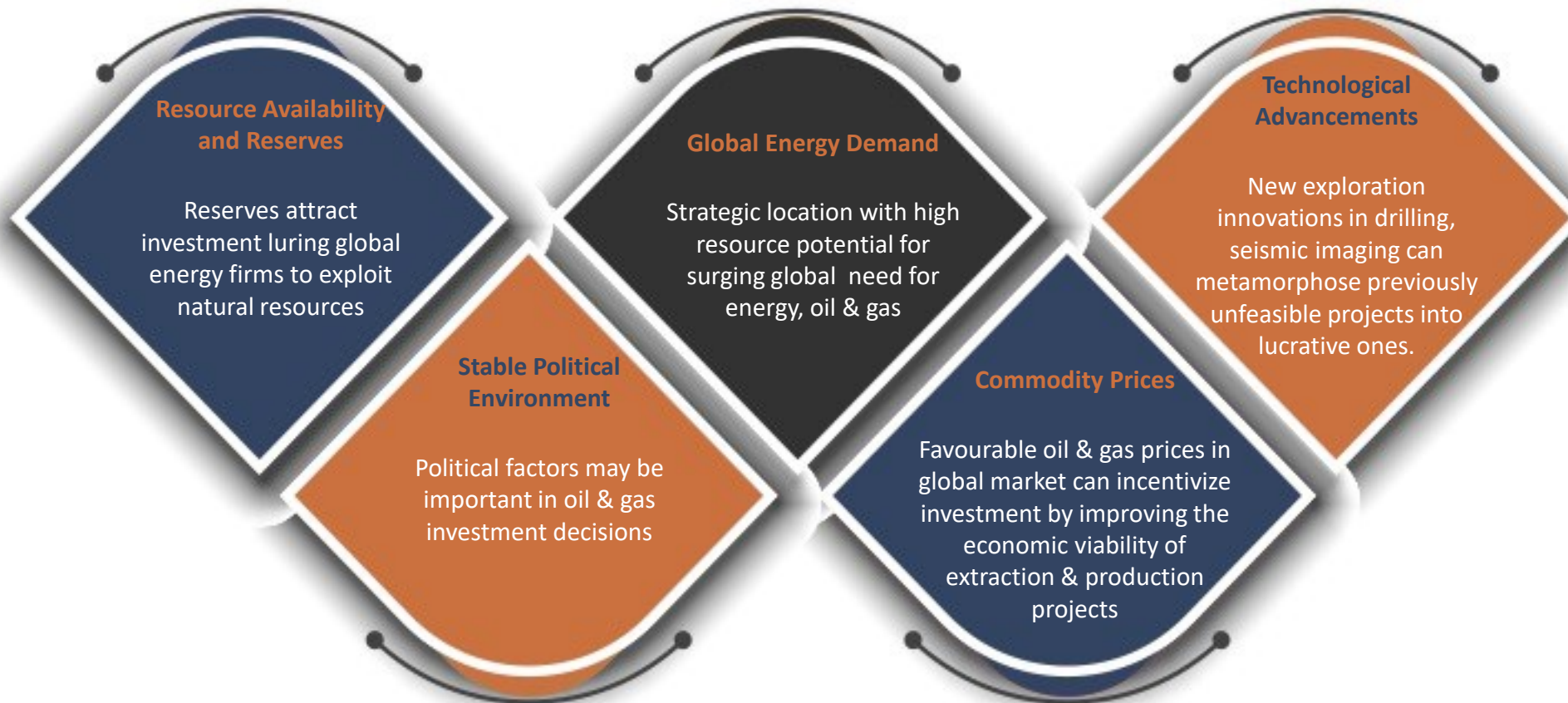
❖ Market Opportunities

- We expect a high rise in numbers of Mergers & Acquisitions (M&A) in the Namibian Petroleum sector due to the recent discoveries.
- Opportunities presented by Walvis and Luderitz Basins
- Derisking of Walvis Basin contributing to increased activities
- More wells to be drilled, creating opportunities for service companies, drilling companies, local entrepreneurs.

Conclusion

15. Market Factors to Accelerate Oil & Gas Development in Namibia

The successful development of Namibia's oil and gas resources holds the promise of economic growth, energy security, and technological advancement. The acceleration of oil and gas development in Namibia depends on a delicate interplay of both market and non-market factors, each contributing to the shaping of the industry's development.



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Thank You

