



MINISTRY OF MINES AND ENERGY

BUDGET MOTIVATION

VOTE 15

FOR THE 2024/2025 BUDGET MOTI

Hon. Tom K. Alweendo, M.P

Minister

8 April 2024

Honourable Chairperson of the Whole House Committee,
Honourable Members,

I first want to thank the Minister of Finance and Public Enterprises, the National Planning Commission Director General, and their teams for a well-crafted budget; having taken into consideration the need for the economy to grow and the commitment to assist the vulnerable members of our society. This is in recognition that any society is only as strong as its weakest link.

The Ministry of Mines and Energy is entrusted with the stewardship of our diverse mineral and energy resources. It is therefore expected of us to ensure optimal utilization of our mineral and energy resources for the benefit of all Namibians, current and generations to come.

To a significant extent, the mining and energy sectors have historically made a distinct contribution to Namibia's development agenda. For example, in 2022 the mining sector alone contributed over 12% to our GDP. For the 2022/23 financial year, the mining sector contributed more than N\$3bn to the fiscus. From the export-led growth perspective, the sector accounts for about two-thirds of merchandise trade exports annually. It has also emerged as the main driver of aggregate growth for our economy and an anchor for long-term growth prospects.

Recently the Ministry's work has gained more significance due to several things that have happened. These are the discoveries of oil and gas, the progression of our GH2 strategy, and the demand for critical minerals, occasioned by the need for a sustainable energy transition. All these have heightened the public's expectations from us, and rightly so. Not only have the recent activities in both the mining and energy sectors attracted local public attention, but we have also caught international public attention.

Today we have various countries and international companies that are seeking to partner and collaborate with us in the realization of our ambition to grow our economy and improve the livelihoods of the citizens, leveraging our mineral and energy resources. We welcome such partnerships and collaborations, but only on one condition and that is that such partnerships are with like-minded partners and in the best interest of Namibians.

Honourable Chairperson of the Whole House Committee,
Honourable Members,

The Ministry of Mines and Energy has recorded notable progress on the key pillars of our mandate.

Regarding the **geological survey activities**, geoscientific assessments have been extended beyond the central and southern parts of the country, to include the western and northern areas. The Mineral prospectivity mapping of base metals in the Kunene Region is now completed. We now have available the necessary information for increased exploration activities and the promotion of the Kunene Region as an attractive destination for investment in the mining and oil and gas sectors. Increasing attention has also been accorded to digitizing analogue and hardcopy historical exploration documents to enable ease of access to invaluable data and the preservation of records.

In the **oil and gas sector**, it is noteworthy that more progress points have been realized since the first oil discovery by Shell and TotalEnergies in 2022. Galp and its Joint Venture partner, Namcor, have recently announced two significant hydrocarbon discoveries. This brings the total discoveries in the Orange Basin to five since 2022. Meanwhile, the drilling of appraisal wells and acquisition of 3D seismic data continue to assess the commerciality of the discoveries. Expectedly, the discovery of oil has created high expectation of great wealth. While the potential for great wealth is there, it is important that we do not count our chickens before they hatch.

Currently we are working diligently to upgrade our capabilities and readiness to effectively manage this new sector. Our vision is to manage the oil and gas sector in a transparent and ethical manner, such that the subsequent economic benefits will accrue fairly and equitably to all Namibians. One of the preeminent works we have initiated is that of developing a Local Content Policy (LCP) in the oil and gas sector.

The idea of a LCP is to ensure maximum local economic benefits through service provision to the oil industry by businesses owned by Namibians. We will do everything necessary to ensure that the policy is developed with inputs from as many stakeholders as possible and that it is fit for purpose. However, we also need to recognize, early on, that it is one thing to have a policy in place, and it is another to ensure that the policy is implemented as envisaged. We would have failed the country if we do not ready ourselves to play a role in this new industry. However, our participation is only guaranteed if we prepare ourselves. For that to happen, we need to develop a dogged determination to make it happen. Success will require Namibian entrepreneurs that are both curious and serious, lest we create an environment characterized by fronting and tokenism.

We continue to be concerned about the volatility and rising price of fuel, that has a devastating effect on many consumables. The volatility is mainly caused by recent geopolitical tensions that have created supply constraints. To alleviate the pressure on the consumers, the National Energy Fund continues to serve as a shock absorber for fuel price volatility. Since the beginning of this year, the Fund assisted in the fuel pump price equalization to the tune of N\$236 million.

Honourable Chairperson of the Whole House Committee,

In the **area of energy**, we are still concerned that we continue to import more than half of our electricity needs, a position that is indeed untenable. The Ministry of Mines and Energy is responsible for ensuring that Namibia is energy secure, that access to energy is universal across our population, and that existing and prospective industries have the energy needed to thrive within our borders.

To this end NamPower has been tasked to complete its 220MW portfolio of generation assets as soon as possible. NamPower continues to play the critical role of ensuring that Namibia has a robust transmission network that will not only allow us to get electricity to our people, but importantly when we unlock abundant energy from our renewable sources, these networks will allow us to trade electricity with our neighbors. NamPower is on the brink of unlocking just under NAD2.6bn, including a NAD280 million grant from the Global Public Good, which will be used to finance the Auas-Kokerboom transmission line and battery storage. Such strategic endeavors have the full support of the Ministry.

It is essential that we begin to diversify our providers of energy. This intent was signaled with the advent of the modified single buyer introduced few years ago. To date independent power producers, contribute 11% of the total local generation. To ensure our pathway to energy security is further emboldened, the Ministry will soon announce a 300MW accelerated feed-in-tariff programme that will ensure that Namibia speeds up its way to self-sufficiency. This is crucial not just to ensure that we meet our own energy needs, but also to reduce the burden we place on our neighbors, as they too are energy insecure. Regional energy security is critical for the broader stability of the southern African community.

We continue to be committed to provide electricity to rural and peri-urban areas. During the 2022/23 financial year, a total of 33 public schools in rural areas were electrified, while the electrification of 30 more schools is underway. Additionally, a total of 215 households and businesses were electrified through the Solar Revolving Fund (SRF) financing facility.

GH2

The implementation of our GH2 Strategy is now in full swing. However, we also know that electrons alone will not suffice to provide Namibia with the energy we need to unlock our full economic potential. By harnessing our massive renewable energy potential, Namibia can produce green hydrogen, a key fuel for hard to abate sectors such as chemical industries, shipping, and aviation. Namibia now hosts 9 projects that are looking to exploit this energy source across the country and green hydrogen has now moved beyond the realm of theory.

In 2024, we shall produce the first green hydrogen molecules which will be used to power mobility solutions, agricultural solutions and even be used to add value to our own minerals such as iron ore. Hyphen has embarked on one of the largest MetMast campaigns globally which was launched by President Mbumba on the 6th of April. Another company, Cleanergy, will launch its service station at the end of this month, a continental first. Daures Green Hydrogen will produce its first batch of ammonia and green agricultural produce in the 3rd quarter of this year and before the year is over, another company, Hylron, is slated to produce its first ton of hot briquetted iron, treated by Namibian-made green hydrogen. Hon. Members, the future has arrived on our shores.

In the **mining sector**, we have noted an increasing inflow of investment in the exploration and mining activities. This is on the account of an increase in both demand and prices for commodities such as uranium, gold, and lithium. That is why, for example, we have noted some mining license holders such as Osino Resources, Bannerman Mining Resources and Reptile Uranium, that are in preparatory phases for the construction phase.

You will recall that not long ago the Government took a decision to ensure that in-country value addition take place before the critical minerals, such as lithium, are exported. This is a step in the right direction if ever we were to industrialize on the back of some of our natural resources. We continue to improve our systems and processes in ensuring that we obtain the intended results of this policy direction.

On the international arena and under the guidance of Cabinet, Namibia has become a founding member of the Minerals Security Partnership Forum. The Forum is a platform where minerals resource-rich countries and resource-poor countries discuss the supply chains of critical minerals and materials needed to decarbonize the global industry. Namibia is endowed with significant deposits of key minerals such as lithium, rare earth elements, iron ore, uranium and more. When we combine our clean energy endowment with these key minerals, it places Namibia in an enviable position of becoming a global accelerator of the energy transition.

Green industrialization

When we combine our energy and mineral endowments, we can establish world industries at home and produce low carbon class goods which are sought after around the world. Namibia is blessed to have a coastline and given our long-held ambition to become a logistics hub, we have made strategic investments which can now be fully utilized to ensure connectivity with the markets around the world that seek our new products.

Our trans Zambezi rail line, our Walvis Bay container terminal, our Luderitz Port and our world class road network will enable Namibia to successfully establish a green

industrialization agenda as envisioned by our late President Hage G. Geingob and as championed by the Ministry of Industrialization and Trade. The Ministry of Mines and Energy is fully committed to provide the key ingredients that will make this once-in-a-generation opportunity a reality, that will propel Namibia towards the prosperity enshrined in our Vision 2030.

The diamond sector is facing some challenges. For some time now, the demand for unpolished diamonds in some of the significant demand centers, such as India and China, have slowed down. This has exerted a downward pressure on the price. We are also faced with a potential risk where the G7 countries require that all rough and polished diamonds destined for their markets be routed through Antwerp, Belgium. If implemented as is, not only will this move curtail our freedom to choose where to export our diamonds, but it will also increase costs, and in the process reduce our competitiveness. We are busy engaging the G7 countries to reconsider their decision.

Honourable Chairperson of the Whole House Committee,
Honourable Members

While we were able to achieve several milestones, certainly with what is happening in the sectors of mining and energy, we still have some ground to cover. The budget we are requesting this august House to approve, will therefore be utilized to progress the work we have started.

For the 2024/25 financial year, Vote 15: Ministry of Mines and Energy is requesting for a budget allocation amounting to **N\$381,937,000** (three hundred and eighty-one million, nine hundred and thirty-seven thousand). The requested allocation is distributed amongst six **Programs** as follows:

PROGRAM 1: PROMOTION OF INVESTMENT IN EXPLORATION -N\$24.8 million

The objective of this program is to promote the optimal utilization of the country's mineral resources through the regulation of the mining industry, promotion of mineral exploration, inspection, and adjudication on mineral access rights as well as the oversight on mine safety and environmental matters. Through these activities, the ministry continually seeks to attract investment in the sector with consequent growth for the economy, revenue for the State and more jobs.

Conscious of the imperative to realize increasing local net economic gains, the Ministry has progressed well with the review of the primary legislative review, particularly the Minerals Prospecting and Mining Act and the Diamond Act. Equally, we have also progressed on streamlining the license application processes, with the envisaged introduction of the online application module during the first quarter of this financial year.

PROGRAM 2: GEOLOGICAL KNOWLEDGE CREATION - N\$69.1 million

Through this program, the Ministry continues to deliver requisite high-resolution baseline geoscience data, evidence-based research outputs and geoscientific maps which are the basis for resource exploration and discoveries. This has the effect of driving resource exploration in the sector and consequent investment. Over the 2024/2025 financial year, the focus for this programme is, *inter alia*, to establish strategic partnerships in accelerating the geoscience research and survey projects as well as the maintenance of geoscience and geodata information systems.

PROGRAM 3: ENERGY SUPPLY SECURITY - N\$168.6 million

This program aims to improve energy infrastructure for security of supply, access, and affordability through the promotion of energy generation and implementation of rural electrification program. The rural electrification program is supplemented by the activities of the National Energy Fund, through project financing by the Solar Revolving Fund. This gives greater impetus to household electrification via the grid and off-grid connections.

Notably, the requested allocation for rural electrification is N\$59 million more compared to the previous year. The significant increase in the rural electrification budget will allow us to increase the coverage of the underserved rural and peri-urban areas in the country. To ensure that the budget is fully utilized, we are streamlining the internal procurement processes for the speedy implementation of electrification projects.

PROGRAM 4: PROTECTION OF DIAMOND INDUSTRY - N\$23.4 million

This program is dedicated to protecting and promoting the diamond resources through sound regulatory oversight and inspection across the diamond value chains. Under this programme, the Ministry fosters collaboration with stakeholders as well as to honor our obligations to the African Diamond Producers Association and the Kimberly Process Certification Scheme. The requested allocation will support the achievement of the above objectives and the development of institutional capacity for the onboarding of the diamond valuation function for cost-efficiency considerations.

PROGRAM 5: PETROLEUM SUPPLY SECURITY - N\$20.5 million

This Program aims to achieve security of supply for petroleum products and the regulation and inspection of the petroleum industry. The Program is at the centre of the promotion and regulation of our emerging oil and gas industry. The requested allocation represents a 60% increase from the previous year budget, and this was necessary to, among others, fund the increased activity arising from oil and gas

discoveries. This is particularly so in institutional capacity building and to also align our structures and skillsets to the new functions.

The activities entail the delivery of fast paced exploration program, appraisal program for the new discoveries and oversight on the potential development of production fields and consequently effective management and regulation of oil production in the country.

In addition, the optimization of the National Storage Facility and efficient coordination of petroleum products supply remain a key priority under this Programme, ensuring that oil consumers continue to have petroleum products that are priced in a cost efficiently manner.

PROGRAM 6: POLICY COORDINATION AND SUPPORT SERVICES - N\$75.5 million

This program provides administrative support to the core functions of the Ministry. These are the shared internal support services such as the transport services for field-based operations, the upgrading of the Ministry's Regional Offices and the expansion of information communication technology infrastructure and solutions.

CONCLUSION

Honourable Chairperson of the Whole House Committee,
Honourable Members,

As I conclude, I wish to acknowledge the great expectations that many Namibians place onto the Ministry to deliver on the new growth agenda and therefore our prosperity. We are cognizant that this clarion call to deliver and the quest for the design and implementation of transformational policies, require an agile and ethical workforce, supported by robust systems, processes and effective institutional capacity. It is our commitment to the Namibian people to continue to deliver on our mandate, while doing so in a diligent manner.

To fulfil our mandate and to deliver as expected, I therefore request that this august House support and approve the budget allocation for Vote 15 in the amount of **N\$381,937,000** (Three hundred and eighty-one million, and nine hundred and thirty-seven thousand only).

I thank you.