

REMARKS BY TOM K. ALWEENDO
PARLIAMENTARY WORKSHOP : MAXIMISING MINING & ENERGY
POTENTIALS
SWAKOPMUND, 29 MAY 2023

Hon. Members of Parliament
Distinguished Participants
Members of the Media
Ladies and Gentlemen

Let me begin by thanking the organizers for inviting me to speak at this important workshop. It is an important workshop, discussing how we can and must harness the economic potentials from our mining and energy sectors. It is not an exaggeration to say that currently the two sectors are to our economy what blood is to life itself. It is that important.

Recently and in both sectors, promising things have happened. For example, in the petroleum sector, oil has been discovered in sufficient quantities that justify commercial production. In the mining sector, because of the energy transition brought about by the global undertaking to address the effects of climate change, there is now a global demand for critical raw materials and metals. Some of these minerals, such as lithium, are available in our country.

We therefore have a clear window of opportunity to transform our economy. Depending on how we decide to deal with these opportunities, we have the real potential to effectively address the triple social ills of unemployment, poverty, and inequality.

With regards to the mining sector and especially with regards to the critical raw materials, these are minerals that are highly sought after globally. For that reason alone, we cannot mine these minerals where they are exported in their basic raw form or where minimal value has been added. We must insist that critical raw materials are not exported without value being added locally. And where possible, we need to insist that processed minerals are used as inputs into locally manufactured goods, such as batteries, allowing us to export manufactured goods.

In the petroleum sector, the recent discovery of oil and gas in commercial quantities hold great potential to transform our economy beyond taxes and royalties that would accrue to the State. And as it was to be expected, following the discovery, two related questions are being posed: One, what will be the impact of the oil discovery on the Namibian socio-economic landscape? Two, what are the chances that the oil discovery becomes a curse rather than it becoming a blessing? The short answer to these questions is that it will all depend on what we decide to do today. The impact will be what we decide it to be.

We know of countries where the discovery of oil became a curse and there are also countries where the discovery became a blessing. I would like to believe that we all want our discovery to be a blessing rather than a curse. However, for it to be a blessing depends mostly on our policy environment, especially our institutional and political aspects of it. It has been proven that countries with strong institutions, a stable political system and an effective legal framework, were able to manage their oil revenue with a positive impact on their economies and for the benefits of their citizens. That is why our President, Dr. Hage G. Geingob, has always emphasized the virtues of systems, processes, and institutions.

I have reason to believe that our institutions, our political system, and our legal framework are such that there is no reason why the oil discovery should not be a blessing. What we need to do, however, is to manage the resources with a clear understanding that the resources belong to both the current and future generations. Necessarily, therefore, the management of the resources must benefit both generations.

In addition to the revenue that will accrue to the State through various taxes such as income tax and royalties, the local economy stands to gain more from local content. Local content is the value that the extraction of oil brings to the local economy beyond the resource revenues. This value will be obtained from the provision of ancillary services to the oil sector. Among these are the provision of services such as engineering, logistics, accommodation, and catering. Some of the services can readily be provided by local businesses, while others might take a while before our local businesses are able to provide such services.

It shall be a requirement for the International Oil Companies to ensure that all services that can immediately be provided by our local entrepreneurs, are acquired from local entrepreneurs. In cases where local entrepreneurs do not have the necessary capabilities to provide certain services, we will need to have a clear program as to how to capacitate local entrepreneurs. This can be done, for example, through joint ventures with experienced international service providers.

We currently have a draft local content policy that is available for public comments on the Ministry's website. To receive public inputs, we held a local content workshop in Windhoek on the 11-12 May 2023 with some relevant stakeholders. We will continue to hold workshops with all our stakeholders, including policy and law makers. We also know that it is one thing to have a policy and another to have the policy implemented. Therefore for the local content policy to be implementable and to have teeth, it will have to be translated into law.

Another exciting development in the energy sector is that of our ambitious program to develop a synthetic fuel industry using our renewable resources. Here I am referring to our GH2 strategy. Our world-class solar and wind resources, and vast open spaces

make Namibia the ideal destination for future green hydrogen development. These conditions give reason for Namibia to be able to produce green hydrogen at highly competitive costs.

We are looking to produce more than just green hydrogen, as we aim to export green ammonia, e-methanol, and synthetic kerosene. The final ambition is to also manufacture more complex products, such as green zinc and steel. Key to our GH2 strategy is the creation and utilisation of molecules for local industrialization objectives and for decarbonisation of industrial sectors.

When discussing the question of how to benefit from our God-given natural resources, I want us to also reflect on three issues that I regard to be of critical importance. These are inclusivity, corruption, and the culture of entitlement.

Inclusivity is the practice of providing equal opportunities for people who might otherwise be excluded. To quote President Hage G. Geingob, “exclusivity spells conflict while inclusivity spells harmony”. There are examples across the world where the oil and gas sector in some countries has become an exclusive sector, dominated by a group of few individuals at the exclusion of most of the citizens, especially the ordinary citizens. This exclusion has resulted in huge social inequality that fueled social discontent and unrest. It is my hope that we give serious consideration on inclusivity in our discourse.

The second issue is that of corruption – especially where public officials obtain private gains from holding public office. Among the practical challenges that have the potential to derail the effective management of our natural resources is corruption. To mitigate against corruption in the management of our natural resources and to ensure that in-country value creation reaches ordinary citizens requires us to be transparent in all our conduct. We must be fair and transparent with our employment procedures, procurement processes and in exercising oversight over the policy implementation. The more we are transparent in our conduct, the high the chance of realizing our fair share of the economic benefits from our natural resources.

In both the mining and petroleum sectors, activities take place through a licensing system. No one is allowed to undertake any mining or petroleum activity without a license issued as per the requirements of both the mining and petroleum legislations. It is here where we need to be thorough and act strictly in accordance with the law, lest our licensing system becomes a source of corruption. I therefore urge all the Ministry of Mines and Energy officials that are involved in the licensing system to ensure that at all times we act with due diligence and honesty.

The third issue is that of the culture of entitlement. It is the case that we have people in our society with a “You Owe Me” attitude. People that are not willing to acknowledge that as a Nation we will achieve better outcomes when all of us accept individual responsibilities. People with this attitude believe that society owes them something. They do not have to earn or deliver value for what they receive. They focus more on what they are owed than what they can contribute to the society.

In this respect, I would like to encourage all of us, especially our entrepreneurs, to spare no effort in understanding our two sectors; to spend time to read up on what the sectors require; and to also understand the required capabilities to be an effective participant. We will all be better off as businesspeople and members of society if we foster a culture of meritocracy as opposed to that of entitlement.

Having said all that, there is one specific issue that requires our unvarnished discourse. It is such an important issue, and it requires us to discuss it candidly and with pragmatism. I am here referring to the issue of local ownership in both the mining and energy sectors. There is a growing public voice criticizing the fact that the exploitation of our mineral and petroleum resources is dominated by foreigners. I wholeheartedly agree with this view - and I may add that the status quo is untenable, it is indefensible. We therefore need to figure out how to change the status quo, while still ensuring that the two sectors continue to be economically beneficial to the Namibian people.

What has contributed to the status where both the mining and petroleum sectors are dominated by foreign investors are two things. First is the fact that operating in these sectors requires complex technologies and secondly, it is capital intensive. These are two things that we unfortunately do not have or so we think. It is only those who have access to risk capital that have ventured to invest in these sectors. I am not mentioning this to justify the status quo. However, I am mentioning it so that we have a better appreciation of what we might have to do to change the status quo.

For us to economically benefit from our minerals and petroleum resources, there are two main phases that must take place. The first phase relates to finding the resources, generally referred to as the exploration phase. The second phase is the actual recovering of the resources from the ground once discovered through exploration. It is only during the second phase when we derive economic benefits from our minerals and petroleum resources; it is only during this phase when the State receives resource revenue and employment opportunities are created.

It is thus clear that phase one is the most important step in the process of making our natural resources to work for us. It therefore goes without saying that during this phase and to have a chance of making a discovery, you need to have the necessary capability. You need to have the right technology. You need to have the requisite risk capital where money is spent with no promise of finding any resources.

I am making this point because there are some amongst us who are of the view that, to encourage local ownership, exploration rights for both minerals and petroleum should be awarded without due regards to the capability to do exploration. They point out and pontificate that it is the only way local businesspeople can participate in these important sectors of our economy. As I said, I agree wholeheartedly that there is something inherently wrong where the ownership in the two sectors of our economy

is dominated by foreigners. However, we need also to remember that ranting against that what is wrong is not the same as solving the problem. Solving the problem is usually much harder, involving dismantling the status quo and in the process attracting the ire of those who seek to maintain the status quo.

We have two viewpoints to offer in this respect. First, awarding exploration rights to someone who has no capability whatsoever to do exploration, in our view, is tantamount to denying citizens the potential economic benefits to be derived from our natural resources. If we award exploration rights to someone who is not able to do exploration, no exploration will take place and without exploration, no discovery will be made, and without a discovery the minerals will remain in the ground and will have no economic value to the country. This is surely not what we desire. I believe that what we want is to find the resources as quick as possible and move to phase two during which we will derive economic benefits.

The second viewpoint is that awarding exploration rights to those without the necessary capability, has real potential to lead to unethical behavior from not only the officials responsible for licensing, but also from those who are being licensed. When exploration licenses can be awarded to anyone who applies for them, you would create a situation where there are more applicants than there are opportunities. The dilemma you will have is how to decide whom to give the exploration rights to and using what criteria. What you would have done, albeit unintentionally so, is created a moral hazard for both licensing officials and those seeking licenses to conduct themselves unethically.

We have empirical evidence where those awarded exploration rights without the requisite capability to do exploration have created a trading market for such rights, selling the rights to the highest bidder, who is usually a foreigner. This is tantamount to auctioning exploration rights, except that the revenue so derived does not accrue to the State, but to the few individuals who were lucky enough to acquire such rights.

As we all agree that local ownership is so important and we also argue that perhaps awarding exploration rights to those without the ability to carry out exploration is not the right way to incentivize local ownership, how then do we resolve this conundrum? What must we do to ensure that in the long run, we have local ownership in the exploitation of our minerals and petroleum resources?

Let us recall that Article 100 of our Constitution states that “*natural resources below and above the surface of the land and in the continental shelf shall belong to the State, if they are not otherwise lawfully owned*”. For this reason, we are making a case that local ownership must start with the State, in whose ownership of our natural resources is vested. The proposed State ownership should take the form where the State owns a minimum equity percentage in all mining companies and petroleum production for

which it does not have to pay. We believe that this is the most practical way to resolve the issue of local ownership.

Another idea we have how to incentivize local ownership, is to establish a State-funded minerals exploration Fund, which could be funded by a portion of the royalties that mining and petroleum companies pay to the State. The Fund will then be used to assist eligible local entrepreneurs who wish to invest in the mining sector.

I would like to conclude by saying that the Ministry of Mines and Energy will continue to use our best endeavors to ensure that our minerals and petroleum resources are exploited in the best interest of the country and its people. It is our resolve to be good stewards of our resources, and in this role, we will continue to value the citizens' informed contribution how to do better.

Ours for the next few days during this workshop is to critically think about how to ensure that we benefit from our natural resources optimally and sustainably. It is for us to analyse how to eliminate what we believe are impediments to our progress, while keeping and strengthening what works for us.

I thank you.